

September 2004

TRADE  
ADJUSTMENT  
ASSISTANCE

Reforms Have  
Accelerated Training  
Enrollment, but  
Implementation  
Challenges Remain



GAO  
Accountability·Integrity·Reliability

# Highlights

Highlights of [GAO-04-1012](#), a report to the Committee on Finance, U.S. Senate

## Why GAO Did This Study

The Trade Adjustment Assistance (TAA) Reform Act of 2002 consolidated two programs serving trade-affected workers and made changes to expand benefits and decrease the time it takes for workers to get services. GAO was asked to provide information on (1) how key reform provisions have affected program services, (2) what have been the challenges in implementing new provisions, (3) whether demand for TAA training has changed and how states are meeting this demand, and (4) what is known about what the TAA program is achieving.

## What GAO Recommends

GAO recommends that the Department of Labor monitor the implementation of certain provisions of the TAA Reform Act and propose legislative changes if:

- the new training enrollment deadline is negatively affecting some workers, or
- the eligibility criteria for the new wage insurance provision are resulting in denial of services to some older workers who could benefit from them.

In its comments, Labor did not raise any issues with our findings, conclusions, or recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-1012](http://www.gao.gov/cgi-bin/getrpt?GAO-04-1012).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd R. Nilsen at (202) 512-7215 or [nilsens@gao.gov](mailto:nilsens@gao.gov).

# TRADE ADJUSTMENT ASSISTANCE

## Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain

### What GAO Found

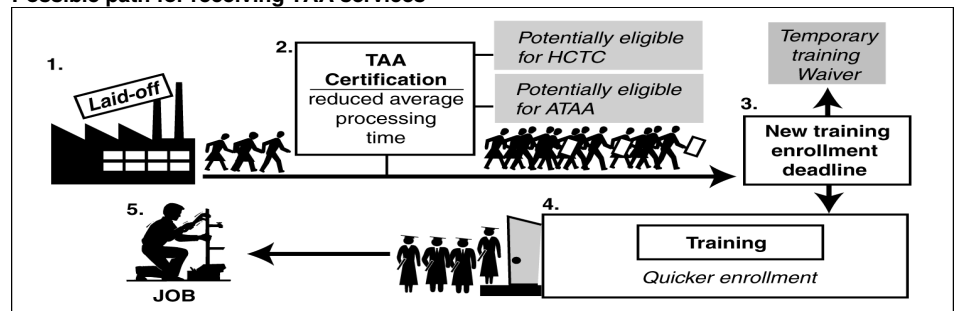
Most workers are enrolling in services more quickly than in prior years, partly because of a new 40-day time limit Labor must meet when processing a request, or petition, for TAA coverage. Labor reduced its average petition-processing time from 107 days in fiscal year 2002 to 38 days in fiscal year 2003 after the Reform Act took effect. Also, most states reported that workers are enrolling in training sooner because of a new deadline requiring workers to be enrolled in training by the later of 8 weeks after petition certification or 16 weeks after a worker's layoff. However, this deadline may have negatively affected some workers—especially during large layoffs—as it does not always leave enough time to assess workers' training needs.

States reported challenges implementing some new provisions of the TAA Reform Act. Officials in most of the states we visited reported an increased administrative workload from issuing training waivers to allow workers to qualify for the Health Coverage Tax Credit (HCTC)—over 40 percent more waivers were issued in fiscal year 2003 than in 2002. While officials in all the states we visited said workers are or are likely to be interested in the wage insurance provision (Alternative TAA, or ATAA) that supplements the wages of certain workers aged 50 and over, it is still unclear how many workers will take advantage of this benefit. However, some found the provision's eligibility criteria problematic, partly because they require workers to lack easily transferable skills yet find reemployment within 26 weeks of layoff.

Demand for TAA training increased substantially in fiscal year 2002, prior to the implementation of the reforms. States have struggled to meet this higher demand with available TAA training funds, even though TAA training funds available nationally doubled between fiscal years 2002 and 2003. Most states have responded by using other federal employment and training resources.

Information on TAA program results has been limited, but Labor is making improvements by requiring states to use wage records to track TAA outcomes. Labor also initiated a new, 5-year evaluation study.

### Possible path for receiving TAA services



Source: GAO analysis.

---

# Contents

---

<b>Letter</b>		<b>1</b>
	Results in Brief	3
	Background	6
	Most Workers Are Enrolling in Services Sooner, but Some May Be Negatively Affected by the Enrollment Deadline	13
	New Health Care Provision Has Caused Increased Administrative Workload for Some Officials, While Other Provisions Have Been Difficult to Fully Implement	19
	Demand for TAA Training Has Increased, and States Have Responded by Supplementing Limited TAA Funds with Other Federal Resources	28
	Information on Program Results Has Been Limited, but Labor Is Taking Steps to Collect Better Data	40
	Conclusions	46
	Recommendation for Executive Action	47
	Agency Comments	48
<b>Appendix I</b>	<b>Objectives, Scope, and Methodology</b>	<b>49</b>
<b>Appendix II</b>	<b>Final Decisions Rendered by the U.S. Court of International Trade on Appealed TAA Cases, Fiscal Years 1999-2004</b>	<b>53</b>
<b>Appendix III</b>	<b>Certified Workers, Benefit Recipients, and Expenditures</b>	<b>54</b>
<b>Appendix IV</b>	<b>State Training Allocations, Fiscal Years 2001-2004</b>	<b>55</b>
<b>Appendix V</b>	<b>Detailed Listing of Steps States Report Taking in Response to Limited TAA Training Funds</b>	<b>57</b>

---

<b>Appendix VI</b>	<b>Demographic Characteristics of TAA Participants</b>	61
<hr/>		
<b>Appendix VII</b>	<b>Comments from the Department of Labor</b>	62
<hr/>		
<b>Appendix VIII</b>	<b>GAO Contacts and Staff Acknowledgments</b>	63
	GAO Contacts	63
	Staff Acknowledgments	63
<hr/>		
<b>Related GAO Products</b>		64

---

**Tables**

Table 1: Major Changes in the TAA Reform Act of 2002	8
Table 2: TAA Eligibility Requirements	12
Table 3: Labor’s Fiscal Year 2003 TAA Performance and Goals	44
Table 4: Site Selection Criteria	50
Table 5: Local Workforce Areas Selected for Visits	52
Table 6: Final Decisions Rendered by the U.S. Court of International Trade on Appealed TAA Determination Cases, Fiscal Years 1999-2004	53
Table 7: TAA and NAFTA-TAA Certified Workers, Benefit Recipients, and Expenditures, Fiscal Years 1999-2003	54
Table 8: State Training Allocations, Fiscal Years 2001–2003, and State Training Base Allocations, Fiscal Year 2004	55
Table 9: Steps States Report They Have Taken in Response to Limited TAA Training Funds, Fiscal Years 2001-2003	57
Table 10: Steps States Report They Have Taken or Anticipate Taking in Response to Limited TAA Training Funds, Fiscal Year 2004	59
Table 11: Select Demographic Characteristics of Participants Exiting TAA Program, July 1, 2001-June 30, 2002	61

---

**Figures**

Figure 1: Average TAA Petition Processing Time, Fiscal Years 1999- 2003	15
--	----

---

---

Figure 2: Example of How TAA Program Delays May Leave Workers Less Time to Enroll in Training	18
Figure 3: Increase in Individuals Receiving Training Waivers, Fiscal Years 1999-2003	20
Figure 4: Estimated Number of TAA-Certified Secondary Workers, Fiscal Years 1999-2003	23
Figure 5: Estimated Proportion of TAA-Certified Workers Who Are Secondary Workers, Fiscal Years 1999-2003	24
Figure 6: Most States Will Have Their Wage Insurance Programs Operational by Mid-2004	28
Figure 7: Estimated Number of TAA-Certified Workers, Fiscal Years 1999-2003	29
Figure 8: Number of Workers Entering TAA Training, Fiscal Years 1999-2003	30
Figure 9: Manufacturing Employment, Fiscal Years 1995-2003	31
Figure 10: 37 States Place Limits on Training Costs per TAA Participant	34
Figure 11: States Have Taken a Variety of Steps in Response to Limited TAA Training Funds	35
Figure 12: States Use Various Funding Sources for TAA Case Management	38
Figure 13: Number of States Using Supplemental Sources to Collect Data on Specific Employment Outcomes	43
Figure 14: Percentage of Total TAA Participants in Selected States, Fiscal Years 2000-2002	51

---

---

## Abbreviations

ATAA	Alternative Trade Adjustment Assistance
ES	Employment Service
GPRA	Government Performance and Results Act
HCTC	Health Coverage Tax Credit
IRS	Internal Revenue Service
NAFTA-TAA	North American Free Trade Agreement Transitional Adjustment Assistance
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
TAA	Trade Adjustment Assistance
TAPR	Trade Act Participant Report
UI	Unemployment Insurance
WIA	Workforce Investment Act
WRIS	Wage Record Interchange System

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office  
Washington, DC 20548

September 22, 2004

The Honorable Charles E. Grassley  
Chairman  
The Honorable Max Baucus  
Ranking Minority Member  
Committee on Finance  
United States Senate

Economists generally agree that international trade has benefited Americans in a number of ways, for example, through making a broader range of goods and services available. However, international trade has also contributed to layoffs in a range of industries, including the manufacture of textiles, paper products, and electronic equipment. The share of all United States employment that is in manufacturing has declined fairly steadily over the last several decades. Recently, the number of manufacturing employees in the United States fell by almost 2.1 million over a 2-year period between 2000 and 2002, representing 12 percent of the manufacturing sector. The sharp decline in manufacturing employment in the United States has focused attention on the costs to workers of increased global competition, and on federal efforts to assist these workers—workers who, some evidence suggests, tend to be older with fewer transferable skills than other dislocated workers. These factors may complicate trade-affected workers' transition to reemployment, and make federal efforts to help them reintegrate into the workforce especially important.

The federal government has a number of programs to assist workers who have been dislocated from their jobs. The primary program for workers dislocated from manufacturing because of international trade is the Trade Adjustment Assistance (TAA) program, established in 1962 and currently funded at about \$1.3 billion annually. Under this program, workers may receive a variety of services, including training and income support while they are in training for up to 2 years after they exhaust their Unemployment Insurance (UI) benefits. In our previous reviews of the TAA program, we found weaknesses in the program's structure and operations. For example, the program allowed some workers to delay entering training for several years after being laid off, raising questions about the timeliness of the program's assistance. Partly in response to these concerns, Congress passed the Trade Adjustment Assistance (TAA) Reform Act of 2002. The act consolidated two former programs that served

---

trade-affected workers—the TAA and the North American Free Trade Agreement Transitional Adjustment Assistance (NAFTA-TAA) programs—and made a number of key changes designed to expand benefits and decrease the time it takes to get workers into services. The law required that most of these changes take effect in November 2002, but it allowed some provisions to be implemented as late as August 2003. Among the changes, the act

- shortened from 60 days to 40 days the time Labor is given to process petitions filed on behalf of groups of workers to determine their potential eligibility for services;
- established a deadline for workers to enroll in training, after they have been laid off or their petition has been approved, in order to maintain eligibility for extended income support payments;
- created a Health Coverage Tax Credit (HCTC) to help trade-affected workers who are enrolled in or have completed training, or have a waiver from this requirement, pay for health insurance;
- created a wage insurance benefit for workers age 50 and older, subsidizing the difference between the prior and new wages of some trade-affected workers who find reemployment quickly; and
- expanded the eligibility criteria for secondary workers—defined as those who are indirectly affected by international trade, because they supply component parts to or perform finishing work for directly affected firms.

In light of recent changes to the program, you asked us to examine (1) how key provisions of the TAA Reform Act have affected program services, (2) what have been the challenges in implementing the TAA Reform Act's new provisions, (3) whether demand for TAA training has changed, and how states are meeting this demand, and (4) what is known about what the TAA program is achieving. To address these questions, we conducted a Web-based survey of the 50 states and Puerto Rico in March, 2004, and received responses from all 50 states. We collected administrative data from the Department of Labor (Labor) on TAA petitions, participants, services, performance, and expenditures from fiscal year 1999 through 2003. We assessed all data for reliability and found them to be sufficiently reliable for the purposes of our reporting objectives. We conducted site visits to 5 states—Maine, North Carolina, Pennsylvania, Texas, and Washington. We selected these states according to several criteria, including recent experience with large numbers of TAA



---

participants; representation of a range of adversely affected industries and, according to Labor officials, a range of experiences implementing TAA; and geographic diversity. On our site visits, we interviewed state officials, local service delivery staff, employers, and TAA program participants. We conducted our work between August 2003 and August 2004 in accordance with generally accepted government auditing standards. (See app. I for more details on our objectives, scope, and methodology.)

