

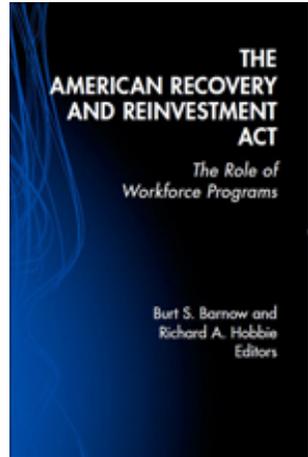
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# Trade Adjustment Assistance Program

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# 6

## Trade Adjustment Assistance Program

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The Trade Adjustment Assistance (TAA) program is a form of extended unemployment insurance (UI) that targets workers adversely affected by international trade. Fifty years ago, the TAA program was created as part of the Trade Expansion Act of 1962 to help workers and firms adjust to efforts to promote freer international trade. The TAA program stemmed from the understanding that, as trade expands, there are winners and losers, and as a policy determination, the losers should be compensated, at least in part, for the costs they experience. The program has been a continuing tool to facilitate compromise on international trade policy by lessening the impact on adversely affected workers. Since the Trade Act of 1974, TAA has provided a variety of benefits and employment services to American workers who lose their jobs because of foreign competition or imports. The primary services for workers are these three: 1) monthly cash benefits similar to, and coordinated with, unemployment insurance; 2) access to employment and training services; and 3) other services and benefits including job search assistance, relocation assistance, and a tax credit to cover the costs of health insurance.

Over the years, Congress has modified TAA many times, often in response to changing economic conditions and public policy concerns. During the time period covered by this study, three sets of TAA rules were in effect at various times during frequent and complex changes to the TAA system.

- 1) The Trade Act of 2002, Division A, Trade Adjustment Assistance, which may be cited as the Trade Adjustment Assistance Reform Act (TAARA) of 2002, reauthorized TAA for five years as part of legislation extending the president's expired "fast

track” authority to negotiate trade agreements. It expanded TAA in a number of ways, including making secondary or downstream workers eligible for the first time, creating a new health insurance tax credit program for dislocated workers, adding a program for farmers and authorizing a limited wage subsidy program for older workers. TAARA expired on September 30, 2007. However, the TAA program was kept afloat until February 2009 by a number of short-term bills, including the Trade Extension Act of 2007, the Consolidated Appropriations Act of 2008, and the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009.

- 2) The American Recovery and Reinvestment Act (ARRA) was enacted on February 17, 2009. It contained many provisions, including the Trade and Globalization Adjustment Assistance Act (TGAAA) of 2009, which extended TAA for nearly two years to the end of 2010. Changes effective in May 2009 included the following: additional funding for all programs, first-time eligibility for both service workers and firms, addition of a new communities program, and an increase in the amount of the tax credit for health insurance programs for dislocated workers. The ARRA/TGAAA expired at the end of December 2010.

The AARA/TGAAA was extended through February 12, 2011, but the TAA program was reauthorized under the Omnibus Trade Act of 2010 to February 12, 2012. Under the Omnibus Trade Act, the TAA program reverted back to the pre-ARRA Trade Act of 2002. The Trade Act of 2002 provisions were then in effect again beginning on February 12, 2011, until they were superseded by provisions in the Trade Adjustment Assistance Extension Act (TAAEA) of 2011 that October.

- 3) Trade Adjustment Assistance Extension Act (TAAEA) of 2011 was enacted on October 21, 2011. It reflected a compromise between the provisions of the Trade Act of 2002 and the Recovery Act of 2009. This TAA program reauthorization was a condition for the simultaneous enactment of three free trade agreements with Colombia, Panama, and South Korea. It continued the worker, employer, and farmer programs from the

Trade Act of 2002 but eliminated the communities program from the Recovery Act of 2009. It also retained many of the enhanced ARRA programs and higher funding levels. While it renewed eligibility for service workers and firms, increased job training income support, and retained health insurance tax credits, it also reduced funding for job search assistance, relocation assistance, and wage supplements for older workers.

Box 6.1 summarizes when the various acts were in effect and whether study site visits were conducted during these time periods.

This chapter considers the TAA program during the period of ARRA/TGAAA implementation and operation between May 2009 and February 2011. It also covers the period of reversion to the old Trade Act of 2002 rules from February 2011 to October 21, 2011, as well as the early implementation of the expanded TAAEA program beginning on October 21, 2011.

