

Initial Implementation of the Trade Act of 2002

A Report Prepared as Part of the
Evaluation of the Trade Adjustment Assistance Program

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EXECUTIVE SUMMARY

In January of 2004, the U.S. Department of Labor (DOL) awarded Social Policy Research Associates (SPR) and its subcontractor Mathematica Policy Research (MPR) a contract for a national *Evaluation of the Trade Adjustment Assistance Program*. The evaluation is comprised of three parts: 1) an initial implementation study, 2) a process study, and 3) an impact analysis. This report, the culmination of the first part of the evaluation, examines the initial implementation of the Trade Adjustment Assistance Reform Act of 2002 (Trade Act of 2002 or the Act) and states' early progress and challenges in implementing the new legislation.

Overview of the Act's Changes

The Trade Act of 2002 significantly amended the Trade Adjustment Assistance (TAA) program by repealing the North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA) program and folding some of its provisions into a single, consolidated program of assistance to trade-affected workers. The Act also made significant changes to the TAA program, by adding a number of new features and benefits as discussed below.

The reforms embodied in the Trade Act of 2002 and subsequent administrative guidance and reforms instituted by DOL made changes along five key dimensions:

- **Expanding the number of workers receiving trade benefits.** The Act modified filing procedures and eligibility, to increase access to TAA services.
- **Promoting rapid and successful reemployment.** Various provisions of the law and subsequent guidance from DOL increased the TAA program's focus on achieving "rapid, suitable and long-term employment for adversely affected workers,"¹ by emphasizing:
 - Early intervention services.
 - Improved assessment and reemployment services prior to training.
 - Increased benefits and supports during training to encourage training completion.
 - Better connections to the labor market during training.

¹ Training and Employment Guidance Letter, No. 11-02, p.2.

- **Promoting collaboration among programs and partner organizations in state and local One-Stop systems.** The Act required that Rapid Response and the core and intensive services available under the Workforce Investment Act (WIA) be made available to TAA participants. DOL guidance further promoted system collaboration by designating “One-Stop Career Centers as the main point of participant intake and delivery of benefits and services.”²
- **Maintaining fiscal integrity and promoting performance accountability.** DOL implemented a new funding allocation process shortly after the Act and increased emphasis on performance accountability and reporting.³
- **Offering new benefits to trade-affected workers including 1) a tax credit to partially cover health insurance and 2) partial wage compensation for older TAA participants who become re-employed and do not pursue training.**

To investigate the issues and challenges related to implementation of the Trade Act of 2002, the research field staff conducted site visits to twelve states and twelve local offices during May and June of 2004. The twelve states were chosen using random selection proportionate to the size of each state’s TAA activity nationally. This selection process was used so that the site visits would occur in states where the most TAA services were provided. Local offices or areas were selected with the assistance of state TAA Coordinators, based on the prevalence of TAA activity and, for logistical reasons, proximity to the state capital. Each of the visits entailed a comprehensive set of interviews with state and local office staff involved in the administration or delivery of TAA benefits and services.

This summary is organized around key components of service delivery to trade-affected workers: the certification and petition process, early intervention and pre-training services, TAA training services and benefits, TAA funding, and new programs.

Effects on the Certification and Petition Process

The Trade Act of 2002 changed the certification and petition process to increase the number of workers who receive TAA services and streamline the certification process.

Expanding the Number of Workers Receiving Services

The Act made several changes designed to expand the number of workers receiving TAA services. These changes include: 1) expanding authorized petition filers to include One-Stop

² Ibid., p.3.

³ In addition to Training and Employment Guidance Letter No. 11-02, see Training and Employment Guidance Letters No. 6-03 (which introduced the formula allocation for the disbursement of funds) and No. 32-04 (which clarified TAA performance measures and goals).

Career Center and State Workforce Agency (SWA) staff, and 2) extending TAA eligibility to cover secondary workers (i.e., those working for “upstream” suppliers of components to primary certified firms, or for “downstream” firms performing finishing operations).

These changes do not appear to have expanded the number of certified workers in any significant way. Thus, national data showed that few One-Stop Career Centers or SWA staff filed a petition in fiscal year 2003, and that the vast majority of petitions were still being filed by either company officials or groups of workers. Similarly, few petitions were being filed by groups representing secondary workers. State respondents posited a variety of explanations for why more secondary workers had not sought certification, including that few secondary workers were being adversely affected by trade; that eligibility requirements for secondary workers were too strict; and that staff, workers, and firms lacked awareness about secondary worker eligibility.

Streamlining and Speeding up the Certification Process

The Act merged the TAA and NAFTA-TAA programs and made a number of improvements to the process of filing and certifying petitions. These changes included: decreasing the role of states in certification investigations by requiring DOL to make all determinations and reducing to 40 days the time allowed for certification decisions. These changes were aimed at speeding up the process of moving trade-affected workers into reemployment services so that workers can return more quickly to the labor market.

Of these changes, the legislation’s provision for decreasing the turnaround time for certification decisions to 40 days (from the 60 days allowed under the previous TAA) was perhaps the one about which the most comments were received. Virtually all states noticed that DOL was much timelier in making certification decisions, and they very much appreciated this change. States reported that the quicker turnaround often led them to provide job search and other reemployment services through Rapid Response assistance more quickly and connect workers to the One-Stop Career Center system sooner. Respondents also reported that this change might also have resulted in speedier entry into training for TAA customers.

Although uniformly positive about the shortened certification time, states also reported an accompanying challenge, in that they then had less time to prepare local staff to serve large numbers of certified customers. They also felt that DOL’s e-mail notification system could be made easier for them to navigate.

Respondents expressed strong support for the other changes to the certification process as well. For example, they were enthusiastic about combining TAA and NAFTA-TAA and were generally pleased to be relieved of their role in conducting petition investigations.

Some states also reported challenges associated with the transition. For example, states that had recently had substantial TAA and NAFTA-TAA activity were in essence administering three

separate programs simultaneously—the two old programs (for those enrolled in TAA and NAFTA-TAA before the new legislation took effect) and the new amended TAA program. States reported some problems in communicating the different levels of benefits to workers who fell under the different legislative guidelines; however, these problems were short-lived.

Effects on Early Intervention and Pre-Training Services

The Trade Act of 2002 requires that Rapid Response assistance and appropriate core and intensive services (as described in section 134 of WIA) must be made available to the workers covered by any petition filed under the TAA program. Furthermore, DOL’s accompanying guidance in TEGL 11-02 stipulated that states should make every effort to ensure that trade-affected workers covered by a certification receive counseling, testing, and other appropriate services from the One-Stop system. These provisions supported the Act’s goals of promoting rapid and successful employment for trade-affected workers, improving the efficiency and effectiveness of service delivery, and increasing collaboration with WIA’s One-Stop Career Center partners.

Early Intervention Services

Rapid Response activities represent the first response among workforce staff in their efforts to promote trade-affected workers’ rapid and successful reemployment following notice of an impending dislocation. Numerous state and local practices, many of which pre-dated the Act, supported this goal. First, all states provided some on-site services during Rapid Response whenever circumstances allowed it, including assisting workers to file for Unemployment Insurance (UI), explaining the services available through the One-Stop Career Centers, and summarizing the benefits and services available under the TAA program. An especially effective way for initiating services quickly was by creating transition centers that functioned as temporary One-Stop Career Centers on or near the work site, a tactic used in several states in the study. Second, states generally conducted post-certification worker orientations to the TAA program, again often at the work site. At these sessions, several states had workers fill out TAA and Trade Readjustment Allowances (TRA) (extended income support for eligible TAA participants) applications, thus speeding the workers’ connection to the program, and ideally to reemployment. Lastly, states strengthened coordination between Rapid Response and TAA staff by establishing regional-level staff positions.

These early intervention services thus clearly served to inform workers expediently of their eligibility to apply for TAA benefits and services and introduce them to the array of services available at One-Stop Career Centers, regardless of whether their petition was certified. Since states reported that they were already providing Rapid Response assistance to virtually all such

workers as a matter of course, the Act's requirement to provide such services in conjunction with every petition filed appeared to have had little effect.

Upfront Assessment and Reemployment Services

As noted, the Trade Act of 2002 required that trade-affected workers have access to the One-Stop Career Center system's array of core and intensive services. Since registration in the state labor exchange system was typically required to receive UI and at intake into the TAA program, services available through the state employment service (known as core services) were offered to TAA customers. In addition, at least some job search assistance and assessment (WIA intensive services) were typically made available to TAA customers.

Overall, there was a high degree of variation as to the nature and amount of services offered to and received by TAA participants, however. The most important factor appeared to be the degree to which services were coordinated among One-Stop system programs. When there was a high degree of coordination within the One-Stop system, services such as workshops, help with resume writing, interviewing tips, strategies for conducting job search, comprehensive skill and interest assessment, advice on determining career or training options, and case management were available to TAA customers. More services were available when there was a policy of co-enrolling TAA participants into the WIA dislocated worker program.

However, during the site visits conducted in 2004, numerous local areas reported that they did not regularly co-enroll TAA customers in WIA. Customers in these areas were likely to have experienced a truncated and cursory assessment, possibly hindering the effectiveness of training services. By contrast, customers co-enrolled in WIA were likely to have received a more comprehensive assessment of their skills and interests. Coordination with WIA thus appeared to expand the range and quality of upfront services that TAA customers received. A few local TAA offices also tried to improve assessment services by requiring staff to participate in vocational counseling certificate programs.

A number of factors were found to encourage coordination between TAA and other One-Stop Career Center partners, as demonstrated in varying degrees in the states studied. These factors included: a TAA administrative structure that was integrated with the local One-Stop Career Center system; state TAA policy and guidance mandating and detailing coordination with WIA and other One-Stop Career Center partners; the integration of the TAA program's Management Information System (MIS) with those of other One-Stop Career Center partners; coordinating mechanisms such as regional TAA-WIA liaisons; the cross-training of local staff in Employment Service, WIA, and TAA services; and high levels of co-enrollment of TAA customers in WIA. States reported that the Trade Act of 2002 encouraged them to continue their efforts to coordinate with the One-Stop delivery system and using the One-Stop Career Centers as the

primary point for intake and service delivery, although the impetus for their efforts began much earlier, at least dating to the passage of WIA.

Despite these strong efforts, challenges to the integration of the TAA program within the One-Stop Career Center system remained. Many stakeholders continued to view TAA as connected primarily to only Employment Service rather than to the broader One-Stop delivery system as envisioned by WIA. In addition, respondents noted the challenge of integrating TAA, typically a centralized program, with the One-Stop Career Centers, which are locally managed, especially when data systems are not well connected.

Effects on Training-Related Benefits and Services

The Trade Act of 2002 made a number of changes to the provision of training-related services and benefits, with the aim of promoting rapid and suitable reemployment. While some of these changes did not work as well as planned or had unintended consequences, others were much more successful and may have resulted in significant increases in customers' training completion rates and labor market success.

Training Deadlines and Waivers

One important change brought about by the Act was the institution of new deadlines requiring that those who wish to receive TRA benefits enroll in training by the later of 8 weeks after the petition is certified or 16 weeks after the worker's complete separation (8/16 deadlines). These deadlines were intended to promote a faster entry into training.

Nearly all state and local TAA respondents interviewed believed that the 8/16 deadlines were one of the biggest challenges of the Act. Among the concerns was that 8 or even 16 weeks was viewed as not nearly enough time for a customer to become enrolled in a suitable training program. Reasons why customers often could not be expected to enroll in training within the deadlines included: 1) delays in when TAA staff received notification of a certification or obtained worker lists from employers, 2) customers' initial reluctance to undertake training (which often was only overcome after customers had conducted an initial diligent job search to convince themselves that training was necessary), 3) the time staff needed to carry out a thorough skills assessment and for customers to make training choices, and 4) the infrequent start dates for many training courses.

The Act also made major changes to the process of granting waivers to customers who wish to receive basic TRA without enrolling in training.⁴ Prior to the Act, waivers were not permitted in the NAFTA-TAA program but could be issued in TAA when training was deemed “not feasible or appropriate.” By contrast, the Act (and accompanying DOL guidance) established six specific reasons allowing states to grant waivers, required waivers to be renewed monthly, and specified that waivers generally would be valid for no more than six months.

For reasons not entirely related to the waiver provisions themselves, the use of waivers increased dramatically. Prior to the Act, training waivers for TAA customers were fairly uncommon (and, as mentioned, were not allowed under the NAFTA-TAA program). By contrast, under the Trade Act of 2002 there was a huge increase in the use of waivers in every state visited. States cited three major reasons why the use of waivers increased so markedly: 1) to maintain customer eligibility for the Health Coverage Tax Credit (HCTC) (to be discussed below), 2) to compensate for a state’s lack of funding to support customers in training, and 3) to ensure that customers did not miss the 8/16 deadlines.

The 8/16 deadlines and the routine issuance of training waivers appeared to have dramatically affected the process of moving TAA customers from program intake to training. In order to protect HCTC eligibility, TAA staff had eligible workers enroll in TRA and TAA and fill out waiver paperwork very shortly following a certification, regardless of whether the worker would soon—or even ever—receive other TAA benefits. Many state respondents reported that the new enrollment and waiver process was very burdensome and time-consuming, because of the volume of enrollment and waiver requests they were processing and the need to renew waivers on a monthly basis.

At the same time, the effect of the waiver process and 8/16 deadlines on TRA and training take-up rates was unclear. Two states thought that TRA take-up rates had increased as a result of the deadlines and waiver process, but others felt that many of the new enrollees might have found employment before exhausting their UI benefits and never receive either TRA or training from TAA, leaving the overall effect on take-up rates uncertain. The effect of the 8/16 deadlines and waiver process on the speed with which TAA customers entered training was also unclear. Overall, though, because of the almost blanket issuance of waivers, the timing of enrollment in training did not appear to have changed much.

⁴ Under the TAA program, trade-affected workers may be eligible for TRA benefits that are defined in two categories, basic TRA and additional TRA. Normally, basic TRA will be provided for 26 weeks after the worker exhausts UI benefits and is payable if the worker is enrolled or participating in TAA training, has completed training, or has obtained a waiver of the training requirement. Additional TRA is available for a subsequent 52 weeks (longer in some cases), but only if the worker is in approved TAA training.

Effects on Other Aspects of Training and Related Services

Other training-related changes made by the Trade Act of 2002 include: extending additional TRA from 26 to 52 weeks, adding TRA for up to an additional 26 weeks to cover necessary remedial training, extending approved breaks in training from 14 to 30 days without loss of TRA, renewing the emphasis on the provision of support services such as childcare and transportation assistance, loosening requirements for on-the-job training and adding customized training as an option for TAA customers, and modestly increasing job search and relocation allowances.

The Act's extension of additional TRA benefits, its allowance for remedial training, and the extension of allowable breaks of training were all strongly welcomed by TAA administrators and staff. Respondents felt that it made good sense to align the duration of UI and TRA benefits to match the allowable weeks of training,⁵ and to allow breaks in training to cover the gaps that commonly occur between school terms at community colleges. Moreover, states noted that substantial numbers of customers had basic skills deficiencies, so the provision for extending TRA benefits still further to allow for remedial training fills what they perceived to be an important gap in coverage. Although it is too early to gauge the impact of these reforms, the majority of respondents reported that they expected the reforms to result in improved training completion rates, better skilled workers, and, ultimately, better labor market success.

The Act's strong support for increased integration within the One-Stop delivery system to allow for coverage of workers' supportive services needs was also generally well received. However, the effect of this legislative provision was expected by many respondents to be modest, for two reasons. First, in at least a few states the trend toward increased coordination with One-Stop partners and the co-enrollment of TAA customers in WIA was already underway. Second, even where the Act spurred coordination and co-enrollment, the limited amounts that WIA typically makes available for supportive services meant that the coverage of workers' supportive services needs was still quite limited.

The legislation's remaining provisions relating to training-related services appeared to have had little effect. For example, states reported that usage of on-the-job training (OJT) and customized training had not increased. Respondents attributed the limited use of employer-based training to TAA staff having limited time and experience with developing and monitoring such contracts. Similarly, the use of job search and relocation allowances to pursue distant job opportunities had apparently changed very little, despite the fact that the Act modestly increased the maximum

⁵ Occupational training can be provided to TAA participants for up to 104 weeks. An additional 26 weeks of training can be provided to those who need remedial training.

allowances. Reasons for low usage of relocation allowances were attributed to workers' strong preference to remain in their home communities.

Effects of Recent Changes to the Funding Process

The funding system for TAA has undergone two dramatic changes. First, less than a year after the Act went into effect, DOL changed the basis for distributing TAA funds from a grant-request process to an annual allocation formula and shifted to reliance on an expenditure-based accounting system rather than one based on obligations. Second, the legislation authorized an increase in the annual Congressional appropriation for TAA training from \$110 million per year to \$220 million.

Effects of the New Allocation System

DOL intended that its new formula-based system and movement towards an expenditure-based approach would make the process of conveying TAA funds to the states more efficient and predictable and would "facilitate a fair and equitable distribution of trade training funds."⁶ However, states were nervous about these changes. Since the formula did not take into account expenditures under dual-enrollment National Emergency Grants (NEGs) (which have become a steady source of funds for supporting TAA customers in many states), respondents worried that their TAA formula allocations would be inadequate. They were also making a difficult transition from an obligations-based system to expenditure-based accounting. Many found the process of converting their books to be slow and highly burdensome. Moreover, they pointed out that the transition could penalize them through lower formula allocations due to low accrued expenditures.

Despite these challenges, several states agreed that the new formula system might bring greater equity to TAA allocations and gave them the advantage of knowing their allocation in advance.

Implications of Funding on Integration with One-Stops

Despite the increased overall allotment for TAA training from \$110 million to \$220 million, states worried about the insufficiency of funding to meet customers' training needs, and all but two of the twelve states claimed that they faced funding shortfalls during some part of fiscal year 2004. However, DOL withholds 25 percent of the annual TAA appropriation from the formula allocation in reserve to respond to states' unexpected needs, and it reported that substantial amounts of these reserve funds remained unclaimed, suggesting that states' fears of funding shortfalls were perhaps overstated.

⁶ Training and Employment Guidance Letter No. 06-03, p. 1.

Funds for program administration and for non-training services were also viewed as falling far short of need. Specifically, states argued that case management services were inadequately supported because of the program's requirement that no more than 15 percent of TAA funds be used for non-training services.

One implication of these perceived funding shortfalls was that they might have led the TAA program into a closer collaboration with its One-Stop partners. For example, states routinely used dual-enrollment NEG's to supplement their TAA allocations. Dual-enrollment NEG's require co-enrollment of TAA participants in WIA, and thus increased the extent to which there was coordination between the two programs. Additionally, WIA and Wagner-Peyser (henceforward known as Employment Service (ES)) funds were used to support the TAA program *indirectly* through the use of WIA and ES funded staff, as well as *directly* through the use of WIA training funds when TAA training funds were temporarily unavailable.

New Programs

To promote the goal of successful and rapid reemployment, the Act introduced two new programs for trade-affected workers: the Alternative Trade Adjustment Assistance program (ATAA) and the HCTC. ATAA, which is a demonstration program, provides older workers an incentive to rapidly reenter the workforce by providing a wage supplement in place of standard TAA training and TRA payments. HCTC, implemented through a cooperative effort of the Department of Labor, the Department of Health and Human Services, and the Department of the Treasury (administered by the IRS), assists trade-affected workers who are undergoing training or job search with health insurance costs through a tax credit. These programs are detailed below.

The Alternative Trade Adjustment Assistance Program

The ATAA demonstration program serves as an alternative benefit for older workers nearing retirement age who prefer reemployment rather than enrollment in a training program. The ATAA program provides income support equal to 50 percent of the difference between their old and new salaries up to a maximum of \$10,000 to workers 50 years of age or older and who are from worker groups that have been specially certified for ATAA. These benefits can be provided in place of regular TAA benefits if eligible workers find employment within 26 weeks of separation and earn less than \$50,000 in their new jobs. ATAA payments can be made over a period of two years unless the \$10,000 cap is reached before that time.

In general, states found that implementing ATAA was challenging and time consuming, as they struggled with establishing the infrastructure that the new program requires, including revising their MIS and establishing new payment structures. These efforts, they pointed out, constituted a

new drain on their already limited TAA administrative funds. They also reported that take-up rates among eligible customers were extremely low, which they attributed to the following: lack of awareness of the program; low numbers of petitions certified as being ATAA-eligible; customers' reluctance to accept a "government handout" on the one hand, and their hesitancy about foregoing training and TRA benefits on the other; and the inability of many who might benefit from the program to become reemployed within the 26-week deadline.

Despite these problems, TAA staff felt that ATAA filled an important need by providing an alternative to training. Further, they expected take-up rates to increase when word about the program spread, and felt that take-up could improve if eligibility rules were relaxed.

The Health Coverage Tax Credit

HCTC subsidizes private health insurance coverage for eligible trade-affected workers, covering 65 percent of the cost of the premium that eligible individuals pay for qualified health insurance coverage. Although the HCTC program is administered by the Internal Revenue Service (IRS), SWAs play a pivotal role in the program by transmitting information about eligible workers to IRS staff.

Staff in many states described HCTC as one of the most challenging aspects of the Trade Act of 2002. The major problems included a lack of understanding of the program among workforce staff coupled with a high volume of inquiries from customers, insufficient resources to administer the new program, difficulties in working with the IRS, and the need to issue blanket training waivers to virtually all trade-affected workers to protect their HCTC eligibility. Moreover, as with ATAA, take-up rates were low, primarily, according to local staff, because the cost of covering 35 percent of health insurance premiums was too high to be affordable for most trade-affected workers. Further, few states had developed a state-certified health plan (which could have been less expensive). Some staff reported that the program could "fill a huge need for customers," but did not foresee a substantial increase in take-up rates unless the affordability problem was addressed.

Conclusion

Since the Act's reforms were in place for less than two years at the time this report was written, it was too soon to tell how successful the Act was in achieving its key objectives. At that point, however, the message was mixed—some of the legislation's provisions had been well received and were expected to achieve their objectives, others appeared to have had little effect, while still others encountered a slow start-up or unexpected implementation challenges.

Among the provisions that were well received, respondents were very appreciative of DOL's much faster turnaround on certification decisions (due to the shortened timeframe of 40 days),

and they reported that this change has allowed them to get workers into services more quickly. They were also enthusiastic about the extension of additional TRA by 26 weeks, the provision for supporting workers in remedial training, and allowing breaks in training of up to 30 days—all of which, they felt, held the prospect of supporting workers in their training needs, improving training completion rates, and promoting high-quality long-term employment outcomes. Other provisions, such as the legislation’s emphasis on Rapid Response and coordination with the One-Stop delivery system, were rated positively, but were viewed as supporting developments that were already underway rather than spurring new initiatives.

Other provisions seem to have had little effect. For example, there was not an influx of petitions from secondary workers, and usage of OJT and customized training remained very low. For the expansion of eligibility to secondary workers to have much meaning, aggressive outreach efforts may be called for, and employer-based training was unlikely to be expanded unless TAA staff were provided with the additional time and expertise needed to develop such training and oversee the training slots available.

Finally, still other provisions did not appear to work well, or at least not as well as intended. For example, the 8/16 deadlines did not generally appear to have spurred earlier entry into training, because their effect had been almost entirely countermanded by the widespread issuance of training waivers for purposes of protecting workers’ HCTC rights. The use of training waivers, in turn, resulted in a huge new burden for TAA administrators and line staff. Resolving the contradiction between the emphasis on getting trade-affected workers into training quickly while using training waivers freely may be an issue in need of resolution. Other provisions of the Act, such as ATAA and HCTC, did not appear to realize their potential, but had potential to become popular and successful programs once customers and staff became more familiar with them and start-up problems were resolved.

Overall, the Trade Act of 2002 gave rise to important reforms that reflect deep-seated agreement about the importance of facilitating workers’ access to services, promoting rapid and successful reemployment, supporting collaboration with the One-Stop delivery system, and ensuring fiscal integrity and performance accountability.