---

## Results in Brief

Most trade-affected workers are enrolling in services sooner than in prior years because of certain key provisions of the TAA Reform Act, but states report that the new training enrollment deadline has had unintended consequences for some workers. With the new 40-day time limit for processing petitions, Labor has reduced the average processing time from 107 days in fiscal year 2002, before the new time limit took effect, to 38 days in fiscal year 2003. In addition, 41 of the 50 states reported that workers are now enrolling in training sooner as a result of the new training enrollment deadline which requires workers to be enrolled in training or have a training waiver by the later of 8 weeks after the petition is certified or 16 weeks after the worker is laid off. However, states report that some workers have been negatively affected by the deadline. State officials told us that, as a result of the training enrollment deadline, some workers may not be enrolling in the most appropriate training. Officials reported that in order to meet the deadline, they feel pressured to assess workers more quickly and lack the time to adequately assess workers' training needs. Another negative effect of the deadline, states report, is that some potentially eligible workers are missing the deadline and therefore losing their eligibility for any extended income support beyond what is available through their UI benefits. Officials also told us that the deadline may provide workers with too little time to process the trauma of losing their jobs and to accept the need for training or other services. These difficulties are heightened in the case of large layoffs, because the volume of workers who need services within a very short time period overwhelms the program's capacity to provide them with appropriate skill assessments.

The implementation of the HCTC has increased the administrative workload for some local areas, while some other new provisions of the TAA Reform Act have been difficult for states to fully implement. States report that implementing the HCTC has required them to issue many more training waivers to TAA-eligible workers than in past years, and officials in most of the states we visited told us that issuing waivers has caused an increased administrative workload. States issued over 40 percent more

---

training waivers in fiscal year 2003 than in 2002, according to Labor's data. State officials also told us that some new provisions of the Reform Act have been challenging to fully implement. For example, some states said it has been difficult to identify newly eligible secondary workers because, in some cases, trade-affected companies may be reluctant or find it difficult to provide lists of firms that supply them with component parts. The estimated percentage of workers covered by approved TAA petitions who are secondary workers increased from just over 1 percent in fiscal year 2002 to just over 2 percent in fiscal year 2003. In addition, while officials in all of the states we visited said workers are interested in or will likely be interested in the new wage insurance provision, most states did not implement the provision in calendar year 2003—and of the 1,962 approved TAA petitions in fiscal year 2003, 60 included approved requests for the wage insurance program. It is unclear how many workers will take advantage of the wage insurance benefit at this stage of implementation. Also, Labor, officials in one state, and employers found the wage insurance eligibility criteria problematic. The TAA statute clearly indicates that to be eligible for the wage insurance program, workers must lack easily transferable skills, yet find reemployment within 26 weeks of layoff. Officials in one state told us that these criteria exclude workers who can find reemployment quickly but at lower wages, and who therefore could be well served by a wage insurance benefit. In addition, after wage insurance coverage is requested, employers must confirm that their workers lack easily transferable skills, and an employer indicated that it is difficult to assess the skill levels of an entire group of affected workers, who may possess a diverse set of skills and skill levels.

Demand for TAA training increased substantially in fiscal year 2002, and states are exhausting their TAA funds and using other federal employment and training resources to serve many TAA-eligible workers. According to Labor's data, the number of participants entering training annually increased by over 50 percent to about 45,000 participants between fiscal years 2001 and 2002, and remained roughly steady at that higher level in fiscal year 2003. This increase in demand coincided with a sharp decline in manufacturing employment in fiscal year 2002, but predated the implementation of the TAA Reform Act in fiscal year 2003. States have struggled to meet this higher demand with the TAA training funds available to them, even though TAA training funds available nationally doubled between fiscal years 2002 and 2003. According to our survey, 19 states temporarily discontinued enrolling TAA-eligible workers in training at some point between fiscal years 2001 and 2003 because they lacked adequate training funds, and six states have taken this step during fiscal year 2004. Responding to the demand has been particularly difficult

---

for states where officials have interpreted the TAA statutory provisions on training to mean that all TAA-eligible workers are entitled to training. However, Labor has issued guidance encouraging states to consider service options other than training for TAA-eligible workers, and many states are beginning to take additional steps to manage their TAA training funds. For example, several states we visited reported that they are more carefully screening workers to determine if training is the most appropriate strategy for them. Most states have responded to this heightened demand, consistent with guidance from Labor, by increasingly relying on other federal employment and training resources to support both case management and training for TAA-eligible workers. For example, since fiscal year 2001, 41 states have applied for federal grants designed to provide assistance to laid-off workers in order to supplement their TAA funds.

Historically, information on TAA program results has been limited, but Labor has taken steps to gather more complete and accurate data on the program. In 1999, Labor introduced a new performance measurement system that was designed to collect information on TAA program participants and their outcomes in order to track performance against national goals. However, in a previous report we found that some states did not report complete information to this system. In order to improve the quality of performance data, Labor revamped the performance measurement system in fiscal year 2001 and began requiring states to use UI wage records for reporting outcomes for TAA program participants. While wage records generally provide objective and consistent information, they do not contain information on all categories of workers. Most states do little to supplement wage record data with other data sources that may capture this information; only 12 of the states we surveyed reported that they collect outcome data beyond what is required by Labor. Labor completed a study of program effectiveness in 1993, but the study's conclusions are of limited usefulness in assessing the current program. Labor recently began a new 5-year study of the implementation and effectiveness of the TAA program, which it expects will provide more useful findings. Labor expects the first of several interim reports will be issued by mid- 2005 and expects to issue the final report in 2009.

We are recommending that Labor monitor the implementation of certain provisions of the TAA Reform Act that, according to officials, have presented implementation challenges and may have had unintended consequences for some workers, and if necessary, propose legislative changes to address these issues. Specifically, we are recommending that Labor assess (1) whether the new training enrollment deadline is having a

---

negative impact on some workers affected by very large layoffs, and (2) whether the eligibility criteria for the wage insurance provision are resulting in denial of services to some older workers who could benefit from the program. In its comments on a draft of this report Labor did not raise any issues with our findings, conclusions or recommendations. Labor provided technical comments, which we incorporated as appropriate.

---

## Background

To assist workers who are laid off as a result of international trade, the Trade Expansion Act of 1962 created the Trade Adjustment Assistance program. Historically, the main benefits available through the program have been extended income support and training. Participants are generally entitled to income support, but the amount of funds available for training is limited by statute. For fiscal year 2004, about \$1.1 billion was appropriated for income support and about \$269 million for training and other benefits.<sup>1</sup> Labor certifies groups of laid-off workers as potentially eligible for TAA benefits and services by investigating petitions that are filed on the workers' behalf.<sup>2</sup> Workers are eligible for TAA if they were laid off as a result of international trade and were involved in the production of an article; workers served by the TAA program have generally been laid off from the manufacturing sector.

Congress has amended the TAA program a number of times since its inception. For example, in 1974 Congress eased program eligibility requirements, and in 1988 Congress added a requirement that workers be in training to receive income support. In 1993 Congress created a separate North American Free Trade Agreement Transitional Adjustment Assistance program specifically for workers laid off because of trade with Canada or Mexico.<sup>3</sup>

---

<sup>1</sup>The TAA program operates on a federal fiscal year basis, that is, fiscal year 2004 runs from October 1, 2003 to September 30, 2004.

<sup>2</sup>Not all workers covered by an approved TAA petition are individually eligible for TAA benefits and services. Individual eligibility also depends on factors including the timing and duration of a worker's layoff. In this report, when referring to workers eligible for the TAA program, we generally mean workers who have been certified as potentially eligible for the program.

<sup>3</sup>For more information on the TAA program see GAO, *Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs*, [GAO-01-59](#) (Washington, D.C.: Oct. 13, 2000), and GAO, *Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities*, [GAO-01-838](#) (Washington, D.C.: Aug. 24, 2001).

---

---

## Changes Included in TAA Reform Act of 2002

The most recent amendments to the TAA program were included in the TAA Reform Act of 2002 (Pub. L. No. 107-210), which was signed into law in August 2002. The Reform Act consolidated the former TAA and NAFTA-TAA programs into a single TAA program and doubled the amount of funds available for training annually. The act also

- changed some administrative requirements in an effort to accelerate the process of enrolling workers in the program;
- increased the maximum number of weeks of income support available, to match the maximum number of weeks of training available;
- added two new benefits, a Health Coverage Tax Credit and a wage insurance provision; and
- expanded program eligibility to include some secondary workers affected by trade with countries other than Canada and Mexico as well as more workers affected by a shift in production (see table 1).

**Table 1: Major Changes in the TAA Reform Act of 2002**

Former TAA	Former NAFTA-TAA	TAA under TAA Reform Act of 2002
<b>Petition processing</b>		
60-day time limit for Labor to conduct an investigation and issue a decision	40-day time limit <sup>a</sup>	40-day time limit
<b>Extended income support</b>		
52 weeks of extended income support available after exhaustion of UI benefits	52 weeks of extended income support available after exhaustion of UI benefits	78 weeks of extended income support available after exhaustion of UI benefits (plus an additional 26 weeks for participants completing remedial training)
<b>Training enrollment deadline</b>		
None <sup>b</sup>	Participant must be enrolled in training by the later of 16 weeks after separation or 6 weeks after certification to qualify for extended income support	Participant must be enrolled in training or have a waiver from this requirement by the later of 16 weeks after separation or 8 weeks after certification to qualify for extended income support
<b>Eligibility—secondary workers</b>		
Secondary workers not eligible	Secondary workers who supply component parts to or perform finishing work for a firm directly affected by trade with Canada or Mexico are eligible <sup>c</sup>	Secondary workers who supply component parts to any firm directly affected by trade, or perform finishing work for a firm directly affected by trade with Canada or Mexico are eligible
<b>Eligibility—shift of production</b>		
Workers affected by shift of production to foreign countries not eligible	Workers affected by shift of production to Canada or Mexico are eligible	Workers affected by shift of production to countries with which the United States has a trade agreement are eligible, and workers affected by shift of production to other countries under certain conditions
<b>Authorization for training expenditures</b>		
\$80 million annually	\$30 million annually	\$220 million annually
<b>Health Coverage Tax Credit</b>		
No provision	No provision	Covers 65 percent of participants' health insurance premiums for qualified health plans
<b>Wage insurance (Alternative TAA)</b>		
No provision	No provision	Subsidizes difference between prior and new wages for older workers who obtain reemployment without TAA training

Source: GAO analysis.

<sup>a</sup>The 40-day time limit under the former NAFTA-TAA program included a 10-day time limit for states to issue a preliminary eligibility ruling, followed by a 30-day time limit for Labor to make a final ruling.

<sup>b</sup>Prior to the Reform Act, workers could receive up to 26 weeks of extended income support without meeting any training enrollment deadline. However, to receive more than 26 weeks of extended income support, workers were required to file a training application by the later of 210 days after layoff or 210 days after petition certification. This 210-day deadline still applies under the current law.

---

<sup>6</sup>Secondary worker eligibility is not included in the statute that authorizes the NAFTA-TAA program. When the NAFTA-TAA program was created, however, the Clinton administration issued a Statement of Administrative Action making workers secondarily affected by trade with Canada or Mexico eligible for benefits and services through another federal program.

Most of the changes included in the act—including the petition-processing time limit, the training enrollment deadline, and the expanded group eligibility criteria—took effect for petitions filed on or after November 4, 2002. Congress allowed more time for the implementation of the new benefit programs created by the act, giving Labor until August 2003 to implement the wage insurance program and certain components of the Health Coverage Tax Credit.

Under the current revised TAA program, eligible participants have access to a wider range of benefits and services than before, including

**Training.** Participants may receive up to 130 weeks of training, including 104 weeks of vocational training and 26 weeks of remedial training (e.g., English as a second language or literacy).

**Extended income support.** Participants may receive up to 104 weeks of extended income support benefits beyond the 26 weeks of UI benefits available in most states. This total includes 78 weeks while participants are completing vocational training and an additional 26 weeks, if necessary, while participants are completing remedial training. The amount of extended income support payments in a state is set by statute at the state's UI benefit level.<sup>4</sup>

During their first 26 weeks of extended income support, participants must either be enrolled in training, have completed training, or have a waiver from this requirement; to qualify for more than 26 weeks of extended income support, participants must be enrolled in training. The TAA statute lists six reasons why a TAA participant may receive a waiver from the training requirement, including that the worker possesses marketable skills or that the approved training program is not immediately available.<sup>5</sup> States must review participants' waivers at least every 30 days, and if

---

<sup>4</sup>Extended income support payments may be reduced based on other income and training allowances.

<sup>5</sup>The four other reasons listed in the TAA statute are (1) worker will be recalled by former employer, (2) worker is within two years of retirement, (3) worker is unable to participate in training because of health problems, and (4) approved training is either not available or not available at a reasonable cost, or no training funds are available.

---

necessary may continue to renew participants' waivers each month throughout the initial 26 weeks of extended income support.

**Job search and relocation benefits.** Payments are available to help participants search for a job in a different geographical area and to relocate to a different area to take a job. Participants may receive up to a maximum of \$1,250 to conduct a job search. The maximum relocation benefit includes 90 percent of the participant's relocation expenses plus a lump sum payment of up to \$1,250.