The main focus of this chapter is on the trade provisions in the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA), contained in the Recovery Act, which significantly changed the TAA program. In addition to some alterations to the technical provisions governing eligibility determinations and employer certifications, several important programmatic changes were made that expanded eligibility and increased benefits:

- **More employers became eligible for TAA.** The kinds of employers for which workers were eligible for TAA was expanded to include service sector companies, public agencies, and workers whose jobs were offshored to other countries. Previously, eligibility was more targeted on specific trade-affected job losses, mainly in the manufacturing sector.

**Box 6.1 Timeline of Laws in Effect and Site Visits Conducted**

Law in effect	Time span in effect	Months	Site visits
Trade Act of 2002	8/6/02 to 2/17/09	79	No
ARRA/TGAAA	2/17/09 to 2/12/11	24	Yes
Trade Act of 2002	2/12/11 to 10/21/11	9	Yes
TAAEA	10/21/11 to date	16	Yes

SOURCE: Hornbeck (2013) and author's compilation.

- **Expanded reemployment services.** Funding increased and emphasis was placed on services to help workers become re-employed, including assessment, testing, counseling, and early employment assistance.
- **More emphasis on training.** The emphasis on and funding for job training was greatly expanded, and workers were given a longer time (26 weeks after layoff) to begin training. Workers in training could also receive TAA payments for a longer period: 136 weeks, and 156 weeks if they were in remedial education. Training could be either full-time or part-time. Previously the training period was 104 weeks and 130 for remedial education, and the training supported by TAA had to be full-time.
- **Higher subsidy for health insurance.** The Health Coverage Tax Credit for workers was increased from 65 percent to 80 percent of the monthly insurance premium.

These TGAAA provisions became effective in May 2009 and were effective through February 12, 2011. Workers and employers in companies whose TAA petitions were approved after May 17, 2009, were subject to the new rules. Firms and workers who qualified under the previous law continued to receive benefits under the old rules, except that the expanded Health Coverage Tax Credit applied to all participants. Thus, states were required to manage the program under two sets of rules because some ongoing participants were subject to the old rules, while employers and workers approved after May 17, 2009, fell under the new law.

After February 12, 2011, TAA provisions reverted to the law that had been in effect before the TGAAA, and the Omnibus Trade Act of 2010 authorized the appropriation of funds for one additional year, through February 12, 2012. However, before the February 2012 expiration of the appropriation, TAA was once again reauthorized and expanded in October 2011 by the Trade Adjustment Assistance Extension Act of 2011 (TAAEA).

This chapter synthesizes the findings from two rounds of site visits with respect to how the new TAA provisions were implemented and operated—the first one conducted in 16 states between December 2009 and June 2010, and the second conducted in 20 states between April and December 2011. Thus, the period covered during the two rounds

of site visits includes the period of TGAAA implementation and operation, as well as the period of TGAAA extension and the reversion to the TAARA provisions. In addition, a few second-round visits were conducted while the states were preparing for or implementing new TAA provisions that became effective October 21, 2011, under the TAAEA.

The 20 study states had good coverage of the TAA program in the United States. Since the TAA program activity is highly concentrated among the states, the top 10 states in FY 2010 had 57 percent of the certifications. A 2011 USDOL report to Congress indicates that the 20 study states include eight of the 10 states with the most certifications: Ohio (221), Pennsylvania (208), Michigan (189), North Carolina (169), Texas (131), New York (111), Illinois (102), and Wisconsin (96).

The following four issues related to the TGAAA provisions are covered in this chapter:

- 1) changes made to implement the new provisions;
- 2) changes in the number and types of employers and workers participating in TAA;
- 3) changes in the types of services and training individuals receive; and
- 4) accomplishments and challenges in implementing the TGAAA changes, including issues relating to TAA after the TGAAA provisions expired in December 2010.

## **ADMINISTRATIVE CHANGES FOR IMPLEMENTING THE 2009 TAA PROVISIONS**

A number of important changes in the 2009 TAA provisions required states to modify policies and procedures related to eligibility, services, and operations. Before addressing the states' implementation of the eligibility and services changes, two administrative issues of particular significance are briefly summarized, as state agencies devoted considerable time and resources to them both following the Recovery Act's enactment in 2009 and its reauthorization with somewhat different requirements in 2011. These two efforts are as follows: 1) re-

programming information technology and data systems to track the various iterations of the program, which were often operating simultaneously, as well as the new program data required to be collected; and 2) ensuring compliance with the federal regulations requiring state merit system personnel to deliver TAA benefits and services.

