

**FY 2009**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**EMPLOYMENT AND TRAINING ADMINISTRATION**

**Federal Unemployment Benefits and Allowances**



# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

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# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

## APPROPRIATION LANGUAGE

For payments during fiscal year [2008] *2009* of trade adjustment benefit payments and allowances under part I of subchapter B of chapter 2 of title II of the Trade Act of 1974, and section 246 of that Act; and for training, allowances for job search and relocation, and related State administrative expenses under part II of subchapter B of chapter 2 of title II of the Trade Act of 1974, [\$888,700,000] *\$958,800,000* together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15,[2008] *2009*. (Department of Labor Appropriation Act, 2008)

# **FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES**

## **EXPLANATION OF LANGUAGE CHANGE**

No change except funding level and years.

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

## ANALYSIS OF APPROPRIATION LANGUAGE

Not applicable.

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

<b>AMOUNTS AVAILABLE for OBLIGATION</b>						
(Dollars in Thousands)						
	<b>FY 2007</b>		<b>FY 2008 Estimate</b>		<b>FY 2009 Request</b>	
	<b>Comparable</b>					
	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>
<b>A. Appropriation (Amount shown in Appropriation Language)</b>	<b>0</b>	<b>837,600</b>	<b>0</b>	<b>888,700</b>	<b>0</b>	<b>958,800</b>
Other Supplementals and Rescissions	0	0	0	0	0	0
Appropriation, Revised	0	837,600	0	888,700	0	958,800
A.1) Subtotal Appropriation (adjusted)	0	837,600	0	888,700	0	958,800
Offsetting Collections From:	0	0	0	0	0	0
Reimbursements	0	40,000	0	40,000	0	40,000
Advances	0	17,500	0	41,000	0	0
Fees	0	0	0	0	0	0
A.2) Subtotal	0	57,500	0	81,000	0	40,000
<b>B. Gross Budget Authority</b>	<b>0</b>	<b>895,100</b>	<b>0</b>	<b>969,700</b>	<b>0</b>	<b>998,800</b>
Offsetting Collections	0	0	0	0	0	0
Deduction: (all entries are negative)	0	0	0	0	0	0
Reimbursements	0	-40,000	0	-41,000	0	-40,000
Advances	0	-17,500	0	-41,000	0	0
B.1) Subtotal	0	-57,500	0	-82,000	0	-40,000
<b>C. Budget Authority</b>	<b>0</b>	<b>837,600</b>	<b>0</b>	<b>887,700</b>	<b>0</b>	<b>958,800</b>
Before Committee	0	837,600	0	887,700	0	958,800
Legislative Proposal	0	0	0	0	0	964,800
Offsetting Collections From:	0	17,500	0	65,000	0	0
Reimbursements	0	40,000	0	41,000	0	40,000
Adjustment for Appropriated	0	0	0	0	0	-958,800
C.1) Subtotal	0	895,100	0	993,700	0	1,004,800
<b>D. Total Budgetary Resources</b>	<b>0</b>	<b>895,100</b>	<b>0</b>	<b>993,700</b>	<b>0</b>	<b>1,004,800</b>
Other Unobligated Balances	0	0	0	0	0	0
Unobligated Balance Expiring	0	0	0	0	0	0
<b>E. Total, Estimated Obligations</b>	<b>0</b>	<b>895,100</b>	<b>0</b>	<b>993,700</b>	<b>0</b>	<b>1,004,800</b>



## FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

### SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2008 Estimate	FY 2009 Request	Net Change
<b>Budget Authority</b>			
General Funds	888,700	964,800	+76,100
Trust Funds	0	0	0
<b>Total</b>	888,700	964,800	+76,100
<b>Full Time Equivalents</b>			
General Funds	0	0	0
Trust Funds	0	0	0
<b>Total</b>	0	0	0