**Health Coverage Tax Credit.** Eligible participants may receive a tax credit covering 65 percent of their health insurance premiums for certain health insurance plans. To be eligible for the credit, trade-affected workers must either be receiving extended income support payments, or they must be eligible for extended income support but are still receiving UI payments, or they must be recipients of benefits under the new wage insurance program. As a result, trade-affected workers who are still receiving UI rather than extended income support may register for the HCTC only if they are in training, have completed training, or have a waiver from the training requirement.<sup>6</sup> The Internal Revenue Service (IRS) along with other federal agencies administers the tax credit; states are required to regularly submit to the IRS lists of potentially eligible TAA participants.

**Wage insurance.** The wage insurance program—known as the Alternative TAA (ATAA) program—is a demonstration project designed for older workers who forgo training, obtain reemployment within 26 weeks, but take a pay cut. Provided the participant's annual earnings at his or her new job are \$50,000 or less, the benefit provides 50 percent of the difference between the participant's pre- and postlayoff earnings up to a maximum of \$10,000 over 2 years. In order for the workers covered by a petition for TAA assistance to qualify for the benefit, the petition must include a specific request for ATAA eligibility. The petition must stipulate that a

---

<sup>6</sup>Before the TAA Reform Act took effect, the maximum TAA waiver duration was a worker's initial 26 weeks of extended income support. Now, to qualify for the HCTC, workers may need waivers while they are still receiving UI benefits and before they have even started to collect extended income support. Labor has issued guidance to states clarifying that the maximum waiver duration may now exceed 26 weeks if a worker needs a waiver during the UI eligibility period and continues to need a waiver throughout the initial 26 weeks of extended income support.



---

significant proportion of the workers covered by the petition are age 50 and older and that the workers lack easily transferable skills.

---

## Certification Process and Eligibility Requirements

The process of enrolling trade-affected workers in the TAA program begins when a petition for TAA assistance is filed with Labor on behalf of a group of laid-off workers. Petitions may be filed by entities including the employer experiencing the layoff, a group of at least three affected workers, a union, or the state or local workforce agency. The law requires Labor to complete its investigation, and either certify or deny the petition, within 40 days after it has received the petition.

Labor investigates whether a petition meets the requirements for TAA certification by taking steps such as contacting company officials, surveying a company's customers, and examining aggregate industry data. When Labor has certified a petition, it notifies the relevant state, which has responsibility for contacting the workers covered by the petition, informing them of the benefits available to them, and telling them when and where to apply for benefits.

The TAA statute lays out certain basic requirements that all certified petitions must meet, including that a significant proportion of workers employed by a company be laid off or threatened with layoff. In addition to meeting these basic requirements, a petition must demonstrate that the layoff is related to international trade in one of several ways. Table 2 summarizes these statutory eligibility requirements for the TAA program.

**Table 2: TAA Eligibility Requirements**

Basic requirements (both must be satisfied)	(1) Significant number or proportion of workers in firm or subdivision have been separated or are threatened with separation.
Additional requirements (one must be satisfied)	(2) Affected workers must have been employed by a company that produced an article. <sup>a</sup>
	(1) Increased imports—Imports of articles like or directly competitive with articles produced by the firm have increased, the sales and/or production of the firm has decreased, and the increase in imports has contributed importantly to the decline in sales and/or production and the layoff of workers.
	(2) Shift of production—There has been a shift of production by the firm to another country, of an article like or directly competitive with the article produced by the firm, and either <ul style="list-style-type: none"> <li>• the country to which production was shifted is party to a free trade agreement with the United States;</li> <li>• the country to which production was shifted is a beneficiary under the Andean Trade Preference Act, the African Growth and Opportunity Act, or the Caribbean Basin Economic Recovery Act; or</li> <li>• there has been or is likely to be an increase in imports of articles like or directly competitive with articles produced by the firm.</li> </ul>
	(3) Affected secondarily by trade—Workers must meet one of two criteria: <b>Supplier secondary workers</b> —Affected firm produces and supplies component parts to another firm that has experienced TAA-certified layoffs; parts supplied to the certified firm constituted at least 20 percent of the affected firm’s production, or a loss of business with the certified firm contributed importantly to the layoffs at the affected firm. <b>Downstream secondary workers</b> —Affected firm performs final assembly or finishing work for another firm that has experienced TAA-certified layoffs as a result of an increase in imports from or a shift in production to Canada or Mexico, and a loss of business with the certified firm contributed importantly to the layoffs at the affected firm.

Source: GAO analysis.

<sup>a</sup>Leased workers of companies under contract with a company that produced an article also meet this eligibility requirement.

If Labor denies a petition for TAA assistance, the workers who would have been certified under the petition have two options for challenging this denial. They may request an administrative reconsideration of the decision by Labor. To take this step, workers must cite reasons why the denial is erroneous according to the facts, the interpretation of the facts, or the law itself, and must mail their request to Labor within 30 days of the announcement of the denial. Workers may also appeal to the United States Court of International Trade for judicial review of Labor’s denial. Workers must appeal a denial to the U.S. Court of International Trade within 60 days of either the initial denial or a denial following administrative reconsideration by Labor. (See app. II for a summary of final decisions made by the U.S. Court of International Trade since fiscal year 1999 on TAA appeals.)

---

## Integration with One-Stop System and Workforce Investment Act Program

The Workforce Investment Act (WIA) of 1998 encouraged greater coordination between the TAA program and other federal employment and training programs. WIA required the use of a consolidated service delivery structure—called the one-stop center system—and mandated that services for about 17 categories of federal employment and training programs, including TAA, be accessible through this system. These programs must ensure that certain services, such as eligibility determination and assessment, are available through at least one one-stop center in each local area.<sup>7</sup>

The WIA dislocated worker program, also a mandated partner in the one-stop delivery system, is the federal government's primary employment and training program designed for laid-off workers. Funded at almost \$1.5 billion in fiscal year 2004, the dislocated worker program includes two components: formula funds that Labor annually distributes to states (about \$1.2 billion) and the national reserve (about \$300 million). Labor uses part of the national reserve to award national emergency grants to states, based on their requests throughout the year, to help them respond to disasters and major layoffs. Labor also uses part of the national reserve to award national emergency grants specifically to serve trade-affected workers who are also eligible for the TAA program.<sup>8</sup>

---

## Most Workers Are Enrolling in Services Sooner, but Some May Be Negatively Affected by the Enrollment Deadline

States report that most trade affected workers are enrolling in services sooner than in prior years because of some of the key provisions of the TAA Reform Act, but the new training enrollment deadline has had unintended consequences for some workers. The new 40-day time limit for Labor to process petitions has enabled workers to receive services more quickly after being laid off. In addition to setting the new petition processing time limit, the act also established a new training enrollment deadline for workers, and states reported to us that most workers are now enrolling in training sooner as a result of this deadline. However, states reported that some workers have been negatively affected by the deadline.

---

<sup>7</sup>For more information on the one-stop center system, see GAO, *Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed*, [GAO-03-725](#) (Washington, D.C.: June 18, 2003).

<sup>8</sup>For more information on the national emergency grants program, see GAO, *National Emergency Grants: Labor Is Instituting Changes to Improve Award Process, but Further Actions Are Required to Expedite Grant Awards and Improve Data*, [GAO-04-496](#) (Washington, D.C.: April 16, 2004).

---

For example, some workers may not enroll in the most appropriate training or may miss the deadline and lose extended income support. These problems are heightened in the case of large layoffs, some states reported.

---

### Training Enrollment is Accelerated by Certain Provisions of the Reform Act

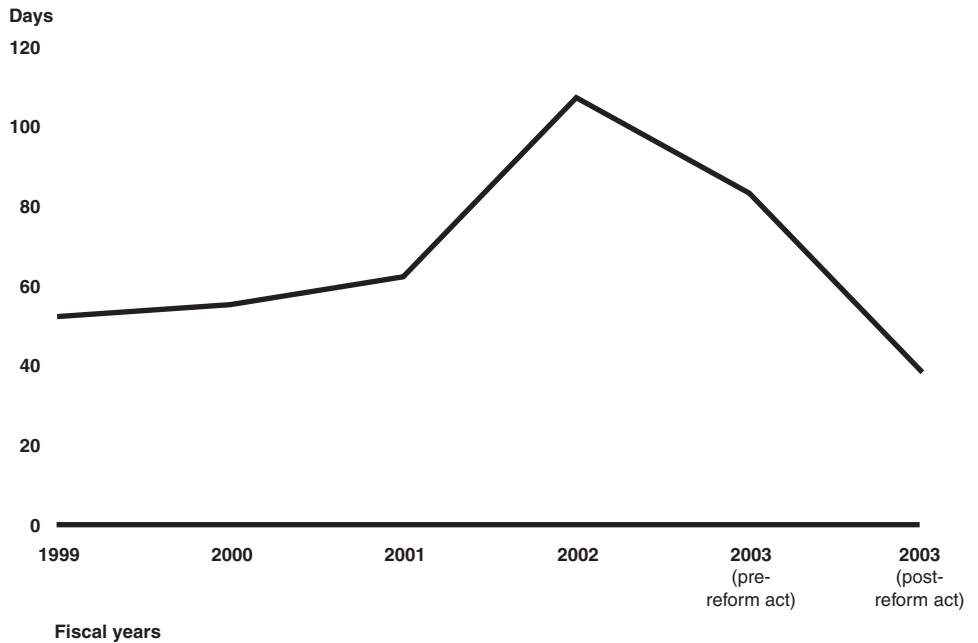
Most workers are enrolling in TAA services sooner than in prior years because of two key provisions of the TAA Reform Act, the new petition-processing time limit and the new training enrollment deadline. The Reform Act reduces by one-third, from 60 days to 40 days, the time period in which Labor must review a petition. The purpose of the reduced time frame is to enable workers to receive benefits and services more quickly. In the past, Labor sometimes had difficulty meeting the 60-day time limit for petition processing. But it reduced the average processing time from 107 days in fiscal year 2002, before the new time limit took effect, to 38 days in fiscal year 2003 (see fig. 1). Also, Labor improved the percentage of petitions processed in 40 days or less from 17 percent in fiscal year 2002 to 62 percent in fiscal year 2003 after the act went into effect.<sup>9</sup> According to a Labor official, management changes helped the agency reduce the average petition-processing time. For example, Labor developed a step-by-step timeline for staff, laying out when they must complete specific steps in the petition review process in order to meet the 40-day requirement. In addition, Labor increased the number of petition investigators by adding more contractors. Officials also have plans to reengineer the petition reviews in part to expedite the process.<sup>10</sup>

---

<sup>9</sup>The percentage of petitions processed within 40 days in fiscal year 2003 prior to implementation of the act was 20 percent.

<sup>10</sup>The reengineering is still in a planning stage. Draft plans are currently under review at a number of levels at Labor. One of the goals of the changes is to standardize certain operating procedures to guide investigators' work and to ensure consistency among the investigators' decisions, at least in areas where this is possible. The new process would be computer- rather than paper-based, and would calculate a recommended determination decision for the investigator based on qualitative and quantitative data entered into a new computer system. However, there would still be room for discretion on the part of Labor officials, who could override the system's recommendations.

**Figure 1: Average TAA Petition Processing Time, Fiscal Years 1999-2003**



Source: Department of Labor.

Workers are also enrolling in services sooner because of the new training enrollment deadline.<sup>11</sup> The deadline requires workers to be enrolled in training or have a training waiver by the later of two dates: either 16 weeks after being laid off or 8 weeks after the petition is certified. Workers who fail to meet this deadline become ineligible to receive extended income support benefits. Forty-one of the 50 states surveyed reported that workers are now enrolling in training sooner as a result of this deadline. Most states also reported that the deadline accelerates the processes of determining eligibility and notifying and assessing workers. Prior to the TAA Reform Act, workers were required to be in training or have a training waiver in order to start collecting extended income support benefits after exhausting their UI eligibility—26 weeks in most states. Now, because of the new deadline, workers may be required to either be in

<sup>11</sup>The new deadline is in addition to the 210-day deadline that predates the TAA Reform Act and is still in effect. The 210-day deadline is no longer an issue for participants who have enrolled in training within the new deadline, which they must meet before the 210-day deadline.

---

training or possess a training waiver while still collecting regular UI benefits.

---

### Training Enrollment Deadline May Have Unintended Consequences for Some Workers

Although the new training enrollment deadline gets most workers into training sooner, it has also had unintended consequences. For example, officials from the majority of states reported that as a result of the training enrollment deadline, some workers might not be enrolling in the most appropriate training because less time is available to assess workers' training needs. In order to meet the training enrollment deadline, officials may feel pressured to assess workers more quickly. State officials in some of the states we visited told us that some TAA program participants are not able to carefully select training programs because of rushed assessments.