### **Reprogramming Data Systems**

In Round 1 visits, all administrators noted the extensive data system reprogramming required to meet new TAA program reporting and cost accounting regulations. At that time, a few of the states (all with very small programs) were still in the process of modifying systems, but the vast majority (80 percent) of the states studied had completed the necessary reprogramming by the time of the fieldwork. In fact, as noted below, successfully making the administrative data system changes for TAA was often mentioned by state workforce agency administrators as one of their greatest accomplishments in implementing all the changes required by the Recovery Act.

However, while the reprogramming had been successfully completed, administrators and staff spoke of the magnitude of that task. In every state, administrators explained that the difficulties associated with the short time frame allowed for implementing the TAA rules were compounded by the USDOL's delayed issuing of reporting guidelines until July 2009, one month after the first enrollments commenced under the new rules and only a few weeks before the first new quarterly reports were required to be submitted to the federal government. The most burdensome TAA reporting and data systems changes mentioned were as follows:

- The requirement to report accrued as well as actual training expenditures per participant per quarter. Systems had to be reprogrammed to accurately record and track individuals enrolling and receiving services, both for those subject to the old rules and those subject to the new rules. This was seen as extremely difficult by some states like North Carolina that did not have the resources to update their systems.
- Having to maintain data systems for the dual programs for several years because workers under the old rules might still have a remaining period of training eligibility.

- The significant increase in the number of records and data fields in the data systems. For example, states had to report data on applicants as well as participants and exiters. (Under the old rules, only exiters were reported.) In one state, this reportedly increased the number of individuals in each quarterly data file by 25 times, from 1,200 exiters to approximately 30,000 applicants, participants, and exiters. Similarly, states had to track cumulative Trade Readjustment Allowance (TRA) payments over time, rather than just the payment amounts at each point in time.

Although the reprogramming was accomplished, some of the programmatic changes that were the subject of that reprogramming could continue to cause operational problems, as discussed further in the following sections. For example, administrators and staff noted the challenges in having to do the following three tasks: 1) track and report on two programs; 2) explain two sets of rules to staff, employers, and workers; and 3) reconcile costs associated with the old and new rules.

The Round 2 visits in 2011 found that all the states had implemented the Recovery Act provisions but that reporting continued to pose a challenge. Nevada, for instance, noted continued technical issues. Its state officials explained that once a TAA report was submitted through the federal Web site, the state was unable to review and correct the submission. While officials could access the site and see that there had been a successful submission, they were unable to see how the report translated onto the federal report forms that were produced. When asked at a later date why information was missing, Nevada officials indicated that it would have been difficult to retroactively supply information that they were not aware was missing. Ohio also pointed to the burdens associated with the repeated changes to the program. Officials in Ohio explained that they had invested much time and money in making changes to Ohio's data system to meet TGAAA's new requirements and noted that it required yet more staffing time and money to reprogram the system when TAA reverted back to the TAARA provisions in February 2011.

### **Merit Staff Rule**

The second TAA administrative issue that was significant in some states concerns the recently promulgated USDOL regulation reinstituted

ing a requirement that personnel providing TAA benefits and services must be state staff covered by formal merit system policies. In the explanations and guidelines issued by the ETA, federal officials explain that this is not a new requirement but a reinstatement of a long-standing rule in effect between 1975 and 2005, when the requirement was lifted.<sup>1</sup> The rationale for reinstating the rule was that the determination of program eligibility—including the eligibility for cash benefits and services—is an inherently governmental function and that in making these decisions state agency staff are, in effect, agents of the federal government. Thus, “the use of [these] public funds requires that decisions be made in the best interest of the public and of the population to be served. By requiring merit staffing, the Department seeks to ensure that benefit decisions and services are provided in the most consistent, efficient, accountable, and transparent way” (USDOL 2013).

Two exceptions to the merit staff rule are allowed. Three states (Colorado, Massachusetts, and Michigan) were operating under temporary demonstration authority approved by the USDOL in the late 1990s, which allows local merit staff to carry out Wagner-Peyser activities; that authority also applies to TAA. A second exception is a bit more nuanced—namely, that staff in partner agencies and programs, including WIA, may provide services to TAA participants, provided there are appropriately integrated state policies and procedures in One-Stop Career Centers.

According to the states from Round 1 visits, administrators were well aware of the reinstatement of the merit staff rule, and in most states there was little if any concern about it. Two states are operating under Wagner-Peyser Act demonstration authority regarding merit staffing (Colorado and Michigan), and, in nearly all the other states, either state personnel already had carried out TAA activities or the state had policies in place that would meet the second exception because of cross-program services.