I. INTRODUCTION

In January of 2004, the U.S. Department of Labor (DOL) awarded Social Policy Research Associates (SPR) and its subcontractor Mathematica Policy Research (MPR) a contract for the national *Evaluation of the Trade Adjustment Assistance (TAA) Program*, a study comprised of three parts: 1) an initial implementation study, 2) a process study, and 3) an impact analysis. The second and third parts will be conducted over the next five and a half years. The process study will provide detailed descriptions of how the TAA program operates and challenges to implementation and operation; it will also provide an accounting of emerging best practices. The impact study will estimate the TAA program's overall impact and impacts for various subgroups, and conduct a cost-benefit calculation to determine whether the program's net benefits exceed its costs.

This report represents the culmination of the first of the three parts, the initial implementation study. The initial implementation study examines states' progress and challenges in implementing the reforms legislated by the Trade Act of 2002, as well as the preliminary effects of those changes on the TAA program. The findings presented in this report are a preliminary examination of the effect of the Act on the way the trade program operates.

Background

The Federal government has long sought to compensate workers that have suffered from trade-related job loss and, through the provision of employment and training services, help them adjust to losing their jobs and, ideally, become reemployed. Although the concept of assisting workers who have experienced job loss due to trade dates back to the 1930s, Federal assistance to trade-affected workers was first made available in the Trade Expansion Act of 1962. Through this legislation, workers were offered compensatory financial payments and other adjustment services. However, because the strict eligibility requirements kept take-up rates low, the TAA provision of the law had minimal impact. Ensuing legislation, primarily the Trade Act of 1974 (amended several times), the Omnibus Budget Reconciliation Act of 1981, the Omnibus Trade and Competitiveness Act (1988), the North American Free Trade Agreement (NAFTA) which passed in 1994, and the Trade Act of 2002, gradually shaped, through a series of expansions (and contractions) of benefits, services, and eligibility guidelines, the program we now know as TAA.

Over time, the TAA provisions of the different laws changed the program's orientation from financial compensation to adjustment through training and reemployment services. Succeeding legislation increasingly identified training as an entitlement and reemployment as the focus of services.

Major Goals of the Trade Act of 2002

The Trade Act of 2002 significantly amended the TAA program by repealing the NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) program and combining some of the provisions of NAFTA-TAA with TAA. The Act also made significant changes to existing aspects of the TAA program, most importantly by adding a number of new features and benefits. The reforms instituted in the Trade Act of 2002 and in DOL's accompanying guidance include the following five key dimensions:

- **Expand the number of workers receiving trade benefits.** The Act adjusted filing procedures and eligibility to increase access to TAA services.
- **Promote rapid and successful reemployment.** Various provisions increased the TAA program's focus on achieving "rapid, suitable and long-term employment for adversely affected workers,"⁷ by emphasizing:
 - Early intervention services;
 - Improved assessment and reemployment services prior to training;
 - Increased benefits and supports during training to encourage training completion; and
 - Improved connections to the labor market during training.
- **Promote collaboration among programs and partner organizations in the One-Stop delivery systems.** The Act required that Workforce Investment Act (WIA) Rapid Response and core and intensive services be made available to TAA participants; subsequent guidance from DOL further promoted system collaboration by designating "One-Stop Career Centers as the main point of participant intake and delivery of benefits and services."⁸
- **Maintain fiscal integrity and promote performance accountability.** DOL implemented a new funding allocation process shortly after the Trade Act of 2002 and increased emphasis on performance accountability and reporting.⁹

⁷ Training and Employment Guidance Letter, No. 11-02, p.2.

⁸ Ibid., p.3.

⁹ In addition to Training and Employment Guidance Letter No. 11-02, see Training and Employment Guidance Letters No. 6-03 (which introduced the formula allocation for the disbursement of funds) and No. 32-04 (which clarified TAA performance measures and goals).

- **Offer new benefits to trade-affected workers**, including the Health Coverage Tax Credit (HCTC) to partially cover health insurance and the Alternative TAA (ATAA) program to provide payments to older TAA participants who became re-employed at wages lower than their previous job and who did not pursue training.

Overview of the Report

With the Act's major goals in mind, this report examines the above-mentioned reforms on the TAA program. Chapter II explores the effect of the Act on petition filing and certification, including an examination of provisions to expand eligibility to secondary workers, allow other groups and individuals to file petitions, consolidate the TAA and NAFTA-TAA programs, require simultaneous filing of petitions with states and DOL, decrease the role of states in petition investigation, and mandate faster turnaround time for petition certification. Chapter II reveals that these changes did, in fact, streamline and speed up the certification process.

Chapter III explores the Act's efforts to improve access to Rapid Response and WIA core and intensive services, as well as promote collaboration among TAA and other state and local One-Stop Career Center partners. This chapter describes efforts to change the assumption that training is the best solution for all trade-affected workers to an approach that uses upfront assessment and job search services to assist some workers in securing reemployment without entering training.

Chapter IV explores the implementation of new deadlines for TAA customers to be enrolled in training by either the 8th week after certification or the 16th week after complete separation (8/16 deadlines), the training waiver process (which negated most of the impact of the new deadlines), and extensions of Trade Readjustment Assistance (TRA), training benefits and supports, including:

- An extension of the maximum number of weeks of additional TRA;
- Up to 26 weeks of additional TRA-supported remedial training;
- Longer approved breaks in training without the suspension of TRA benefits;
- Increased emphasis on support services, such as childcare and transportation; and
- Increased reimbursement available from job search and relocation allowances.

This chapter explores the impact of these changes and the degree to which they may have contributed to training completion and greater success in the labor market following exit from the TAA program.

The impact of the changes to the TAA funding process is the subject of Chapter V. While not stipulated in the Act itself, the implementation of a new funding allocation process for Fiscal Year 2004 was the primary strategy for promoting fiscal integrity, which is a goal of the Act.

Chapter V describes how states struggled in adapting to the new allocation formula and expenditure-based funding system and considers the implications of the new funding process for future years. Chapter V also describes how limits on administrative funding for TAA appeared to foster increased collaboration between One-Stop Career Center partners in many local areas, another goal of the Act.

The focus of Chapter VI is on the early implementation of the two new programs created by the Act, the ATAA demonstration program, which provides eligible older workers with a wage incentive to quickly re-enter the labor force, and the HCTC, designed to meet the health care needs of trade-affected workers by covering a substantial portion of the cost of health insurance premiums. The report concludes by evaluating the effects of the Act's reforms and the success of the TAA program in achieving the Act's goals.

Methodology and Data Collection

This report is based primarily on site visits conducted to twelve states and twelve local offices during May and June of 2004. Site visitors spent a day-and-a-half at the state level and a day visiting local offices. In preparation for the site visits, SPR prepared a comprehensive set of protocols to ensure that data were collected consistently across sites.

Each site visit entailed a comprehensive set of interviews of state and local staff involved in the administration of TAA benefits and services. Typical respondents at the state level included the TAA coordinator, the TRA coordinator, the Rapid Response coordinator, MIS/reporting staff, TAA funding staff, the Employment Service (ES) director, and the WIA director. Local respondents typically included TAA line staff and managers, local ES managers, local WIA directors, and local Rapid Response staff. Following the site visits, field staff compiled an internal site-visit report for each site, which was then used to develop this report.

The twelve states selected for the initial implementation study were chosen using random selection proportionate to the extent of each state's TAA activity so that the site visits would reveal implementation practices in the states where most TAA services were provided. In selecting the states, the extent of TAA activity was measured as a proportion of the average number of TAA and NAFTA-TAA affected workers for petitions approved over the fiscal years 2002, 2003, and the first quarter of 2004. Since one state that was selected could not accommodate our site visit during the time frame for this study, that state was dropped from the sample and New Jersey was instead selected at the request of DOL due to its strong TAA performance.

Local offices or areas were selected with the assistance of state TAA coordinators, based on the prevalence of TAA activity and, for logistical reasons, proximity to the state capital. In some cases, states suggested local areas or offices because they felt that the area demonstrated

exemplary practice, and this was neither encouraged nor discouraged. Other states selected local areas or offices that had not been recently evaluated or monitored, but had experienced significant trade activity.

The selected states and corresponding local offices or areas are listed in Exhibit I-1, along with the abbreviations that will be used in this report to refer to each site. These states and local offices included both rural and urban areas, and they represented all geographical regions of the continental U.S. Even though states were selected based on the prevalence of their trade program activity, there is still a wide range of program sizes included in the study. For example, North Carolina, Texas, and Pennsylvania have high numbers of TAA and NAFTA-TAA participants, while Arizona, New Jersey, and Kentucky have much lower numbers. Additional background information on each state is available in Appendix A.

**Exhibit I-1:
States and Local Offices/Areas Visited**

State	Local Office or Area	Abbreviation
Alabama	Opelika One-Stop Center	Opelika
Arizona	Gilbert One-Stop Center & Mesa Job Service Office	East Valley
California	Sonoma County JobLink	Sonoma County
Georgia	Northwest Workforce Development Area, Cartersville	Northwest Georgia
Kentucky	Central Kentucky One-Stop Center, Richmond	Richmond
Michigan	Troy One-Stop Center	Troy
New Jersey	New Brunswick One-Stop Center	New Brunswick
North Carolina	Wilson JobLink	Wilson
Ohio	Trumbull One-Stop Center	Trumbull County
Pennsylvania	York County CareerLink	York County
South Carolina	Greenville ESC Workforce Center	Greenville County
Texas	Alamo Workforce Investment Area	San Antonio

How States Heard about the Act

Before beginning a discussion of implementation challenges associated with the Trade Act of 2002 and the way the legislation might have affected the program's operations, this section briefly highlights the way respondents reported learning about the Act and the clarity of the guidance they received.

The state TAA coordinators interviewed said they learned about the Act's key provisions through many channels, but overwhelmingly they highlighted the importance of regional conferences conducted by DOL. They also participated in conference calls, communicated with regional DOL staff (e.g., by asking questions, seeking clarifications, etc.), digested new program guidance DOL issued through Training and Employment Guidance Letters (TEGLs), and received e-mails or "Info Bulletins" on the changes. One state respondent noted that it was also helpful to contact TAA coordinators in other states to see how they were handling some of the changes that the Act mandated.

Local staff, in turn, commonly learned of the changes through statewide meetings or conferences. Local staff in several states reported communicating with state and regional TAA staff regarding the initial announcement of changes and the ongoing resolution of problems or questions. Some states also had state or regional staff train the local staff within their local offices. Finally, at least three states reported issuing new procedural manuals capturing the reforms of the Act and other states indicated they were in the process of doing so.

Respondents varied in their opinions of the adequacy and clarity of the information they received. About one-third of the state TAA coordinators reported that they had a "clear understanding" of the Act; typically, they reported that DOL's regional conferences were clear and comprehensive. By contrast, the rest of the state coordinators reported that some aspects of the Act were not as clear. HCTC (discussed in Chapter VI) topped the list of confusing components of the Act, with almost half of the states citing HCTC's complexity as posing a significant challenge for TAA staff. Many TAA staff at state and local levels also expressed frustrations and confusions about how to handle the new deadlines by which TRA beneficiaries must enter training and the process by which these deadlines could be waived. Along these lines, a particular topic of concern was how to manage the tremendous increase in the use of training waivers (discussed in Chapter IV). Other aspects of the Act that some state respondents did not clearly understand or for which they wanted more guidance were:

- How to implement the new funding formula (discussed in Chapter V);
- Under what circumstances eligibility could be extended to secondary worker groups (discussed in Chapter II);
- How to design, develop, and monitor on-the-job training (OJT) and customized training (discussed in Chapter IV); and
- How and what to report for customers participating in the ATAA program for older workers (discussed in Chapter VI).

Finally, many respondents expressed their pressing need for updated program regulations.

II. EFFECT OF THE TRADE ACT OF 2002 ON PETITION FILING AND CERTIFICATION

Two of the major goals of the Trade Act of 2002 were to significantly expand the number of workers who receive TAA benefits and services and increase the focus on rapid and successful reemployment. To achieve these goals, the Act made several changes to program eligibility and the process of filing and certifying petitions. These include:

- Changes related to expanding the number of workers receiving benefits:
 - Expanding who can file petitions on behalf of groups of workers to include One-Stop operators and partners, including State Workforce Agency (SGA) and WIA dislocated worker program staff.
 - Expanding program eligibility to cover secondary workers.
- Changes related to streamlining and speeding up the certification process:
 - Combining NAFTA-TAA and TAA into one program.
 - Requiring that petitions be filed simultaneously with the state and DOL.
 - Eliminating the requirement that states conduct a preliminary investigation for each petition (previously a requirement for NAFTA-TAA only).
 - Requiring DOL to make certification decisions within 40 days of receiving a petition.

In general, findings from the site visits indicated that the number of petitions filed or workers being served had not increased significantly, due to either the Act or any other factor. However, due primarily to the faster DOL turnaround time for petition certification, it appeared that the Act had some effect on simplifying and speeding up the certification process and thus potentially moving workers into services faster. The specific effects of revised certification procedures on expanding the number of workers served and streamlining the process will be described in more detail in the pages that follow, along with the major challenges that states experienced as they implemented these aspects of the Act.

Expanding the Number of Workers Receiving Benefits

The Trade Act of 2002 made several changes related to expanding the number of workers receiving TAA benefits. These changes included an expansion of authorized petition filers to include One-Stop Career Centers and SWA staff and an extension of TAA eligibility to cover secondary workers. However, despite these changes, there were no significant increases in the number of workers served or petitions filed.

Expansion of Who Can File Petitions

As part of the goal of expanding the number of workers who receive TAA benefits, the Act broadened the list of those who qualify to file petitions on behalf of groups of workers. Prior to the Act, only groups of at least three workers, employers of the affected workers, authorized representatives, and community-based organizations (CBOs) (for NAFTA-TAA only) could file a petition. Although the Act eliminated CBOs from the list, the new law added One-Stop Career Center operators or partners as defined in Section 101 of WIA, including SWAs and state dislocated worker units.¹⁰

Despite this expansion of eligible filers, the vast majority of petitions were still filed by either company officials or groups of workers, with company officials being by far the most common (see Exhibit II-1). In fact, nine out of twelve states visited reported that few or no state or local workforce agency staff or One-Stop Career Center staff had filed petitions since the implementation of the Act. Petition data from DOL suggest that approximately 306 petitions (or 9 percent) were filed by workforce staff in fiscal year 2003, which is appreciable; however, 80 percent of petitions were filed either by companies or workers.

TAA staff in Michigan, New Jersey, and California were quick to point out that the ability of state and local staff to file petitions provided staff with more options for ensuring that petitions were filed on behalf of trade-affected workers, especially in cases where the company was reluctant to file. In New Jersey, for example, state staff used their ability to file as a way to alleviate the burden on firms who were unsure about whether they wanted to file. Moreover, even when they did not file, TAA staff in some states played an important role in assisting petitioners. For example, staff in several states visited noted that they often helped petitioners fill out or review petitions prior to sending them to DOL, thus reducing the time DOL staff had to spend verifying information during the certification process.

¹⁰ Trade Act of 2002, Section 112(a).

**Exhibit II-1:
Frequency of Who Files Petitions**

	Fiscal year in which petition was filed					
	2001		2002		2003	
Company	1534	(42%)	1563	(33%)	1845	(51%)
Workers	1380	(38%)	1579	(33%)	1054	(29%)
Union	768	(21%)	579	(12%)	414	(11%)
Workforce staff					306	(9%)
CBO ¹¹			1010	(21%)	0	
Total ¹²	3682		4731		3619	

Source: Petition data provided by DOL.

The prevalence of filing by union representatives varies depending on the amount of unionization across and within states. Exhibit II-2 shows the top ten states with the most unions filing. Among sampled states, Michigan, Ohio, Pennsylvania, had the highest number of petitions filed by unions. In Michigan, for example, the United Auto Workers was the most aggressive union petitioner, and they also served as a resource for other unions who wished to file petitions. While no state in the study has taken specific steps to encourage unions to file, several states had established ongoing or even contractual relationships with unions to involve them in Rapid Response activities, TAA outreach, and filing petitions. For instance, state staff in Michigan participated in three Saturday presentations on TAA, which were organized by the United Way for AFL-CIO-affiliates. In addition, in states such as North Carolina and Alabama, very large dislocations prompted the state and local offices to involve unions extensively in the petition process and the provision of pre-certification services for workers.

¹¹ 1,009 of these are from Alaska and cover salmon fishing.

¹² Excludes cases that we could not classify (total of 21 over three years).

**Exhibit II-2:
Top Ten States with Unions Filing Petitions in FY 2003**

	Number of Petitions Filed by Unions	Percent of Petitions Filed by Unions
Pennsylvania	58	19%
Wisconsin	39	27%
Ohio	38	27%
New York	36	26%
Michigan	33	21%
Indiana	29	33%
Tennessee	23	23%
Illinois	22	18%
Washington	13	16%
Oregon	13	11%

Source: Petition data provided by DOL.

Expansion of Eligibility to Secondary Workers

The extension of eligibility for TAA benefits to secondary workers was another way in which the Act attempted to expand the number of workers receiving TAA services. Prior to the Act, secondary workers could be served by the WIA dislocated worker program, but were ineligible for TAA or NAFTA-TAA. However, the Act defined two categories of secondary workers who were eligible for TAA benefits and delineated the specific eligibility requirements for each, which can be summarized as follows:

- Suppliers or Upstream – “Workers who supply components (upstream) to a firm whose workers are certified (primary).”¹³
- Downstream – “Workers who perform additional, value-added production and finishing operations (downstream) for a firm whose workers are certified (primary)”¹⁴ for a shift in production to or import competition from *Canada or Mexico only*.

¹³ Training and Employment Guidance Letter No. 11-02, p.16.

¹⁴ Ibid, p.16.

As a result of this expansion of eligibility for secondary workers, several states explicitly noted that they asked firms about their upstream and downstream suppliers and partners as a routine part of their Rapid Response process for trade-affected firms. No other specific steps to encourage secondary workers to file were noted.

Despite this potentially significant expansion of eligibility, most states reported that few petitions were filed by secondary workers. Only a few states—typically those with high trade activity—reported even a small number of secondary worker petitions. Among these, only Michigan’s respondents said that secondary workers accounted for the small increase in the total number of TAA petitions filed.

The states shared varied explanations for why petition filing by secondary workers was so low. These included:

- Few secondary firms were being adversely affected by trade.
- Eligibility requirements for secondary workers were too strict and most petitions were denied by DOL.
- Staff, workers, and firms lacked awareness about secondary worker eligibility.

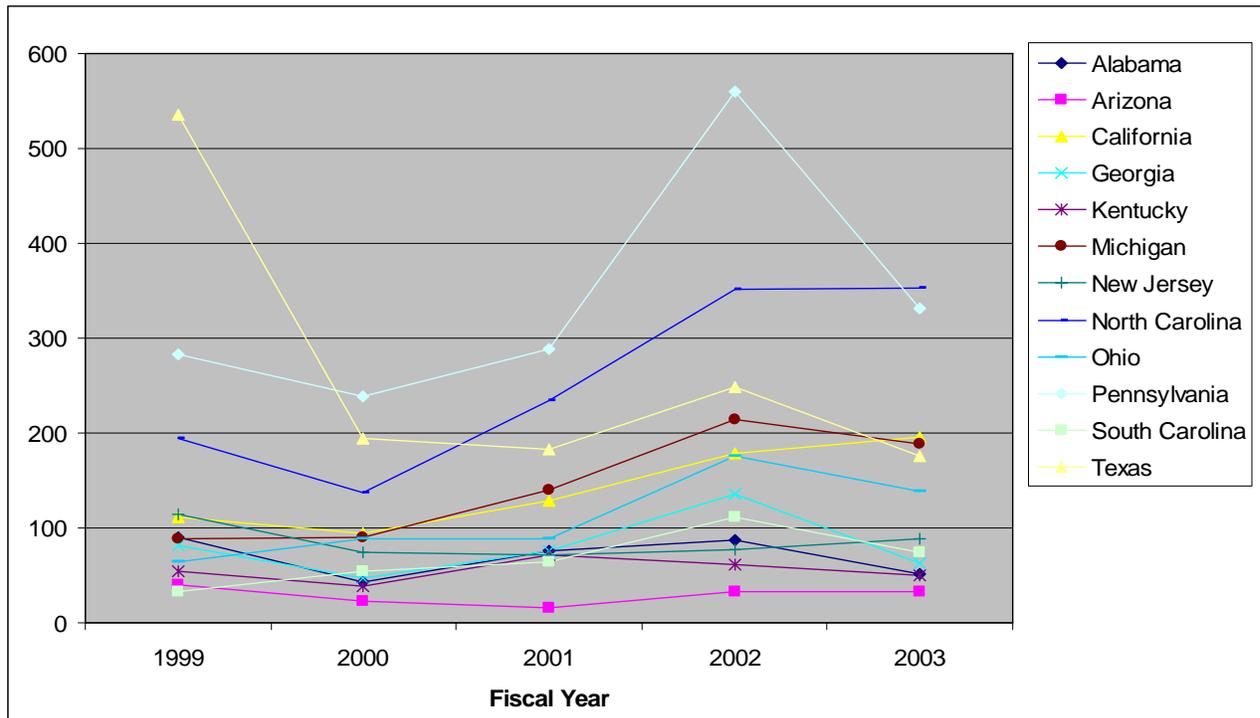
In addition, Michigan and North Carolina reported that the likelihood of a secondary firm’s filing depended on the size of the firm and how localized the impact was. Both states observed that larger dislocations, when they occur in a concentrated geographical area, tend to affect secondary firms more than smaller dislocations or those that are spread across a region or state.

Effect of the Act on the Number of Petitions Filed

Even with expanded eligibility and added benefits, only four states in this study reported more petitions being filed since the implementation of the Act. Respondents in those states claimed that the poor economy precipitated the increase more than the Act.

Exhibit II-3 below, which shows changes in the number of petitions filed from 1999 to 2003 for each state in the sample, provides further evidence that the number of petitions has not increased since the implementation of the Act. Although 2003 was the only year that might reflect changes resulting from the Act, the graph displays a slight decrease in that year. However, it was difficult to determine causality from these data, as any number of factors may have affected filing trends, including the economy, changes due to the Act, or completely unrelated changes to TAA program administration or outreach.

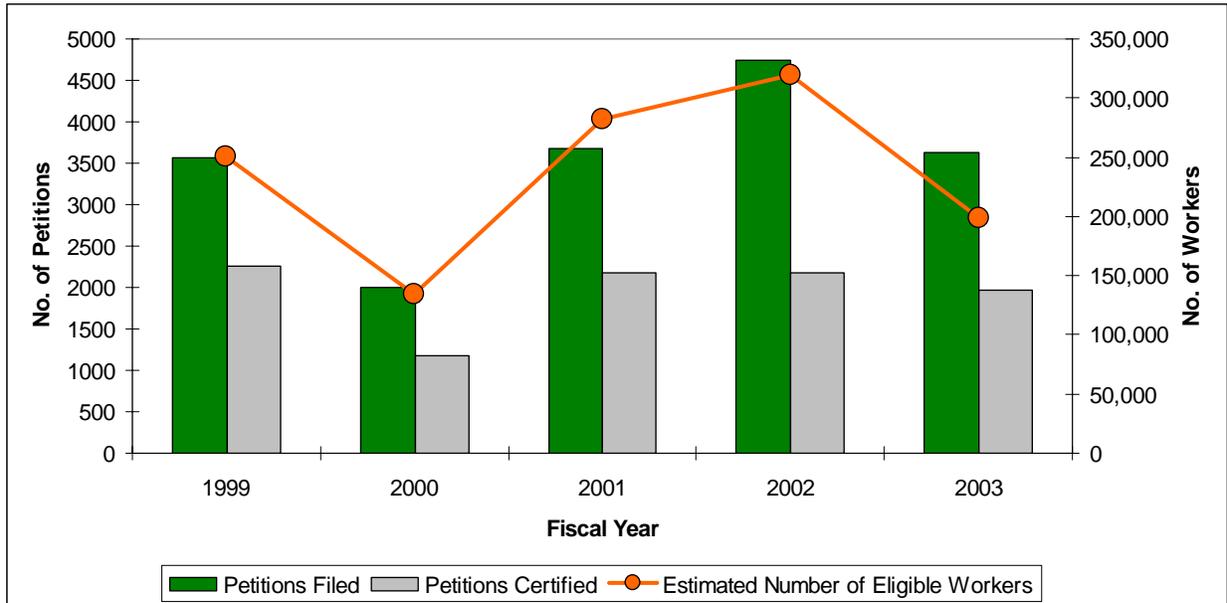
**Exhibit II-3:
Number of Petitions Filed**



Source: Petition data provided by DOL.