Another negative effect of the new time limit is that some workers miss the deadline and lose their eligibility for extended income support. Thirty-six states report that workers at least occasionally miss the deadline and consequently lose their eligibility for extended income support beyond what is available through UI benefits. A local official from North Carolina said that some certified workers in the local area who would like to enter the TAA program miss the deadline, either because they do not come in for TAA enrollment until after the deadline has passed or they come into the one-stop before the deadline but do not leave themselves enough time to enroll in training or obtain a training waiver. For example, this official told us that in the case of a recent layoff of 120 workers, 20 workers did not come into the one-stop until after their deadline had passed. Other officials in North Carolina said that workers who lose their eligibility for extended income support generally are not allowed to enter training, because state and local officials are concerned that with no other source of income, workers will drop out of training.

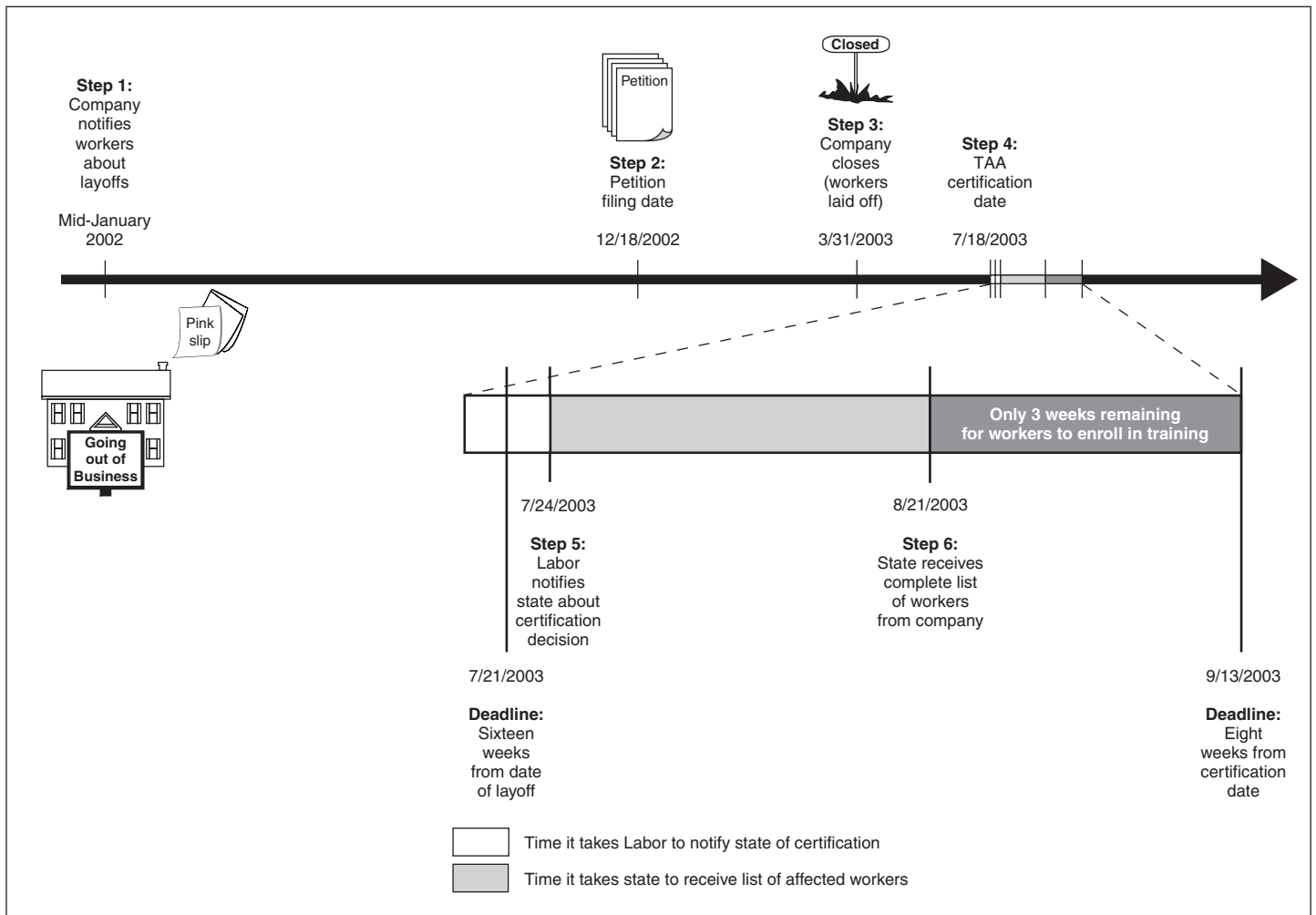
The ability of workers to meet the new training enrollment deadline may be negatively affected by delays in program operations. These delays, as well as delays by workers themselves in registering for TAA services, may contribute to some workers having insufficient time for an assessment of their training needs or missing the training enrollment deadline. One of the program operation delays occurs as a result of the time it takes Labor to notify states about certification decisions. After Labor has certified a petition, it waits several days before informing the state, to give relevant members of Congress advance notification. Twenty-one states reported that the time it takes Labor to notify states about certifications at least occasionally causes workers to miss the deadline. Another delay may

---

occur as a result of the time it takes for states to receive lists of affected workers from companies. After a state receives notification from Labor of a certification, it obtains from the company a list of the workers affected by the certified layoff and sends a letter to these workers informing them of their potential eligibility for TAA. Sometimes companies are unable or unwilling to provide these lists in a timely manner. In these cases, some workers miss the deadline because they don't receive the notification soon enough or may have insufficient time for an assessment of their training needs. Twenty-seven states reported that the time it takes states to receive the list of affected workers at least occasionally causes workers to miss the deadline. In addition to these program delays, laid-off workers may have insufficient time for assessment or miss their enrollment deadline because of their own delays in seeking assistance. Some state and local officials in the sites we visited told us it often takes time for dislocated workers to process the emotional shock of being laid off and accept the need for assistance, which may cause them to miss the training enrollment deadline. Thirty-seven states reported on our survey that workers' delays in reporting to one-stop centers for counseling at least occasionally cause them to miss the deadline and lose their eligibility for extended income support.

Figure 2 illustrates the program delays, using the timeline of an actual layoff that began in December 2002 in one of the states we visited. In this example, Labor notified the state 6 days after certifying the petition (step 5). Almost another month elapsed before the state received a complete list of affected workers from the company (step 6). As a result, by the time the state mailed notification letters, affected workers had, at most, 3 weeks to register for services and enroll in training or receive a training waiver.

**Figure 2: Example of How TAA Program Delays May Leave Workers Less Time to Enroll in Training**



Sources: GAO analysis; Copyright © Corel Corp. All rights reserved, Art Explosion.

The delays described above are heightened in the case of large layoffs, because the volume of workers who need services within a very short time period overwhelms the program’s capacity to provide workers with appropriate assessment. Processing a large number of affected workers quickly may be especially challenging for program administrators in rural areas, which do not have many staff to perform case management. Ten states reported that processing large layoffs often or very often causes workers to miss the training enrollment deadline, and an additional 9 states said processing large layoffs occasionally causes workers to miss the deadline. For example, Texas officials told us that when dealing with



---

very large layoffs, states may need more time to assess and process workers than is allowed by the new training enrollment deadline. Officials in a rural area in Maine that experienced a large trade-related layoff said that it was challenging to get all affected workers to register for training within the deadline. This area hired additional workers to perform outreach to affected workers and encourage them to register for services.

In an effort to prevent workers from missing the new deadline and losing eligibility for extended income support, some officials are issuing training waivers to workers who reach their deadlines without having enrolled in a training program.<sup>12</sup> For example, officials in Maine reported that during a large layoff in a rural area, local staff granted mass waivers to workers so they would meet the deadline and preserve their extended income support benefits. According to a Maine official, staff in this rural area could not provide appropriate assessment within the training enrollment deadline to all affected workers, so waivers were necessary to prevent workers from losing eligibility for extended income support.

---

## New Health Care Provision Has Caused Increased Administrative Workload for Some Officials, While Other Provisions Have Been Difficult to Fully Implement

Officials in some states and local areas reported an increased administrative workload associated with issuing more training waivers, primarily to accelerate Health Coverage Tax Credit enrollment, and noted that some other new provisions in the TAA Reform Act were difficult to fully implement. State officials are issuing more training waivers than in the past, in order to ensure that workers are able to access the HCTC after being laid off, and some officials told us that this increase in waivers has caused a significant administrative workload. States also reported that the provision that extends TAA eligibility to secondary workers and the one that provides a wage insurance benefit have been challenging to fully implement.

---

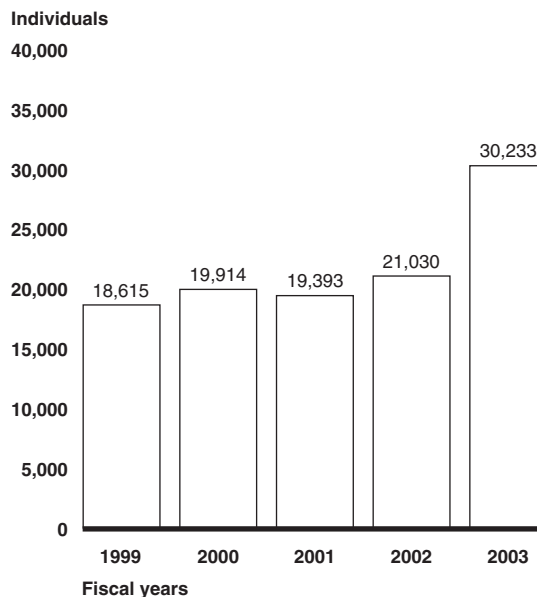
<sup>12</sup>The previous NAFTA-TAA program had a training enrollment deadline and did not allow waivers. Officials from one state we visited always encouraged individuals to enroll in the regular TAA program rather than the NAFTA-TAA program if they could—because these state officials believed that the deadline was so problematic. The deadline was expanded to cover the consolidated TAA program in an effort to focus participants' attention on training.

---

## Most States Are Issuing More Waivers to Enable Workers to Receive HCTC

Almost all states reported issuing an increased number of training waivers since the TAA Reform Act took effect. Three states reported in our survey that before the Reform Act took effect they issued training waivers to over 50 percent of TAA-eligible workers. Since the Reform Act took effect, 29 states have issued waivers to over 50 percent of eligible workers, and 15 of these issued waivers to over 75 percent of eligible workers. Labor's national data indicate that overall states issued over 40 percent more training waivers in fiscal year 2003 than in 2002 (see fig. 3).

**Figure 3: Increase in Individuals Receiving Training Waivers, Fiscal Years 1999-2003**



Source: Department of Labor.

Most states reported to us that the reason they have issued more training waivers is to ensure that workers are eligible for the HCTC.<sup>13</sup> Thirty-eight states reported on our survey that to a great or very great extent, they have issued more training waivers since the TAA Reform Act took effect in order to allow workers to qualify for the HCTC. To activate eligibility for the HCTC, even while they are still receiving UI benefits, workers must meet the eligibility criteria for extended income support, including the requirement that they must be in training, have completed training or have

---

<sup>13</sup>In an upcoming report we will be providing a more in-depth analysis of the implementation of the HCTC provision of the TAA Reform Act.

---

a training waiver. Officials in all the states we visited told us that many state and local officials are issuing waivers so that workers can quickly become eligible for the HCTC. Officials in two of these states noted that workers need waivers to enroll in the HCTC even before they reach their training enrollment deadline. Furthermore, officials in two other states told us that workers are receiving waivers to allow them to enroll in the HCTC even before these workers exhaust their UI benefits.

According to officials in four of the five states we visited, issuing waivers to enable workers to qualify for the HCTC causes a significant administrative workload. The administrative workload associated with issuing training waivers is considerable, in part because training waivers have to be issued individually and must be reviewed monthly. Officials in one state noted that the workload associated with issuing waivers is especially burdensome during a very large layoff, when a large volume of workers must be processed. Furthermore, the increased administrative workload associated with issuing and reviewing training waivers may be compounded for states that choose to issue extensions to workers whose waivers expire before they exhaust their UI benefits.

Despite officials' efforts to ensure that workers are eligible for the HCTC, the actual rate of HCTC participation is difficult to determine because reliable data on the total number of individuals actually eligible for HCTC are not available. For example, according to an October 2003 survey for the IRS, some of those identified as potentially eligible for, but not enrolled in HCTC, were in fact ineligible because they had other coverage, such as Medicare or through a spouse's employer, that made them ineligible for the tax credit. Although there are no reliable national data on the HCTC participation rate, officials in states we visited told us that workers might not be taking advantage of the HCTC because eligible individuals lack affordable health care insurance options from which to choose. Furthermore, officials in one state also noted that some workers may not take advantage of the HCTC because they cannot afford to pay their entire health care insurance premium while they wait to enroll in the HCTC.

---

**States Reported  
Difficulties Implementing  
Other New Provisions**

States reported having difficulties with the implementation of two other reform provisions—the provision that extends TAA eligibility to an additional category of secondary workers and the new wage insurance provision.