Some states, however, were forced to restructure their merit staffing to better integrate services and allocate costs across programs to satisfy the federal regulatory requirement. In three states visited during Round 1 (Illinois, Louisiana, and Texas), administrators were still in the process of revising state rules and restructuring systems to come into compliance, since in all three states many local office staff mem-

bers who had previously carried out some TAA activities were not state merit employees.

In Texas, over 90 percent of the staff providing TAA services before the Recovery Act went into effect were nonmerit personnel. While state personnel handled all eligibility determinations, TRA payments, and communications with employers about potentially eligible workers, nonmerit local WIB staff had responsibility for service delivery, as is the case with WIA and other workforce programs. The Texas Workforce Commission examined service delivery changes necessary to comply by December 15, 2010—the implementation date set by ETA.

In Illinois, the state employment security agency managed TRA benefits and local Workforce Investment Boards (WIBs) administered TAA benefits and services, except in Chicago, where the local Workforce Investment Board contracted out TAA functions to a nonprofit organization. State and local administrators were continuing to consider policy and service delivery changes that might be required to meet the merit staff rule.

In Louisiana, the state established regional trade coordinators that worked with local WIBs and One-Stops, and all applications were certified by these merit staff members.

At the time of the Round 1 site visits to these three states, no final policies had been established, as they were awaiting final ETA guidance, and there was continuing concern about how the merit staff rule would affect the TAA programs.

By the time of the Round 2 visits, however, the merit staff issue had been resolved. In order to comply with the requirement that merit staff deliver TAA services and benefits, Illinois hired several new state staff members through the state merit system to oversee the TAA approval and certification process. Texas used the one-third of its administrative dollars designated for case management to hire 23 new full-time state staff through the state's merit system. These staffers were placed in the areas with highest trade activity, with two staff members remaining at the Texas Workforce Commission to provide technical assistance and allow flexibility in case of increased activity in other areas of the state. Louisiana had met the merit staffing requirement and provided training to merit-staffed personnel.

States where Wagner-Peyser services are delivered by local merit staff employees, such as Michigan, did not use Recovery Act funds to increase state staff. Instead, Michigan distributed the Recovery Act funds to the Michigan Works! agencies, which could themselves use the funds to hire limited-term temporary staff. Colorado, like Michigan and Massachusetts, continues to operate through demonstration authority, using approved staff arrangements to carry out the government functions of its TAA program.

### **Changes in Employers and Workers in TAA**

Perhaps the most important change introduced through the 2009 act was the substantial expansion of eligibility for TAA, for both employers and workers. At the time of the first site visits, the message from the field was that while the number of employer petitions for TAA and the number of workers enrolled might be increasing (in some cases, substantially increasing), states believed that most of the increases were due to the recession much more than they were to the new eligibility provisions. There were some notable exceptions, as discussed below, but at that time the new changes only had been in effect for a few months. By the second site visit a somewhat different picture emerged, due in part to the ETA's clearing its backlog of certification petitions.

While the numbers of employer petitions and TAA worker enrollments generally increased, there was great variation across states. It is somewhat difficult to compare participation trends over time and across states, in part because federal reporting rules have changed. For example, before the Recovery Act reauthorization, states had to report to ETA the number of individuals who exited the TAA program but not their applications or enrollments. Some states in this field study were able to provide more detailed information, though. This (when combined with the statistics in the federal reports) suggests the following general patterns: More than half the states visited during Round 1 had experienced at least a 50 percent increase in petitions and active participant enrollments, but there was considerable variation across states—see Table 6.1. Included in the group of states that had experienced the most substantial increases were four states that reported that their participants had more than doubled since 2007 (Florida, Ohio, Texas, and Virginia), and seven states where petitions had more than

**Table 6.1 Percentage of Study States Visited Where Administrators Reported Increased TAA Activity in the First Year after Enactment of the Recovery Act**

Reported change compared to prior years	Increase in number of TAA petitions	Increase in number of TAA participants enrolled
Small or no change (<10%)	10% of states	10% of states
Moderate increase (~10–50%)	40% of states	40% of states
Substantial increase (~50–200%)	50% of states	50% of states

SOURCE: Site visit interviews conducted in states.