Petition data from DOL for the last five years suggest that the trend observed in the sample held true nationwide. Exhibit II-4 shows that the number of petitions filed and certified, and the estimated number of affected workers, decreased from 2002 to 2003, suggesting that the Act did not increase take-up. However, other factors, such as the state of the economy, may have outweighed the effect of the Act, making it difficult to know the impact of the Act for certain. In addition, the data reflect only one year of implementation subsequent to the Act; take-up thus may yet change as implementation progresses.

**Exhibit II-4:
Five-Year Trends in Petition Filing**



Source: Petition data provided by DOL. This chart shows the number of petitions filed in each of the last 5 fiscal years, and, of those petitions, the number that were eventually certified and the estimated number of workers covered. All data are tabulated according to the fiscal year in which the petition was filed.

Streamlining and Speeding up the Certification Process

In addition to the changes related to expanding the number of workers receiving TAA benefits, the Act also made a number of improvements to the process of filing and certifying TAA petitions. These changes included merging the TAA and NAFTA-TAA programs, decreasing the role of states in certification investigations, requiring simultaneous filing, and decreasing the turnaround time for certification decisions. All of these changes were aimed at speeding up the process of moving trade-affected workers into reemployment services so that workers can return more quickly to the labor market.

Combining NAFTA-TAA and TAA

One of the principle changes aimed at streamlining and speeding up the certification process was the merging of the NAFTA-TAA and TAA programs, since the existence of two separate trade programs created unnecessary duplication and excessive complexity.

According to respondents, combining the NAFTA-TAA and TAA programs was one of the most fundamental changes that the Act brought about, and there was overwhelming support for this change among the states in the sample. The states with high levels of activity in both programs were most pleased to see the two programs combined, since they were the ones most burdened by the programs' varying administrative requirements. Overall, states were enthusiastic about

this change, because they felt that it made the administrative process less cumbersome and the outreach message to customers more straightforward.

While the response to this reform was generally positive, several states reported some problems in making the transition. Essentially, states with high NAFTA-TAA and TAA activity were operating three programs at the same time, and continued to do so until all participants enrolled prior to November 2002 were exited. Half of the states explicitly mentioned challenges associated with administering the old and new programs together. Among these challenges was handling negative responses from customers who fell under the old programs, especially when the same firm had worker groups certified both prior to and following the Act. In North Carolina, for example, state and local TAA staff had to explain to angry workers why some of their colleagues were receiving more extensive benefits even though both groups of workers were laid off only one month apart.

Decreased State Role in Investigations

Upon combining the NAFTA-TAA and TAA programs, the Act further simplified the certification process for trade-affected workers by reducing the role that states had played in the investigation process for NAFTA-TAA. Prior to the Act, the Governor or SWA was responsible for performing preliminary investigations of NAFTA-TAA petitions. Although states are now required to assist DOL in reviewing petitions by verifying information and providing other assistance upon request, they do not have to conduct a comprehensive investigation. This change was another way in which the Act attempted to speed up the process of moving workers into services, since it eliminated an administrative task that lengthened the overall certification process.

Most states that had higher NAFTA-TAA activity were very pleased to be relieved of the burden. Respondents in Michigan, for example, said that eliminating their role in investigations had freed up their administrative time so that they could attend to other tasks. At the same time, two states suggested that they could play a larger role in assisting DOL than they had been, because they already were collecting a great deal of information as part of Rapid Response activities. By doing so, they thought they might be able accelerate the certification process.

Simultaneous Filing

Requiring simultaneous filing with states and DOL was another way that the Act attempted to speed up the movement of trade-affected workers into services and their subsequent re-entry into the labor market. Prior to the Act, TAA petitions were filed with DOL, and NAFTA-TAA petitions were filed with the state—often without the knowledge of the other party. This resulted

in confusion and hindered coordination, which further delayed the certification process.¹⁵ Therefore, the intent behind requiring simultaneous filing was to close some of the communication gaps between states and DOL and increase the efficiency of the filing process.

In practice, simultaneous filing did not drastically affect the certification process in most of the states visited. In fact, half of the states said that it had no effect. By contrast, North Carolina, Arizona, and Michigan noted that this change had made it easier to administer the TAA program because state TAA staff were generally made aware of all petitions filed.

States nonetheless reported several challenges in implementing the simultaneous-filing mandate. Some states reported that DOL sometimes failed to notify them when petitions were filed or revised. As a result states were sometimes caught off-guard when workers came in for services or if problems arose with a petition about which the state was unaware. One state suggested that this happened most often when groups of workers filed directly with DOL and failed to file with the state. Another state reported that such problems only occurred when a petition was filed in one state but workers came into One-Stop Career Centers in another state seeking services.

Faster Turnaround Time for Certifications

Decreasing the turnaround time for petition certification was another major change associated with the early intervention and rapid reemployment emphasis of the Act. Before the Act, DOL was criticized for not making timely certification decisions.¹⁶ As a result, experts thought that many potentially eligible customers “fell through the cracks” because of long response times. The regulations at the time required a determination within 60 days from receipt of petition for TAA and 40 days for NAFTA-TAA, although these deadlines were frequently not met. To address these delays, the Act mandated a 40-day response time from the time of receipt. In theory, faster certification decisions allow eligible workers to receive job search and TAA-related services sooner, speeds up the timing of entry into training, and increases the amount of time that UI can be used while a worker is in training.

In practice, the impact of the faster turnaround time from DOL was dramatic. States universally noticed quicker certification decisions, and expressed unanimous support for this change. Alabama, Kentucky, and New Jersey noted that the faster turnaround time helped them reach certified worker groups during Rapid Response activities, enabling them to follow up with workers shortly thereafter, thus allowing workers access to services sooner. More generally,

¹⁵ U.S. General Accounting Office (2000), Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs. GAO-01-59, October, 2000. <http://www.gao.gov/new.items/d0159.pdf>.

¹⁶ Ibid.

several states reported that the faster turnaround time was better for companies and workers because it had gotten workers into training faster.

Despite this generally favorable appraisal, three states claimed that some petition decisions were still taking a long time. Other states reported that the faster turnaround time had some negative consequences. For example, two states said that the administrative burden of responding to dislocations more quickly had not been accompanied by a corresponding increase in administrative funding and they thus had difficulty in being able to prepare local areas for providing services to workers.

While states were pleased to see an improvement in turnaround time, states also identified some frustrations with the notification process. The format of the e-mail that they received from DOL was the most commonly cited challenge. States reported that because this email did not list petitions by state, state staff needed to spend time opening each file in order to determine if it applied to their state.

In addition, half of the states in the sample reported a lag time of up to two weeks between when DOL made a determination and when states were notified of the decision (specifically referred to as a delay for Congressional Review in all except one of those states). Due to this delay, these states said that workers sometimes heard of certification decisions before the state did, which complicated the delivery of pre-certification services and caused confusion. Another notification problem reported by two states was weak communication from DOL regarding appealed petitions and outcomes.

Conclusion

Two goals underlie the changes the Act made to the petition filing and certification process: expanding the number of workers who receive TAA services and benefits and speeding up the process of moving workers into services and re-employment. One way to realize the first of these goals was to expand eligible petition filers and extend coverage to secondary workers. However, evidence suggests that these changes have had little effect on increasing the number of workers receiving TAA benefits. In fact, nationwide, the number of petitions filed, the number of certified petitions, and the estimated number of affected workers decreased from 2002 to 2003.

The Act introduced other changes that were intended to simplify and hasten the procedure for applying for TAA, thus reflecting the emphasis on early intervention and rapid reemployment that is embedded throughout the Act. These changes have generally improved the administration of the TAA program in states and local areas, although the responses in each state tended to vary slightly depending on the amount of TAA activity. The faster turnaround time on certification decisions from DOL and combining the TAA and NAFTA-TAA programs had the most

dramatic effect on simplifying and hastening the certification process, and states were overwhelmingly supportive of these changes

States were also still experiencing some implementation challenges that resulted from the Act. For example, when transitioning from the two old programs to the new one, states with higher levels of trade activity tended to experience problems managing three programs at once. In addition, some of these states encountered complaints from workers who had just missed the cutoff for the expanded benefits of the new TAA program.

Many states in the study also reported that the notification process for certification decisions posed some challenges to efficient TAA administration. In particular, states found that the format of the notification e-mail was difficult to navigate. Half of the states also noted that the delay that sometimes occurred between certification and notification caused administrative problems, particularly when workers became aware of the certification before the state. Finally, some states reported challenges due to the lack of notification or communication about appeals.

III. EFFECT OF THE ACT ON EARLY INTERVENTION AND PRE-TRAINING SERVICES

This chapter explores the impact of the Act on early intervention and pre-training services in the 12 states and localities in the sample, highlighting the changes explicitly related to the Act and the challenges states and localities faced. Also described here are those policies and practices that supported the Act's emphasis on rapid reemployment and collaboration with One-Stop Career Center partners.

The changes in the Trade Act of 2002 pertaining to early intervention and the provision of pre-training services were few, but important. First, the Act required that, for every petition filed, Rapid Response assistance, and appropriate core and intensive services (as described in section 134 of the WIA), must be made available to the workers covered by the petition. In addition, the Act amended section 235 of the original Trade Act¹⁷ by specifying that services provided through the One-Stop delivery system be made available to TAA customers.

To promote more rapid and successful reemployment, DOL advised the TAA system to use three strategies: 1) increase the focus on early intervention, 2) provide better upfront assessment and reemployment services, and 3) use One-Stop Career Centers as the primary point of intake and service delivery for TAA customers. These strategies were related to a new orientation in the program to emphasize all services available through TAA, rather than just training. Indeed, DOL guidance emphasized that, while training dollars are available to eligible trade-affected workers, long-term training is not necessarily the best reemployment strategy for all certified workers. Rather, "early assessment and identification of the worker's marketable skills and the provision of job search assistance and other reemployment services will assist many workers in obtaining suitable reemployment quickly."¹⁸

Job search assistance and assessment were two of the services most likely to help trade-affected workers. These services were generally not provided by the TAA program but rather were made

¹⁷ 19 U.S.C. 2295

¹⁸ Training and Employment Guidance Letter No. 11-02, p. 3.

available through WIA and ES. For this reason, use of the One-Stop delivery system was an important strategy for realizing the goal of rapid and suitable reemployment. By coordinating with WIA and other One-Stop partners, the TAA program ensured that TAA customers had venues in which to seek reemployment services to speed their return to the labor market.

Since coordination among One-Stop Career Center partners has also been a major focus of WIA, most states had already made progress in this area. Due to this prior focus on collaboration and reemployment, the states and local areas in the sample suggested that the Act did not fundamentally alter the way they provided early intervention and pre-training services to workers potentially affected by trade. Instead, the Act supported existing activities and philosophies of coordinated service provision, affecting change primarily in its encouragement of faster reemployment and the use of training as an option only for those who needed it.

Early Intervention Services

One of the methods to increase rapid reemployment was to speed up the process of moving trade-affected workers into services by providing Rapid Response activities as early as possible. This involved informing workers expediently of their eligibility to apply for TAA benefits and services, conducting TAA program intake on-site, and maintaining strong connections between Rapid Response teams and TAA staff. This section of the chapter explores Rapid Response and notification practices that supported early intervention and the effect of the Act on them.

Effect of the Act on Rapid Response

Although the Act amended the Trade Act of 1974 to require Rapid Response after every petition filed, most states in the sample reported that the Act had not changed their Rapid Response process since they were already providing such services to trade-affected workers. Several states noted an increase in the number of layoffs receiving Rapid Response services, but, rather than crediting the Act, they attributed this rise primarily to an increase in layoffs caused by trade activity and a suffering economy. Only one state noted that, prior to the Act, it had not been providing Rapid Response universally for all firms that filed petitions, but had waited until after certification to initiate Rapid Response activity. Thus, in at least one state, the Act did expand the number of Rapid Response activities by mandating Rapid Response for every petition filed.

How Rapid Response Promotes Early Intervention

Rapid Response staff conducted two activities that could affect the speed with which workers are informed about TAA and other services available to them through the One-Stop delivery system. The first activity involved outreach to employers, while the second involved assistance provided to workers.

Generally, when Rapid Response staff initiated contact with employers in response to a Worker Adjustment and Retraining Notification (WARN) or another announcement of a layoff or closure, they engaged the firm in a conversation about TAA.¹⁹ This is important because such discussions often led to the prompt filing of a TAA petition that might otherwise have occurred later.

Initial Rapid Response services to assist workers in dealing with a layoff were generally informational. For example, one of the first vital services to dislocated workers was instruction on filing an unemployment claim. Rapid Response teams typically provided packets of information that summarized the services available to assist the worker to become reemployed. These included a description of—and contact information for—One-Stop Career Centers, and summaries of many of the services available through One-Stop Career Center partners, including ES, WIA, and TAA. Also, Rapid Response teams usually provided an introduction to the state’s labor exchange system, as well as preliminary information about creating a resume, job-hunting, and preparing for interviews. In addition, information about health and pension benefits were provided, as well as information about social service agencies that workers and their families may have needed in the interim between the layoff and reemployment. All of this information was important for workers experiencing a layoff; however, information about the One-Stop Career Center and core and intensive services was particularly critical for potential TAA customers, as they were then able to access those services, without waiting for certification.

In addition, at least five states in the sample surveyed workers about their work history, educational attainment, perceived needs for reconnecting with the labor market after the layoff, and other needs they might have during their unemployment. The results of these surveys were usually communicated to the local One-Stop Career Center so local staff were better prepared to target workers’ specific needs. One state explained that the surveys were not only to gather information about the workers’ needs, but also to gain an early assessment of worker skill and literacy levels.

States varied in whether they also provided information on potential TAA services to workers during Rapid Response. While most states provided at least some TAA information at all Rapid Response worker orientations, others provided information only if a petition had been filed or certified. The states that did not provide information on TAA to all Rapid Response recipients said they did so to avoid building up worker expectations and to prevent workers from waiting to

¹⁹ Firms are required to issue WARN notices for layoffs of 100 or more workers. For smaller layoffs, state Rapid Response teams may provide similar Rapid Response assistance, or they may leave Rapid Response to local staff, who may conduct on-site assistance or may inform workers via letter or phone call of the services available to them through the One-Stop delivery system.

begin job search, because workers tended to assume they would be eligible for extended cash and training benefits.

A unique and effective way to provide comprehensive Rapid Response services was through the use of transition centers on or near the work site. These centers were able to provide immediate early intervention help, as well as core and intensive services. Some state Rapid Response respondents reported that when early intervention services were available on or near the work site, workers who were too overwhelmed by the layoff to access One-Stop Career Centers felt comfortable stopping by the transition center before, during, or after their shift.

At least three states in the sample sometimes established transition centers, often in response to a large layoff. A description of Georgia's transition centers illustrates how these centers often operated. In Georgia, transition centers were essentially temporary One-Stop Career Centers, located either at the work site or close by and usually staffed by local ES and WIA staff. Services provided include worker orientations, enrollment in UI and ES, and access to computers with job search software and links to online job banks. Staff at transition centers also advised workers about services available to them through WIA, performed initial assessments of skills and training interests, and provided workshops on interviewing skills, dressing appropriately, and negotiating salary, as well as conducting more intensive sessions for mock interviews and role playing. Once a TAA petition was certified, transition center staff also advised workers about their potential eligibility for, and services offered under, TAA and TRA, and they helped customers fill out TAA and TRA enrollment and training waiver paperwork.

How the State Informed Workers about TAA Services Following Certification

In addition to the introductory services provided through Rapid Response, states took a second step. Once a petition had been certified, states informed workers about their potential eligibility for TAA via a notification letter. Thereafter, TAA staff typically either scheduled a TAA post-certification worker orientation meeting at the affected work site or instructed workers to come in to the nearest One-Stop Career Center.

To begin the process, state or local TAA staff elicited from the employer a list of the workers covered by the certified petition. Most states in the sample reported these lists were usually complete and accurate. States then used the lists to send letters to affected workers notifying them of their potential eligibility for TAA benefits and services. In addition to a description of

the TAA program, letters included instructions about whom to contact to apply for the program, and how to access core and intensive services.²⁰

The speed with which the letters were sent out could affect the effectiveness of early intervention efforts, and thus of workers' attempts to reenter the labor force after a trade-affected layoff. The timing of notification letters depended in large part on how quickly the employer submitted lists of affected workers to the state agency. The study found considerable variation among states. For example, one state estimated that employers generally sent lists within one week, while another state reported that lists could take several weeks to arrive. After the state received the list from employers, over half the states said they mailed letters to affected workers within one day to one week. In general, the high quality of these initial lists ensured that affected workers were promptly informed of their potential eligibility to apply for TAA benefits and services; however, some states moved more quickly than others.²¹

In addition to sending letters to workers covered by a certified petition, at least half the states in the sample initiated the process of informing workers by submitting press releases to local newspapers in the area of the layoff or plant closure. One local area also said that occasionally the One-Stop Career Center and unions posted announcements about certifications at their sites. In at least one state, in the case of smaller layoffs, local One-Stop Career Center staff were responsible for contacting workers by phone to inform them of petition certification.

These methods of informing workers to seek the services of the One-Stop delivery system established the groundwork for orienting workers to the TAA program. Several states explained that worker orientations to the TAA program after certification included the process of applying for TAA and TRA benefits and services, and making other connections to the One-Stop delivery system to initiate the process of accessing reemployment services beyond the purely informational. Often, post-certification worker orientations occurred on-site.²² State Rapid Response teams reported that attendance at these orientations was consistently higher than when the meetings were held off site.²³

²⁰ In Arizona, the letter included a temporary waiver, designed to give workers time to get to the One-Stop Career Center to fill out an application for TAA.

²¹ On the other hand, states played a role in the timing of notification and service provision. For example, in one state the TAA coordinator provided a detailed explanation of a complicated, four to six week process *after* workers received the letter in the mail announcing their potential eligibility for TAA benefits and services. In this case, the Act's goal of early intervention was falling short.

²² Other options for these orientations were, most often, the One-Stop Career Center, or at a union hall, community center, or any other centrally located site accessible by affected workers, such as a church.

²³ This is also true for pre-certification Rapid Response to workers.

Post-certification worker orientations generally included a greater level of detail about TAA and TRA than was offered during Rapid Response, prior to certification. In addition, in at least three states, workers underwent combined ES/UI intake during post-certification worker orientations, which included enrolling in the state's labor exchange system, and filing for UI and TRA. In one location, workers filled out TAA and TRA applications and waivers at the orientation meeting that occurred once a petition had been certified. TAA staff noted that they did not do this prior to the passage of the Trade Act of 2002.²⁴ In other instances, TAA orientations included scheduling one-on-one appointments for workers at the One-Stop Career Center, or encouraging workers to schedule appointments on their own. In Ohio, workers were given a 30-day training waiver at orientation to allow them time to get to the One-Stop Career Center.

These examples suggest that a number of states had operationalized the strategy of early intervention by initiating intake into the TAA program on site.

Coordination between Rapid Response and TAA Staff

At least two states demonstrated regional-level coordination between TAA and Rapid Response, another practice that may improve the flow from Rapid Response to the provision of core and intensive services for TAA customers. For example, California's Rapid Response department divides the state into five regions, and each region hosts quarterly Rapid Response Roundtables. A TAA division coordinator is assigned to each of the five regions, and attends the Roundtables to share information with Rapid Response teams about changes to TAA policy and about trade activity in the coordinator's region. This is an example of how Rapid Response and TAA programs in a state can maintain contact, and thus reinforce the connection advised by the Act between the TAA program and the One-Stop delivery system, in the interest of providing services quickly.

Upfront Assessment and Reemployment Services

In order to encourage rapid reemployment and integration with One-Stop delivery systems and partners, one of the central implementation strategies of the Act was to ensure that trade-affected workers have access to WIA or ES core and intensive services early on—i.e., before or quickly following certification. For example, TEGL 11-02 required that states make available to all workers covered by a TAA petition “counseling, testing, placement services, and supportive and other services provided for under any other Federal law, including the Wagner-Peyser Act and the WIA.” This section explores the delivery of reemployment services to workers covered by a

²⁴ In Kentucky, workers for whom a petition has been certified receive TAA applications on their last day of work.

petition, taking a detailed look at both core and intensive services, and focusing on job search assistance and assessment.

Required Core and Intensive Services for Workers

The Act required that core and intensive services be made available to all workers for whom a petition had been filed, regardless of certification. Implicit in the legislation, but made explicit in TEGL 11-02, was the reason for this requirement: to assure that workers receive only the services they need to reenter the labor market quickly and successfully. States reported, however, that the provision of core and intensive services had not changed in response to the passage of the Act, since policies and practices that pre-date the passage of the Act already supported those aims.

Core Services

TAA participants usually received core services from WIA or ES. These services were generally provided initially, either just prior to training if a petition had been certified, or even prior to certification after workers were referred to the local One-Stop Career Center during Rapid Response. Core services typically included an initial assessment of skill levels and interests; assessment of customers' need for supportive services, as well as communication of the availability of such services; job search assistance and career counseling; labor market information; and assistance with Unemployment Insurance (UI) claim filing.

Of these, the salient core service for TAA customers was often job search assistance. Indeed, a high incidence of TAA customers' co-enrollment in ES in the states studied suggested that some job search was a component of pre-training services nearly everywhere. At the very least, many states reported that customers were required to register on the state's labor exchange system, which created a resume based on work history and educational attainment, and provided customers with potential job matches. Most states also required TAA customers with training waivers who were receiving UI or TRA to satisfy a mandatory job search requirement.

In accordance with the language in TEGL 11-02 that suggested long-term training should not be assumed as the best reemployment strategy for all workers, at least four states went further by articulating a philosophy that emphasized reemployment over training-by-default. Texas offered the clearest example of the implementation of this philosophy, in that state policy required a four-week job search for every TAA customer. Mandatory job search had to occur (and prove

unsuccessful) before the customer could move on to intensive services to conduct a training assessment, co-enroll in WIA, and enroll in a training program.²⁵

Most other states indicated that the decision to attend training was customer-driven, and training requests were often approved automatically. Thus, the importance of job search assistance in these states was downplayed, and accessed in-depth primarily if the individual expressed no interest in training. However, only one state suggested that job search was not even attempted for most TAA customers in favor of straight enrollment into training, unless the customer specifically requested it.

Intensive Services

To receive intensive services, workers typically had to be co-enrolled with ES or WIA, depending on which program provided intensive services in the local area.²⁶ The most common intensive services included in-depth and specialized assessments, such as diagnostic testing or evaluations of employment barriers and goals; development of individual employment plans; further counseling and career planning; case management; and short-term pre-vocational skills training, including for interviewing skills.

For TAA workers, the most critical intensive services tended to be specialized assessments provided by counselors who then worked with customers throughout their continued job search or training. These assessments were most commonly used as a means of helping customers determine what type of occupational training they should pursue. In contrast, a few states reported that detailed assessments occurred before training was assumed, often to help the customer and counselor decide if training was an appropriate option. Thus, fewer states appeared to be using assessments strictly as a reemployment tool, to gauge customer's potential to access reemployment without needing to resort to training.

Assessment was generally considered the weakest link in services to TAA customers by the states and local areas interviewed. Both ES and WIA respondents from a number of states and local offices reported that the assessments available to customers through ES—the primary provider of services to TAA customers in the large majority of states in the study—were limited in scope and depth. At least four of the states in the study admitted their assessments were not detailed, regardless of whether the customer decided to go into training. In addition, several

²⁵ The one exception to this requirement was for individuals who scored extremely low on the TABE, who were immediately referred to remedial education.

²⁶ Although ES does not use the term intensive services, it can provide services that match the WIA description of intensive services.

respondents suggested that ES staff were not generally trained in vocational counseling, thus limiting the quality of ES-provided assessments, regardless of the type of assessment used.