---

---

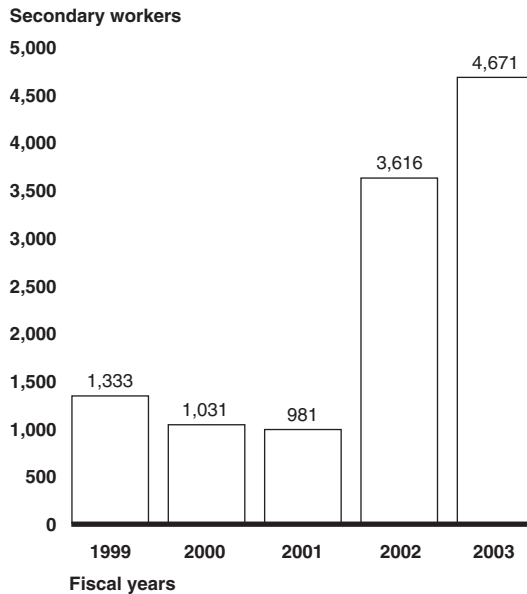
## Secondary Workers Provision

The TAA Reform Act extended eligibility to a new category of secondary workers—workers who supply parts to any company directly affected by trade, not just those affected by trade with Canada or Mexico, as was true under the previous NAFTA-TAA program—and the number of secondary workers covered by certified TAA petitions increased somewhat in fiscal year 2003.<sup>14</sup> However, it is unclear whether the number of secondary workers certified after the TAA Reform Act represents a small or large proportion of all secondary workers who are now potentially eligible for the TAA program, particularly because most states reported difficulties in identifying secondary workers and only some have increased their efforts to do so. According to Labor’s data, the estimated number of secondarily affected workers covered by approved TAA petitions increased from about 3,600 workers in fiscal year 2002, before the Reform Act took effect, to about 4,700 workers in fiscal year 2003 (see fig. 4).

---

<sup>14</sup>The TAA Reform Act expanded eligibility specifically to secondary workers who supply component parts to any firm directly affected by trade. However, secondary workers who finish a product are only eligible for TAA services if they finished a product produced by a firm directly affected by trade with either Canada or Mexico.

**Figure 4: Estimated Number of TAA-Certified Secondary Workers, Fiscal Years 1999-2003**

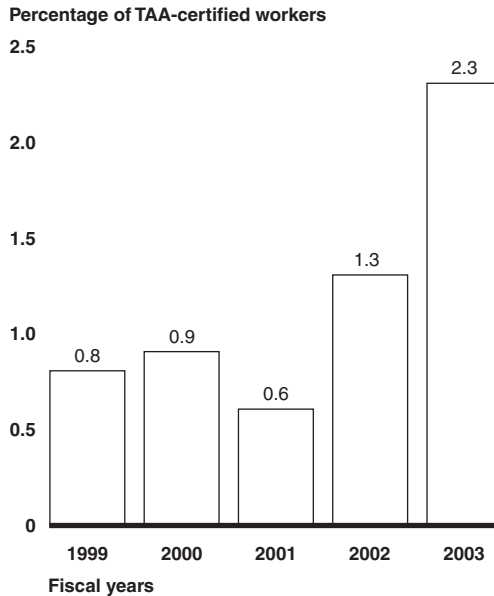


Source: Department of Labor.

Note: The data used for this figure are estimates of secondary workers certified as eligible for TAA, based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected. We use these estimates because the Department of Labor does not collect data on the number of workers ultimately certified. Furthermore, because the TAA Reform Act took effect for workers certified under petitions filed on or after November 4, 2002, data for fiscal year 2003 may include some secondary workers who were certified from October 1, 2002 to November 3, 2002 under the previous eligibility criteria.

Secondary workers have also increased as a proportion of all TAA-certified workers, from about 1 percent in fiscal year 2002 to about 2 percent in fiscal year 2003 (see fig. 5). However, the total number of secondary workers who are potentially eligible for the TAA program under the new eligibility guidelines is not known. As a result, it is unclear what proportion of secondary workers potentially eligible for services have been certified under the Reform Act.

**Figure 5: Estimated Proportion of TAA-Certified Workers Who Are Secondary Workers, Fiscal Years 1999-2003**



Source: Department of Labor.

Note: These percentages are percentages of all workers certified under both the TAA and NAFTA-TAA programs, although prior to the TAA Reform Act, secondary workers were eligible for services only under the NAFTA-TAA program. Also, the data used for this figure are estimates of secondary workers and total workers certified as eligible for TAA, based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected. We use these estimates because the Department of Labor does not collect data on the number of workers ultimately certified.

States reported facing challenges in identifying secondary workers. More than half of all states reported having at least some difficulty identifying secondarily affected workers. States reported using a range of methods to identify secondary workers eligible for the TAA program. For example, according to our survey, states are most likely to identify secondary workers by asking trade-affected employers for lists of their suppliers or finishers or by asking employers if their layoff was as a result of losing business from other firms that may have been trade affected. However, officials in most of the states we visited told us that some trade-affected employers are reluctant or find it difficult to provide the names of suppliers that may also be affected by their shutdown or reduced production. For example, officials in North Carolina told us that employers are sometimes hesitant to share this information because they do not want their suppliers to know that they are having financial

---

difficulties. Also, officials in Maine told us that smaller employers may find it difficult to provide information on their suppliers or finishers because they do not have this information readily available. In addition, some trade-affected employers may no longer be in operation or may be difficult to contact. None of the state officials we talked with had developed procedures to identify workers in other states who are secondarily affected by layoffs in their own states—so workers in one state who are secondarily affected by a trade-related layoff in another state might never learn they may qualify for TAA services. Labor has also not developed a strategy to assist states in identifying workers who are secondarily affected by a layoff in a different state.

More states are making significant efforts to identify secondary workers now than in the past, but this number remains relatively small. While only 5 states reported on our survey that they sought to identify eligible secondary workers to a great extent prior to the TAA Reform Act, 13 states reported that since the Reform Act took effect, they have sought to identify secondary workers to a great extent.

## Wage Insurance Provision

Officials in all of the states we visited told us either that workers have expressed an interest in or they expect workers to be interested in the new Alternative TAA program—a 5-year demonstration project providing a wage insurance subsidy to older workers who find reemployment quickly but at a lower wage. Most states also reported having difficulty implementing this new program. Thirty-eight states reported that they had at least some difficulty implementing the new wage insurance provision. One of the most commonly reported problems was the difficulty of developing new payment systems for issuing workers' monthly checks. For example, an official in one state we visited told us that the state's existing UI payment system, which is used to issue payments to wage insurance beneficiaries, could not be readily modified to issue payments to wage insurance beneficiaries. Furthermore, an official from another state told us the state's current UI payment system program prohibits it from issuing checks to individuals identified in the system as employed. As a result, the state uses an off-line payment system to issue wage insurance checks. States also reported that a lack of guidance from Labor on this new provision hampered their efforts to implement it. Labor did not provide states with formal guidance on how to implement the provision

---

until August 6, 2003, the same day that workers were first able to apply for the wage insurance program.<sup>15</sup>

In addition, some officials and employers found the wage insurance eligibility criteria problematic. The TAA statute clearly indicates that for a group of workers to be certified as eligible for the wage insurance program, the workers must lack easily transferable skills and a significant number of the workers must be age 50 or over. Petitioners must apply for wage insurance coverage when the petition is submitted to Labor, and as part of the investigation process, employers must confirm that their workers lack easily transferable job skills. The TAA statute also clearly states that to be individually eligible for wage insurance payments, workers must obtain reemployment within 26 weeks of layoff and may not receive TAA-funded training. According to Labor, it has been difficult to implement the wage insurance provision because of eligibility criteria that include the requirement that workers must lack easily transferable job skills. As a result of these eligibility requirements, according to Labor, the only workers who are likely to qualify for payments are those who take low-skill jobs at significant pay cuts, and for whom the \$10,000 maximum subsidy falls far short of compensating them for their wage loss. On the other hand, some workers who have some transferable skills, can find jobs paying closer to their prelayoff wage, and need only temporary financial assistance may be denied access to the program. According to Labor, most denied wage insurance requests result from failure to meet this eligibility requirement. Officials in one state and employers in two other states also found the wage insurance eligibility criteria problematic. For example, officials in one state we visited told us that the eligibility criteria requiring workers to lack transferable job skills yet still find employment exclude workers who can find reemployment quickly but at lower wages, and who therefore could be well served by a wage insurance benefit. In another case, an employer told us that several administrative workers were laid off because of a plant closure and were able to find new jobs that required the same job skills, but at a much lower pay level because they no longer had job seniority. These workers could have benefited from the program, according to their employer, but were denied the subsidy because they had transferable skills. In addition, a state official we visited reported that an employer found that it was difficult to assess the skill levels of an entire

---

<sup>15</sup>Labor was required to establish the wage insurance program by no later than August 6, 2003, one year after the enactment of the TAA Reform Act.



---

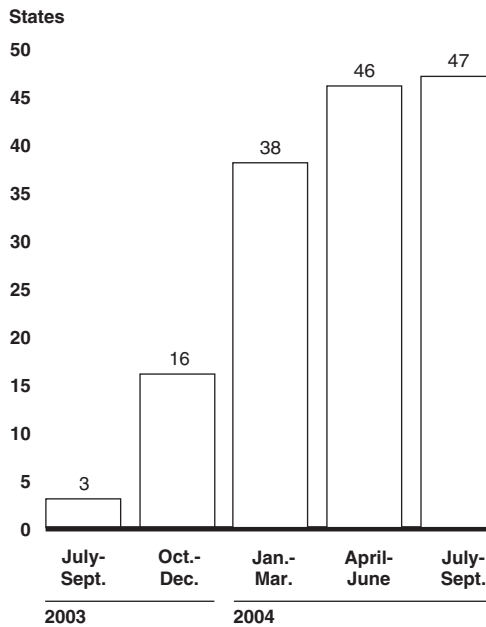
group of affected workers who often possess a diverse set of skills and skill levels.

At this stage of implementation, it is unclear how many workers will take advantage of the wage insurance benefit. Most states did not fully implement their wage insurance programs in calendar year 2003, and some do not expect to have their systems implemented until September 2004. Only 19 states implemented their wage insurance programs during 2003; most of the remaining states have implemented or expect to implement their programs during 2004 (see fig. 6). In addition, it is unknown how many workers are currently utilizing wage insurance benefits. Of 1,962 TAA petitions approved during fiscal year 2003, 60 included approved requests for the wage insurance program<sup>16</sup>—but at the time we conducted our data collection, Labor’s Division of Trade Adjustment Assistance had no data on the number of older workers enrolled in the wage insurance program. Labor is now collecting data on the number of workers enrolled in the wage insurance program and will assess the implementation issues associated with the wage insurance provision.

---

<sup>16</sup>During August and September 2003, the only months of fiscal year 2003 in which petitioners had the option to apply for wage insurance benefits, there were 223 approved TAA petitions. Over 25 percent of the approved petitions during this time period, therefore, included approved requests for wage insurance benefits. There were 86 requests for wage insurance benefits submitted on TAA petitions during fiscal year 2003.

**Figure 6: Most States Will Have Their Wage Insurance Programs Operational by Mid-2004**



Source: GAO survey of state workforce agencies.

Note: This figure is based on responses from 47 states. Three states were unable to provide this information.

## Demand for TAA Training Has Increased, and States Have Responded by Supplementing Limited TAA Funds with Other Federal Resources

Demand for TAA services has increased in recent years, and states have responded by using other federal resources to supplement available TAA funds. States have struggled to meet the higher demand with the TAA resources available to them, and some states have temporarily discontinued enrolling TAA-eligible workers in training, partly because of funding shortfalls. A perception that all TAA-eligible workers are entitled to training has contributed to problems with managing TAA training funds. However, Labor has encouraged states to take various steps to manage their limited TAA resources more effectively and to avoid treating training as the best option for all participants, and many states have taken steps to control their TAA training expenditures through efforts such as a more careful screening of workers' training needs. Most states' primary response to the increased demand for training has been to supplement their TAA funds with other federal resources, although some barriers remain to the integration of TAA with other federal programs.