Explanation of Change	FY 2008 Base		Trust Funds		FY 2009 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
	<b>Increases:</b>							
<b>A. Built-Ins:</b>								
To Provide For:								
<b>B. Programs:</b>								
Trade Adjustment Assistance Benefits		606,000	0	0	0	70,000	0	70,000
Trade Adjustment Assistance Training		259,700	0	0	0	100	0	100
Wage Insurance		23,000	0	0	0	0	0	0
Wage Insurance - Legislative Proposal		0	0	0	0	45,000	0	45,000
<b>Programs Subtotal</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>+115,100</b>	<b>0</b>	<b>+115,100</b>
<b>C. Financing:</b>								
<b>Total Increase</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+115,100</b>	<b>0</b>	<b>+115,100</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
<b>B. Programs:</b>								
Trade Adjustment Assistance Benefits - Legislative Proposal		606,000	0	0	0	-16,000	0	-16,000
Wage Insurance – Legislative Proposal		23,000	0	0	0	-23,000	0	-23,000
<b>Programs Subtotal</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>-39,000</b>	<b>0</b>	<b>-39,000</b>
<b>C. Financing:</b>								
<b>Total Decrease</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-39,000</b>	<b>0</b>	<b>-39,000</b>
<b>Total Change</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+76,100</b>	<b>0</b>	<b>+76,100</b>

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

## SUMMARY BUDGET AUTHORITY and FTE by ACTIVITY (Dollars in Thousands)

	FY 2009							
	FY 2007 Comparable		FY 2008 Estimate		Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Trade Adjustments</b>								
<b>Assistance</b>	0	837,600	0	888,700	0	958,800	0	964,800
General Funds	0	837,600	0	888,700	0	958,800	0	964,800
<b>Total</b>	<b>0</b>	<b>837,600</b>	<b>0</b>	<b>888,700</b>	<b>0</b>	<b>958,800</b>	<b>0</b>	<b>964,800</b>
General Funds	0	837,600	0	888,700	0	958,800	0	964,800

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

<b>BUDGET AUTHORITY by OBJECT CLASS</b>				
(Dollars in Thousands)				
	<b>FY 2007 Comparable</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Request</b>	<b>FY 09 Request/FY 08 Estimate</b>
Full-Time Equivalent				
41.0 Grants, subsidies, and contributions	837,600	888,700	964,800	76100
<b>Total</b>	<b>837,600</b>	<b>888,700</b>	<b>964,800</b>	<b>76,100</b>

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

## EMPLOYMENT AND TRAINING ADMINISTRATION

### SIGNIFICANT ITEMS IN APPROPRIATION COMMITTEES' REPORTS

#### Outreach to Trade Affected Workers

House: The Committee believes that the Department can do more to conduct outreach to trade affected workers to ensure that eligible workers learn about the program. The lack of outreach is particularly acute in regard to the secondary worker populations where take up rates are far below what was expected when the new eligibility was established.

Response: Historically, the overall take-up rate for the program among trade-affected workers is about 25 percent. All individuals who are laid off from trade-affected firms have the same opportunity to access trade services; however, we know that many do not. One reason for this discrepancy may be that workers who are part of ETA's estimate may, in reality, never be laid off or may go directly into other work without needing to utilize TAA services. Another reason may be that the benefits and deadlines are not flexible enough to meet the needs of workers. For example, current law requires participants to enroll in training within eight weeks of certification or 16 weeks of layoff, which may not align with training schedules or individuals' personal circumstances

Despite these challenges, ETA has been very proactive in conducting outreach for the TAA program. In addition to program brochures and a Web site that provides up-to-date information on all TAA petitions filed, ETA staff engages in regular outreach efforts to the state agencies that administer the program. These state agencies routinely include a discussion of TAA benefits in their rapid response activities, which are conducted under the Workforce Investment Act. However, ETA understands that states may be reluctant to describe TAA benefits in detail, and thereby raise expectations, in circumstances where the workers may not be eligible.

