

WebMemo



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Trade Adjustment Assistance: Let the Ineffective and Costly Program Expire

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Under the Trade Adjustment Assistance (TAA) program, workers who lost their jobs due to foreign trade are eligible for job training, relocation allowances, and income maintenance while they attempt to shift into new occupations. TAA provides overly generous benefits for only a small fraction of laid-off workers.¹ However, is there any evidence that this assistance and training improves earnings based on newly acquired job skills? Program evaluations of TAA say no.

Three quasi-experimental impact evaluations indicate that TAA is ineffective in raising the wages of participants. Thus, Congress should let this costly and ineffective program expire by not reauthorizing the program.

Trade Adjustment Assistance. Prior to the passage of the American Recovery and Reinvestment Act (ARRA) of 2009, eligible displaced workers enrolled in full-time training could receive up to 104 weeks (two years) of cash payments. A displaced worker requiring remedial education could receive an additional 26 weeks (six months) of cash payments while enrolled in training.

ARRA extended the number of weeks newly eligible displaced workers can receive cash payments. Newly displaced workers can receive up to 130 weeks (two and a half years) of cash payments while enrolled in full-time training, while newly displaced workers requiring remedial education can receive up to 156 weeks (three years) of cash payments while in remedial training. ARRA also expanded the definition of eligibility to include any unemployed

worker whose firm transferred production to a foreign nation. More egregiously, laid-off public-sector employees are now eligible for TAA assistance.

In fiscal year 2010, the U.S. Department of Labor estimated that the TAA program covered 280,873 displaced workers.² During this period, \$1.1 billion in Trade Readjustment Allowances (TRA), similar to unemployment insurance, was appropriated.³ In addition to the TRA appropriation, Congress allocated over \$975 million to fund other TAA services, including \$575 million for job training.⁴

At periodic intervals, TAA needs to be reauthorized by Congress for its continuance. The passage of the Omnibus Trade Act of 2010 set the expiration date for the TAA expansion under ARRA at February 13, 2011. If the expansion is not extended by Congress, the benefits and eligibility requirements revert to their original status before ARRA was enacted. However, recent press reports suggest there was a drafting error in the Omnibus Trade Act.⁵ According to these press reports, other TAA programs will expire on February 12, 2011.

TAA Impact Evaluations. Three quasi-experimental impact evaluations indicate that TAA is ineffective in raising the wages of participants.⁶

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Using a quasi-experimental design, Paul T. Decker of Mathematica Policy Research and a colleague evaluated the impact of TAA job training on earnings outcomes.⁷ After comparing TAA job-training recipients to TAA non-training recipients, the authors found that participating in TAA training had no effect on raising the earnings of participants.

An evaluation using quasi-experimental methods by Professor Leah E. Marcal of California State University, Northridge, compared TAA training participants to TAA non-trainees and those who had exhausted their Unemployment Insurance (UI).⁸ Compared to UI exhaustees and TAA non-trainees, the newly acquired skills by TAA job-training participants failed to translate into higher wages.⁹ However, TAA trainees were 12 percent and 9 percent more likely to find employment than TAA non-trainees and UI exhaustees, respectively.¹⁰

Another evaluation using a propensity score analysis by Professor Kara M. Reynolds of American University and a colleague found “little evidence

that it helps displaced workers find new, well-paying employment opportunities.”¹¹ Specifically, the authors compared employment and wage outcomes of TAA participants to a sample of displaced workers from the Current Population Survey. Finding that TAA participants experienced a wage loss of 10 percent, the authors conclude that the negative impact “is obviously not the result one would expect from a program designed to help displaced workers.”¹² However, the authors did find that TAA training participants had a reemployment rate of 83.9 percent, compared to the 73.7 percent reemployment rate of the comparison group—a difference of 10.2 percent.¹³

Let Failed Programs Expire. Overall, there is little empirical support for the notion that TAA boosts the earnings of participants. In fact, TAA participants are more likely to earn less after participating in the program. This trend was confirmed by a Government Accountability Office report that concluded that TAA participants are more likely to earn less in their new employment.¹⁴

1. James Sherk, “Congress Should Allow Trade Adjustment Assistance to Expire,” Heritage Foundation *WebMemo* No. 3134, February 4, 2011, at <http://www.heritage.org/Research/Reports/2011/02/Congress-Should-Allow-Trade-Adjustment-Assistance-to-Expire>.
2. U.S. Department of Labor, “Training Adjustment Assistance for Workers,” report to the Committee on Finance, U.S. Senate, and Committee on Ways and Means, U.S. House of Representatives, December 2010, p. 4, at <http://www.doleta.gov/tradeact/docs/AnnualReport10.pdf> (January 27, 2011).
3. John J. Topoleski, “Trade Adjustment Assistance for Workers (TAA) and Reemployment Trade Adjustment Assistance (RTAA),” Congressional Research Service *Report for Congress*, September 24, 2010, p. 1.
4. U.S. Department of Labor, “Training Adjustment Assistance for Workers,” p. 19.
5. *Inside US Trade*, “Trade Preference Programs, TAA in Increasing Danger of Expiration,” January 28, 2011; *Inside US Trade*, “Drafting Error Means TAA to Expire in Mid-February Unless Congress Acts,” January 21, 2011.
6. Another TAA impact evaluation by Mathematica Policy Research was originally set to be published in 2010. However, the U.S. Department of Labor and Mathematica Policy Research have yet to release the findings to the public.
7. Paul T. Decker and Walter Corson, “International Trade and Worker Displacement: Evaluation of the Trade Adjustment Assistance Program,” *Industrial and Labor Relations Review*, Vol. 48, No. 4 (1995), pp. 758–774.
8. Leah H. Marcal, “Does Trade Adjustment Assistance Help Trade-Displaced Workers?” *Contemporary Economic Policy*, Vol. 19, No. 1 (2001), pp. 59–72.
9. *Ibid.*, Table 4, p. 69.
10. *Ibid.*, p. 70.
11. Kara M. Reynolds and John S. Palatucci, “Does Trade Adjustment Assistance Make a Difference?” American University, August 2008, at <http://w.american.edu/cas/economics/repec/amu/workingpapers/2008-12.pdf> (January 25, 2011). Emphasis in original.
12. *Ibid.*, p. 22.
13. *Ibid.*, Table 6, p. 32.
14. U.S. Government Accountability Office, *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*, GAO-06-43, January 2006, at <http://www.gao.gov/new.items/d0643.pdf> (January 25, 2011).

With expiration of TAA approaching, Congress would be wise to add the program to the dust bin of history.

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