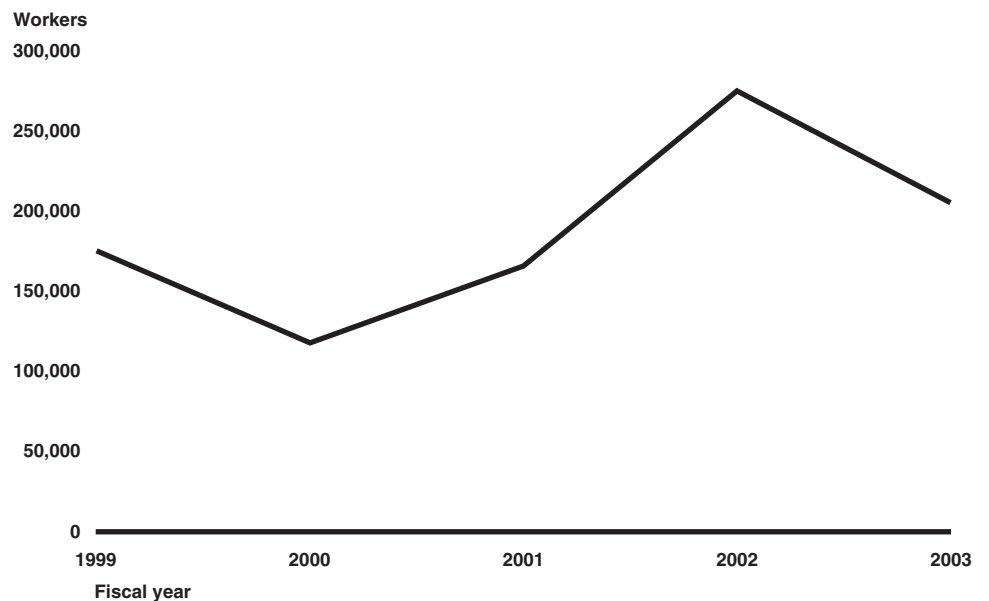
---

## Demand for TAA Services Increased during a Period of Manufacturing Job Loss, and States Have Struggled to Meet This Demand with Available TAA Funds

Demand for TAA assistance increased substantially between fiscal years 2001 and 2002, as measured by the estimated number of workers certified and the number of workers entering training.<sup>17</sup> After increasing in fiscal year 2002, the number of workers certified and the number of workers entering training did not experience a further substantial increase in fiscal year 2003. According to Labor's data, an estimated 270,000 workers were certified as eligible for TAA services in fiscal year 2002, a roughly 65 percent increase from 2001 and the largest number in any year since at least fiscal year 1995. The estimated number of certified workers then fell to about 200,000 in fiscal year 2003 (see fig. 7).

---

**Figure 7: Estimated Number of TAA-Certified Workers, Fiscal Years 1999-2003**



Source: Department of Labor.

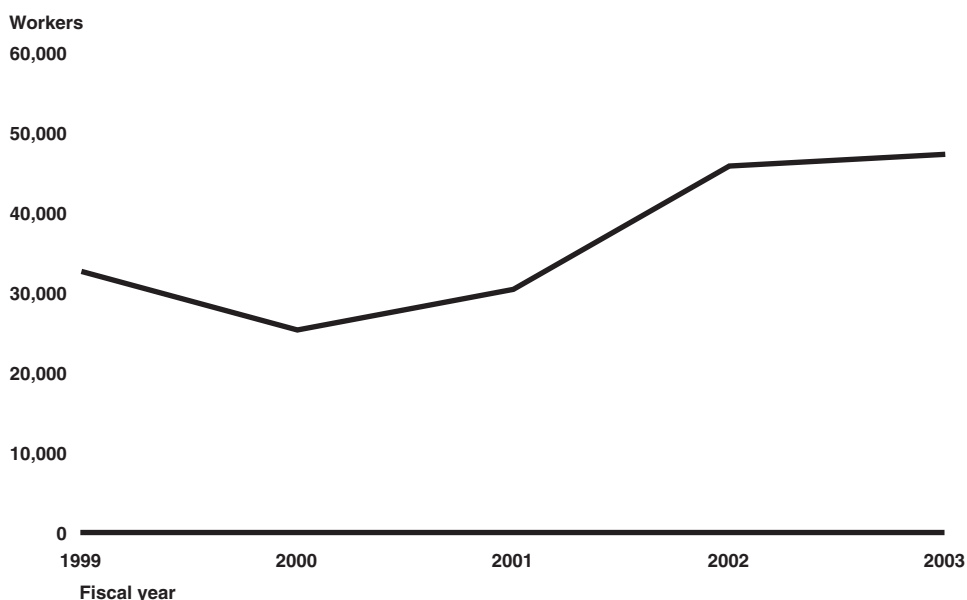
Note: The data used for this figure are estimates of the number of workers certified as eligible for TAA, based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected. We use these estimates because the Department of Labor does not collect data on the number of workers ultimately certified. These estimates include workers certified as eligible under either the TAA or the NAFTA-TAA program, but workers certified under both programs are counted only once in our analysis. This method differs from the one used in an earlier report.

---

<sup>17</sup>The number of workers certified as potentially eligible and the numbers receiving specific benefits and services include workers served under the TAA and NAFTA-TAA programs.

Similarly, the number of eligible workers entering training annually increased in fiscal year 2002 to about 45,000, a 51 percent increase over fiscal year 2001 (see fig. 8).<sup>18</sup>

**Figure 8: Number of Workers Entering TAA Training, Fiscal Years 1999-2003**



Source: Department of Labor.

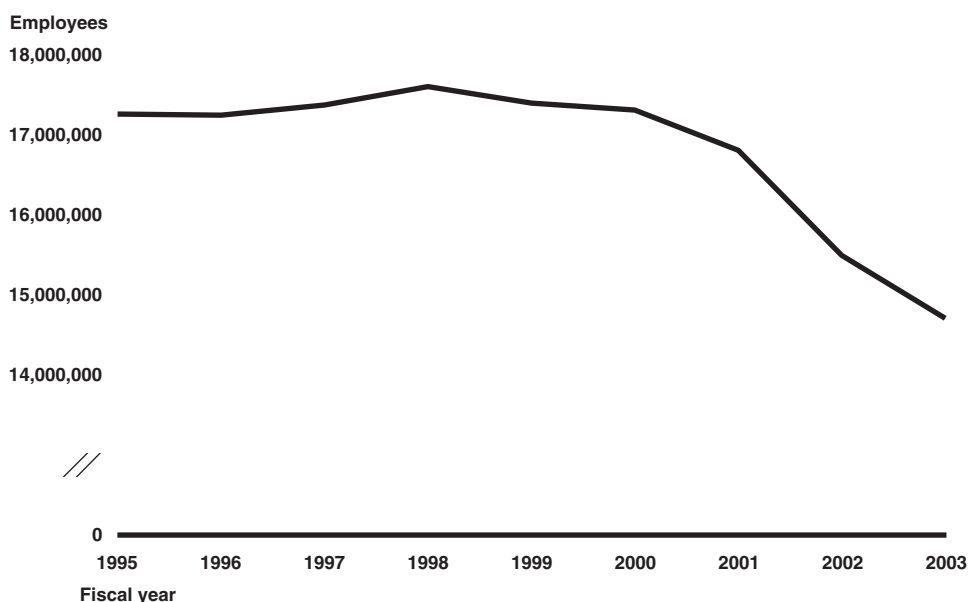
Note: These data are underestimates of the total numbers of workers entering training, because some states did not capture all workers entering training in the data they submitted to Labor.

The increase in program demand in fiscal year 2002 coincided with a sharp decline in manufacturing employment that preceded the implementation of the TAA Reform Act of 2002. After having been relatively steady since 1995, manufacturing employment began to decline in 1999, and the steepest decline occurred between fiscal years 2001 and 2002—from about 16.8 million to about 15.5 million employees, almost an 8 percent drop (see fig. 9). According to the Congressional Budget Office, increased competition from imports is at least partially responsible for this decline in manufacturing employment, coupled with the recession in 2001 and other factors such as productivity improvements and reduced demand for manufactured goods. The increase in demand for TAA services may be

<sup>18</sup>Other measures of demand also rose in fiscal year 2002, including the number of workers who started collecting extended income support benefits and the number who received job search allowances (see app. III).

more directly linked to the decline in manufacturing employment, insofar as it was related to international trade, than to the TAA Reform Act of 2002. While demand for TAA services increased substantially during fiscal year 2002, most provisions of the TAA Reform Act of 2002 did not take effect until early in fiscal year 2003.

**Figure 9: Manufacturing Employment, Fiscal Years 1995-2003**



Source: Bureau of Labor Statistics.

Many states report that available TAA training funds are not sufficient to meet the increased demand for services. Most states anticipate that in fiscal year 2004 they will have difficulties meeting the demand for TAA training with TAA training funds alone—even though the amount of funds available nationally for TAA training was doubled from \$110 million to \$220 million between fiscal years 2002 and 2003. According to our survey, 35 states expect that available TAA training funds for fiscal year 2004 will not cover the amount they will obligate and spend for TAA-eligible workers during the fiscal year. Eighteen states estimate this gap at over \$1 million.

A factor that has contributed to the difficulty states face in meeting increased demand is the perception that training is an entitlement for TAA-eligible workers. According to the TAA statute, a TAA-eligible worker is entitled to training if six training approval criteria are met, including the requirements that there is no suitable employment available for the worker

---

and that the training is available at a reasonable cost.<sup>19</sup> These criteria give states some discretion in determining which TAA-eligible workers should receive training. However, officials in four of the five states we visited said training has historically been viewed as an entitlement for the majority of TAA-eligible workers and that this perception persists among some case managers and unions. For example, an official in one state said some case managers responsible for the TAA program tend to approve training whenever a certified worker requests it, because they think these workers are entitled to training. This view may complicate efforts to manage limited TAA training funds. Two officials we talked with said training is seen as an entitlement because suitable employment has been defined through regulation as employment paying at least 80 percent of a worker's prelayoff wages. Most TAA-eligible workers, according to one of these officials, have high prelayoff wages but job skills that don't readily transfer to a new job, so they would need training to obtain employment paying 80 percent of their prelayoff wages.

Partly in response to the limited TAA training funds available to meet the demand for training, some states have temporarily discontinued enrolling TAA-eligible workers in training for periods of time. Nineteen states reported that, at some point between fiscal years 2001 and 2003, they temporarily discontinued enrolling TAA-eligible workers in training because they lacked adequate TAA training funds.<sup>20</sup> Six states reported that they have taken this step during fiscal year 2004. These periods of enrollment deferral may make it more difficult for workers to complete their training programs. Pennsylvania, for example, stopped enrolling newly eligible workers in training for a 3-month period during fiscal year 2003 following more than a year of unusually high demand for TAA services. Workers seeking training during this period were given training waivers so they could continue to collect extended income support. When the state received additional TAA training funds from Labor, it encouraged these workers to register for training and many did so. However, those workers who enrolled in training had used up 3 months of extended

---

<sup>19</sup>The other four criteria are (1) the worker would benefit from the training, (2) there is a reasonable expectation of employment following the training, (3) the training is reasonably available from a public or private provider, and (4) the worker is qualified to undertake and complete the training.

<sup>20</sup>One Labor official and one state official we talked with also mentioned other factors that may have contributed to periods of training enrollment deferral, citing, for example, occasional delays prior to fiscal year 2004 in Labor's response to states' requests for TAA training funds.

---

income support payments while waiting for training funds to become available. As a result, they had fewer months of income support remaining to complete their training programs, and officials are concerned that they could be forced to drop out of their programs when they run out of extended income support payments.

Since 2002, Labor has taken several steps intended to help states better manage their TAA training resources at a time of increased demand. Labor has encouraged states to put more emphasis on up-front assessment of workers' employment and training needs, so they can provide workers with job search assistance rather than long-term training when appropriate. Also, Labor has changed its approach to distributing TAA training funds among the states. In the past, states requested TAA training funds from Labor throughout the fiscal year as their needs arose. In fiscal year 2004, for the first time, Labor allocated a portion of TAA training funds among the states according to a formula. It allocated 75 percent of available TAA training funds among the states at the beginning of the fiscal year, based on states' historical training allocations and historical number of participants,<sup>21</sup> and held the remaining 25 percent in reserve to help states that experience large and unanticipated trade-related layoffs. Labor's goals in developing this new allocation approach were to give states a better idea of the training resources available to them, so they could more effectively plan for and budget their training expenditures, and to ensure that funds are distributed among states according to their needs. (App. IV contains information on the training funds received by each state in fiscal years 2001 through 2003, and each state's fiscal year 2004 formula allocation.) Finally, Labor has encouraged states to obligate the TAA training funds they receive in a fiscal year only for training costs that will actually be incurred during that fiscal year, rather than for the full costs of training programs that span multiple fiscal years. One of the main goals of this effort, according to Labor officials, is to discourage states from tying up current year funds for future training costs that may not be incurred if workers drop out of training.