#### Health Coverage Tax Credit

House: The Committee also is concerned by the fact that only a small percentage of TAA participants take advantage of the health coverage tax credit (HCTC) that was authorized by the Trade Adjustment Assistance Reform Act of 2002. The low take-up rate may largely be a function of the high costs of health insurance coverage overall, but there is also evidence that some eligible workers are affected by the gap in time between their application for TAA benefits, their certification for those benefits, and the certification by the Internal Revenue Service (IRS) for the HCTC itself. The Committee is in agreement with the Department's use of dislocated worker assistance national reserve funds to help

## FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

States address this issue, but believes that additional outreach and assistance is necessary to ensure that workers who can benefit from the HCTC do not lose their health care coverage while awaiting certification for either TAA by the Department, or the tax credit by IRS.

Response: Currently, most workers can only access the HCTC if they are receiving income support payments under the TAA program, either Unemployment Insurance (UI) or Trade Readjustment Allowances (TRA). This connection to UI and TRA creates challenges for workers interested in accessing HCTC benefits because of the complexity of the program requirements as described previously.

In an effort to prevent eligible workers from losing their health care coverage while awaiting certification, ETA issued guidance through TEGGL 20-02, on May 13, 2004, governing the use of Workforce Investment Act (WIA) National Emergency Grant (NEG) funds to make “gap-filler” payments of qualified health insurance premiums for individuals eligible for HCTC.

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

## APPROPRIATION HISTORY (Dollars in Thousands)

	<u>Budget Estimates to Congress</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Appropriation</u>	
1999.....	360,700	360,700	360,700	360,700	<u>1/</u>
2000.....	314,400	314,400	415,150	415,150	
2001.....	406,550	406,550	406,550	406,550	
2002.....	415,650	415,650	415,650	415,650	<u>2/</u>
2003.....	972,200 <u>3/</u>	972,200	972,200	972,200	<u>4/</u>
2004.....	1,338,200	1,338,200	1,338,200	1,338,200	
2005.....	1,057,300	1,057,300	1,057,300	1,057,300	
2006.....	966,400	966,400	966,400	966,400	
2007.....	938,600	837,600	837,600	837,600	<u>5/</u>
2008.....	888,700	888,700	888,700	888,700	<u>6/</u>
2009.....	964,800				

1/ Excludes \$22,750,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred to this account.

2/ Excludes the effect of extending the programs and \$3,000,000 included in Advances to the Unemployment Trust Fund and Other Funds Account.

3/ Reflects a reauthorization under the Trade Adjustment Assistance Reform Act of 2002.

4/ Excludes \$7,000,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred from this account.

5/ Excludes \$17,500,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred to this account.

6/ Excludes \$41,000,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which is anticipated to be transferred.

# FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

## Performance History Summary

The Trade Adjustment Assistance (TAA) program evaluates program performance using the common measures to examine employment outcomes for individuals and using operational measures to gauge program progress. The entered employment and retention indicators track the number of participants who obtain jobs and are able to sustain employment. The average earnings measure replaced the wage replacement rate and was new in FY 2007. Details about specific targets and results for FY 2004-09 are included in the Performance Goal Indicator table in the TAA program narrative section. The TAA program has achieved or exceeded its target for entered employment since FY 2005 and for retention since FY 2004.

In addition to the common measures, TAA measures progress for petition and certification decisions issued, estimated number of workers covered by certifications, average petition processing time, the numbers of new Trade Readjustment Allowance recipients and training participants, and the average number of weeks in training.

## Program Assessment Rating Tool (PART)

The Trade Adjustment Assistance program has been reviewed twice using the Program Assessment Rating Tool (PART). TAA was rated as *Ineffective* both times, but the program has shown some improvements and has identified additional actions to further improve the program.

<b>Program</b>	<b>Year</b>	<b>Rating</b>
Trade Adjustment Assistance	2007	Ineffective
Trade Adjustment Assistance	2003	Ineffective

The most recent PART found that program oversight and management by DOL and the states need to be strengthened in order to improve program performance. The program has not had ambitious performance goals; performance information reported has not been timely or accurate; and procedures to measure and improve efficiency and cost effectiveness were lacking. TAA has certain statutory flaws in the program design which limit its ability to provide the most appropriate mix of services to meet workers' adjustment needs. TAA is partially duplicative of other Federal job training programs, in particular the job training services available to dislocated workers under the Workforce Investment Act (WIA), yet must rely on these programs to provide job search assistance and other reemployment services. The TAA program instituted new financial management practices in response to an earlier PART finding and adopted a formula approach to allocate training funds to states, while retaining a national reserve to meet unanticipated needs. This change has allowed the Department and the states to better manage their limited training funds.