Assessments provided to customers co-enrolled with WIA were generally but not universally considered by respondent to be of higher quality, i.e., more in-depth, and more likely to be provided by a staff person trained in vocational counseling. Consequently, co-enrollment with WIA was an important determinant of the quality and depth of assessment provided to TAA customers. Such co-enrollment with WIA, while desirable, was rarely the case in the states in the sample, however, as only 2 of the 12 states appeared to have extensive co-enrollment.

Several states and local areas attempted to develop high quality assessment processes without co-enrollment with WIA. For example, to improve the capacity of their staff to conduct assessments, both Opelika, Alabama, and York County, Pennsylvania, ensured that their staff were trained and certified in career development counseling or facilitation.

However, in other sites, such as East Valley, Arizona, and Greenville, South Carolina, customers were nearly universally co-enrolled in WIA, and the WIA staff conducted a thorough assessment process that included testing in reading and math and use of CareerScope, which measures aptitude and interests. The focus of these assessment processes was on choosing occupational programs that would result in employment with wages comparable with a worker's previous employment. In Georgia, potentially eligible TAA workers went through an initial assessment process that occurred prior to certification and included a basic skills assessment, an interest inventory, and an exploration of interest in training. After certification, workers were led by WIA staff through a more detailed assessment process using CareerScope, and oriented around choosing the right training.

Use of One-Stop Career Centers for TAA Service Delivery

The Act's focus on using the One-Stop Career Centers as the primary point of service delivery did not represent a dramatic shift in philosophy for the trade program; instead, it re-emphasized a pre-existing philosophy of coordination with the One-Stop delivery system. In fact, coordination among programs had been a focus of the employment and training system for a number of years prior to the passage of the Act in some areas. However, the passage of WIA ushered in a fundamental shift in workforce development programs, with its articulation of the One-Stop delivery system, and most states began more concerted movement toward coordination. Consequently, at least half the states visited reported that the Act had encouraged them to keep doing what they were already doing. Indeed, several states noted that WIA, rather than the Act, was the primary impetus for coordination of the trade program with other employment and training programs.

Nonetheless, the operating guidance for the Act (TEGL 11-02) stipulated that One-Stop Career Centers should be the primary point of access for workers to obtain core and intensive services. To implement this strategy effectively required a high degree of coordination among the One-Stop delivery system partners, including TAA. This section explores the mechanisms used and the challenges faced by the states and localities in the sample as they attempted to coordinate the TAA program with the One-Stop delivery system at large.

Coordination of TAA within One-Stop Delivery Systems

Intake and service delivery for TAA customers within the One-Stop delivery system was directly correlated with how coordination had been operationalized among One-Stop partners. Factors affecting coordination of TAA with other One-Stop Career Center programs included: the administrative structure of the TAA program, the existence of state TAA policy and guidance regarding coordination, the integration of management information systems (MIS), coordinating mechanisms, staff training, and the use of co-enrollment.

Administrative Structure

The administrative structure of TAA was a fundamental factor in the coordination and integration of TAA with other programs in the One-Stop delivery system. In this study, two states, Michigan and Texas, had structured their TAA program to resemble WIA, by passing funding allocations for training through to Local Workforce Investment Areas (LWIAs). Michigan fully utilized this structure, while Texas was in the implementation phase (scheduled to be final by October, 2004).²⁷ Under this structure, Local Workforce Investment Boards (WIBs) in these two states were able to contract with the same organization to provide WIA, ES and TAA services.

With this degree of coordination, TAA customers were treated no differently than other customers of the One-Stop Career Centers, except that they had some additional benefits for which they were eligible. This level of integration meant that TAA customers received the full spectrum of job search assistance and assessments that ES and WIA customers received. Further, training for TAA customers was no longer considered a default option, but rather to be used only after other services had been thoroughly explored.

In the remaining 10 states in the sample, the TAA program was state-run by the ES or UI system, and the local WIA areas or ES offices received no individual funding allocation. Integration of TAA with other employment and training programs was highly variable, ranging from moderate to high in some states to being quite limited in others. ES staff typically served TAA customers

²⁷ In addition to receiving a training allocation, Texas LWIAs were also scheduled to receive 10 percent of the state's administrative funds.

at the local level,²⁸ but coordination with WIA did occur when ES and WIA offices were co-located and integrated, and services to all customers were for the most part “seamless.” This occurred regardless of whether ES or WIA was designated as the local One-Stop Career Center operator.²⁹ Thus, if ES and WIA were integrated in the One-Stop Career Centers, TAA integration tended to be high as well.

TAA integration in One-Stop delivery systems was most limited when ES and WIA were co-located but not integrated or neither co-located nor integrated—the status in over half the localities studied. Unlike the states that developed flow chart processes for serving TAA customers, states or local areas with limited integration had no similar coordination process. In one local area, the WIA administrator succinctly expressed the isolation of the TAA program from other One-Stop partner programs, and especially from WIA, by saying, “It’s just always been the responsibility of the Employment Service.”

State TAA Policy and Guidance

Even if ES and WIA maintained different offices in the same local area, successful integration still occurred with the help of clear state policy supporting coordination of TAA with WIA and other One-Stop Career Center partners. Over half the states studied issued specific TAA integration policies and guidance. One example of such a policy was the “Guide to Integration of Trade Services for Dislocated Workers” created by Texas, which locals used as a framework for coordination. Arizona also issued a “Co-enrollment/Co-funding Process Flow” policy to assist with integration through co-enrollment.

Such policies ensured some degree of uniformity across local areas, yet allowed local One-Stop delivery systems to maintain autonomy. They also articulated a policy mindset that identified TAA customers as simply being a subset of the dislocated worker population, eligible for the same services—albeit augmented by the additional benefits of the TAA program—as any dislocated worker. Thus, states that issued specific policy guidance to their local areas appeared likely to achieve a higher degree of integration between TAA and the workforce investment system as a whole than those that did not.

Yet, policy alone was no guarantee of successful integration. South Carolina, for example, recognized that its existing policies were not being implemented at the local level and created a TAA-WIA Working Group to increase the degree of integration-oriented technical assistance offered to local areas. This group will be discussed later in this chapter.

²⁸ New Jersey was unique in that state ES staff designated as TAA staff traveled to local offices wherever trade activity developed, but were not considered local staff.

²⁹ In many states, ES offices were the entity of choice to convert into One-Stop Career Centers.

Combined MIS

Another factor supporting TAA integration into the One-Stop delivery system was having an integrated MIS. For example, Michigan, Texas, Kentucky, and New Jersey operated MISs in which all employment and training programs were represented, including WIA, ES, and TAA. These systems enabled case managers to view a TAA customer's enrollment and activities in other programs, thus avoiding duplication of services and supporting seamlessness.

In states and local areas demonstrating partial integration of TAA into the One-Stop delivery system, management information systems for the major Federal workforce programs—UI, ES, WIA, TAA—were generally separate and communication between them (e.g., via staff who generated reports) was limited or nonexistent. At least four states maintained separate systems that did not communicate in any way. While some staff in these states sometimes made efforts to extract and share information from the distinct systems, the isolation of their systems caused serious problems for integration. For example, in numerous states, TAA staff were unable to provide co-enrollment data, because their systems did not track information about enrollment in other programs. A few states with separate systems were able to provide some information, though. For example, in at least two states visited, the ES and TAA systems, while separate, were linked in some way, and shared data about mutual customers.

Coordinating Mechanisms

Other coordination mechanisms also served to improve TAA integration in state and local One-Stop delivery systems. In South Carolina, for example, the state established a TAA-WIA workgroup that had been meeting approximately monthly since May, 2003. Attendees included state WIA and ES administrators, the TAA and TRA coordinators, and LWIA directors. The group targeted issues such as how to increase co-enrollment, share data, and establish the division of labor between ES and WIA for providing services to TAA customers. Multiple respondents at the state level, and in Greenville, the local area visited, credited the workgroup with improving coordination and integration of TAA into the One-Stop delivery system.

Several states established state-level staff positions designed to facilitate coordination. For example, both Georgia and North Carolina had state liaisons to enhance communication and coordination among UI/TRA, ES/TAA, and WIA. California had also established regional-level TAA division coordinators, paid for by WIA.

At the local level, administrators also took a variety of steps to increase integration, mostly centered on increasing communication among staff. For example, both Opelika, Alabama, and Wilson, North Carolina, held regular consortium management meetings with a cross-section of One-Stop Career Center partners, including TAA. In East Valley, Arizona, and Troy, Michigan, One-Stop Career Centers held weekly cross-training meetings designed to educate local staff about the full spectrum of programs, including TAA, available to customers. Lastly, TAA case

managers in Greenville, South Carolina, Opelika, and Troy met jointly with WIA or ES case managers, depending on the services TAA customers were accessing at the One-Stop Career Center.

Staff Training and Responsibility

In most of the states visited, TAA staff were highly specialized and often the only staff to provide services to TAA customers. In such cases, TAA integration with the rest of the workforce investment system was limited. Conversely, when other staff at local One-Stop Career Centers were trained in the details of the TAA program, TAA coordination and integration with the workforce investment system was strengthened. For example, Pennsylvania initiated a statewide train-the-trainer program on the integration of TAA with ES and WIA for local TAA, ES, and WIA staff. In several other states, both ES and WIA staff were trained on the changes to the TAA program brought about by the Trade Act of 2002.

Troy, Michigan, and Alamo, Texas, took this even further. In these two local sites, TAA was fully integrated into the One-Stop delivery system, and all staff were trained to provide services to all customers—ES, WIA, and TAA. In Northwest Georgia, there were also no “trade specialists;” rather, all local staff were trained to provide information, enrollment, and services to both WIA and TAA customers, and York County, Pennsylvania, was moving toward this model. Rather than maintaining specialized staff that provided services for only one program, these integrated One-Stop Career Centers appeared to provide truly seamless services to all of their customers.

Co-enrollment

Most states and local areas in our sample claimed that the Act had not affected their co-enrollment policies and practices. Thus, now, as before, co-enrollment of TAA customers in ES was nearly universal, while co-enrollment in WIA was far less so. However, in most states some co-enrollment in WIA did occur, with estimates ranging from 14 percent to 80 percent. In fact, because of its presumed advantages in providing TAA customers with a fuller range of services, many states encouraged co-enrollment with WIA. Arizona, for example, issued a detailed “Co-enrollment/Co-funding Process Flow” policy to assist with co-enrollment. Similarly, in Greenville, South Carolina, ES, TAA and WIA staff worked out a co-enrollment customer flow process. The local area also had a specific group of WIA staff who served as “WIA-TAA case managers” for all TAA customers co-enrolled with WIA.

In contrast, co-enrollment with WIA appeared to be almost non-existent in two states.³⁰ Furthermore, even where co-enrollment with WIA did occur, data limitations appeared to hamper the benefits of co-enrollment. For example, while several states reported that TAA customer co-enrollment in WIA was widespread, they often had trouble providing accurate statistics, and data on this are not considered reliable. Further complicating matters is the finding that in at least two states the perception of the state that co-enrollment in WIA was common was starkly *not* reflected in the local areas visited.

Challenges to TAA Coordination with the One-Stop Career Centers

Since TAA coordination with state and local One-Stop delivery systems is a critical element of the ability of states to provide appropriate core and intensive services to TAA customers, this section discusses the challenges to coordination faced by the states in the sample.

One distinct challenge faced by the two states that achieved full administrative and structural integration of TAA into the One-Stop delivery system was that the state had less control over the program. Thus, as with WIA, local variation was likely, as even the local areas studied in these states noted.³¹

States in which TAA integration with the One-Stop delivery system was partial or limited also noted some common challenges to integration. For example, several state respondents discussed the difficulty associated with integrating TAA, a state-driven program, with WIA, a decentralized program. These respondents emphasized the difficulty of requiring widespread TAA integration when local WIB structure and administration were so varied. As one respondent noted, “At the state level, we feel pretty well coordinated (with WIA), but at the local level, we just don’t know.”

Similarly, several states identified the challenge inherent in integrating programs that are not equally accessible by all workers—i.e., TAA is an entitlement and WIA is not. Some state and local WIA representatives expressed frustration that WIA was expected to serve TAA customers, yet did not receive additional funds to do so. Other challenges included the fact that integration was expensive, and that staff experienced with the TAA program varied widely across local areas depending on the degree of trade activity, thus making consistent integration difficult. Finally, several state respondents noted simply that integration of TAA customers into the One-Stop delivery system was logistically challenging, in that customers ended up receiving case

³⁰ In one of the two states, this will change imminently, as the state accesses NEGs that require co-enrollment in WIA.

³¹ Thus, the successes noted for these states are specific to the local area studied.

management from numerous programs, and that different programs had different rules regarding training timing, length, and caps on training costs.

Conclusion

The primary factors affecting early intervention and pre-training services for the purpose of facilitating rapid and suitable reemployment for TAA workers were the structure and provision of Rapid Response assistance and the nature and degree of coordination of TAA with other One-Stop Career Center programs. In general, the Act did not have a large impact on these factors in the states and localities visited. However, there were numerous practices (many of which pre-date the Act) that supported reemployment assistance for trade-affected workers using the One-Stop Career Center system.

The findings suggest that the inclusion of information about TAA during Rapid Response activities, while routine in a majority of states, remained cursory until certification occurred. However, some states had taken steps to initiate the connection of workers to the One-Stop Career Center through establishing transition centers that acted as temporary One-Stop Career Centers. In addition to shortening the distance workers had to travel to access services, transition centers served to reduce the duration between petition filing and provision of services.

In addition to ensuring that workers were informed of petition certification through letters and other means, a further early intervention strategy in several states consisted of post-certification orientations conducted on site. Even better, a few states had the workers fill out TAA and TRA applications during the orientation. In addition to speeding up the process of moving customers into the TAA program, these orientations and activities tended to capture a larger potentially-eligible audience, as states reported that attendance was nearly always higher when activities were held at the work site.

In the states and local areas in which the TAA program was well-integrated into the One-Stop delivery system, TAA customers had a clear advantage—these customers had access to the full array of One-Stop Career Center services, including core and intensive services in WIA.

There were a number of coordination mechanisms that states employed to facilitate collaboration. For example, of the twelve states visited:

- Two states fully integrated TAA into the One-Stop Career Center via state allocation pass-through to the local areas,
- Seven states issued TAA-One-Stop Career Center or WIA coordination policies,
- Four states maintained an integrated MIS,
- Four states maintained state-level coordinating bodies,
- Five local areas established coordinating structures or practices, and

- Three local areas trained all staff to provide services to ES, WIA, and TAA customers.

States continued to be challenged by a view that TAA was connected primarily to only one other program—ES. In addition, respondents noted the challenge of integrating TAA (often a centralized program) with WIA (a decentralized locally-driven program). Thus, the two states that demonstrated the highest degree of coordination success observed were states in which the TAA program was also decentralized.

Of the coordination methods examined, a key mechanism accessible to all states and local areas was to encourage a higher degree of co-enrollment with both ES and WIA. In this way, TAA customers had access to staff-assisted job search, workshops targeting reemployment, and thorough assessment of skills, interests, and needs. The states in the sample were not universally co-enrolling in WIA, however. In particular, the findings show assessment for TAA customers was limited, and, when provided in-depth, was often a gateway to training, rather than a reemployment tool.

IV. EFFECT OF THE TRADE ACT OF 2002 ON TRAINING-RELATED BENEFITS AND SERVICES

One of the major goals of the Trade Act of 2002 was to ensure that TAA customers obtain suitable and long-term employment as quickly as possible. To achieve this goal, the Act made a number of significant changes to the provision of training-related services. These changes included:

- New deadlines requiring entry into training either 8 weeks after certification of a petition or 16 weeks after complete separation (8/16 deadlines).
- More specific requirements for issuing training waivers, including a marketable skills waiver.
- An extension of additional TRA from 26 to 52 weeks.
- Extension of approved breaks in training from 14 to 30 days without suspension of TRA.
- The addition of up to 26 weeks of TRA-supported remedial training.
- Revised requirements for OJT and the addition of customized training as an option for TAA customers.
- A renewed emphasis on the provision of support services such as childcare and transportation assistance.
- Increased reimbursement for job search and relocation allowances.

In addition, subsequent DOL-issued operating instructions³² for the Act emphasized:

- Encouragement for TAA customers to select training programs from state WIA Eligible Training Provider Lists (ETPL).

This chapter will explore each of the changes made by the Act and their effect on the TAA program, beginning with the 8/16 deadlines and the use of training waivers. The chapter will then describe the changes and effect of the Act on other aspects of training and TRA and job search and relocation allowances.

³² Training and Employment Guidance Letter No. 11-02, p. 18.

Training Deadlines and Waivers

One of the major goals of the Act was to better assist customers in rapidly and successfully re-entering the labor market. One of the ways in which the Act attempted to do this was through the imposition of the 8/16 deadlines, to promote a much faster entry into training. The Act also made major changes to the process of granting training waivers to customers, including a specific waiver to allow customers determined to have marketable skills to be able to continue their job search while still receiving TRA. This section explores the implementation and impact of both the new 8/16 deadlines, the process of issuing training waivers, and the overall impact of these changes on the program.

The 8/16 Deadlines for Entry into Training

To maintain their eligibility for Trade Readjustment Allowances (TRA), the 8/16 deadlines enacted by the Act require TAA customers to be enrolled in an approved training program “...no later than the latest of—

1. The last day of the 16th week after the worker’s most recent total separation from adversely affected employment....,
2. The last day of the 8th week after the week in which the Secretary issues a certification covering the worker,
3. 45 days after the later of the dates specified in subclause (I) or (II) if the Secretary determines there are extenuating circumstances that justify an extension in the enrollment period, or
4. The last day of a period determined by the Secretary to be approved for enrollment after the termination of a waiver...”³³

The intent of these new deadlines (which reflects one of the major goals of the Act) is to enroll TAA customers in training “quickly in order to expedite their adjustment and reemployment.”³⁴

Nearly all state and local TAA respondents interviewed for this study said that the 8/16 deadlines were one of the biggest challenges of the Act. Staff also called the deadlines a “headache” and a “burden,” as they caused customers to make bad decisions about training because 8 or even 16 weeks was almost never enough time for a customer to become enrolled in a suitable training program. These complaints echoed those made about similar deadlines that existed for the NAFTA-TAA program.³⁵

³³ Trade Act of 2002, Sec. 114 (b)(3).

³⁴ TEGL No. 11-02, p.19.

³⁵ “Trade Adjustment Assistance in Case Study Communities,” General Accounting Office, August 2001, p.17.

State and local respondents gave a number of reasons for why the 8/16 deadlines were problematic. The most important reason cited by most states was that training programs—particularly those operated by public institutions—have very limited start dates. For example, many community colleges operate on the semester system with new courses beginning only three times a year (fall, spring and summer). Consequently, TAA customers who wanted to attend a program operated by one of these public providers had to wait as long as four or five months for the next semester to start. Indeed, one of the few states less concerned with the 8/16 deadlines had a large percentage of its customers in private proprietary schools, which had more frequent training program start dates. Often, there were also long waiting lists for popular training programs in high demand fields such as nursing. In such situations, customers either had to wait longer than a single term to gain entry into the program or be satisfied with enrolling in a program that was not their first choice.

States reported that delays in receiving notification from DOL and lists of workers from firms were other reasons why the 8/16 deadlines were problematic. Receiving notification and obtaining lists of eligible workers from companies could take up to four weeks, which was half of the allowable period following certification before customers were required to be enrolled in training. As discussed in Chapter II, several states reported that they sometimes did not receive e-mail notification that a petition had been certified until as long as two weeks following the certification date. In addition, numerous TAA staff said that it may have taken another week or two to obtain a list of eligible workers from the affected firm, particularly if it had already closed and the list of workers had to be obtained from the union or UI sources. This left some workers with only a few weeks to choose both a suitable occupation and program and go through the matriculation process, which was quite difficult, to enroll in a training program.

Customer attitudes related to entering training were another reason cited by TAA staff in several states for why 8 or even 16 weeks were not enough time for customers to enter training. These staff explained that many TAA customers were older workers with low levels of education who were not ready to quickly accept the fact that they needed to go back to school. These customers often had negative experiences with education in their youth and had been out of school for so many years that they were very intimidated by the idea of returning. Due to their low educational levels, these customers also often faced lengthy periods of remedial training before they could begin occupational training in their desired field, making the process of entering training even more daunting.

Consequently, many TAA customers were unwilling to begin the process of considering alternative careers or choosing training providers until they had fully explored the possibility of finding employment without additional training, a process that often took several months. Indeed, TAA staff from at least two states argued that the 8/16 deadlines went against the Act's

focus on rapid reemployment because they did not provide customers with enough time to conduct a thorough job search, which was likely to last for at least one to two months.

Finally, several states also noted that the Act's emphasis on a better upfront assessment process for TAA workers (see Chapter III) was also difficult to complete in the short amount of time provided by the 8/16 requirement. For example, TAA customers in the East Valley, Arizona, were co-enrolled with WIA and went through an in-depth assessment process both to ensure that they needed to pursue training and to help them choose an appropriate occupation and career path. However, this process alone took at least three weeks, which often left little time for customers to research available training programs in their chosen field and complete the necessary enrollment paperwork.

Despite all of these concerns, the effect of the 8/16 deadlines was negated in practice because all of the states visited issued training waivers to the vast majority of customers immediately after they were determined eligible for the program, a process described in detail below. However, before the waiver process was fully established, some customers did lose eligibility for TRA. In addition, customers still occasionally failed to meet with TAA staff in a timely manner to fill out training waiver paperwork, missing the 8/16 deadlines. If this happened due to case manager error, some states backdated a training waiver to restore eligibility, while customers in other states were urged to appeal the loss of TRA and often won. One state also had an edit in its UI system that ensured that, if the 8/16 deadlines passed while a customer was still receiving unemployment compensation (UC), the customer did not lose eligibility for TRA.

Training Waivers

In addition to the imposition of the 8/16 deadlines, the Act also made major changes to the process of granting training waivers for TAA customers. The intent of these training waivers was to ensure that, despite the newly instituted 8/16 deadlines, TAA customers with good reasons to delay entry into training would not be forced to do so just to continue receiving TRA. In addition, the Act's creation of a specific training waiver for customers assessed to have sufficient marketable skills to find new employment at comparable wages was intended to assist more customers in rapidly re-connecting to the labor market without being forced into training.

Prior to the Act, to grant a training waiver, states merely had to report that approving a training plan was "not feasible or appropriate." By contrast, the Act established six specific reasons allowing states to grant waivers. These include:

- (A) "Recall.—The worker has been notified that the worker will be recalled by the firm from which the separation occurred.

- (B) Marketable skills.—The worker possesses marketable skills for suitable employment...and there is reasonable expectation of employment at equivalent wages in the foreseeable future.
- (C) Retirement.—Make sure the worker is within two years of meeting all requirements for entitlement to either--
 - (i) Old age insurance benefits under Title II of the Social Security Act; or
 - (ii) A private pension sponsored by an employer or labor organization.
- (D) Health.—The worker is unable to participate in training due to the health of the worker...
- (E) Enrollment unavailable.—The first available enrollment date for the approved training of the worker is within 60 days after the determination made under this paragraph, or, if later, there are extenuating circumstances for the delay in enrollment...
- (F) Training not available.—Training approved by the Secretary is not reasonably available to the worker from either governmental agencies or private sources..., no training that is suitable for the worker is available at a reasonable cost, or no training funds are available.³⁶

While training waivers prior to the Act could be set for an indeterminate period of time, the Act specified that waivers can be effective for a maximum of six months except in special cases.

The Act had a significant effect on the frequency with which training waivers were used. Prior to the Act, training waivers for TAA customers were fairly uncommon (see Exhibit IV-1 below) and were not allowed under the NAFTA-TAA program. By contrast, the Act resulted in a huge increase in the use of training waivers in every state visited. A good example of this increase was seen in South Carolina where the number of TAA customers with waivers increased from 450 on June 30, 2002, to 2,728 on May 4, 2004, an increase of over 500 percent.