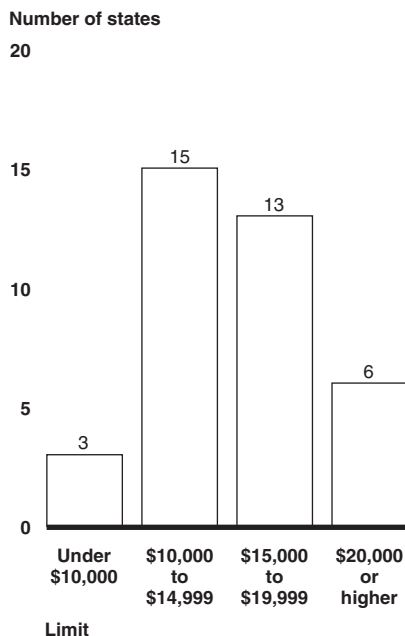
Many states are now making efforts to more carefully manage their TAA training expenditures. More than half the states have developed new

---

<sup>21</sup>For fiscal year 2004, Labor allocated 80 percent of available training funds based on the average amount of funds allocated to states for TAA training in the previous 3 fiscal years, and 20 percent based on the average number of program participants in each state for the previous 3 years for which complete data are available. Labor plans in future years to include in the formula factors related to states' performance on program outcomes.

guidelines for enrolling participants since fiscal year 2001, including 21 that have taken this step during fiscal year 2004. Four of the five states we visited told us that they are making an effort to have case managers more carefully assess whether training is the most appropriate strategy for each TAA-eligible worker. Also, many states report that since 2001 they have tried to control the amount of training funds expended per TAA-eligible worker. Almost half the states have tried to control training costs by enrolling TAA-eligible workers in shorter-term training. States are also reducing the maximum amount that may be spent on training for each TAA-eligible worker. According to our survey, 37 states have established a cost limit on the amount that may be spent on training for each TAA participant, ranging from \$3,500 to \$25,000 (see fig. 10). Nine of these states reduced their cost limits between fiscal years 2001 and 2003 as a way to manage their TAA training funds, and 6 states have taken this step during fiscal year 2004. For example, Pennsylvania reduced its cost limit per TAA participant from \$20,000 to \$16,000 during fiscal year 2003, as part of its efforts to control costs.

**Figure 10: 37 States Place Limits on Training Costs per TAA Participant**

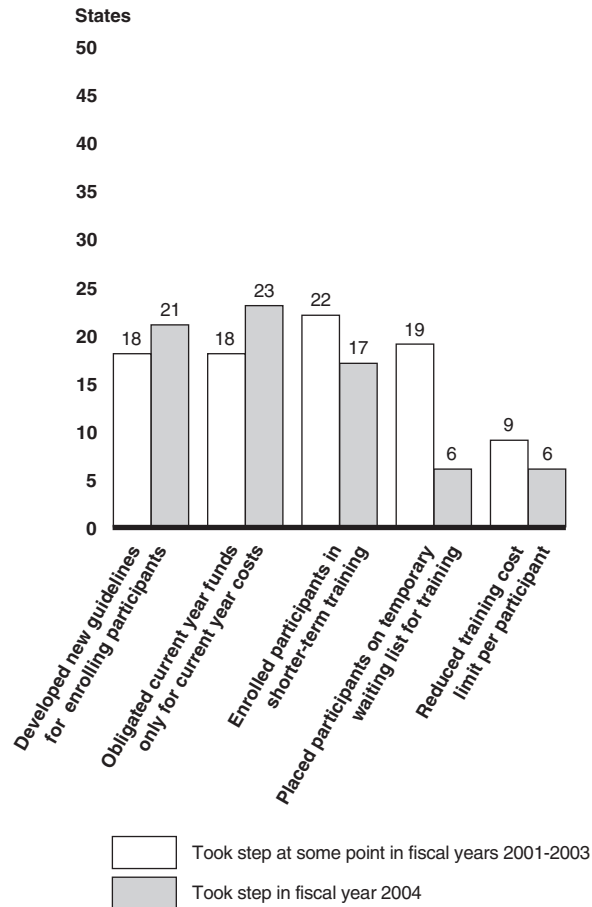


Source: GAO survey of state workforce agencies.



About half the states reported that since 2001 they have changed their approach to obligating TAA training funds and are now obligating current year funds only for current year training costs. Twenty-three states reported that they have taken this step in fiscal year 2004 alone. (See fig. 11 for the number of states that have taken the steps discussed above. See app. V for a detailed listing of steps taken by each state.)

**Figure 11: States Have Taken a Variety of Steps in Response to Limited TAA Training Funds**



Source: GAO survey of state workforce agencies.

Note: States could have taken a particular step both at some point between fiscal years 2001 and 2003 and during fiscal year 2004.

---

## States Are Using Other Federal Funds to Supplement Case Management and Training for TAA-Eligible Workers

In addition to making changes in how they manage their TAA funds, states have also been turning to other federal resources to help provide case management and training to TAA-eligible workers. Labor has encouraged states to combine TAA with other federal programs to serve TAA-eligible workers, through written guidance and a series of regional forums for state officials.<sup>22</sup> In response to limited TAA funds, almost all states—46—reported on our survey that they have been co-enrolling TAA participants in the WIA program for job search or training since 2001. States are also increasingly using WIA national emergency grant funds to provide services, including training and case management, to trade-affected workers.<sup>23</sup> The amount of national emergency grant funds awarded annually to states specifically to serve TAA-eligible workers more than doubled from about \$50 million per year in fiscal years 2001 and 2002 to about \$120 million in fiscal year 2003.<sup>24</sup>

## Use of Other Federal Resources to Supplement TAA Case Management Funds

States use several federal funding sources to support case management for TAA-eligible workers, and increasingly are relying on WIA resources for this purpose. States may use their TAA administrative funds—15 percent of their TAA training formula allocations—for case management, but most states we visited said TAA administrative funds were not their main funding source for TAA case management. Only 12 states reported that they distribute TAA administrative funds to local areas to support case managers working directly with TAA participants. In most of the states we visited, officials told us that state Employment Service (ES) staff members have historically been the primary providers of direct case management services to trade-affected workers, and most states also told us that Wagner-Peyser grant funds have been the main funding source for these services.<sup>25</sup> Several states told us that in recent years, they have increased

---

<sup>22</sup>For example, one model of coordination included in Labor’s guidance is to use WIA funds for case management and TAA funds for training and income support.

<sup>23</sup>Labor awards national emergency grant funds to states to help them respond to major layoffs.

<sup>24</sup>According to Labor, the amount of national emergency grant funds awarded specifically to serve trade-affected workers was about \$80 million in program year 2001, about \$150 million in program year 2002, and about \$90 million in program year 2003. Program years run from July to June; for example, while fiscal year 2003 ran from October 1, 2002 to September 30, 2003, program year 2003 ran from July 1, 2003 to June 30, 2004.

<sup>25</sup>The ES is a nationwide system of public employment offices established by the Wagner-Peyser Act. ES staff provide services to job seekers and employers, including job search assistance, job referral, and job placement assistance. Federal Wagner-Peyser funds are allocated to each state to help support its ES staff.

---

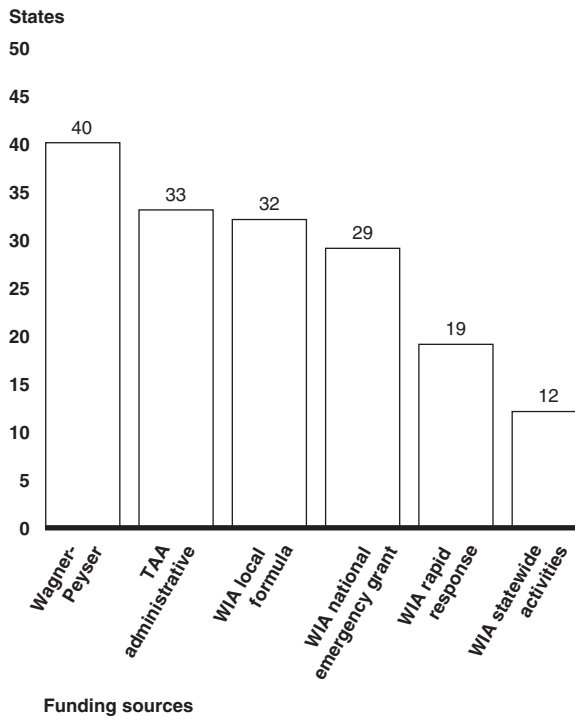
their reliance on WIA to provide case management to TAA-eligible workers, and in the majority of states nationwide WIA and ES staff are now the primary providers of case management services including assessment of workers' interests and skills, recommendation of training programs, and follow-up with workers during training. Officials in two states said they are relying on WIA to support case management for TAA-eligible workers partly in order to serve the increased number of workers eligible for the program. Officials in two other states said they are using WIA case managers to help meet their goal of more carefully assessing TAA-eligible workers' training needs, because these case managers have experience with this type of assessment.

Most states are combining Wagner-Peyser funds, TAA administrative funds, and different categories of WIA funds to support TAA case management (see fig. 12).<sup>26</sup> Most states—38—reported using three or more different funding sources for TAA case management. Just four states reported that they relied exclusively on a single funding source; two said they used only Wagner-Peyser funds, and two said they used only TAA administrative funds.

---

<sup>26</sup>In addition to WIA local formula funds and WIA national emergency grant funds, states also reported using WIA rapid response and statewide activities funds to support case management for TAA-eligible workers. States may reserve up to 25 percent of their WIA dislocated worker allocations to provide rapid response services intended to help laid-off workers transition quickly to new employment. States may also reserve up to 15 percent of their WIA allocations to provide a variety of other statewide activities for workers.

**Figure 12: States Use Various Funding Sources for TAA Case Management**



Source: GAO survey of state workforce agencies.

Officials from several local areas we visited said that within their local areas, they are increasingly taking the same approach to serving all dislocated workers, regardless of the programs in which they are participating. In a local area in Maine, for example, all case managers at the one-stop center—whether state ES or local WIA staff—have been cross-trained on the TAA and WIA programs. Any case manager can serve any dislocated worker, and dislocated workers receive the same case management services regardless of whether they are enrolled in the TAA program or the WIA dislocated worker program. A one-stop center in North Carolina that we visited supports its TAA specialist, an ES staff member, through several funding sources, including Wagner-Peyser grant funds, local WIA funds, national emergency grant funds, and TAA administrative funds. This staff member serves the TAA-eligible workers who come to the one-stop center, as well as some dislocated workers who are enrolled in WIA, and provides each one with similar case management services. In another local area in Pennsylvania, trade-affected workers initially meet with an ES staff member who determines their TAA eligibility and provides an orientation to the benefits available through the

---

TAA program. They complete a set of case management activities, including assessment and development of a training plan, which is provided by a combination of ES and local WIA staff members and is required of all dislocated workers.

Two local areas we visited that had recently experienced large trade-related layoffs relied on WIA's national emergency grant funds to support case management services for TAA-eligible workers. A local area in North Carolina, for example, established a temporary one-stop center in a plant that was shut down as a result of trade, and used a portion of its national emergency grant funds to hire temporary ES staff members to help operate this center. A local area in Maine used some of its national emergency grant funds to temporarily hire peer support workers from among the workers affected by the trade-related layoff. These peer support workers provided a range of services, including outreach to affected workers, counseling, and skill assessment. An official told us that affected workers are more likely to trust peer support workers than other case managers because they feel comfortable talking with a colleague who has been through the same layoff experience.

#### Use of WIA to Supplement TAA Training Funds

In addition to providing case management for TAA-eligible workers, some states also use WIA funds to supplement TAA training funds, and often use the same lists of training providers for TAA as for WIA participants. For example, North Carolina has encouraged its local areas to use their WIA funds whenever possible to support the costs of TAA-eligible workers' training. State officials feel their TAA training allocation is inadequate to serve the large number of trade-affected workers in the state. A local area in Texas reported that it sometimes combines TAA and WIA funds to pay for a TAA-eligible worker's training, for example, when the worker's training program costs more than the state's cost limit for TAA training. Three states we visited also use national emergency grant funds to support training for TAA participants. According to our survey, 41 states have applied for national emergency grant funds to supplement their TAA training funds since 2001. In most states, workers are generally choosing from the same list of training providers whether they are TAA or WIA participants. Fourteen states reported that training programs approved for TAA participants must be on the state's WIA Eligible Training Provider

---

## Effect of WIA Performance Measures

List,<sup>27</sup> and an additional 23 states reported that most training programs approved for TAA participants are on the state's list.

While some states report making use of these other funding sources, some officials also told us that WIA's performance measures create an obstacle to improved coordination between the programs. States and local areas are held accountable for the employment outcomes of workers who receive services through their WIA dislocated worker funds, including the proportion of participants who obtain employment and the difference between participants' wages in their old and new jobs. States and local areas receive financial incentives and sanctions based on their ability to meet their goals on these performance measures. Officials in three states we visited reported that WIA performance measures create a disincentive to co-enroll TAA-eligible workers in WIA services. For example, an official in one state said local WIA administrators often perceive trade-affected workers as having high prelayoff wages but skills that are not readily transferable, and therefore as having little chance of replacing their prelayoff wages in a new job—one of several WIA performance measures. Local officials are reluctant to enroll TAA-eligible workers in WIA, out of concern that these workers will negatively affect their ability to meet their WIA performance goals.<sup>28</sup>

---

## Information on Program Results Has Been Limited, but Labor Is Taking Steps to Collect Better Data

Information on TAA program results has historically been limited, but Labor is making efforts to gather more complete outcome data and to more accurately assess the program's effectiveness. In 1999, Labor introduced a new participant outcomes reporting system that was designed to collect national information on TAA program outcomes and uses these outcomes to track program performance against national goals. However, in an earlier study we found that information captured by this reporting system was often incomplete and many states did not validate

---

<sup>27</sup> A state's Eligible Training Provider List contains all training course offerings that are available to WIA-funded individuals eligible for training. To remain on the list, training providers must meet certain performance criteria established by the state.