In response to these findings, DOL has committed to the following improvement actions:

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- Adjusting the formula for allocating training funds to the states to better reflect the current need for training;
- Developing an internal review process to verify the accuracy of trade petition certifications and denials; and
- Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.

The Administration's reauthorization proposal addresses most of the problems identified in the PART assessment. These reforms would, among other things, give ETA authority to require program performance data from the states and create a statutory link between the TAA program and WIA programs. These changes will provide reemployment and placement services to TAA certified workers and facilitate the development of efficiency measures and cross program comparisons, resolving most major flaws identified in the PART rating process.

### Efficiency Measures

The TAA program currently uses cost per participant to measure efficiency. The measure is calculated by dividing the number of participants served by the program into the appropriation. Unit costs are dependent on the number of eligible participants and the take-up rate (the number of people who utilize the program of those considered eligible). Efficiency exceeded expectations in FY 2006 and FY 2007, so targets for FY 2008 and FY 2009 are more ambitious.

An administrative efficiency measure is used to determine the average processing time for petition review. Between 2002 and 2006, the average time was reduced from 96 days to 31 days. The statutory requirement for average number of days to process petitions in the Trade Reform Act of 2002 is 40 days.

<b>Program</b>	<b>Efficiency Measure</b>	<b>FY 2009 Target</b>
Trade Adjustment Assistance	Cost per participant	\$8,955



## TRADE ADJUSTMENT ASSISTANCE

Budget Authority Before the Committee (Dollars in Thousands)							
					FY 2009		
	FY 2007 Comparable	FY 2008 Enacted	FY 2008 Estimate	Diff. FY 07 Comp/ FY 08 Est	Current Law	Legislative Proposal	Diff. FY 08 Est /FY 09 Req
<b>Activity Appropriation</b>	837,600	888,700	888,700	51,100	958,800	964,800	76,100
<b>FTE</b>	0	0	0	0	0	0	0

### Introduction

The Trade Adjustment Assistance (TAA) and Alternative Trade Adjustment Assistance (ATAA) programs are authorized under the Trade Act of 1974, as amended. The TAA and ATAA programs provide assistance to workers who have been adversely affected by foreign trade. Economic globalization has led to dynamic changes in many business sectors. While many new jobs are created, others are lost. In the new global economy, the TAA program can be an important tool for keeping our nation's workforce competitive.

To be eligible for TAA or ATAA benefits, a group of workers, a company official, a union or other duly authorized representative, or a One-Stop operator or One-Stop partner must file a petition with the Department of Labor. In response to the petition, the Department institutes an investigation to determine whether the workers were laid off as a direct result of foreign trade. If the Department determines that the workers meet the statutory criteria, it issues a certification of eligibility for the workers in the group to apply for benefits and services through the One-Stop Career Center system. The Trade Adjustment Assistance Reform Act of 2002 (Trade Act of 2002) expanded eligibility for the program to include secondary workers. These are workers whose layoff was caused by loss of business as a supplier of component parts, a final assembler, or a finisher for a firm employing a worker group with a current TAA certification. The Trade Act of 2002 also expanded eligibility to encompass workers whose employers shift production overseas to certain countries. For FY 2007, approximately 147,000 workers were covered by certifications, and therefore potentially eligible for TAA services and benefits compared to 120,000 in FY 2006. The number of workers certified is 23% higher in FY 2007.

Once covered by a certification, individual workers apply for benefits and services through the One-Stop Career Center system. Each benefit and service has specific individual eligibility criteria that must be met, such as previous work history, unemployment insurance eligibility, and individual skill levels. Of the potentially eligible workers, roughly 40,000 individuals begin receiving TAA-funded benefits or services each year. In addition, another 40,000 individuals who began receiving services in previous years continue to receive them. Consequently, approximately 80,000 trade-affected workers receive benefits in any given year.