**Exhibit IV-1:
Training Waivers Issued to TAA Customers Prior to the Trade Act of 2002³⁷**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters Who Received a Training Waiver	6,939	5,030	6,738
Percentage of TAA Exiters Who Received a Training Waiver	26.32%	20.21%	22.33%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

³⁶ Trade Act of 2002, Sec. 115 (c)(1).

³⁷ All data presented in this chapter is based on the Trade Act Participant Report (TAPR), which reports outcomes or services received for TAA participants who exited between July 1 and June 30 of each year.

In fact, because of the 8/16 deadlines, most states tried to issue customers waivers immediately. For example, in several states, training waiver paperwork was filled out during the TAA intake process just after customers filled out applications for TRA and TAA. In Texas, training waiver forms were sometimes filled out during Rapid Response sessions even before certification. These forms were then kept until the state received notice of certification so that training waivers could be issued immediately following notification.

The use of training waivers was such a major change from what occurred prior to the Act that a number of states had to wage a battle with long-time local staff to convince them to issue training waivers to all customers. For example, in Alabama, state TAA staff said they had to “pound” the importance of issuing waivers into local staff to get them to do so and prevent customers from missing the 8/16 deadlines.

There were three major reasons why the use of training waivers increased so markedly since the inception of the Act. The primary reason cited by nearly all states was to ensure that TAA customers maintained eligibility for the Health Coverage Tax Credit (HCTC). With the exception of New Jersey, all states visited reported issuing waivers immediately to nearly all customers for this reason based on guidance provided by DOL in TEGL No. 11-02 Change 1. Another major reason states gave for issuing waivers was lack of funding. For example, New Jersey issued few training waivers until the state ran out of TAA funding earlier in the year. However, once funding was exhausted, staff began issuing training waivers to all eligible customers and placing them on a waiting list. Finally, a few states also mentioned that another reason for granting training waivers was to provide staff with an additional cushion to ensure that customers did not miss the 8/16 deadlines, given the problems with getting customers enrolled in training quickly, as was discussed in the preceding section.

Many staff were initially unclear about which training waiver reason should be used to maintain HCTC eligibility. This confusion was largely cleared up following the issuance of TEGL 11-02, Change 1, which advises states that it “...would generally be appropriate to approve a waiver request under the marketable skills condition...”³⁸ for this purpose. This guidance led to marketable skills being the most common reason for issuing a training waiver. However, a number of states who used this training waiver justification for the vast majority of their TAA customers did so without conducting any assessment that the customer really had marketable skills or did not need to enter training immediately as directed by both the Act and TEGL 11-02, Change 1. Furthermore, some case managers felt that it was inappropriate to issue a waiver

³⁸ TEGL No. 11-02, Change 1. p.3.

because a customer had “marketable skills” even when he or she was very likely to eventually enter training.

The next most common reason for issuing a waiver was that training was not available. This was commonly used by states that had exhausted all TAA funding and had to place all customers interested in training on a waiting list. Other training waivers, such as recall, health, enrollment not available, or retirement, were reported to be rarely used.

The Act specifically limited the duration of training waivers to six months, and, as a result, many states were initially confused about whether training waivers could ever be extended beyond six months. This issue was clarified in subsequent DOL guidance, which stated that waivers were allowed to last beyond six months when necessary to cover a TAA customer’s full entitlement to basic TRA. Despite this guidance, the duration of most training waivers was six months, although some were extended beyond that period. A few states issued a short-term training waiver at intake that was only valid until customers met individually with a case manager. Often, customers were issued a second long-term training waiver during that meeting.

Even though training waivers were typically valid for six months, they were required to be reevaluated every 30 days. States had different methods for meeting this requirement. For example, some states required customers to come into the office every 30 days to determine whether to renew their training waivers. Since states viewed the required 30-day renewal as very burdensome for local staff, some were more relaxed about the requirement and left it up to the TAA case managers to check in with customers to reevaluate training waivers. Since case managers were often very busy, this meant that the 30-day reevaluation process amounted to little more than “pushing buttons” to renew the training waivers in the MIS.

A number of respondents reported that they did not believe that the 30-day reevaluation should be required for all training waivers. For example, they believed that it was unnecessary to check in with customers who had a waiver because they were waiting for a training program to start, since the customer’s situation was unlikely to change in 30 days.

By contrast, staff from the East Valley, Arizona, asserted that increased contact caused by the 30-day requirement had a positive effect on the TAA program. They reported that the 30-day check-ins resulted in customers’ receiving more counseling and utilizing more One-Stop Career Center services, which may have helped customers to find reemployment more easily.

Finally, because of the extensive use of training waivers, the 45-day extension for extenuating circumstances was rarely used. However, a few states used the 45-day extension to deal with delays caused by state processing, when a training program was abruptly cancelled, when a customer had to wait longer than six months to enter a course, when notification was late, or when a customer became ill.

Effect of the 8/16 Training Deadlines and New Training Waiver Process

The 8/16 training deadlines and the routine issuance of training waivers profoundly affected the process of moving TAA customers from program intake to training. Instead of being able to wait until at least the exhaustion of UC, TAA staff had to ensure that eligible workers enrolled in TRA and TAA and filled out training waiver paperwork quickly, regardless of whether they ultimately received benefits.

For a number of reasons, many state respondents reported that this new training enrollment deadline and training waiver process was very burdensome on staff. First, numerous respondents said that having to fill out waiver paperwork for nearly all trade-affected workers and enter it in their TAA and TRA MIS was a major burden that added significantly to staff workloads. Staff in several states also reported that it was burdensome to keep track of all the waivers and renewal dates, particularly if state TAA and TRA data systems had not been configured to track these dates and staff had to do so manually.

Adding to the paperwork burden was the fact that some states were enrolling more customers than in the past. Respondents explained that many customers who were enrolled might not have been in the past, as they would have opted not to enroll immediately and found a job instead. Now, however, these same customers were enrolled in TAA and immediately issued a training waiver to maintain HCTC eligibility, even if they were still receiving UC.

Despite this increase in enrollment, the effect of the training waiver process and 8/16 training enrollment deadlines on TRA and training take-up rates was unclear. Two states reported that TRA take-up rates had increased, but others felt that many of the new enrollees found employment before exhausting their UC benefits and never received either TRA or training from TAA, leaving effects on take-up rates uncertain.

The effect of the 8/16 deadlines and waiver process on the speed with which TAA customers entered training was also unclear. On the one hand, customers who would have enrolled in the NAFTA-TAA program did not have to enter training as rapidly as before, since NAFTA-TAA had a similar but even shorter deadline³⁹ and no waivers. Moreover, respondents in one state asserted that the waiver process, when coupled with the availability of 26 more weeks of additional TRA benefits, made it easier for customers to delay entry into training. Respondents attributed this to the fact that the time allotted for additional TRA was now long enough for customers to complete a year-long occupational training program even if they had exhausted all

³⁹ Under NAFTA-TAA, customers were required to be enrolled in training by the latter of either 16 weeks after their most recent qualifying separation or six weeks after certification of their worker group's petition.

their basic TRA before training began. On the other hand, respondents in two states thought that the 8/16 deadlines and waiver process sped up entry into training slightly. They said that because waiver paperwork was now filled out immediately, customers were enrolling in TAA and meeting with case managers faster than before and thus beginning the process of moving into training earlier.

Overall, though, the timing of entry into training did not appear to have changed much. Since training waivers were issued to nearly all TAA customers almost immediately after TAA enrollment, most customers had at least six months to enter training without losing TRA—the typical duration of waivers—rather than only 8 or 16 weeks. Consequently, the 210-day (30-week) deadline for enrollment⁴⁰ that was in existence prior to the Trade Act of 2002, rather than the 8/16 training deadlines, remained the operative time limit for TAA customers just as it was before the Act. Given this, and because the other main determinants of the timing of entry into training had not changed—training provider schedules, the timing of notification, customer attitudes, and assessment—most respondents asserted that the amount of time it took for customers to enter training was unchanged.

Effect of the Trade Act of 2002 on Other Aspects of Training Services

In addition to the changes related to the 8/16 training deadlines and training waivers, the Trade Act of 2002 also made changes to several other aspects of training services aimed at increasing the likelihood of successful completion of training and rapid return to the labor market. These changes included the extension of additional TRA benefits, longer allowable breaks in training, the use of WIA ETPLs, the extension of TRA by up to 26 weeks to cover necessary remedial training, more options for employer-based training, and increased access to support services. This section describes these changes and their implications for the percentage of customers entering training, the typical length of training, and training completion rates.

Extension of Additional TRA Benefits

One of the major changes of the Act was the extension of the maximum amount of additional TRA available to eligible customers from 26 to 52 weeks. Prior to the Act, in addition to their UC (typically 26 weeks in most states), customers were generally eligible for up to 26 weeks of basic and 26 weeks of additional TRA for a total of 78 weeks of income support. Consequently, even though customers were allowed to attend training programs for up to 104 weeks, their

⁴⁰ To be eligible for additional TRA, customers must make a bona fide application for training within 210 days of the latter of their most recent qualifying separation or certification.

income support typically ended after 78 weeks. This often forced customers to choose shorter training programs or drop out of training because they could not support themselves in training after the exhaustion of their TRA benefits (see Exhibit IV-2 for training completion rates prior to implementation of the Act). By extending additional TRA to 52 weeks, the Act matched the duration of income support to the 104 weeks of training.

**Exhibit IV-2:
TAA Program Training Completion Rates Prior to the Trade Act of 2002**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters who Received and Completed Training	13,752	14,901	16,875
Percentage of TAA Exiters who Received and Completed Training	67.06%	71.55%	67.85%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

The majority of states believed that the extension would decrease drop-out rates, since customers would have income support for the entire duration of their training programs. Some state respondents thought that the additional TRA extension would eventually result in many workers participating in longer training programs, since workers were now able to receive income support for up to 104 weeks rather than only 78 weeks.

This conclusion was disputed by staff from one state, however, who argued that the extension of additional TRA resulted in workers' delaying entry into training. According to this logic, because they knew they could receive additional TRA for 52 weeks—plenty of time to complete many occupational training programs—these workers were opting to spend more time on upfront job searches. Consequently, they were receiving TRA for more weeks but were not necessarily entering longer training programs. Along these lines, other respondents asserted that, because most customers wanted to return to work quickly, few workers would opt for the full allowable length of training even with accompanying income support. Indeed, data presented below in Exhibit IV-3 shows that the average duration of training for TAA program exiters for Program Years 1999 to 2001 was about a year, only half of the two-year maximum.

In any case, because fewer than two years had passed since implementation of the Act, respondents reported that it was too early to see clear evidence of either effect.

**Exhibit IV-3:
TAA Program Average and Median Length of Training Prior to the Trade Act of 2002**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Mean Duration of TAA Exiter Training (in days)	357	398	373
Median Duration of TAA Exiter Training (in days)	341	383	344

Source: DOL Trade Act Participant Report. Statistics are calculated only for those who entered training. Data are not available for periods subsequent to June 2002.

Increased Allowable Breaks in Training

Another important change made by the Trade Act of 2002 was to increase the amount of time TAA customers could break from training while still continuing to receive TRA. Prior to the Act, breaks in training could only last for 14 days before TAA customers’ TRA benefits would be suspended until training resumed. Since many community colleges have breaks between semesters longer than two weeks, the financial hardship caused by the loss of cash supports for several weeks forced some customers to drop out of training to find employment.⁴¹ To remedy this suspension of TRA benefits during breaks in training and attempt to increase completion rates and subsequent attainment of well-paid, long-term employment, the Act extended the period workers could continue to receive TRA while on a break from training from 14 to 30 days.

State and local TAA staff were uniformly pleased with this change. Some asserted that the Act had a beneficial effect on the likelihood of customers’ staying in training, although no state could supply data on increased completion rates to support this view.

Use of WIA Eligible Training Provider Lists

A major focus of the Trade Act of 2002 was to increase the integration of the TAA program in state and local One-Stop delivery systems and to strengthen collaboration with One-Stop Career Center partners such as WIA. To encourage this collaboration, the operating instructions for implementing the Act contained in TEGL 11-02 encourage states “to select training providers

⁴¹ Some state TAA programs even created special training workshops to enable customers on lengthy breaks in training to continue receiving TRA benefits.

that have met the qualifications necessary to be included in the Eligible Training Provider List (ETPL) as defined in the WIA.”⁴²

Most states visited recommended that customers choose providers from their state’s ETPL, and most customers did. However, only three states *required* customers to select programs on the ETPL. One reason cited by these states for requiring use of the ETPL was that they often relied on National Emergency Grant (NEG) funding to pay for training, which typically requires that training programs be chosen from the state’s ETPL. Due to problems states encountered in the past of customers’ needing to change their training plans because they had selected non-ETPL programs, these states simply required all customers to use the state’s ETPL.

Some respondents in other states, however, argued that there were good reasons for not requiring use of the WIA ETPL. For example, staff in one local area vigorously opposed requiring use of their state’s ETPL. They claimed that, because of the ETPL’s stringent performance requirements, many programs, including most provided by their state’s community college system, had opted not to participate on the ETPL. Thus, they felt requiring its use would seriously and unnecessarily limit customer choice.

Remedial Training

The addition of TRA benefits and additional time for remedial training of up to 26 weeks was another major change instituted by the Act. Indeed, a number of respondents called this the “biggest and best” change brought by the Act.

One of the main reasons for the popularity of this change was that it appeared to respond to a huge need among TAA customers. According to TAA staff, as many as 40 percent of TAA customers in some states needed remedial training, including approximately 10 percent who were Limited English Proficient (see Exhibit IV-4 below). According to local TAA staff in Troy, Michigan, remedial training was critical because many TAA workers would otherwise be prevented from entering occupational skills training programs because of their low math and reading skills. These workers first had to participate in remedial training programs to improve their skill levels before they could even begin their occupational training program. TAA staff in Wilson, North Carolina, also noted that employers often required new employees to pass a test demonstrating certain levels of math or English skills or have a GED as a condition of hire.

⁴² TEGL No. 11-02, p.18.

**Exhibit IV-4:
TAA Customers Identified as Limited English Proficient (LEP)**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters Identified LEP	2,466	2,294	3,077
Percentage of TAA Exiters Identified LEP	10.29%	9.75%	10.49%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

TAA staff in at least one state suspected that the increased use of remedial training might increase overall training completion rates. They explained that workers who needed remedial training prior to the Act were often unwilling to enter such programs because doing so would decrease the amount of time they had to complete their occupational training program. Indeed, only about 15 percent of TAA customers participated in remedial training in the years immediately prior to the Act (see Exhibit IV-5 below). Unfortunately, many customers who opted not to participate in remedial training eventually dropped out of occupational training because of their poor math or English skills.

**Exhibit IV-5:
Use of Remedial Training**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters who received Remedial Training	3,310	3,252	3,953
Percentage of TAA Exiters received Remedial Training	14.78%	14.72%	14.62%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

At least half of all the states visited for the study had seen or expected to see an increase in the use of remedial training, at least partially attributable to the Act. They believed that the Act had made remedial training more attractive, since the amount of time spent on remedial training would not diminish the amount of time available for occupational training. However, states also speculated that some of the recent increase in the use of remedial training may have come from a decline in the educational levels of TAA customers due to a shift in the types of industries affected by trade dislocations. In North Carolina, where state staff reported large numbers of customers participating in remedial training, the state TAA Coordinator said that the Act had not increased the number of customers receiving this type of training, but it allowed the state to more clearly report its use.

Despite the expected increase in remedial training, several states also noted some remaining challenges. One challenge noted by staff in one state was that 26 weeks was still too short for customers to really see improvement in their basic skills or earn a GED. Another challenge faced by states was that there was often a gap of several weeks between the conclusion of a remedial training program and the beginning of an occupational training program. Staff reported that this gap was problematic because it resulted in the suspension of customers' TRA benefits. Indeed, if the gap between programs was too long, some customers would drop out of training entirely. Finally, some states allowed local staff to enter only one provider on a training plan, even though remedial training tended to be provided by different providers than occupational training. This restriction made it difficult for case managers to develop training plans that accurately reflected customer needs.

Employer-Based Training

Despite the long-standing requirement that the use of OJT be prioritized, before the Trade Act of 2002 OJT was seldom used by TAA customers, as demonstrated in Exhibit IV-6 below. To make employer-based training such as OJT a more viable option for TAA customers, the Act included two specific reforms to such training. First, the Act attempted to make OJT more attractive to employers by removing the requirement that employers must agree to continue to employ OJT participants for at least 26 weeks after the completion of training. Second, the Act specifically made customized training an allowable employer-based training option for TAA customers.

**Exhibit IV-6:
TAA Program OJT Use Prior to the Trade Act of 2002**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters who received OJT	1,223	957	870
Percentage of TAA Exiters who received OJT	5.31%	4.24%	3.23%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

Since employer-based training virtually guarantees a job and is often cheaper than occupational skills training, some state TAA programs were making a concerted effort to expand its use. For example, Ohio was training all local TAA staff on how to develop OJT contracts.

However, despite these efforts, over a year and half after the implementation of the Act, the elimination of the 26-week retention requirement and the addition of customized training appeared to have had no effect on the use of employer-based training for TAA customers.

Instead, states reported that OJT continued to be infrequently used and no states reported any use of customized training.

One of the main barriers to the use of employer-based training noted by states was that TAA staff did not have time to develop the employer relationships necessary to develop OJT or customized training opportunities. In addition, most TAA staff were already very busy meeting with customers regarding training waivers or training plans so they lacked the time to effectively monitor OJT or customized training contracts. The extensive paperwork required for establishing OJT and customized training contracts was also typically very time-consuming, particularly in states that had had problems with OJT-related fraud and abuse.

Another barrier to the use of OJT and customized training for TAA customers was that TAA staff lacked the knowledge and experience to develop and monitor such contracts. Indeed, one state even reported that it had never developed a mechanism for using TAA funds for OJT.

Since WIA programs were typically more likely to provide employer-based training options to customers, the increasing collaboration and co-enrollment with WIA (described in Chapter III) somewhat increased the number of TAA customers receiving employer-based training. Indeed, some states referred workers who were interested in employer-based training to the WIA dislocated worker program rather than enrolling them in TAA. However, there were also some barriers to TAA customers' making use of WIA-developed OJT and customized training contracts. For example, according to one state, the easiest way to give TAA customers access to OJT and customized training would be to have TAA customers make use of WIA-developed contracts and have TAA reimburse WIA for the cost. However, reimbursing WIA contractors for the cost of OJT was prohibited because the Act required that OJT and customized training provided by TAA must be based on an agreement between the SWA and an employer, not a contract with a WIA service provider.

The poor economy at the time of the study was another reason local TAA staff in Troy, Michigan, gave for their limited use of employer-based training such as OJT. They said that employers were unwilling to take on even half the cost of training a TAA customer when the employer could easily hire experienced workers who had no need for training. Respondents in Troy also said that many of their customers preferred occupational skills training programs that resulted in a degree or certificate because customers believed that earning a credential would be more beneficial to their careers in the long run.

A final barrier noted specifically in regard to OJT was that some states were unhappy with the loss of the retention requirement because they could no longer be sure employers would hire OJT participants after the end of training. The respondents asserted that the change negated one of the main benefits of OJT—that training participants were guaranteed a job upon completion—and thus these states were less likely to recommend OJT to customers than in the past.

Use of Support Services such as Childcare and Transportation during Training

Another important provision of the Trade Act of 2002 was the Declaration of Policy that reiterated that TAA customers are “eligible for transportation, childcare and healthcare and other related assistance under programs administered by the Department of Labor.”⁴³ These types of support services can play a critical role in ensuring customer success in completing training and finding stable, well-paid employment.

Despite the Act’s strong support for the provision of support services, states reported that the Act had not significantly increased the availability of these services to TAA customers. Instead, the number of TAA customers—with the exception of those co-enrolled with WIA— who received support services remained low.

Although the TAA program itself is able to cover “reasonable transportation and subsistence expenses”⁴⁴ for training provided outside of a customer’s commuting area, these benefits were uncommon (see Exhibit IV-7 below). In fact, one state reported that most training plans requiring TAA transportation assistance were rejected because they were considered to be too costly. Only one state commonly used TAA transportation allowances, but it did so to expend more of its TAA allocation rather than because of the Act.

**Exhibit IV-7:
TAA Program Use of Subsistence or Transportation Support**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters who received TAA Transportation Support	2,600	2,345	2,241
Percentage of TAA Exiters who received TAA Transportation Support	11.09%	10.42%	8.16%
Number of TAA Exiters who received TAA Subsistence Support	370	534	654
Percentage of TAA Exiters who received TAA Subsistence Support	1.58%	2.37%	2.38%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

Given such tight restriction in the use of TAA funds for transportation or subsistence support, WIA funds were sometimes used to pay for these costs. Indeed, because WIA was the primary provider of support services such as childcare and transportation among Federal employment and

⁴³ Trade Act of 2002, Sec. 125 (a).

⁴⁴ 19 USC Chapter 12, Section 2296 (b).

training programs, states with high numbers of TAA customers co-enrolled with WIA were more likely to have appreciable numbers of TAA customers receiving these services. In fact, in Wilson, North Carolina, TAA customers' need for support services such as childcare was the only reason they were co-enrolled with WIA. Although these co-enrollment arrangements typically existed prior to the Act, the legislation's support for increased collaboration with WIA provided additional support for maintaining or even strengthening them. Also, as co-enrollment with WIA increased, the number of TAA customers with access to support services also increased. However, this trend depended on the specific support service policies of state and local Workforce Investment Boards, and in some the use of support services was uncommon.

Job Search and Relocation Allowances

The TAA program can also provide financial support for customers to conduct job searches and relocate to areas within the U.S., as long as the job being pursued is outside of their normal commuting area. These allowances can be used either in place of training or at its conclusion. Since these allowances were seldom used prior to the Trade Act of 2002 (see Exhibit IV-8 below) but could play an important role in assisting customers with a rapid return to the labor market, the Act attempted to increase their attractiveness by increasing the amount of reimbursement TAA customers can receive under these allowances by \$450.

**Exhibit IV-8:
TAA Customer Use of Job Search and Relocation Allowances**

	<u>7/99-6/00</u>	<u>7/00-6/01</u>	<u>7/01-6/02</u>
Number of TAA Exiters who received Job Search Allowances	276	258	344
Percentage of TAA Exiters who received Job Search Allowances	1.05%	1.04%	1.14%
Number of TAA Exiters who received Relocation Allowances	389	306	261
Percentage of TAA Exiters who received Relocation Allowances	1.48%	1.23%	.87%

Source: DOL Trade Act Participant Report. Data are not available for periods subsequent to June 2002.

Despite the Act's 56 percent increase in the job search allowance and the lump sum payment portion of the relocation allowance, all 12 states in the study reported that there had been no increase in the use of these allowances, with usage remaining at very low levels.

State and local TAA staff attributed the very low usage of the job search and relocation allowances to the low geographic mobility of many TAA customers. Many TAA customers were older and had deep ties to their communities, making them unwilling to move to another area in search of employment. This was particularly true for rural TAA workers, many of whom

resided in areas where their families had lived for generations. Several TAA staff noted that the most common types of trade-affected workers who relocate were professional or middle management staff who often had their relocation expenses paid for by either the trade-affected company or their new employer.

A few TAA staff noted that certain administrative procedures were also a reason why so few customers made use of the allowances. For example, many TAA customers were unable to use a job search allowance to cover the costs of traveling to a distant interview because they were notified of their interview only a few days in advance. However, arranging a job search allowance often required up to 10 days of advance notice to complete all the paperwork. Customers may also have been required to obtain a formal letter of notification from the employer, which was difficult to obtain on short notice. For relocation allowances, nearly every state required customers to secure multiple bids from national carriers for the cost of transporting household effects and provide complete documentation of all travel expenses. Although these provisions should be viewed as reasonable safeguards to prevent fraud and abuse, they nonetheless represented impediments to use from the customer's point of view.

Conclusion

The Trade Act of 2002 made a number of changes to the provision of training-related services that were designed to increase the effectiveness of the TAA program in moving customers “toward rapid, suitable and long-term employment.”⁴⁵ Despite the institution of these changes, the provision of training-related benefits and services remained relatively similar to what was provided prior to the Act. Only the imposition of the 8/16 deadline and new training waivers resulted in significant changes to the process of serving TAA customers. However, these changes did not seem to have significantly increased the speed with which customers entered training or returned to the labor market. Some of these changes did not work as planned or had unintended consequences; others were more successful and were likely to result in at least some increases in customer completion rates and labor market success.