doubled (Florida, Michigan, Ohio, Virginia, Wisconsin, and two states with smaller programs, Montana and North Dakota). To give a sense of the scale, in Ohio, petitions increased from about 85 in 2007 to more than 300 between May 2009 and May 2010, when several thousand individuals were reportedly active in TAA (including 1,700 from one GM plant alone). In Michigan, the state that led the nation in TAA activity and TAA participants, 28,752 TAA participants enrolled in PY 2009, while 33,015 enrolled in PY 2010, of which 11,980 received training services (36.3 percent). By mid-2011, 11,000 Michigan workers had received training and support, including approximately 3,000 in long-term training. In Texas, the number of TAA participants being served also more than doubled, increasing from approximately 3,000 to over 6,500. In Montana, a small state, the number of petitions rose from six in 2007 to 30 in the first 12 months of the new program, while in North Dakota the number of petitions rose from one to three between PY 2008 and PY 2009, doubling the number of employees in training. Two other small programs, however, Nevada and Arizona, reported having little or no change in activity. In North Carolina, the state with the largest number of trade-affected workers after Michigan, 3,000 TAA workers took advantage of the health care tax credit.

During the Round 1 visits, state and local administrators attributed these increases in petitions and enrollments primarily to the recession and its aftermath, and considerably less to the changes in the law. But they also noted that this could change in the coming year for various reasons. Administrators in several large states, including New York, expected to see the petition numbers increase in 2010. Administrators in nearly all states also explained that once ETA cleared its backlog

of petitions, the number of certified employers also would increase, as would the number of workers from the certified employers. At the time of the Round 1 fieldwork, state officials indicated that on average it was taking 9–10 months for the ETA to make a decision on petitions.

Part of the early increase in TAA in some states, however, also reflected concentrated efforts to market the new rules to employers. A few states were developing marketing and public information campaigns to reach out to potentially eligible workers and employers. Florida, for example used its data system to generate phone calls to specific employers (see Box 6.2).

In addition, the U.S. Department of Labor reports that it encouraged firms and employees to withdraw petitions in early 2009 and resubmit them after May 17, 2009. The response was large. There was a surge in petitions filed in the last five months of FY 2009 because of the Recovery Act program provisions, while certifications reached a maximum the following year because of the time it took to review cases. The number of petitions and certifications, however, declined sharply after their peak (see Table 6.2).

### **Types of Employers and Workers**

There is some indication that part of the increase in petitions may more directly reflect the changes in the statute, particularly the expansion of sectors eligible for TAA, which may have changed the mix of employers and workers in TAA. During the Round 1 visits, many

#### **Box 6.2 State TAA Outreach Effort: Florida Marketing to Firms**

To build its capacity to reach more TAA-eligible firms, the state of Florida purchased a module from Geo Solutions, the vendor that developed the Employ Florida Marketplace (EFM) integrated labor market information and job matching program. The module generates lists for biweekly calls to firms that may be likely to petition or that already have petitioned, to make them aware of TAA services for firms and workers.

SOURCE: Site visit interviews conducted in states.

**Table 6.2 TAA Petition Filing and Determination Activity, FY 2008–2011**

	2008	2009	2010	2011
Petitions filed	2,224	4,889	2,542	1,347
Petitions certified	1,471	1,887	2,810	1,115
Percentage of certifications in service sector	0	19 <sup>a</sup>	35	39

<sup>a</sup>Between May 18, 2009, and September 30, 2009, 19 percent of certifications were in the service sector. (The service sector was not covered until TGAAA implementation on May 18.)

SOURCE: USDOL (2009, 2010, 2012).

states noted little evidence in the first year of implementation that the increases in petitions were disproportionately from employers in the newly eligible sectors. However, in some states, it appeared that TAA petitions from employers and employees in the service sector increased. In Florida, for example, which experienced a very large increase in TAA activity, administrators reported that in 2010 approximately one-third of TAA participants were from the new sectors. In Wisconsin, there were 120 new petitions from service firms, and approximately 15 percent of all certifications were from the service sector. In Illinois, nearly 2,000 service sector workers from 42 certified locations received TAA benefits and services. In Montana, where past activity came mainly from timber, transportation, and related industries, the expansion of eligibility to service sector firms, along with the recession, led to many more petitions, a greater interest from firms than in the past, and an increased number of actively served workers (700 in Kalispell alone). In contrast, in Pennsylvania, administrators indicated there were no service sector petitions at that time, but state officials expected future service sector petitions, and they noted that some firms that had already filed petitions might have been mixed-sector (e.g., pharmaceutical companies). Officials in several other states noted that there were reports of some firms “switching” their sector of record specifically to qualify for TAA.

In Round 1 visits, states indicated that the new law had little impact on the characteristics of workers in TAA. A number of administrators reported that the education level of TAA enrollees was somewhat higher than in the past in states where service sector and government petitions had been certified. But in most states, administrators and staff reported that the types of workers had not changed since the new TAA rules went into effect.