The TAA program offers the following services to eligible individuals: training, weekly income support, out-of-area job search and relocation allowances, and the Health Coverage Tax Credit (HCTC). The ATAA program offers a wage supplement to offset earnings losses and HCTC to

## TRADE ADJUSTMENT ASSISTANCE

workers age 50 years and over within the TAA population. Reemployment services, including assessment and placement services, are not provided with TAA funds. These services, provided as “wrap-around” services through the Workforce Investment Act (WIA) and other partner programs, are essential to ensuring that the TAA training investment results in optimal performance outcomes. Co-enrolling TAA participants in WIA services facilitates the provision of these essential services to trade-affected workers.

The TAA and ATAA programs are an integral part of the comprehensive workforce investment system, and must be a vital part of each regional economy’s workforce and economic development strategies. These programs are essential to helping workers dislocated because of foreign trade adjust to changing market conditions and shifting skill requirements. Addressing the needs of trade-affected workers involved in this transformation is a unique challenge because, in general, these workers more often than not are being dislocated from relatively low-skill, high-wage employment. In many cases, this is complicated by mass layoffs or plant closures that occur in single industry towns, which makes finding comparable employment in the same geographic area difficult. Furthermore, many of these jobs are lost permanently from the domestic economy, requiring the skills of affected workers to be completely retooled. These factors underscore the need to help these workers meet the needs of businesses in high-growth, high-demand industries through the effective utilization of partnerships with other programs to provide reemployment services through the One-Stop Career Centers.

### **Funding Mechanism**

The Department provides grants to states for the operation of the TAA/ATAA program. Funding provided to states is used to support the training needs of TAA-certified individuals, job search allowances, relocation allowances, and income support for individuals adversely affected by foreign trade. Training expenditures are subject to a legislative cap of \$220 million a year. The other benefits are uncapped. In addition, states receive 15% of their amounts for TAA training and job search and relocation allowances to cover administrative expenses. Administrative costs of providing income support are funded through discretionary grants out of the State Unemployment Insurance and Employment Service Operations account.

### **Five-Year Budget Activity History**

<b>Fiscal Year</b>	<b>Funding (Dollars in Thousands)</b>	<b>FTE</b>
2004	1,338,200	0
2005	1,057,300	0
2006	966,400	0
2007	837,600	0
2008	888,700	0

### **FY 2009**

For FY 2009, ETA requests \$964,800,000 under the Administration’s reauthorization proposal for the TAA program, which expires on September 30, 2008. The request represents an increase of \$76,100,000 from the FY 2008 level. The request under current law is \$958,800,000, which

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provides sufficient funds to continue the TAA for Workers programs through FY 2009 (including issuing certifications for new workers) and cover the phase-out costs of the ATAA demonstration program.

The Administration has identified four overarching principles to guide the reauthorization of the TAA program to ensure its relevance for the 21st century economy. These principles state that trade-affected workers must have:

- 1. Greater flexibility and enhanced access to training, including post-reemployment education and training, and transitional income support.**

Under the changes being proposed, workers would be entitled to training under a New Economy Scholarship. The New Economy Scholarship would be available for a maximum of four years and can be used by the worker to obtain a state-recognized license, an industry-recognized certification, or an associate's or bachelor's degree. There would be a cap of \$4,000 for any one year, with a maximum limit of \$8,000 per worker. The participant would be required to make adequate yearly progress towards a license, certification or degree while receiving a New Economy Scholarship and significant periods where the participant does not participate in training would not be allowed. An additional \$1,000 would be available to workers who need ESL/GED/literacy training or prerequisites for training in a high-demand occupation.

Benefits under the Administration's proposed program would include a menu of New Economy Scholarships that allow the worker to choose the option that best fits his or her individual needs. For example, training-related options would allow a worker to: 1) train full-time and receive weekly income support; 2) work full-time and combine work and training; or 3) work part-time and combine work and training. Similarly, workers would continue to have the option of job search and relocation allowances, if they are willing to relocate to obtain better employment.