One of the changes that had not worked as well as planned was the 8/16 deadlines, which were intended to move customers into training quickly. The impact of these deadlines was negated by the decision of most states to grant workers immediate training waivers to ensure HCTC eligibility. Consequently, customers seemed to enter training at about the same speed as before the Act.

⁴⁵ TEGL 11-02, p. 2.

Another set of changes that were not as effective as hoped were those related to employer-based training. Despite the Act's efforts, states reported that usage of OJT and customized training had not increased. They attributed the limited use of employer-based training to the fact that TAA staff had limited time and experience with developing and monitoring such contracts.

The change the Act made to the amount of reimbursement customers can receive from job search and relocation allowances also had little effect on usage of the allowances. TAA staff attributed this limited use to low geographic mobility among TAA customers as well as the difficulty customers have in complying with administrative requirements for receiving reimbursements.

One change established by the Act that had unintended consequences was the new process for granting training waivers. One of the impacts of this new process was a major increase in the amount of paperwork and staff time required to issue waivers. In addition, the fact that states were aggressively trying to enroll and grant waivers to all potentially eligible participants as early as possible resulted in an increase in the number of program enrollees, although not necessarily an increase in either TRA or training take-up rates. The extensive use of waivers had also resulted in almost no use of the 45-day extension for extenuating circumstances.

Although some of the Act's changes have been less effective than anticipated, other changes have been much more successful. For example, the Act's extension of additional TRA benefits from 26 to 52 weeks, the new availability of 26 weeks of TRA-supported remedial training, and the extension of allowable breaks of training from 14 to 30 days have all been strongly welcomed by respondents. Indeed, although it was too early to gauge the clear impact of these changes, the majority of respondents reported that they expected the extension of TRA benefits and allowable breaks in training to result in improved completion rates and better labor market success.

Finally, the Act's strong support for increased integration and co-enrollment with WIA may have resulted in increased receipt of support services and use of state ETPLs by TAA customers. This was because TAA customers who were co-enrolled with WIA were most likely to receive support services. Several states also reported that increasing co-enrollment with WIA led them to require use of WIA ETPLs by all customers.

V. EFFECT OF RECENT CHANGES TO THE FUNDING PROCESS

The funding system for TAA underwent two dramatic changes since the Trade Act of 2002, and both changes had an effect on the TAA program related to the goals of the Act. First, the legislation authorized an increase in the annual Congressional appropriation for TAA training from \$110 million per year to \$220 million. According to Congressional Budget Office estimates that accompanied the legislation, Congress intended that this increase would finance the expansion of coverage to secondary workers, facilitate longer training periods, and permit some increase in the number of primary workers participating. Second, less than a year after the Act went into effect, DOL changed the basis for distributing TAA funds from a grant-request process to an annual allocation formula and made a number of other changes within this new distribution system.

The changes to TAA program funding and the manner in which funds were distributed relate to two major goals of the Act:

- Increasing coordination between the TAA program and the One-Stop Career Center system and One-Stop Career Center partners.
- Maintaining the fiscal integrity of the program by ensuring that TAA funds are used for the purposes that Congress intended.

The changes in accounting methods that states had to implement in order to accommodate the transition to a new system of distribution were difficult and time-consuming. Despite these temporary setbacks, some states reported that changing from grant-request distribution of funds to an allocation system would increase their ability to manage their TAA allocations more efficiently for its intended purpose. Therefore, in the long run, it appears that the distribution of funds by allocation would help some states achieve the Act's goal of fiscal integrity.

In addition to the effect that the funding formula had on the TAA program, the perceived continued inadequacy of TAA funding had the indirect effect of increasing the amount of coordination between the TAA program and other federally funded programs. In the face of perceived funding shortages, a variety of funding streams, including WIA, ES, and dual enrollment NEGs, were regularly used by many of the states in the sample. While the use of

these funding streams had been an ongoing practice that preceded the passage of the Act and arose as a matter of necessity, it nevertheless increased interaction between the TAA program and other Federal workforce development programs, moving TAA programs closer to achieving the goal of the Act.

The main purpose of this chapter is to discuss the above-mentioned changes to TAA's funding distribution and the effect that they have had on the TAA program. Specifically, this chapter will discuss the change in the distribution process of TAA funding from a grant-request method to an allocation. Additionally, this chapter provides a brief overview of TAA funding in the states visited, including an analysis of the sufficiency of both training and administrative funds and the methods used for TAA fund distribution at the state and local levels. In exploring the funding structure and the recent changes that have been made to it, the chapter focuses on the effect that funding changes had on achieving the goals of the Act.

Impact of the New Allocation System

One of the overarching goals of the Trade Act of 2002 was to maintain the fiscal integrity of the TAA program. In order for the TAA program to serve its intended purpose of facilitating the rapid and successful reemployment of trade-affected workers, funds for the TAA program must be spent efficiently and for the training programs for which they were intended. With this in mind, DOL restructured the funding distribution system of the TAA program beginning in FY 2004. The new funding system used a formula to calculate the needs of each state. This represented a significant change from the previous funding distribution system, which was based on grant-requests.

DOL intended that its formula-based system would make the process of conveying TAA funds to the states easier, more efficient, and predictable. According to a DOL review of the grant-request process, the old disbursement process for TAA was not well understood by many states, a factor that “made it difficult for states to prepare funding requests in a timely manner that approximated the true needs of their trade impacted workforce... [and] may have contributed to a less than optimum distribution of resources to meet these needs.”⁴⁶ DOL also expected that the new funding allocation formula would “facilitate a fair and equitable distribution of trade training funds.”⁴⁷

Overall, it appeared that states were making a slow adjustment to the new allocation system. Though the new annual allocation process for disbursing TAA funds was instituted to make the

⁴⁶ TEGL No. 06-03, p. 1.

⁴⁷ TEGL No. 06-03, p. 1.

process easier and more efficient for states, the findings from the initial site visits indicated that, at least in the short-term, the new funding formula was causing some difficulties. The majority of states expressed a mixture of frustration and confusion about the new funding formula, and complained about a lack of clarity and concern about reductions in their funding allocations. At the same time, the difficulties mentioned by the states were, for the most part, specific to the transition period and presumably lasted only until states had effectively made all the necessary accounting transitions.

This section explores the changes associated with the transition to the new funding allocation system as perceived by the states visited. Additionally, it discusses the effect of this transition on the TAA program and its ability to meet the mandate of the Act.

The New Funding Formula

The new funding formula differed from the former funding distribution system in several ways. Under the previous method of funding distribution, states requested funds as they enrolled participants and these participants planned training or other services. This distribution was essentially on a first-come, first-serve basis, and meant that workers seeking training or other services later in the fiscal year might have to be placed on a waiting list. The process effectively placed the states in competition with each other for access to a portion of the annual appropriation.

The new funding formula allocates funds to the states by calculating an amount for each state that takes into account funding history as well as the number of participants served in prior years. Additionally, DOL instituted a “hold harmless” provision to ensure that the planning estimate for the annual allocation would limit the amount any state lost to no more than 15 percent of the amount the state would have received the preceding fiscal year had the new formula been in place, thus tempering year-to-year fluctuation.⁴⁸ Under the new allocation system, DOL also withholds 25 percent of the appropriation as TAA reserve funds. The reserve is to be used to distribute extra funds to states experiencing large, unexpected layoffs. However, to be eligible for these reserve funds, states must have expended at least 50 percent of their FY 2004 funds (the requirement does not apply to money carried over from previous years).

DOL instituted this new TAA allocation system in October 2003 and its adoption was phased in over two years. The first stage, which was implemented for FY 2004, used a transitional formula that calculated an allocation for each state based on an average of the allocations that the state had received for the preceding three years (representing 80 percent of the allocation) and the

⁴⁸ The 85 percent hold harmless provision applies only to the portion of the formula that considers previous funding (80 percent). Reductions because of a drop in the number of participants are not protected.

average number of TAA participants in that state for the last three years for which data were available (20 percent of the allocation). Allocations for FY 2005 were calculated using an average of the accrued expenditures for the previous three years (50 percent of the allocation) as well as the average number of TAA participants for the last three years (50 percent of the allocation).

There are two major differences in the formula from FY 2004 to FY 2005. First, the FY 2005 method gives far more weight—50 percent in FY 2005 compared to 20 percent in FY 2004—to the number of TAA participants in each state, thus potentially encouraging states to enroll more participants. Second, the basis for the remaining part of the allocation shifts from previous allocations to accrued expenditures. The significance of the latter issue will be discussed further in the section, “Change to Accrual-Basis Accounting.”

Although the shift to the funding allocation system was intended to change the way in which states received TAA funds from the Federal government, one state reported that the new basis of fund distribution affected its local distribution system as well. While the way that most local areas received TAA monies had remained unchanged, Michigan was the exception to this rule. Although most states continued to manage TAA funds at the state level and did not distribute allocations to local areas, Michigan used a local allocation system.⁴⁹ As a result of the new Federal allocation process, Michigan modified its local allocation system to mirror the allocation system that DOL uses to determine TAA allocations to states.

Change to Accrual-Basis Accounting

In order to accommodate the new funding formula allocation system, many states either underwent or were undergoing a shift in the way they tracked their funding. The new FY 2005 formula was based partly on an average of expenditures accrued—instead of obligations—by a state during three previous fiscal years. The fact that the new funding formula was based partly on the average of accrued expenditures over a given number of years meant that states had to report accrued expenditures rather than obligations to DOL. Since most states were in the process of shifting to accommodate this change, this element of the new funding allocation had a critical effect on almost all of the states visited.

The most commonly cited challenge about the switch to accrued expenditures was that it had created an administrative burden for states because it required them to make significant adjustments to their accounting systems. This had been made worse by the lack of

⁴⁹ Beginning October 1, 2004, this state was also to begin allocating 2/3 of the state’s TAA administrative funds to the local areas. This change was part of a larger decentralization effort by the state that was unrelated to the Trade Act of 2002.

administrative funding to pay for the staffing needed to do this. One state fiscal staff person reported that the process had been “a nightmare,” a sentiment with which many states concurred. Several states said that the transition from an obligations system to an accrued expenditures system was so complicated that they had not yet completed the process.

Two states reported that they still did not operate an accrual-basis accounting, although one reported that coordinating between the two accounting systems had been so difficult that it was considering “reworking” its state accounting system to do so, a task which would consume considerable resources. The other state gave the impression that, given the challenges of shifting to an accrual-basis system, they were continuing with the obligations system, though they were being encouraged by their DOL Regional Office to adopt the new system.

In addition to the internal administrative challenges of shifting from one system of accounting to another, some states indicated that there were additional reasons for their disgruntlement. Chief among these concerns was that an accrual system was deemed inappropriate for a program that supports long-term training provided by educational institutions with varying billing cycles. In particular, the quarterly funding report format was thought not to mesh well with the semester-based or annual billing cycles of many training providers. Another problem was that training expenditures could be accrued only after a school’s add/drop date, which may not fall into the appropriate reporting period.

There was also the perception by some states that the new accounting system would force the program to emphasize short-term training. One state fiscal staff person reported that accrual-basis accounting “changed the entire focus of the TAA program...” such that “the accounting system is driving the program” toward shorter-term training by preventing states from guaranteeing funding for the entire duration of a participant’s program. Moreover, administrative costs for the program were expected to increase, as funds would have to be reallocated to each contract every year, instead of once for the entire duration of the training program. One state further speculated that this change would require participants in the TAA program to reapply for funding to cover training costs on a yearly basis, a practice that would also undoubtedly increase administrative costs and pose an inconvenience to the customer.

Perhaps due to the concerns outlined above, one state reported that it was proactively providing additional services in order to accrue enough expenditures to ensure that its future funding would not decrease. Specifically, the state actively tried to increase accrued expenditures by increasing the number of participants receiving services such as reimbursements for transportation to training. This practice, along with the state’s overall transition to an accrual-basis system, was implemented in order to keep accrued expenditures high. In this state, the decision to de-obligate funds and to increase accrued expenditures was a direct consequence of the new funding formula

guidelines—specifically those for FY 2005, which were based partly on accrued expenditure levels.

Overall, then, because they had not finished adjusting their accounting systems to track accrued expenditures, it appears that many states were not yet fully prepared for the implementation of the new FY 2005 funding formula-based on accrued expenditures. Until these states were able to report significant accrued expenditures, they may even have expected to face reduced annual allocations in FY 2005 and subsequent fiscal years.

Challenges and Benefits Related to the New Formula

Many states also voiced concern over other aspects of the formula. By far the most common feedback among states about the new funding formula was that it should include use of NEG's. Although DOL stated that inclusion of NEG's in the funding formula would be “inappropriate because NEG's are discretionary funds available for unanticipated mass layoffs and are better suited to augment ongoing TAA operating levels,”⁵⁰ it appeared that, in actuality, states were utilizing NEG's on a regular, ongoing basis. All states covered at least part of their program costs with NEG funding and, as a result, many states argued that the exclusion of NEG's caused a serious underestimation of the amount of funding they required to run their TAA programs. In one state, for example, the amount of NEG funding received in one year was almost equal to the amount of TAA funding that the state received for the same year. Consequently, the state asserted that the new formula based solely on TAA funding satisfied only half of its TAA funding needs.

Another concern about the formula was that it may not be able to accurately predict need for TAA funding into the future, because trade-affected layoffs may fluctuate significantly from year to year. One state staff person reported that the formula “stops being relevant as soon as it's out there” since it is backward-looking and therefore is not guaranteed to accurately reflect the future needs of states.

On the other hand, two states expressed relief that the new process would make their funding allocation more stable and relatively predictable, thus facilitating easier accounting and record keeping. These states indicated that they were pleased with the new formula, since they felt that it would provide a fair and more transparent basis for funding distribution and would more accurately reflect their need.

⁵⁰ TEGL 06-03. p. 3.

TAA Reserve Funding

In addition to allocating funds to each state based on the new funding formula, DOL reserved 25 percent of the total \$220 billion appropriated for TAA for additional requests by the states. States that required additional funding beyond what their annual allocation provided were to apply to this reserve fund in order to receive additional funding. To be eligible, states must have had accrued expenditures of at least 50 percent of their initial TAA allocation.

Two states visited reported that they applied or were in the process of applying for this additional funding. One state had already received additional funding, almost doubling its TAA funding for the year. Although pleased to have received additional funding, state fiscal staff were puzzled that their initial allocation did not provide a more accurate reflection of their need and suggested that the original calculation might have been slightly “askew.” However, they expressed hope that the FY 2005 adjustment to the funding formula would correct these perceived irregularities.

In another state, a request for supplemental funds was in the process of being submitted during the site visit. Preparation of the request was being prepared jointly by ES, UI, and the SWA’s fiscal department. To determine the amount of the request, state staff considered how many customers were in training and how much TAA funding had already been obligated for the current fiscal year. In developing the request, the state also used models it had developed to predict the amount of funding needed for each individual training contract.

Overall Adequacy of TAA Funding

The new funding formula caused some states to worry about the sufficiency of funding in the future. This concern was exacerbated by the fact that about half the states visited experienced a decrease in funding allocations in FY 2004. Indeed, only two states reported having sufficient funds for the fiscal year, but only because they were spending funds carried over from previous fiscal years.

The consequences of these funding shortages differed, with some states experiencing shortages much more dire than others. For example, New Jersey reported that all funds had been obligated two months after it received its allocation and was forced to put all customers on a waiting list. Earlier in the year, Texas also instituted a sixty-day moratorium on training because of a shortage of funds (a moratorium that had subsequently been lifted due to its receipt of TAA reserve funds).

Impact of Funding on Integration with One-Stop Career Centers

One indirect impact of perceived insufficient TAA formula funding was that it had forced the TAA program to collaborate more closely with state and local One-Stop Career Center partners,

an important goal of the Trade Act of 2002. This increased integration had occurred in a variety of ways. First, as discussed above, all states used dual enrollment NEGs to supplement their TAA allocations. This practice required the co-enrollment of TAA participants with WIA, thus increasing the number of co-enrolled participants and the extent to which there was coordination between the two programs. Additionally, WIA and ES funds were used to support the TAA program both indirectly through the use of WIA and ES funded staff as well as directly through the use of WIA training funds when TAA training funds were exhausted. This section discusses the use of these funds and how their use was affecting the accomplishment of the purpose of the Act.

Administrative Funds

One of the factors closely related to the use of non-TAA funding streams was the chronic shortage of administrative funding. Of the total amount that states receive in TAA funding, only 15 percent can be used for administrative purposes, including all non-training services. While states did not report any major changes in their use of administrative funding, they did report continuing shortfalls. Indeed, all but one of the states reported that the amount of funding available for administrative use was too low.

Though the level of administrative funding itself was not directly affected by the Act, shortages of administrative funding may have an impact on the implementation of the Act. A third of the states visited expressed that it had been difficult for them to set up new systems and respond effectively to the Act's changes because of limited administrative funds.

Use of WIA, Dual Enrollment NEGs and ES

In order to fill gaps in training funds as well as cover the administrative needs of the TAA program, WIA funds, dual enrollment NEGs and ES funds were used routinely by the states in our sample. Two of the funding streams, NEG and WIA, are similar in that NEGs are subject to the same regulations as WIA funds. Therefore, those TAA participants that made use of either funding stream were co-enrolled in WIA and adhered to the regulations placed on WIA participants. Another funding stream that provided significant support to the TAA program was ES. As a result, the use of these funds helped spur the TAA, WIA and ES programs to work closely together, thereby promoting one of the major purposes of the Trade Act of 2002.

All of the states visited are making some use of NEGs. While the term "National Emergency Grants" carries the connotation of a temporary crisis, interviews with TAA staff revealed that, in fact, NEGs were used regularly for TAA and were frequently viewed as a permanent source of funding. Of the states that identified funding sufficiency as a problem, six states explicitly said that they depended on NEGs to fill their gaps in funding. A review of the NEG funding that states had been receiving for the last few years indicated that, indeed, most states were dependent

on NEG's for a significant portion of their ongoing TAA operating levels. Dual-enrollment NEG's, the type of NEG that is subject to WIA regulations, were widely used by the states visited. At least one state also explicitly noted co-enrolling TAA participants with WIA so that they would be eligible for funding through a dual enrollment NEG. In any case, because of the widespread use of NEG's, states worried about a continuing funding shortfall if NEG's were not included as a variable in the new TAA allocation formula.

The TAA program was also supplemented by the use of formula WIA and ES funds. WIA funds were used either for direct training services or to cover the use of WIA-funded staff who provided non-training services such as case management. While some states used WIA funds only after TAA training funds were exhausted, others states used them as a cushion to stretch the use of TAA dollars. For instance, in one state, WIA funds regularly covered the first \$3,500 of the TAA training cost and the rest of the training was paid for by TAA. In addition, WIA supported non-training costs both indirectly and directly. Similarly, ES funds were also used to supplement TAA administrative funds. This happened indirectly through the provision of core services at One-Stop Career Centers or directly when ES staff took on the responsibility for TAA administration at the local level. While the use of WIA and ES funds may have been the result of necessity rather than choice, it nevertheless had the effect of promoting the Act's goal of increasing the TAA program's integration with One-Stop Career Center partners.

Conclusion

Two important goals of the Trade Act of 2002 are maintaining the fiscal integrity of the TAA program and improving the coordination with the One-Stop Career Center system. In the states in the sample, it does appear that the TAA program's funding process was pushing the program toward achieving those goals. For example, it appeared that certain elements of the funding structure were, in fact, increasing coordination between the TAA program and One-Stop Career Center partners indirectly. Additionally, a few states expressed the belief that the new allocation system would provide a more need-based and equitable fund distribution.

The most significant changes that occurred were related to the new funding allocation system, whose first stage was implemented in FY 2004. The transition from an obligations-based to an accrual-based accounting system, which most states had undertaken as a way of accommodating the second phase (FY 2005) of the new funding allocation formula, had been slow, and in many cases difficult. Those states that were slow in making the transition may have ended up being penalized through lower allocations due to low accrued expenditures. However, the new formula for FY 2005, which was based more heavily on the number of program participants, may have brought more balance.

Another important possible consequence of the transition from an obligations-based to an accrual-based accounting system was shortening the average length of training and increasing the time required to administer training contracts. The fact that states no longer obligated funds for the entire duration of training programs meant that they would pay for training programs from the allocations of multiple fiscal years. It was unclear what would be the effect of this practice. However, states expressed concern that being forced to allocate funds for training out of allocations from multiple fiscal years would create additional administrative costs. They also worried that funding training over multiple fiscal years might serve as a possible deterrent for them to enroll participants in longer training programs.

One additional finding of this study was that perceived chronically insufficient TAA funding may have indirectly increased the TAA program's collaboration with the One-Stop delivery system and One-Stop Career Center partners. This was due to the fact that TAA programs supplemented their annual TAA allocation by using a number of other funding streams including ES, WIA and dual enrollment NEGs. The use of these funding streams forced the TAA program to become more integrated with other programs. For example, dual enrollment NEGs operate according to the same regulations as WIA funds. As a result, the high usage of dual enrollment NEGs caused some states to co-enroll TAA participants with WIA in the event that they needed to use dual enrollment NEGs in the future. Thus, the use of other funding streams to supplement the annual TAA allocation indirectly facilitated the achievement of one of the goals of the Act—that of increasing the integration of the TAA program with the One-Stop delivery system and partners.

VI. NEW PROGRAMS IN THE TRADE ACT OF 2002

A major theme of the Trade Act of 2002 is rapid and successful reemployment for trade-affected workers. To achieve this goal, the Act instituted a number of significant changes to the TAA program that have been discussed in the preceding chapters. Also to spur rapid reemployment, the Act introduced two new programs for trade-affected workers: the Alternative Trade Adjustment Assistance (ATAA) program and the Health Coverage Tax Credit (HCTC). ATAA, which is a demonstration program, provides older workers an incentive to quickly reenter the workforce by providing a wage supplement of up to 50 percent of the difference between their former and new salaries in the place of standard TAA training and TRA payments. HCTC, implemented through a cooperative effort of the Department of Labor, the Department of Health and Human Services, and the Department of the Treasury (administered by the Internal Revenue Service (IRS)), provides assistance to trade-affected workers with health insurance costs through a tax credit, thereby making training more affordable and hopefully increasing the likelihood of completion and successful reemployment.

After the issuance of implementation instructions for the programs in the spring of 2003, the ATAA and HCTC programs were officially implemented August 6 and August 1 of that year, respectively. At this nascent stage in the implementation of ATAA and HCTC, this chapter presents preliminary findings about the two programs, beginning with a section on ATAA followed by a section on HCTC. These two descriptions of program implementation decisions and challenges and take-up rates are followed by a brief conclusion.

Alternative Trade Adjustment Assistance Program

One of the major themes of the Trade Act of 2002 was an increased focus on rapid reemployment. Therefore, the law included the ATAA program, a new demonstration program designed to assist trade-affected older workers in achieving rapid, suitable, and long-term employment. The program serves as an alternative benefit for older workers nearing retirement age who prefer rapid reemployment rather than enrollment in a training program.

In general, implementation of the ATAA program had been a challenging and time consuming process for states. These challenges likely were among the reasons for the program's very low take-up. Low take-up rates may also be explained by several additional factors, such as a lack of

public awareness of the program, structural problems, and the lack of available jobs. This section of the chapter first explores the ATAA-related implementation challenges and decisions states faced and then discusses low take-up rates and their possible causes. We begin with a discussion of ATAA's key features.

Program Features

The ATAA program provides income support in place of TRA benefits and training to workers who find new employment. To be eligible, the worker must:

- Be covered by a petition certified for TAA,
- Be at least 50 years old,
- Find full-time employment within 26 week after the trade-related separation occurred,
- Not be reemployed by their previous employer, and
- Earn no more than \$50,000 per year in the new job.

Additionally, the petition must be separately certified for ATAA, which requires that a request for ATAA certification be filed and that the dislocation is determined to occur from a firm that has a significant number of workers over age 50 who have skills that are not easily transferable.