For the United States as a whole, there was a dramatic increase in the participation of service sector firms and workers in the TAA program over a short period of time. Between 2008 and 2011, the percentage of certified firms from the service sector went from zero (when the service sector was not covered) to nearly 40 percent, as was shown in Table 6.2. On the other hand, the USDOL reported little change in the characteristics of participants in the program. Table 6.3 provides TAA participant characteristics: older, primarily male, less educated, and longer tenured.

## **CHANGES IN TAA SERVICES**

During the implementation of the 2009 provisions, a couple of patterns emerged regarding two categories of services: 1) counseling, assessment, and case management; and 2) emphasis on training.

### **Counseling, Assessment, and Case Management**

Given the emphasis on counseling and assessment and the 2009 legislative change that allowed TAA funds to be used for these services, it is not surprising that in nearly every state visited, there was a greater focus on these activities. As required, there was more emphasis on case management, although some states continued to be confused about what exactly counted as case management for TAA cost-accounting purposes. Many states reported that they were starting the counseling and assessment process earlier, and a number were using new assessment and case management software technology or expanding its use to include TAA participants in computer program applications that they already were using for participants in other workforce programs.

The Recovery Act reauthorization emphasized providing counseling and assessment services up front to “threatened workers.” Some states, like Illinois, actively sought lists of such workers to notify them of the benefits available under the TAA program, but staff explained that such efforts were very challenging because it was difficult to get an accurate list of these workers. The intent, nevertheless, was to engage workers sooner and provide them with one of the several case management

**Table 6.3 New TAA Participant Characteristics, FY 2010 Average**

Age	Gender: male	Education: h.s. diploma, GED, or less	Race: white	Tenure in trade-affected employment
46.7 yrs.	60.7%	64.1%	66.5%	13.8 yrs.

SOURCE: USDOL (2012).

activities required in TAA, including testing, assessment, the development of an Individual Employment Plan, and employment counseling.

Even in states where there was little or no increase in the number of people receiving assessment and counseling, there is evidence that the changes to TAA had the indirect effect of increasing overall counseling and assessment throughout the workforce system. This occurred in large part because many states used other sources of funds (mainly WIA–Dislocated Worker and Wagner-Peyser funds) to pay for counseling and assessment, case management, and support services for TAA participants. Many staff and administrators explained that one of the main reasons they coenrolled individuals into TAA and into WIA Dislocated Worker programs was to provide the TAA clients with counseling and assessment. The new rules meant that agencies could distribute the costs across programs for individuals enrolled in multiple programs to more accurately reflect the costs of services. And the end result was that

**Box 6.3 Counseling, Assessment, and Case Management in the TAA: The Perspective of One Administrator**

“We always provided case management and related services [to TAA clients], and our standard expectation is that folks are coenrolled as Dislocated Workers. It’s great that funding is now set aside for case management in TAA . . . this has been a big change. We didn’t want to continue to rob Dislocated Workers to pay for case management for TAA clients. It’s allowed us to do a better job for TAA and to serve more Dislocated Workers.”

SOURCE: Site visit interviews conducted in states.

a larger number of individuals in total (i.e., across programs) received testing, assessment, and counseling (see Box 6.3).

Administrators in several states asserted that the new TAA rules had a secondary effect of allowing the state agencies to streamline and improve service delivery systems, not only with respect to assessment and case management, but also with respect to improving their administrative and technology resources to support service delivery, driving down the cost of program delivery. This included, for example, expanding the use of testing and assessment software and allowing the enhancements to integrated data systems that already had been underway but had not been included in TAA. The following cases provide illustrations:

- Wisconsin enhanced its TAA intake and assessment process, including expanding its use of WorkKeys and KeyTrain for TAA participants, which can lead to National Career Readiness Certification.
- Virginia improved its Internet-based labor market information/case management system, already used in Wagner-Peyser and WIA programs, to also include TAA participants and UI recipients.
- Phoenix, Arizona, added a computer literacy assessment to Dislocated Worker services and LinkedIn training to job search/job readiness services.
- North Carolina developed a new information strategy to better reach trade-affected workers. It used a combination of media and direct contact to inform workers of the services available to them.
- In Ohio, IT staff used ARRA workforce funds to make programming changes to the state's automated case management system so that the client's record was fully integrated with the WIA and Wagner-Peyser client record, which allowed tracking of demographic characteristics and services received across the three programs.
- Washington strengthened electronic access to TAA resources for staff.