The New Economy Scholarship would increase flexibility and individual choice by streamlining the criteria for training approval and by allowing a worker to choose training programs from the more comprehensive WIA eligible training provider list. Flexibility and individual choice would also be increased by eliminating current restrictions on length of training and cost of training and by allowing the worker to pay additional costs if a longer or more expensive option is desired.

Training waivers would be eliminated; however, workers could receive 13 weeks of basic TRA without attending training. This proposal would allow adversely affected workers who choose not to attend training to have additional weeks of income support while searching for a job, without having to go through the administratively burdensome process of obtaining a training waiver.

On-the-job training (OJT) remains an option for workers, but the current design is restructured and unnecessary restrictions removed. Currently, when a worker participates in OJT the employer is reimbursed up to 50% of the wage rate of the participant to cover the cost of providing the training and additional supervision. Under the Department's proposal, the New Economy Scholarship amount would also be available to pay the direct costs of required classroom training that is combined with an on-the-job component.

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Under a reformed TAA program, workers would have the time spent on Unemployment Insurance and the 13 weeks of basic TRA available to test the labor market. The deadline for enrollment in training in order for the worker to be eligible to continue to receive TRA would be 39 weeks from separation or 13 weeks from certification, whichever is later. With this reform, the worker may choose to enroll in training immediately, or explore the labor market first.

### **2. Improved access to education and training.**

The Administration also proposes to devote a portion of the funds provided under the Community-Based Job Training Grant program to training providers, primarily community colleges, to provide effective training programs to trade-impacted workers. These funds would improve workers' access to education and training by addressing training capacity issues that prevent trade-affected workers from accessing training in high-growth, high-demand occupations. These funds would be targeted to communities where the number of trade affected workers needing training exceeds the available training slots and would also be available for temporary capacity increases to meet a short-term spike in demand.

Funds to support this initiative would be made available to training providers in situations where there are a large number of trade affected-workers in the community and a limited number of training slots in high-growth, high-demand occupations. The funds could be used for curriculum development, to obtain additional training equipment, to hire additional instructors, to add evening or weekend classes, or to start an additional cohort part-way through the regular school year.

The TAA program currently requires trade-certified individuals to give up their training and income support benefits if they return to work, even at a lower paying job— creating a disincentive for a worker to accept such employment. The Administration's proposal would create incentives for reemployment by providing income support through wage supplements available for up to two years to participants who find full-time employment at low paying jobs. Participants would be able to attend training while working and receive a wage supplement at the same time. The wage supplement would also be available to participants in registered apprenticeship programs.

### **3. Access to education and training prior to a trade-impacted layoff.**

Current program design does not allow ETA to begin providing services to workers until they are actually laid off. The Administration's proposal would expand the TAA program to allow workers in a trade-certified firm access to education and training prior to a layoff. Beginning training prior to layoff could shorten the duration of unemployment or entirely prevent the worker from experiencing the trauma of unemployment by providing the skills necessary to secure new employment before the layoff occurs – either in a different position at the same company or in new employment elsewhere.

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### **4. Access to services through a streamlined and efficient workforce investment system – one that is customer focused and does not arbitrarily limit services.**

Currently, in many states, state employment service staff and managers, funded partly by Wagner-Peyser and partly with TAA administrative funds, administer much, or all, of the TAA program at the local level. In other states, local WIA staff provides TAA services. As encouraged by ETA through administrative guidance, TAA services should be delivered by One-Stop Career Centers and the majority of staff providing TAA services, whether state or local employees should be located in One-Stop Career Centers.

The Administration's proposal would ensure trade-affected workers have access to the full range of WIA services available through the One-Stop Career Center system by: requiring administration of the TAA program by the state agency that administers WIA; requiring services to be delivered through One-Stop Career Centers; and mandating co-enrollment with the WIA Dislocated Worker program through modification of the requirements for the agreement between the Secretary of Labor and the Governor of each state. This modification would continue to allow the state agency that administers Unemployment Insurance to operate the income support benefit portion of the program.