The allowable benefit amount for workers who meet these conditions can be paid over two years and equals 50 percent of the difference between a worker's old and new salary, up to a maximum of \$10,000. Workers who receive ATAA benefits may not receive TAA-funded training, TRA, or job search allowances.

Implementation Decisions and Challenges

Typical of any new program, designing and implementing ATAA was a time and resource intensive process for states. Initially, decisions had to be made about where to house the new program within each state's administrative structure, how to develop new funding mechanisms and other infrastructure, and how to determine participant eligibility. States had to complete the initial implementation of the ATAA program by August 6, 2003. Although all states visited reported having implemented ATAA "on-time," several states were still finalizing and testing their new systems. Indeed, many states had yet to thoroughly test the implementation or administration of their ATAA program due to the extremely low take-up rates experienced by the program since its implementation.

Program Structure

One of the first ATAA-related implementation decisions states had to make was to determine which organizational body would administer the ATAA program at the state and local levels. According to TEGL 2-03, states were advised to make the program an integral part of the menu

of reemployment services and assistance available to eligible individuals through the Trade Act of 2002. Federal guidance also recommended that states work closely with Rapid Response teams and other local One-Stop delivery system partners to ensure that information about ATAA would be widely disseminated, both prior to and following notification of layoffs, petition filings, and certifications.

To ensure that the ATAA program was integrated with other Trade Act programs, states typically decided to house administration of ATAA with either TRA or TAA. Since the activities of ATAA—determining eligibility and making benefit payments—are substantially similar to those of TRA, housing ATAA with TRA was more common than locating its operations with state TAA programs. As with the administration of TRA benefits, administration of ATAA was also more likely to be concentrated at the state level, with local TAA staff playing a minimal role in the administration of ATAA, confined to answering questions or handing out brochures. By contrast, a few states—primarily those with a strong culture of local control of workforce programs—decided to give local TAA staff a greater role in the program, allowing them to counsel eligible workers about ATAA versus TAA benefits and provide detailed information about the program to workers.

Infrastructure and Funding Mechanisms

States also had to make decisions about the additional infrastructure needed to implement the ATAA program and how to fund that infrastructure. One of the first and most important ATAA-related tasks states had to tackle was to set up program data systems to collect information about participant eligibility and calculate and distribute payments. To do this, some states opted to adapt their existing TAA or TRA MIS to handle data management for ATAA, while others reported creating entirely new data management systems for the program.

Several states reported facing significant challenges in implementing the new ATAA-related data systems. For instance, some said that the process of programming databases to accommodate ATAA was complex or difficult. Since guidance from DOL did not come until after the implementation date, many states also felt they were “operating in the dark” when creating these systems. One state also noted that DOL did not specify any reporting requirements for ATAA, and therefore they were forced to “guess on what data items to add to the database.”

States that lacked automated data entry systems for Trade Act programs and manually calculated benefit payments reported that setting up and running the ATAA program required extensive staff resources. Indeed, for staff in states with very low ATAA take-up rates, the time consuming process of determining payments almost seemed to outweigh the benefit to customers—particularly when benefits were as low as \$20 per month.

States also had to determine how to fund the staff time and equipment needed to develop this new data management infrastructure. No states received any extra funding to support the development of this infrastructure. Instead, most states reported that they used TAA administrative funds or UI funds to support ATAA. Although some states reported negligible set-up costs for ATAA due to low take-up rates, other states reported that ATAA had resulted in further depletion of their already limited TAA administrative funds. Indeed, at least one state asserted that the use of these funds for ATAA purposes could lead to serious future shortfalls.

Eligibility

As noted, a determination of eligibility requires a review of group eligibility factors applying to the petition that was certified and individual-level factors relating to the worker's age and conditions of reemployment. Generally, determinations of eligibility were made at the state level within the department that administered ATAA. The following example from South Carolina is illustrative of how states typically determined ATAA eligibility. After notification that a worker-group had been certified for ATAA, individual workers who were interested in ATAA filled out a Request for Determination of Entitlement to ATAA form. On the form, workers provided basic personal information, information about their trade-affected employment, and proof of reemployment. The required documentation for ATAA eligibility in South Carolina included proof of their rate of pay (check stub), the number of hours worked during their first full week of reemployment (showing that they are full-time), documentation of their age at the time of reemployment, and evidence of whether they expected to earn annual gross wages of more than \$50,000. Workers then checked a box on the form indicating that they had chosen to file their claim under ATAA instead of regular TAA, and that they understood that receipt of ATAA voided claiming rights to TAA and TRA. The customer then filled out an additional Payment Verification Form, requesting the amount of payment for the wage supplement, which must be faxed or mailed with documentation of employment on a monthly basis to the South Carolina Employment Security Commission (SCESC). After the SCESC reviewed these documents, the worker was mailed a letter of determination of entitlement or denial of ATAA, including information on customer appeal rights.

Although all states had established a basic eligibility process for ATAA, many had yet to fully test them because of extremely low take-up rates. One result was that many local staff did not fully understand ATAA eligibility. For example, in several states, staff felt unable to respond to questions regarding eligibility due to a lack of experience administrating the program thus far. In addition, local staff in at least one state reported that more guidance from the state on ATAA eligibility was needed.

Take-Up Rates for Potentially Eligible Workers

In addition to the administrative challenges posed by ATAA implementation, take-up rates for ATAA—the percentage of potentially eligible workers who participate in the program—were uniformly low across all 12 states. The absolute numbers of individual customers states reported to be participating in the ATAA program were also very low, ranging from zero to 71. Even in Pennsylvania, where over 100 worker groups were reported to be certified for ATAA, only 40 individual customers were reported to be receiving ATAA benefits.

Barriers to take-up of ATAA were outreach-related and structural in nature. The outreach-related problems included a lack of awareness and negative perceptions of governmental programs. The structural problems concerned the low numbers of worker-groups certified overall, workers' problems negotiating the choice between ATAA and TRA benefits, and workers' difficulties in meeting eligibility requirements.

Outreach-Related Barriers to ATAA Take-Up

A major reason why take-up rates for ATAA were low was that workers and firms simply were not aware that the program existed. As with any new program, ATAA required outreach strategies to get the word out to potential participants. At the time of the site visits, the ATAA program was “marketed” through the same channels as TAA, despite it being a new program. For example, as with TAA, information about ATAA was integrated as a standard element of Rapid Response worker meetings. However, due to the large number of programs to be discussed in these meetings, presenters usually minimized the amount of detail they provided about ATAA. Numerous Rapid Response staff also commented that most workers were overwhelmed by the amount of information presented in these meetings and had trouble remembering specifics. For this reason, workers were generally reminded of their potential eligibility for ATAA through the notification letter that was sent after a firm was certified for both TAA and ATAA. While these methods might have been reasonably effective for a long-standing program like TAA (for which substantial word-of-mouth promotion exists), they were likely to be far less effective for a brand new program such as ATAA.

Even if workers were aware of ATAA, some may have been reluctant to apply for ATAA because they harbored negative perceptions about participating in governmental programs. According to respondents, this was another factor that inhibited the take-up of ATAA. For example, in several states, TAA staff described how older workers were often intimidated by and unfamiliar with social services, and therefore were hesitant to seek services at a One-Stop Career Center. In both Ohio and Texas, TAA staff also said that workers associated TAA and ATAA with a “government handout,” which they were embarrassed to accept. One state TAA staff member in Ohio explained that because One-Stop Career Centers were often located in welfare

agency offices, the stigma associated with going to a welfare agency may have inhibited older workers from seeking services.

Structural Barriers to ATAA Take-Up

Aside from the problems getting the word out about ATAA, states reported that there were barriers built into the program structure that may have hampered take-up. One structural barrier to take-up was that relatively few worker-groups had been certified for ATAA. For example, the number of ATAA-certified worker-groups in the states visited was reported to range from only three firms in Arizona and Kentucky to over 100 firms in Pennsylvania, with five states reporting only 20 or fewer firms certified. The number of ATAA-certified worker-groups was an important factor in overall take-up rates because individuals cannot be considered eligible for the program unless their worker-group was ATAA certified first.

States said that the structure of the TAA petition form was problematic for ensuring worker-group certification. In order to be considered for ATAA certification, petitioners needed to check a box for ATAA on the petition form. However, some states reported that petitioners often missed this box or forgot to check it. For example, one TAA Coordinator said that many employers did not see the box on the petition when they were filling it out, and, when they realized their mistake, the petition needed to be withdrawn and re-filed to accommodate the oversight, causing delays in providing services to affected workers. Another TAA Coordinator said that the “little ATAA box” was often missed, and she was sure that many potentially eligible workers “missed out” on eligibility for ATAA for this reason.

Some state and local staff reported that they avoided these problems by strongly encouraging petition filers to always check the ATAA box. In three states, staff automatically checked the ATAA box on all petitions they received before filing, as long as the box had not already been checked by the petitioner. Apparently, these states found that the most effective strategy to ensure eligibility for ATAA was to have all worker-groups apply for ATAA, regardless of their age make-up.

Another structural barrier to ATAA take-up was that some workers were apprehensive about losing TRA eligibility by applying for ATAA, especially when they were uncertain that they would get a job within the requisite 26 weeks. State TAA staff were finding that the choice between ATAA and TRA/TAA was difficult for workers to make, and some older workers were reluctant to forfeit their TRA benefits and the option to receive training. Since TRA benefit amounts were often higher than the wage supplement provided by ATAA, many saw TRA as a better option.

States reported that the eligibility criteria for ATAA had also caused structural impediments to take-up. Over half of the states cited that the 26-week deadline was not long enough for many

workers to find employment. This was particularly a problem in local areas suffering from economic decline and major plant closures. States also reported that customers were often found ineligible because they did not meet the age requirement, did not work at their former job for a long enough period of time, or worked at a firm that was not ATAA certified. No states reported any workers being determined ineligible because their new salary was above the acceptable limit. Some states suggested that extending the 26-week deadline and lowering (or eliminating) the age requirement would increase take-up of the program. They thought this would get workers back into the labor market sooner, and it would also be more cost-effective for the TAA program, since the average wage supplement was lower than the average TRA benefit.

Health Coverage Tax Credit

The Trade Act of 2002 created another new program, the Health Coverage Tax Credit (HCTC). This program was part of a larger goal of the Act to provide better supportive services to trade-affected workers, which would, in theory, improve training completion rates and return workers successfully to the labor market. A Federal tax credit program, HCTC subsidizes private health insurance coverage for eligible trade-affected workers, covering 65 percent of the cost of the premium that eligible individuals pay for qualified health insurance coverage.

Staff in many states described HCTC as one of the most challenging aspects of the Trade Act of 2002, and take-up for the program was low. The major problems were lack of understanding of the program among staff and workers, insufficient resources to administer the new program, vague guidance and incomplete information from the IRS, and structural problems that discouraged take-up. After describing the major features of HCTC, this section will focus on the early implementation of the program and the challenges that states encountered. It will then examine several possible explanations for low take-up rates, including the participant cost burden, gaps in coverage, and lack of understanding about how the program works.

Program Features

Recognizing that loss of health insurance benefits will often accompany job loss, the Act authorizes HCTC for trade-affected workers, providing a tax credit of 65 percent of the amount paid by an eligible individual for health insurance coverage of the individual and other family members. To be eligible, workers must be:

- Covered by a qualified health plan, and be
- Receiving TRA, or
- Eligible for TRA but not receiving it because they are still receiving UI, or
- Receiving ATAA.

Forms of qualified insurance include Consolidated Omnibus Budget and Reconciliation Act (COBRA) plans, spousal coverage if the employer subsidizes less than 50 percent of the premium, an individual policy so long as it began 30 days prior to separation from employment, or a state-qualified plan so long as certain minimum conditions are met. The Federal tax credit can be applied on an end-of-year basis for health insurance costs incurred as early as December 2002, and was made available on an advance payment basis by August 1, 2003.

Although the IRS administers the HCTC program, SWAs play a pivotal role by transmitting information about eligible workers to the IRS daily, via the Interstate Connection (ICON) network. Recognizing the administrative burden that developing the transmittal procedures would cause states, DOL issued TEGL No. 10-02, which authorized states to apply for National Emergency Grants (NEGs) to defray these costs.

One additional use of NEGs related to HCTC could also occur. The Act itself, and DOL guidance in TEGL 20-02, authorized states to use NEGs to make “bridge” payments to individuals, to cover the 65 percent credit allowable to them between the time their eligibility was established and when their advance payments began (typically one to three months).

Implementation Decisions and Challenges

As with ATAA, implementation of HCTC required numerous decisions about structural and procedural changes, as well as a new infrastructure. To meet the mandated August 1, 2003 implementation deadline, each state had to complete the necessary programming to their system, send file format and test data files over the ICON network, and deploy the system once the necessary changes were complete. Since HCTC eligibility is based on TRA eligibility, most states opted to have TRA staff take on the duty of transmitting the lists to the IRS. However, a few states relied on TAA staff or SWA information technology staff for this duty.

As noted above, the transmission of lists of eligible workers required numerous adjustments and additions to the states’ trade-related data management systems. For example, most states noted that they had to expend significant resources on programming and adjusting their current TRA MIS to accommodate new HCTC requirements. However, because many of these states used available NEGs to pay for these changes, most reported that these MIS-related adjustments did not overly strain their resources.

Although several states reported playing a “minimal” role in HCTC administration, many others reported that HCTC had been a “great administrative burden,” and required a much greater level of effort than they had expected. For example, many states noted that HCTC required extensive daily verification of the accuracy of lists of eligible customers prior to transmission to the IRS. Many states also reported being overwhelmed with phone calls from customers with questions about HCTC. These phone calls were often very challenging for TAA or TRA staff to deal with,

because staff were typically not trained in the specifics of the HCTC program. Some customers contacted TAA staff because they were aware that HCTC was connected to Trade Act programs; in at least two states, however, the IRS and state insurance carriers apparently mistakenly distributed TAA staff members' contact information to customers with questions about the HCTC program.

The other major burden HCTC had created was the huge increase in the number of training waivers states were issuing. As discussed in Chapter IV, to maintain eligibility for HCTC, nearly all states were issuing training waivers to all customers immediately after determining TRA eligibility. This dramatic increase in paperwork further strained already limited TAA staff resources.

To receive assistance with administrative problems, most states had to contact either DOL or the IRS. While several states said that this communication had been smooth, at least one state reported frequent difficulties and problems with receiving assistance in a timely manner. This state struggled with transmitting lists of eligible workers to the IRS and found that it took between three and ten days for IRS staff to resolve the problem each time.

Take-Up Rates

As with ATAA, the HCTC program had thus far experienced low take-up rates. Although many states did not seem to have access to data on HCTC usage, rates for the few states that were able to provide statistics on HCTC usage ranged from 1.9 percent to 19 percent of eligible customers, compared to 3.5 percent nationally. State staff in North Carolina explained that even though their take-up rate of 19 percent was the "highest in the country due to bridge grant funding," the number of workers participating in the program was still slightly less than one in five eligible workers.

These low take-up rates can be partially explained by the newness of the program and poor marketing on behalf of the states and the IRS to increase awareness and understanding of the program. However, structural issues also plagued the effectiveness of the program, particularly the high cost of health care premiums even with the tax credit. Gaps in coverage and the lack of certified health plans in some states were other structural barriers that hindered take-up.

Lack of Awareness and Understanding

One of the main reasons for low HCTC take-up rates was a serious lack of awareness and understanding of the program. First, as with ATAA, despite its newness, there had been fairly limited marketing of HCTC. Indeed, HCTC was basically marketed in the same way as TAA and TRA, even though the latter programs had been in existence for decades. For example, potentially eligible workers were typically informed about HCTC only through Rapid Response

worker orientations, their TAA/TRA certification letter, or brochures about HCTC available at One-Stop Career Centers.

Another problem that may have been affecting take-up rates was the widespread confusion about HCTC that existed among both staff and customers. Customers may have been less likely to participate in a program that they did not fully understand. The fact that HCTC was a health care program that was outside the realm of expertise of most workforce development staff further created confusion. Consequently, many respondents echoed the comments of one TAA staff person who called HCTC “too confusing” and said that it “needs to be simplified.” This lack of understanding affected customers who were unable to have their questions answered by local TAA staff who were typically only able to hand out IRS materials and contact information. Several states asserted that this widespread confusion had been exacerbated by overly complex HCTC outreach materials that were “written at too high a level for customers.” Indeed, one state reported that confusion about the program had been so great that many of the workers who first applied for HCTC mistakenly believed it to be a health insurance plan rather than a tax credit.

Although many customers were not aware of the HCTC, some states expected awareness to increase as time progressed. For example, staff in half of the states noted that interest in HCTC was high or increasing in their state. Others also expected that take-up rates would increase once more customers received benefits and word-of-mouth information about the program became more common.

Structural Problems to HCTC Take-Up

In addition to the lack of comprehensible outreach for HCTC, several structural problems with the program also impeded take-up. The largest barrier to increased participation, according to staff in almost all of the states visited, was that the cost of covering even 35 percent of their health insurance premiums was still unaffordable for trade-affected workers.

The affordability problem was particularly acute in states that had yet to establish a state-certified HCTC health plan. Maintaining their previous health insurance coverage through COBRA was very costly, but it was typically the only health insurance option available to eligible workers if there was no state-certified HCTC health plan. Despite the importance of designating a state-certified health plan, only four out of the twelve states visited indicated that they had done so.

The reason why so few states had state-certified health plans was due to the arduous and politically challenging nature of the process. According to official guidance, the designation of a state-certified health plan involves reviewing state legislation to determine if any state legislative changes are required to qualify health plans, passing any necessary legislation, contacting and selecting qualified health plans, and completing and mailing the elections letter to the

Department of the Treasury. Generally, the insurance bureau within the state played a dominant role in selecting the provider; however, in some states like North Carolina, the IRS hired a contractor to determine the certification of health insurance plans.

Problems with the timing of enrollment in HCTC may also have impeded participation. For example, in states that did not offer bridge funding, workers struggled to meet the costs of HCTC coverage during the lag period between the end of their health coverage through their former employer and their receipt of advance credits through the HCTC program. In one state, workers who utilized COBRA to maintain their previous insurance coverage did not realize that they needed to sign up for HCTC before their COBRA coverage ran out. Another state also reported that when a worker had a lapse of coverage of 63 days or more, the state-qualified insurance plan could deny coverage for pre-existing conditions. These timing problems had the effect of discouraging TAA participants from enrolling in HCTC.

States that received an NEG grant to provide bridge payments to participants had to implement an eligibility and payment process to manage the funds, placing yet another administrative burden on staff. The bridge support required that state staff collect and process an IRS application, background information, and a lag period payment request form for each customer.

Only four states reported receiving or applying for NEG funding to participate in the bridge program, and their experiences were mixed. In North Carolina, for example, state staff found the bridge program to be a very effective way to get customers into HCTC. However, another state found the establishment of the bridge program to be too complicated and eventually abandoned the effort. Likewise, another state decided not to reapply for a new grant to administer the lag period payments after June 2004 due to implementation challenges and problems communicating with the IRS about eligibility requirements.

Conclusion

In general, states were in agreement about the ATAA program—that the concept behind ATAA was “good for the people,” but in practice it was an “administrative hassle.” Implementing ATAA, like any new program, required administrative restructuring, installation of new infrastructure, and the design of new administrative processes. Most states in this sample had experienced problems implementing ATAA, partly because guidance from DOL was perceived to be a bit late and no additional funding was made available for implementation. Another major problem was that, after nearly one year of implementation, take-up rates for ATAA were reported to be very low in all states in the sample. Factors noted by states that significantly hindered take-up included low worker-group certification, low awareness of the program, negative perceptions of social services, problems with choosing between ATAA and TRA, and problems meeting eligibility requirements.

Despite these implementation and take-up challenges, most TAA staff felt that there was a strong need for a program such as ATAA that provided an alternative to training. Some even believed that the program would be very successful once the economy picked up or if changes were made to simplify the application process and expand eligibility. For example, North Carolina TAA staff suggested extending the 26-week deadline for eligible workers to find jobs to 52 weeks, lowering the age requirement, and using ATAA in conjunction with OJT as strategies to make the program, and ultimately rapid reemployment, a more viable option for a larger number of trade-affected workers.

The reaction to HCTC implementation was similar. For many states, the early implementation of HCTC was challenging from an administrative perspective, mostly because of the program's complexity, which created unexpected administrative hassles. States reported that major structural problems were impeding take-up rates. These problems included lack of affordability, gaps in coverage, and the lack of a qualified health plan in many states. Many staff reported that they "do not anticipate a significant increase in the near future" unless the affordability problem was addressed. At the same time, staff in many states realized that the program, if adjusted, could fill a "huge need for customers." As one staff person said, HCTC is "good for the people, more work for us." In another state, staff noted that HCTC had raised awareness of the TAA program and served as a boost to TAA enrollment.

Overall, the early implementation of the two new programs introduced by the Trade Act of 2002, ATAA and HCTC, had been challenging. Both ATAA and HCTC suffered with the lack of visibility that comes along with introducing new programs, and staff had been confused about how to implement the programs due to their complexities. The implementation process for both programs also placed an administrative burden on many states that was larger than they had anticipated, and funding to compensate for this additional burden was either insufficient (HCTC) or non-existent (ATAA). Finally, there were structural challenges unique to each of the new programs, which kept take-up rates low. Although most states thought some of these challenges would ease, they also asserted that, without changes, many would persist and keep take-up rates low.

VII. CONCLUSION

The Trade Act of 2002 made a number of changes to the provision of assistance to trade-affected workers. In addition to reforming a number of key provisions and combining the Trade Adjustment Assistance (TAA) program with the NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) program, the Act also added several new features to the program. In general, the reforms of the Act can be organized along its four key goals. These goals are as follows:

- Assisting trade-affected workers with more rapid and successful reemployment.
- Developing closer collaboration with state and local One-Stop delivery systems and partners, including WIA.
- Expanding the number of workers receiving trade benefits.
- Maintaining fiscal integrity and promoting performance accountability.⁵¹

The report attempted to describe both the changes and additions created by the Act and their effect on the TAA program. This concluding chapter focuses on summarizing the Act's changes and evaluating how successful the Act has been in achieving each of the four goals. As noted in the introduction, because the Act was in effect for less than two years at the time of the study's data collection, these findings should be viewed as preliminary and can be expected to change as implementation continues.

Promoting More Rapid and Successful Reemployment

One of the major aims of the Trade Act of 2002 is to improve the speed and success with which trade-affected workers are able to return to the labor market. To accomplish this, the Act utilizes several strategies, including promoting a focus on early intervention services, encouraging better upfront assessment and reemployment services, increasing incentives and financial support for rapid reemployment, improving benefits and supports during training, and promoting better connections to the labor market.

⁵¹ Since the promotion of performance accountability is covered in a separate briefing paper, it is not discussed in this report. For more information on this subject, see D'Amico, et al. "Explaining Performance in the TAA program," Social Policy Research Associates, July 2004.

Increasing Early Intervention

A principal strategy for assisting workers with a quick return to the labor market is to get them into services earlier. To accomplish this, the Act instituted a number of changes aimed at increasing the speed with which trade-affected workers receive assistance. First, as discussed in Chapter II, the Act made a number of changes to streamline the filing and certifying of petitions. These included combining the TAA and NAFTA-TAA programs, requiring simultaneous filing of petitions with the state and DOL, eliminating the role of states under the NAFTA-TAA program to conduct preliminary investigations, and requiring DOL to make petition certification decisions within 40 days of petition receipt. While some challenges and delays remain, states generally reported that these improvements increased program efficiency and significantly sped up the filing and certification processes.

The new requirement that Rapid Response services be provided for every petition filed is another way in which the Act attempted to ensure that trade-affected workers receive services as soon as possible after separation. As discussed in Chapter III, because most states were already providing Rapid Response services to all workers affected by major company closures or downsizing, whether or not a petition had been filed, the Act had little effect on the provision of Rapid Response services. However, states did report that Rapid Response activities were a critically important means of moving workers into services quickly. For example, most states said that Rapid Response activities typically took place either before or soon after layoffs occurred and provided important information on the services workers were eligible for immediately, such as WIA's dislocated worker program or ES. The Rapid Response activities that were most effective in moving workers into services quickly were core services that were provided on-site at an affected employer's location, such as through transition centers or temporary One-Stop Career Centers.