A few state administrators noted that even with the new TAA rules that allowed the program funds to cover assessment and case management, the total amount of funding for these services across all programs was inadequate. One also suggested that ETA should consider revising the allocation of funds for case management (\$350,000 to each state) more equitably since some states had very high program levels and others had minimal programs. The interest in case management was high in nearly all states visited, although several administrators and staff said that there was still confusion about what exactly could be counted as case management for reporting purposes. Given the expanding interest, states were looking for guidance in this area.

## **Training**

In the states included in this study, administrators reported that there was an increase in the number of TAA participants entering training, including more participants who were in training for six months or longer. However, administrators were careful to note that most of the increase was consistent with the entire public workforce system, including WIA; it had increased the emphasis on training, which tends to increase during periods of high unemployment. They cautioned that it was not clear if the increase in TAA training (where it existed) was due to the changes in TAA itself (e.g., allowing longer-term training and allowing a longer time to initiate training). One state, however, noted that, under the Recovery Act TAA rules, the ability to provide TAA-funded training prior to separation was a useful device where firms staged layoffs prior to closure.

There were a few issues related to TAA training that are important to note. First, there was considerable variation both in the types of training providers that TAA participants could access and in the maximum tuition that would be allowed. Not only did Recovery Act provisions allow a longer period of training, but also the training providers and institutions were not limited to those on the state's Eligible Training Provider List (ETPL), and there was no specific cap on the cost of training per participant. States had discretion, which led to variation across the study sites. In some states, such as Arizona and Florida, TAA and WIA training used the ETPL established for WIA, generally limiting individual enrollment to the programs of providers on the list.

Most states visited, though, including Nevada, Texas, and Washington, did not limit TAA training to the providers on the ETPL. There was also variation in the amount of tuition that could be covered by TAA; Washington State, for instance, had a cap of \$22,000–\$25,000 (it was \$12,000–\$16,000 pre–Recovery Act), while Florida had no cap.

Second, the delay in processing petition decisions at the national level had an unintended and negative effect on training. The Recovery Act rules both encouraged programs to begin to work with participants as soon as possible and to encourage them to enroll in training. Recovery Act provisions also permitted TAA customers to obtain longer-term training and gave them a longer period of time after they were laid off in which to begin that training. However, during the transition to the Recovery Act rules, USDOL approval of petitions was taking as long as 12 months (though by mid-2010 the delay was reduced to approximately seven months). This meant that individuals who had exhausted UI benefits and then, after certification, had begun receiving TRA and long-term training, might nevertheless exhaust their combined UI and TRA weeks of benefits before completing training. While no such cases were identified, several administrators and staff noted their concerns (Box 6.4).

A third issue concerns the interest in training. While the program's emphasis on training, especially long-term training, increased in about two-thirds of the states visited, there is little evidence that there were

**Box 6.4 Unintended Effects on Training of Delays in Approving Petitions: The Concern of a State Administrator**

“[We are worried that] the delay in petition approvals, along with the natural inclination of some trade-affected workers to delay their decisions to enter training, will mean that some workers will run out of TRA benefits before they finish the training. They can run through their UI, which counts against their TRA weeks, while their company's petition is being approved, and then they might delay starting a program. The result could be that a TAA participant might run out of TRA also and still have six months or a year to go in their program.”

SOURCE: Site visit interviews conducted in states.

any changes in the level or length of training entered by TAA participants. In some of the states, the number of participants in training increased, but staff felt that those numbers reflected the total number of individuals in TAA and did not represent an increase in the percentage of individuals who entered training. There also is no evidence that the duration of training entered was any longer than in the past. In general, the length of training was about the same as before the Recovery Act (averaging six months to two years). Staff suggested that this was partly due to continuing low interest in long-term training. Some states began to ramp up on-the-job training (OJT) for TAA, and that form of training might have been more attractive to unemployed workers, but no data was collected on that option.

In the other third of the states visited, there was some evidence that training was increasing and that those who were going into training were more often choosing long-term training. Pennsylvania, for example, had over 4,000 in training, and two-thirds of them were in long-term programs taking over six months to complete. In Montana, officials indicated that most TAA participants were entering training, and that over two-thirds of them were in long-term training, with many “taking advantage of what they perceive to be a once-in-a-lifetime opportunity.” The story was similar in Florida, where state and local administrators indicated that training was increasing and most in training were in long-term programs (usually 9–24 months). The pattern was generally similar in Washington State, where officials further explained that there was significant variation by type of worker and by region (since local workforce investment boards had discretion on many issues). Workers in mining and timber, for example, were less interested in pursuing training or education than workers from service sectors. However, in Arizona, staff reported that while displaced workers, including engineers, from the Phoenix-area microelectronics industry benefited from the available training, workers were often reemployed at lower wages (unlike in the past, when employees usually moved from lower to higher wages).