These changes would streamline access to career counseling, assessment, and employment information, thereby helping dislocated workers make informed choices about the options available to them. These reforms would also improve access to other supportive services such as transportation assistance or subsidized child care through programs available at One-Stop Career Centers.

Together, these changes promote increased program effectiveness, since workers are more likely to reenter the labor market sooner and combine training and work.

### **Program Performance**

The success of the TAA program is measured in terms of employment, retention, and earnings. Performance levels achieved under comparable measures have improved in recent years, and helping states achieve those goals will be a strong management focus. Improving performance is important not only because trade-affected workers need to be able to reenter the workforce, but also because ETA is committed to the broader goal of developing a competitive workforce that is prepared to meet the needs of businesses in high-growth, high-demand industries.

For the most recent complete fiscal year -- 2007, there were 49,274 new training recipients, 47,047 new TRA recipients, and a total of 91,408 individuals in training. TAA participants tend to be older and less educated than the general dislocated worker population serviced by WIA, and face different barriers to becoming reemployed at comparable wage levels. In FY 2007, 13% of TAA participants were reported to have required remedial education as part of their training program, while in the larger WIA Dislocated Worker program for PY 2005 only 2% of participants required basic or remedial education. In further comparison to the WIA, the TAA program served proportionally more workers over age 55 (23% versus 12%), high school dropouts (19% versus 12%), and fewer college graduates (8% versus 12%). The typical TAA

# TRADE ADJUSTMENT ASSISTANCE

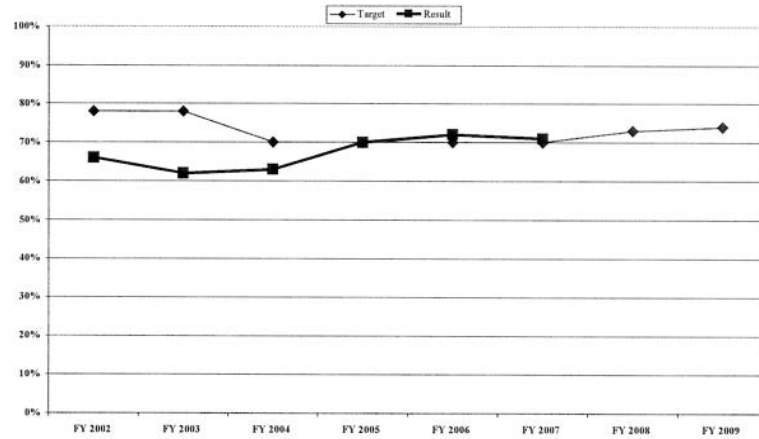
Trade Adjustment Assistance: Entered Employment Rate,  
FY 2002-2009

participant was also employed an average of almost 11 years with the same employer prior to separation

The proposed changes to the program described above will result in improved program performance. These improvements are reflected in the program goals for FY 2009:

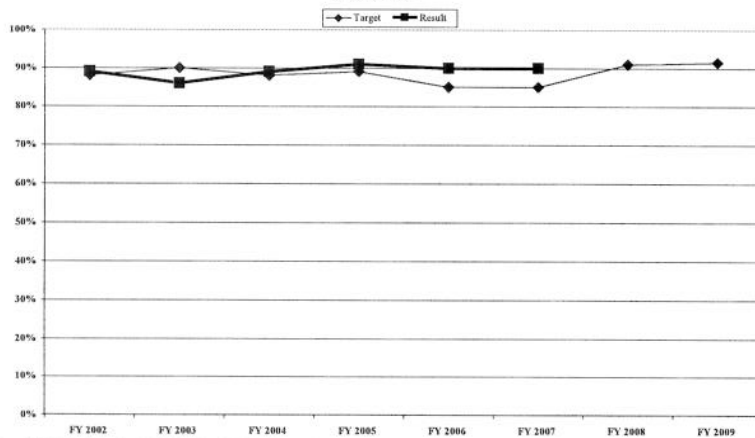
- 74% of participants will be employed in the first quarter after exit
- 91.5% of those employed in the first quarter will remain employed in the second and third quarters.
- Average earnings in the second and third quarters after exit will increase to \$14,190.
- The average cost per participant will be \$8,955.