A third way in which the Act attempted to promote the TAA program's focus on early intervention was through the imposition of the 8/16 training deadlines. The deadlines required TAA customers be enrolled in training by either the 8th week after certification or the 16th week after complete separation in order to receive TRA. The deadlines are a clear effort by the Act to move TAA customers into training services faster to ensure that they will finish their training programs more quickly and before the exhaustion of TRA benefits. However, because of the Act's institution of a new training waiver process and the establishment of the HCTC program, for which eligibility was commonly established through waivers, the impact of the new 8/16 training deadlines was substantially diminished. Consequently, the real deadline for entry into training remained roughly the same as it was before the Act.

Better Upfront Assessment and Reemployment Services

Another strategy used by the Trade Act of 2002 to increase the TAA program's focus on rapid reemployment was to ensure that workers receive only those services they need to return successfully to the labor market. Consequently, as the operating instructions for the Act state, no longer should it "...be assumed that the best reemployment strategy for all workers is the long-term training and extended income support that has traditionally been the focus of the program."⁵² Instead, the intent is that "...early assessment and identification of the worker's marketable skills and the provision of job search assistance and other reemployment services will assist many workers in finding reemployment quickly."⁵³

One of the principle methods aimed at increasing the assessment and job search services available to potentially eligible TAA workers is the Act's requirement that appropriate core and intensive services be made available to them as soon as a petition is filed. However, as with Rapid Response services, states generally reported that the Act had no effect on the speed with which potentially eligible trade-affected workers received core or intensive services. States noted that all dislocated workers—whether potentially trade-affected or not—were already being directed by Rapid Response services to local One-Stop Career Centers for ES or WIA services before the passage of the Act. Although the Act was not the impetus for these changes, a number of states did note an increasing emphasis on assessment and job search services for TAA customers, which they said had been supported by the Act's passage and that may have resulted in TAA customers' returning to the labor market more quickly.

The Act's new process of granting training waivers is another means of attempting to ensure that workers receive the assessment and job search services they need prior to training. The new training waiver process, which allows state and local TAA staff to exempt customers from meeting the 8/16 deadlines for entry into training for six specific reasons, enabled states to make sure that customers had sufficient time to go through in-depth assessments of their marketable skills and conduct a thorough job search before they had to enter training. Indeed, at least one state specifically credited the training waiver process for allowing customers to delay entry into training until they had sufficient time to thoroughly explore all immediate reemployment options.

⁵² TEGL No. 11-02, pp.2-3.

⁵³ Ibid.

Incentives and Support for Rapid Reemployment

The creation of the new ATAA demonstration program is another way that the Act increased opportunities for trade-affected workers to return to the labor market more quickly. As discussed in Chapter VI, ATAA uses a wage supplement to provide older workers with an incentive to quickly return to the labor force, even if the only employment they find pays less than their previous job. Although states reported that the ATAA program posed a number of serious implementation problems and other challenges that resulted in low take-up rates, a number of states were optimistic about the program. They asserted that once the program became better established, participation rates would increase.

Finally, job search and relocation allowances are another possible resource TAA customers can use to find employment, either before or after participation in a training program. Eligible customers can apply for job search and relocation allowances to cover the costs of interviewing and/or moving to accept employment outside of their normal commuting area. Consequently, use of these allowances should make a wider range of job opportunities available to TAA customers. To encourage more customers to use the job search and relocation allowances, the Act increased the amount of reimbursement customers can receive by \$450. However, despite the Act's changes, the use of these allowances continued to be uniformly low, largely because few TAA customers were willing to relocate. As a result, the Act's changes to the job search and relocation allowances did not appear to have affected the speed with which TAA customers returned to the labor market.

Improved Benefits and Supports during Training

A fourth strategy employed by the Trade Act of 2002 to ensure workers are able to successfully re-enter the labor market is to provide improved benefits and supports to customers during training. This strategy is aimed at increasing training program completion rates, on the grounds that customers who successfully complete training programs are likely to be more successful in the labor market than those who do not complete training. These enhanced benefits include extending the amount of additional TRA available, increasing the length of approved breaks in training, providing additional TRA-supported remedial training, increasing the emphasis on support services, and creating the HCTC program.

One of the biggest changes of the Act was doubling the maximum number of weeks of additional TRA customers can receive while in training from 26 to 52. This reform was aimed at decreasing the number of TAA customers who are forced to drop out of training once their TRA benefits end. Prior to the Act, customers typically received income support through UC and TRA for only 78 weeks (26 weeks of UC, 26 weeks of basic TRA and 26 weeks of additional TRA), even though they could participate in training programs for up to 104 weeks. The result

was that many customers dropped out of training because they lacked the financial resources to support themselves once their income support ended. Since fewer than two years had passed between the implementation of this change and the project's data collection, states reported that they had not yet seen a major impact on completion rates, although they expected them to increase substantially.

States also expected the increase in allowable breaks in training from 14 to 30 days to increase training completion rates. Prior to the Act, customers could continue receiving TRA for only 14 days while on an approved break from training. However, because many training providers—particularly community colleges—have breaks between semesters of longer than two weeks, many TAA customers faced financial hardship during the final weeks of their breaks because their TRA benefits had stopped. For some customers the financial hardship was so great they dropped out of training to find employment. Extending allowable breaks in training from 14 to 30 days, then, was viewed as able to mitigate this problem.

Another significant change brought by the Act was the addition of 26 weeks of TRA benefits and additional training time to cover necessary remedial training. A large number of TAA customers need remedial training to enable them to successfully enter and complete occupational training programs. However, before the passage of the Act, many of these customers were reluctant to participate in a remedial training program because those weeks decreased the maximum number of weeks they had to participate in occupational training while receiving income support. Consequently, some customers who needed remedial training opted to skip it and moved immediately into an occupational training program for which they were inadequately prepared. Unfortunately, this sometimes meant that these customers lacked the ability to complete the training, causing them to drop out. As with the extension of additional TRA benefits, most states reported that they expected the extension of TRA-supported remedial training to result in decreased drop-out rates, although, again, it was too early for them to tell for sure.

Another way that the Act attempted to improve training completion rates was through an increased emphasis on support services. Prior to the Act, one of the most critical unmet needs of TAA customers was affordable health care. The Act attempted to meet this need through the creation of the HCTC, a program that covers 65 percent of the cost of health insurance premiums for TRA-eligible customers. Unfortunately, the HCTC program was plagued by implementation problems and low take-up rates, thereby limiting its effect on training completion. However, a number of states suggested that participation in HCTC could increase once the program became better known and understood, and if it became more affordable to customers.

The Act also included a Declaration of Policy that re-emphasized that TAA customers should have access to support services available from other Federal workforce programs, including WIA. These support services can often be critical to ensuring that TAA customers are able to

complete their training programs. States reported that co-enrollment with WIA was already being used as a mean of providing some TAA customers with access to supportive services and that the Act had reinforced and provided additional support for this practice, but had not appreciably accelerated it.

Improved Connections to the Labor Market during Training

A final strategy adopted by the Act to promote reemployment was to improve services designed to connect customers to the labor market during training. The Act attempted to do this by relaxing restrictions on the use of OJT and adding customized training as an option for TAA customers. Since both of these types of employer-based training involve nearly guaranteed employment at the completion of training, they provide a very direct means of connecting customers to employers. However, despite the Act's attempts to increase the use of employer-based training, this form of training continued to be used by only a very small number of TAA customers. Administrative barriers, including the lack of time and experience TAA staff have to develop or monitor these types of training contracts, continued to make employer-based training a rarity.

Closer Collaboration with One-Stop Career Centers and WIA

Another major goal of the Trade Act of 2002 was to develop closer collaboration between the TAA program and state and local One-Stop Career Center partners, including WIA. The Act and subsequent implementation guidance developed by DOL attempted to achieve this goal by making One-Stop Career Centers "...the main point of participant intake and delivery of benefits and services,"⁵⁴ and by emphasizing that trade-affected workers are eligible for and should have access to services provided by programs such as WIA and ES.

In general, most states in the sample were in the process of increasing their ties with state and local One-Stop delivery systems at the time of the study's data collection. In two states, the TAA program was fully integrated with the One-Stop delivery system, through an administrative structure that passed the TAA training allocation through to the LWIAs. Meanwhile, the remaining ten states were working toward better collaboration with One-Stop Career Centers. For example, all states were using One-Stop Career Centers as the focal point for their TAA service delivery system, and many states had issued policies promoting coordination, including integrating management information systems for TAA and partner programs and cross-training staff to encourage and support collaboration. In addition, many states and local offices

⁵⁴ Ibid., p.3.

developed agreements to co-enroll TAA customers with both ES and WIA programs. These agreements ensured that co-enrolled TAA customers were able to receive the assessment, job search, placement and support services they needed.

However, although state and local respondents said that the Act had supported their efforts at increasing coordination, they reported that the Act did not cause this collaboration. Instead, most states and local offices said that they had been working with their local One-Stop delivery systems and partners since at least the implementation of WIA, and often before that. Further, as discussed in Chapter V, another important impetus for increased coordination between programs had been the ongoing challenge of insufficient TAA administrative funding reported by most states. To address this challenge, most state TAA programs relied on ES and WIA to provide TAA customers with critical services such as local program administration and case management, and to this degree TAA's collaboration with its One-Stop Career Center partners was a necessity.

Expansion of Trade-Affected Workers Receiving Services

A third major goal of the Trade Act of 2002 was to expand the number of trade-affected workers who receive TAA services. The Act attempted to accomplish this goal by expanding eligibility for the program to cover more workers and by increasing the number of authorized TAA petition filers. First, the Act makes secondary workers eligible, including those employed by direct upstream suppliers or downstream firms that provide additional value-added production services to a trade-affected firm. (These workers were previously ineligible for either TAA or NAFTA-TAA, although some were eligible to receive benefits through the WIA dislocated worker program as a result of the Statement of Administrative Action that accompanied the passage of NAFTA.) In addition, the Act further expanded eligibility to include workers employed by firms that shift production to many, but not all, countries. (Under the NAFTA-TAA program, only workers employed by firms that shifted production to Canada or Mexico were eligible.)

Despite this significant expansion in worker eligibility, most states reported that few secondary worker groups had applied or been certified. In fact, as discussed in Chapter II, the overall number of petitions filed had decreased rather than increased, which states attributed to an improving economy. States felt that few secondary-worker petitions were being filed for a variety of reasons, including low numbers of affected secondary firms, overly strict eligibility requirements, and a lack of awareness and understanding of secondary-worker eligibility among workers and program staff.

The other way that the Act attempted to expand the number of workers receiving TAA benefits and services was to increase the number of authorized petition filers. While, prior to the Act,

only worker groups and their authorized representatives were eligible to file, the Act expanded this list to include One-Stop Career Center operators or partners, including SWAs and WIA dislocated worker programs. By authorizing these additional filers, the Act made it less likely that trade-affected workers would not have access to the program just because they or their authorized representatives were unable to file. However, despite this expansion in potential filers, states reported that few One-Stop Career Center operators or partners had filed petitions and it thus seemed unlikely that the expansion had resulted in a significant increase in the number of workers receiving TAA benefits or services. Nonetheless, many states suggested that the opportunity for One-Stop Career Center staff to file was an important change.

Increased Fiscal Integrity

The final goal of the Trade Act of 2002, according to TEGE 11-02, was to “maintain fiscal integrity.”⁵⁵ Although not included in the Act, DOL’s subsequent implementation of a new formula funding allocation process beginning in FY 2004 was the principal way that this goal had been operationalized. This formula, which provides states with annual allocations based on prior allocations or expenditures and numbers of participants, attempts to make the TAA funding process more efficient and equitable.

In general, as noted in Chapter V, most states were unhappy with the new formula funding allocation process for a number of reasons. First, most reported struggling with the ramifications of the formula’s increasing focus on accrued expenditures. Since most states had accounting systems based on obligations rather than expenditures, the process of shifting to a system focused on accrued expenditures was both challenging and resource-intensive. In addition, several states suggested that the focus on accrued expenditures rather than obligations may have resulted in an increased focus on short-term training that could be completed within a single fiscal year.

Many states were also concerned that the new allocation formula did not include NEGs in its calculation of the years’ allocations or expenditures. They argued that, rather than providing only supplemental funding to deal with large and unexpected dislocations, NEGs had become an important source of ongoing support of their TAA programs. Finally, several states also faulted the new formula for being too “backward looking” and not providing states with allocations sufficient to deal with future layoffs.

⁵⁵ Ibid.

Despite these concerns and setbacks during the transition period, a few states indicated that, in the end, the funding formula could provide an increasingly fair funding distribution system and make it easier for them to plan for annual program expenditures.

Overall Effect of the Trade Act of 2002 on the TAA Program

Despite the many changes the Trade Act of 2002 made to the TAA program, the Act had only limited success in achieving each of its four goals. For example, the Act's authorization of secondary worker eligibility met with little success in expanding the number of workers receiving benefits, and its attempt to promote trade-affected workers' access to One-Stop Career Center partner services at best gave additional support for an effort already underway rather than spurring a new development.

Still other changes brought about by the Act, such as the widespread use of training waivers and the imposition of 8/16 training deadlines, were viewed negatively, because of the greatly increased burden they caused staff and, in the case of the latter, its potential for causing workers to make training decisions too hastily.

However, the Act did engender some unequivocal successes as far as the states studied were concerned. The additional weeks of TRA, allowances made for remedial training and longer breaks in training, the combining of TAA and NAFTA-TAA, and the shortened turnaround time on certification decisions were all popular and positive changes.

At the time of the data collection, though, it was still too early to adequately assess the impact of the Act's most substantial programmatic changes, such as the creation of the HCTC and ATAA programs and the extension of TRA to cover a full 130 weeks of allowable training. Consequently, a complete evaluation of the Act's effect on the TAA program must wait until these changes are fully implemented.

APPENDIX A

PROFILE OF SITES

Alabama (Opelika One-Stop Career Center)

The industries most impacted by trade in Alabama were the textile industry and tire manufacturing. Geographically, the impact of trade was widespread throughout the state.

The local area of Opelika is in Lee County, in the eastern part of the state. Lee County fared very well in the face of the national economic downturn following 9/11 and was the “fastest growing metro service area in Alabama,” according to Opelika One-Stop Career Center staff. However, the Opelika One-Stop Career Center had a substantial amount of TAA activity due to the closure of textile factories in nearby Chambers City, and was chosen as the local area to visit for this reason.

Arizona (Gilbert One-Stop Career Center & Mesa Job Service Office)

Arizona had the lowest trade activity of all of the states in the sample. The East Valley in Maricopa County, which is east of Phoenix and includes the towns of Mesa and Gilbert, had experienced nearly all of the state’s trade activity in Arizona in the two to three years preceding data collection. In the East Valley, workers dislocated due to trade tended to be from the high-tech industry and were somewhat more educated than the mining workers dislocated in the rural southeast of the state, where most trade activity was concentrated in the past.

Maricopa County and the City of Mesa grew at about the same rate as the state overall, doubling in population from 1990 to 2000. However, the population in the town of Gilbert increased fourfold during this period. Numerous high-tech firms operated in the East Valley, but they suffered greatly during the economic downturn following 9/11 and laid-off many of their workers. The East Valley was chosen for the study for this reason.

California (Sonoma County JobLink)

According to the TAA coordinator, historically, 85 percent of petition activity came from three areas in the state: Los Angeles/Ventura County; San Diego; and the Greater Bay Area. However, this activity had more recently spread into the Central Valley, and up into Northern California. In the 12 months prior to the study’s data collection, there had been a slowing down of petition activity. The key industries that lost jobs due to trade during this time were

electronics, aerospace, timber (though the industry rebounded more recently), miscellaneous manufacturing, apparel, medical supplies, and automotive (manufacturing of after-market products).

Sonoma County's economic base included employment in leisure and hospitality, transportation and utilities, agriculture, wine, manufacturing, and local government. In the years preceding data collection for this study, a number of high-tech firms also opened or relocated to the County. Sonoma County had a fairly low unemployment rate—it was 4.5 percent in April 2004. Post 9/11, it rose a little, but had not since gone above 5.1 percent. The big waves of trade-impacted layoffs and plant closings began five to six years ago, and they continued at the time the study began. In addition to experiencing a recent spate of trade-related layoffs and plant closures, the area was chosen because the state considered the JobLink a TAA best-practice site.

Georgia (Northwest Workforce Development Area, Cartersville)

Georgia had relatively high TAA activity. Several industries had been adversely affected by recent trade patterns. Most trade activity occurred in northwest and southern parts of the state, primarily affecting the manufacturing industry. The textile and paper industries were two of Georgia's largest manufacturing sectors. Recently, due to the deep recession impacting a wider range of industries, Georgia experienced an increase in trade petitions from industries not traditionally thought of as trade affected, such as cigarette manufacturing.

Since 2001, northwest Georgia was the busiest local area for trade activity in the state, outside of the metro Atlanta area. In northwest Georgia, the textile and carpet industries had seen the largest volume of layoffs. The Northwest Georgia Local Area covers fifteen counties and operated One Stop Career Centers in a variety of locations. Northwest Georgia was chosen due to the high trade activity and proximity to the capital.

Kentucky (Central Kentucky One-Stop Career Center, Richmond)

Kentucky experienced an increase in unemployment in recent years, although it still ranked 18th nationally. Kentucky had been hit relatively hard by plant closures, mainly in apparel and other manufacturing industries. The apparel industry closures were concentrated mainly in southeastern KY. More recently, central KY had been increasingly affected by plant closures as well, also mainly in the manufacturing sector.

Richmond, which is in the Bluegrass LWIA, experienced several closures in relatively rapid succession. Nevertheless, local staff reported that the unemployment rate in the Bluegrass LWIA was one of the lowest in the state, at about 3 percent. The largest employers were in education, manufacturing, and health care. The local area was selected because of the large

amount of activity in the area in recent months, with four petitions being certified, three of which involved over 50 workers.

Michigan (Troy One-Stop Career Center)

The State of Michigan was struggling with recent economic downturn, increased relocation of manufacturing in the state's main industries to other countries, and the third highest unemployment rate in the United States (6.9 percent in March 2004). The industries in Michigan that were most adversely affected by trade were auto-related industries (such as auto manufacturing), paper manufacturing, manufacturing of office furniture, and appliance electronic manufacturing. Trade impacts in the southeast part of the state were primarily in the automotive industry.

Oakland County, in the southeast, and home to the Troy Career Center, is an economic hub for Michigan in good economic times, and was even described as affluent by state staff. Several corporate headquarters are located in Troy, and the Troy Career Center serves customers in a very business-like facility. Oakland County generally has a lower unemployment rate than the State of Michigan overall, but the rate has been on the rise. The Troy area was hit hard by the recent recession, primarily in the fields of auto suppliers, electronic circuit board manufacturing, and retail. Troy was selected by state TAA staff because the One-Stop Career Center was serving many TAA customers, and was an example of highly organized and integrated service delivery.

New Jersey (New Brunswick One-Stop Career Center)

Economic conditions were improving in New Jersey during the period of this study. During the recession following 9/11, the state experienced a slight increase in unemployment but was not as badly affected as surrounding states. Manufacturing, however, had been declining for many years due, among other reasons, to trade-activity. More recently, service industry jobs had also been declining. In addition, the pharmaceutical industry, one of the largest industries in the state, had been more heavily affected by trade. Jobs lost in this sector were typically higher-paying, compared to earlier trade-related layoffs. The biggest growth industry in the state at the time of the study was high technology.

Middlesex County was hit with several large trade-related layoffs in the pharmaceutical industry and rubber manufacturing. However, the county unemployment rate dropped from 5 percent in January 2004, to 4.4 percent in April 2004 (compared to the entire state, which dropped from 5.8 percent to 5 percent). Middlesex County was selected as the local area to study because it had the largest volume of trade-impacted workers in 2003.

North Carolina (Wilson Joblink)

North Carolina has typically had the highest proportion of trade activity in the country. Manufacturing industries in North Carolina were hit hard by the slow economy in the early years of the 21st century, and there were several large-scale, trade-related dislocations. The economic base in North Carolina was still concentrated in manufacturing, specifically textiles and furniture-making, although these industries have been in decline. Most of the economic growth was concentrated in the Research Triangle and Charlotte regions, primarily in pharmaceutical, education, and high-tech industries.

The Wilson local area had one of the higher unemployment rates in the state, consistently near 10 percent during 2000-2003. Local respondents said Wilson was a big tobacco town, but that industry had been dwindling. Twenty-three percent of the workforce was in the manufacturing industry, and a large textile manufacturing layoff occurred recently that impacted over 500 workers. A few pharmaceutical firms started operating in Wilson County, and there was also a large hospital. There was a strong anti-union sentiment among employers, and unions were virtually non-existent. Wilson was chosen because it had relatively high trade activity and it had not been over-studied, as had other local areas in the state.

Ohio (Trumbull One-Stop Career Center)

Ohio has been heavily affected by trade. In particular, steel and related industries, once cornerstones of the state's economy, have largely gone. Currently, industries in Ohio range from manufacturing to services. The unemployment rate dropped since the beginning of 2004, and was now only slightly higher than the national average at the time of data collection.

Trumbull County, in the northeastern part of the state, was one of the local areas in the state hit hardest by trade. This area had a lot of trade activity in the 1970's, then less in the 1980's and 1990's, but much more since 2000, as many of the remaining steel companies closed down, leaving very little left of the steel industry in this area. The local area was selected due to the high level of trade activity and because it was a model for the state in its operation of the trade program.

Pennsylvania (York County CareerLink)

Pennsylvania is one of the states with the highest proportion of trade activity in the study. Manufacturing industries were heavily affected by trade, particularly steel, textiles, and electronics. Steel industries, even specialty steel products and small-to-mid-sized firms, had been collapsing for decades. At the time of the study, the biggest industries in Pennsylvania were education, health, social services, manufacturing, and retail trade.

In York County, the economy has historically been primarily reliant on manufacturing, which has been heavily impacted by trade. The textiles/garment, shoes, electronics, and food processing industries were particularly hard hit. The use of temporary employment agencies was on the rise in York County. In addition, numerous service industries in the area experienced layoffs and filed for TAA (although they were not eligible). The local area was selected due to relatively high trade activity, location near the capital, and to alleviate the burden on other sites that have recently been studied for other evaluations.

South Carolina (Greenville ESC Workforce Center)

South Carolina is one of the states with lower trade activity. The industries that had been most heavily impacted by trade included textiles and sewing, machining, and electronics manufacturing. The local areas hardest hit by trade had been Greenville, Upper Savannah (which covers seven counties), and the Pee Dee (which covers six counties). The TAA coordinator explained that it was not until about three years before the study began that the state began to see much trade activity, but that it had increased a great deal since 2001.

Greenville, in the northwest corner of the state, had the highest per capita income, and is the largest county, in the state. Many people commute into Greenville to work. The economic base was textiles, manufacturing, and electronics, which is why the area experienced so much trade activity in the recent past. At the time of the study, the area's unemployment rate was at 4.4 percent, compared to the state's 6.7 percent rate. A BMW plant was a major employer in Greenville. The site was selected for its high trade activity.

Texas (Alamo Workforce Investment Area)

Texas is one of the largest and fastest growing states in the country, yet it also had the second highest proportion of trade activity. Prior to the Trade Act of 2002, Texas experienced a high volume of NAFTA-TAA activity. During the 1980s, the industry most severely impacted by trade activity was the oil industry. The workers dislocated from the oil industry were typically more highly skilled and geographically mobile than the TAA workers served today. The garment and electronics industries have been declining in Texas throughout the 1990s and are now almost completely extinct. The two areas associated with high levels of trade activity throughout the 1990s were the El Paso region and the Rio Grande Valley region.

The Alamo region, centered on Bexar County and the City of San Antonio, had only recently experienced a large increase in trade activity, and a variety of industries have been impacted. These include the garment, electronics, and other manufacturing industries. The local area was chosen due to high trade activity and proximity to the capital.