Thus, the effect of the Recovery Act and its extension until February 2011 on training and long-term training was mixed. Most states saw no major difference in training rates or types of training entered into, but in a number of states there was a clear trend toward more and longer training.

## ACCOMPLISHMENTS AND CHALLENGES

Both the number of employers petitioning for TAA and the number of workers enrolled in TAA increased considerably among the study states. In approximately half the states, activity levels were reported to be up substantially in 2010, and in several states both the number of petitions and the number of participants more than doubled. State and local administrators and staff, however, felt that most of the increase was attributable to the recession and that a small part, in some states, might reflect the Recovery Act's changes to the program, including the coverage of service sector workers. In general, state administrators felt that their greatest accomplishment had been handling the substantial increase in workload stemming from the TAA and other workforce investment programs. Several states pointed to the TAA health coverage and tax credits as having the greatest positive effect on their recipients.

The administrators also pointed to the rapid implementation of the changes to TAA as a major accomplishment. The president signed the law in February 2009, and the first workers became eligible in May. It was a major effort for state agencies to reprogram their data systems to accommodate the changes, both for determining eligibility and providing services as well as for complying with federal program and cost accounting reporting. This huge effort was made all the more challenging because states did not receive implementing regulations or guidance from the USDOL until after the program went into effect. And both the data systems and reporting procedures had to be revamped—and then revamped again after new TAA rules became effective in February 2011—to maintain records under what became, in effect, three different TAA programs. Despite the considerable reprogramming achievements, the reprogramming also presented the most significant challenge states faced in implementing the Recovery Act provisions and then the act's 2011 modification.

The states faced great administrative complexity starting in 2011. Three separate TAA programs had to be maintained in tandem—one for those subject to the TGAAA (those who entered the program after May 2009), another for those subject to the law as it existed prior to TGAAA, and yet another for those subject to the reversion to pre-TGAAA provisions starting in late February 2011. There continued to be uncertainty about some issues that affected the programs, includ-

ing how to define and allocate case management costs and alternative structures that could meet the merit staff rule. States were also unsure of ways to reach the potential pool of employers and workers eligible for TAA to ensure that they were made aware of the services, for which they were eligible.

Additional challenges identified by the states included

- lengthy delays between the filing of a petition and certification, resulting in loss of benefits and services;
- the difficulty in explaining to customers from employers certified under one program why they were not eligible for benefits under one or more of the other programs;
- uncooperative employers who refused to provide, or delayed in providing, worker lists;
- difficulty in determining in which state outsourced teleworkers, who did not report to a physical location, should be certified;
- multiple state certifications and confusion over which state should contact the employer to get the worker list;
- loopholes in the implementing regulations, which allowed employers to lay off employees and then hire them back as temporary workers, shifting the cost of health benefits to the state, as well as a 45-day limit on the waiver of the deadline for health benefit enrollment when there might be many legitimate reasons why a worker missed the deadline.

In addition, one state noted that many participants from the manufacturing sector did not want to reveal to agency staff that they did not have high school diplomas or GEDs, which made it difficult to direct those participants to training. A community college offering remedial classes (e.g., GED and computer literacy) using course names that minimized embarrassment was deemed to be helpful.

## CONCLUSION

The Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA) was enacted under the Recovery Act and significantly

expanded the TAA program. State agencies had considerable difficulty implementing the program, particularly as it related to developing new automated systems and, for a small number of states, converting to merit staffing for TAA administration. TAA petitions and certifications increased greatly upon implementation, but they have since declined. Under TGAAA, service sector certifications grew dramatically, reaching 39 percent of the caseload by FY 2011. The characteristics of workers participating in the TAA program, however, do not appear to have changed a great deal with the implementation of TGAAA.

### Notes

1. For the employment services, merit staffing provisions have been in effect under the Wagner-Peyser Act since its enactment in 1933. For Unemployment Insurance, merit staffing provisions were in effect under administrative grant rules from the outset of the program in 1935 and were codified under the Social Security Act in 1940. Merit staffing rules were applied to the TAA program when it became effective in 1975.

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# **The American Recovery and Reinvestment Act**

## **The Role of Workforce Programs**

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