ETA estimates that 62,000 trade affected workers will receive TRA, and 80,000 will receive training.



Source: TAPR (Trade-Act Participant Report) included in the Enterprise IIS; ETA-563 - Quarterly Determinations, Allowance Activities and Employability Services, and Unemployment Insurance Wage Records

Trade Adjustment Assistance: Retention Rate,  
FY 2002-2009



Source: TAPR (Trade-Act Participant Report) included in the Enterprise IIS; ETA-563 - Quarterly Determinations, Allowance Activities and Employability Services, and Unemployment Insurance Wage Records

## TRADE ADJUSTMENT ASSISTANCE

### Efficiency Measures

The TAA program has a cost per participant measure calculated by dividing the program appropriations level by the number of participants.

Fiscal Year (FY) 2005 was the baseline year with a result of \$10,635. The target ratio for FY 2006 and 2007 was \$12,000, with results of \$11,975 and \$9,134 respectively. Therefore, the target for FY 2008 was established at \$9,043 and \$8,955 in FY 2009.

By statute most of the ETA programs are intended to provide flexibility to hundreds of local workforce investment boards to determine the appropriate mix of service strategies and population needs they serve. Unit costs change from year to year, primarily because of changes in service mix and population, in addition to increases in unemployment claims and few jobs created during recessions. A higher unit cost in one year compared to the previous year does not necessarily denote a less efficient program, nor does a lower unit cost necessarily suggest a more efficient use of funds. ETA is working to improve its measure of efficiency so efforts aimed at improving cost-effectiveness can be assessed. Baseline data for the new (yet unidentified) efficiency measure will be collected in PY 2009.

<b>Program</b>	<b>Efficiency Measure</b>	<b>FY 2009 Target</b>
Trade Adjustment Assistance	Cost per participant	\$8,955

<b>WORKLOAD SUMMARY</b>				
<b>(Dollars in Thousands)</b>				
	<b>FY 2007 Actual</b>	<b>FY 2008 Target</b>	<b>FY 2009</b>	
			<b>Current Law</b>	<b>Legislative Proposal</b>
<b>Federal Unemployment Benefits and Allowances</b>				
Participants	91,701	98,244	107,068	107,738
Cost per Participant	\$9.134	\$9.043	\$8.955	\$8.955
<b>Budget Activity Total</b>	\$837,600	\$888,700	\$958,800	\$964,800

# TRADE ADJUSTMENT ASSISTANCE

## EMPLOYMENT AND TRAINING ADMINISTRATION

### PERFORMANCE GOALS AND INDICATORS

Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.

Performance Indicator	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	FY 2009
	Goal Not Achieved	Result	Goal Not Achieved	Result	Goal Achieved	Result	Goal Achieved	Result	Target	Target
1. Percent of participants employed in the first quarter after exit.	70%	63%	70%	70%	70%	72%	70%	70%*	73%	74%
2. Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit.	88%	89%	89%	89%	85%	90%	85%	88%*	91%	91.5%
3. Average earnings in the second and third quarters after exit. (Results and targets for FY 2003-2006 are for a wage replacement rate.)	90%	74%	80%	76%	80%	77%	Baseline	\$13,914*	\$14,050	\$14,190

Comment: \* FY 2007 results are preliminary because they do not include Texas or Pennsylvania.



# TRADE ADJUSTMENT ASSISTANCE

## CHANGES IN FY 2009

(Dollars in Thousands)

<b>Activity Changes</b>		
<b>Built-In</b>		
To Provide For:		
<b>Built Ins Subtotal</b>		<b>0</b>
<b>Net Program</b>		<b>76,100</b>
	<b>Estimate</b>	<b>FTE</b>
<b>Base</b>	<b>888,700</b>	<b>0</b>
<b>Program Increase</b>	<b>115,100</b>	<b>0</b>
<b>Program Decrease</b>	<b>-39,000</b>	<b>0</b>