<sup>28</sup> In previous reports we have described how performance measures create a disincentive to enrolling various populations in WIA-funded case management and training, including older workers and dislocated workers with high prior wages. See for example GAO, *Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services*, [GAO-03-350](#) (Washington, D.C.: Jan. 24, 2003) and GAO, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, [GAO-02-275](#) (Washington, D.C.: Feb. 1, 2002).

---

information reported to Labor.<sup>29</sup> Labor has taken steps to improve the accuracy of this information by requiring states to use UI wage records to track outcomes. Some categories of workers, however, are not included in these wage records and most states do little to supplement wage record data with other data sources. As a result, program outcomes may be understated. To evaluate the effects of the TAA program, Labor completed a study of the program in 1993.<sup>30</sup> However, because of methodological issues and recent reforms to the program, the study's conclusions are of limited usefulness in assessing the current program. Labor recently initiated a new 5-year study and expects the first of several interim reports by mid-2005.

---

### Labor Has Attempted to Improve Accuracy of TAA Data, But Information Gaps Remain

Labor has taken steps to improve the accuracy of TAA program information captured by its participant outcomes reporting system, but weaknesses persist. In an effort to improve information on the TAA program, in fiscal year 1999 Labor introduced a new participant outcomes reporting system, the Trade Act Participant Report (TAPR), that was designed to collect national information on TAA program participants, services, and outcomes, such as employment, employment retention, and wages. States are required to submit quarterly summary reports on participants who are no longer receiving any TAA program services. In an earlier study, however, we found that some states reported incomplete data on program outcomes and failed to validate participant information reported to Labor. As a result, program information may have been inaccurate. States reported that they relied heavily on participant surveys to collect information on program outcomes such as employment and earnings and that participants often did not return these surveys. Furthermore, some states reported that they were unable to report more complete information because they lacked the resources to expand their data collection efforts to better capture program outcomes. Similarly, Labor's Inspector General also found that information on participants and

---

<sup>29</sup>See [GAO-01-59](#).

<sup>30</sup>Mathematica Policy Research, Inc., *International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program*, submitted to the U.S. Department of Labor (April 1993).

---

program outcomes collected in TAPR was inadequate for evaluating the program's performance against national goals.<sup>31</sup>

In response to concerns about the reliability of data reported on TAA participants, Labor has taken steps to improve the information captured in its participant outcomes reporting system by incorporating wage records data, but some states may not be accessing all available wage data. In fiscal year 2001, Labor began requiring states to use UI wage records to report outcomes for TAA program participants. While wage records generally provide objective and accurate information to track workers' employment and earnings, the data have limitations that may contribute to understating of program outcomes. For example, state wage records only capture information on workers who get jobs in that state and states cannot easily access wage record information from other states. As a result, states may not be able to provide outcome information for TAA program participants who gained employment in another state.

To help track employment of TAA participants across state lines, some states are using the Wage Record Interchange System (WRIS), a data clearinghouse used under WIA that allows states to share their wage record data.<sup>32</sup> Since June 2002, states could use WRIS for reporting TAA outcomes, but it is unknown how many states are using or plan to use this system. While Labor officials told us that states are encouraged to use WRIS to obtain more complete employment and earnings information on TAA program participants, Labor could not provide information on how many states are actually using this data clearinghouse to track former TAA program participants because it does not have a mechanism in place to identify these states. Officials in four of the five states we visited reported that they are using WRIS to track program participants' employment and earnings outcomes.

Some individuals may not be captured by wage record data. Wage records, which cover about 94 percent of workers, do not include some categories of workers such as the self-employed, most independent contractors,

---

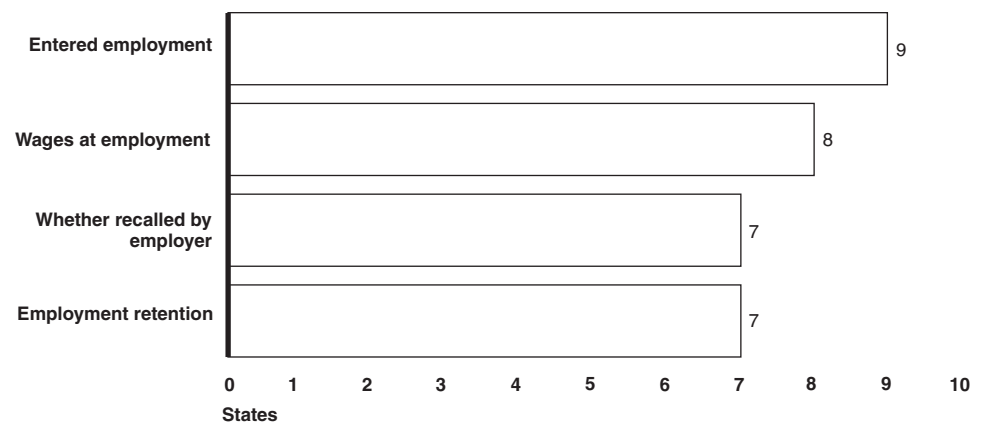
<sup>31</sup>Office of the Inspector General, U.S. Department of Labor, *Improving the Trade Act Programs* (DOL Office of Audit Report Number 04-01-009-03-330, Sep. 26, 2001).

<sup>32</sup>Not all states use WRIS to report WIA performance. In a recent study, we found that 38 states currently participate in WRIS. GAO, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help*, [GAO-04-657](#) (Washington, D.C: June 1, 2004).



military personnel, federal government employees, and postal service employees. Most states do little to supplement wage record data with other data sources despite the fact that such information can be reported to TAPR, and, as a result, program outcomes may be understated. Only 12 states reported that they collect data on outcomes such as employment, earnings, or employment retention beyond what is required for TAPR. Nine of these states reported collecting information on whether participants find jobs after they leave the program (see fig. 13). This information is generally collected through telephone interviews or mail surveys of workers. Officials from two of these states reported that this information is generally used as a local program management tool to gauge the effectiveness of training programs or providers rather than to collect more complete and accurate data for TAPR. In contrast, in a recent study of WIA outcomes, we found that 39 states collect additional data to more completely track the outcomes of WIA participants and to help them manage their programs locally.<sup>33</sup>

**Figure 13: Number of States Using Supplemental Sources to Collect Data on Specific Employment Outcomes**



Source: GAO survey of state workforce agencies.

Labor tracks TAA program outcomes against national goals, but the TAA program has not met all of its goals in any given year. Since fiscal year 2000, Labor has used outcomes that states report to TAPR to track program performance against national goals related to employment,

<sup>33</sup> See [GAO-04-657](#).

wages, and job retention.<sup>34</sup> For example, performance goals set for fiscal year 2003 included having 78 percent of all participants find employment. While Labor has exceeded some of its goals in previous years, it has never met all of its goals in any given year. Furthermore, according to Labor’s outcome data, none of the TAA performance goals set for fiscal year 2003 were met (see table 3).<sup>35</sup>

**Table 3: Labor’s Fiscal Year 2003 TAA Performance and Goals**

In percent		
Indicator	Fiscal year 2003 performance	Fiscal year 2003 goal
<b>Employment</b> —employed the first quarter after program exit	63	78
<b>Job retention</b> —retention in employment in the third quarter after program exit of those who were employed in the first quarter after program exit	86	88
<b>Wages</b> —earnings replacement rate for those employed in the first quarter after program exit and still employed in the third quarter after program exit	74	90

Source: Department of Labor.

In fiscal year 2004, Labor announced its new initiative to implement a reporting system that would collect and report program performance for all workforce programs administered by Labor, including TAA. This single system is intended to reduce barriers to greater service integration across federal workforce programs, and Labor also expects it will increase the reliability of its performance data by standardizing measurements such as employment, job retention, and earnings across all programs. The majority of outcomes data will still be collected from wage records. However, Labor officials also reported that states would be able to submit supplemental information on program participants whose employment

<sup>34</sup>TAA performance measures provide information to support Labor’s performance goals under the Government Performance and Results Act (GPRA). GPRA is intended to focus government decision making, management, and accountability on the results and outcomes achieved by federal programs.

<sup>35</sup>Labor’s reported data are compiled from TAPR data. Outcome data for 2003 are based on participants who exited either the TAA or NAFTA-TAA program from July 1, 2001 to June 30, 2002. As a result, these data do not reflect program outcomes for participants served under the provisions of the TAA Reform Act, who would have been certified as TAA-eligible on or after November 4, 2002.

---

status and wages are not captured in wage records. These supplemental data, however, will not be included in annual performance outcomes calculations.

---

### No Recent Data Exist on Program Effectiveness, but Labor Is Initiating a New Impact Study

No information is currently available to accurately measure program effectiveness. However, Labor has recently taken steps to better evaluate the effect of TAA services on participants. While outcomes measures are an important component of program management in that they assess whether a participant is achieving an intended outcome—such as obtaining employment—they cannot, by themselves, measure whether the outcome is a direct result of program participation. Other influences, such as the condition of the local economy, may affect an individual’s ability to find a job as much or more than participation in an employment and training program. In order to determine whether participant outcomes are the effects of a program, rather than of other factors, it is necessary to conduct an impact evaluation.

Labor last completed an evaluation of the TAA program in 1993 when it analyzed the impact of TAA services, particularly training, on participants’ employment, job retention and earnings outcomes. The study compared TAA participants with a sample of dislocated worker non-participants with similar prelayoff characteristics. According to the study’s findings, TAA program participants tended to have longer periods of joblessness than other dislocated workers. Furthermore the study found that among TAA program participants, certain participants—including women or those with limited education—experienced especially long periods of unemployment (see app. VI for an overview of demographic characteristics of recent TAA participants).<sup>36</sup> However, methodological issues resulted in inconclusive findings regarding the impact of training on TAA program participants’ employment and earnings. In addition, Labor officials told us that because program benefits and services were

---

<sup>36</sup> A more recent study found that generally trade-affected workers as compared with other dislocated workers are more likely to be women and older. As a result of these characteristics, these types of workers are more likely to face barriers to reemployment (Lori Kletzer, *Job Loss from Imports: Measuring the Cost*, Washington, DC: Institute for International Economics, 2001).

---

significantly changed in 2002, the study's conclusions are of limited use in assessing the current program.<sup>37</sup>

Labor initiated a new 5-year study of the TAA program in 2004, and while details of this study are still being determined, the study is expected to consist of three phases. The first phase will be a study of the initial implementation of the TAA Reform Act. The longer-term phases of the study include a quasi-experimental impact study and an in-depth study of program administration that will identify promising practices and data collection issues. The second phase of the study will measure the effects of program services such as training on participants' employment, earnings, and employment retention. The current plans include collecting data from interviews and administrative records for both TAA program participants and a comparison group of UI claimants, which will be matched to participants using a technique that allows researchers to more readily identify appropriate comparison groups.<sup>38</sup> According to Labor officials, the methodology expected to be used in this study to identify comparison groups is an improvement over the methodology used in the previous study and should provide them with more conclusive findings about the impact of TAA services on participants. Although this is a long-term study, several interim reports are expected. The first of several interim reports is anticipated in mid-2005, and Labor expects to issue the final report in 2009.

---

## Conclusions

International trade is at least partially responsible for the decline in manufacturing over the last several years in the United States. Workers affected by trade may face greater barriers to reemployment than workers laid off for other reasons, for example because trade-affected workers are often older than other dislocated workers. By providing training and

---

<sup>37</sup>In 2004 the Office of Management and Budget (OMB) reviewed the TAA program through its Program Assessment Rating Tool (PART). OMB rated the program as ineffective based in part on the fact that the existing studies, including those of Labor, questioned whether the program was effective in helping program participants get back into suitable jobs.

<sup>38</sup>According to Labor officials, because random assignment is not possible in the TAA program, the impact study will use quasi-experimental methods that compare outcomes of different groups of TAA participants to those of comparison groups. The study will use propensity scoring, a technique that allows researchers to find comparison group members who are most closely matched to participants on a number of characteristics simultaneously.

---

extended income support, the TAA program is intended to help workers laid off because of international trade obtain reemployment.

The TAA Reform Act of 2002 changed the program in several ways that were intended to improve and expand services for trade-affected workers. At this early stage in implementation, several changes appear to be helping trade-affected workers. The clearest positive effect so far is that trade-affected workers are enrolling in services sooner, because of the new time limit on Labor's processing of TAA petitions and the new deadline for workers to enroll in training. It is too early to tell what will be the results of some changes, for example, how many workers will take advantage of the new wage insurance benefit.

Meanwhile, states report that certain provisions of the Reform Act have presented implementation challenges. The new training enrollment deadline may be causing some workers to lose their eligibility for extended income support, making it more difficult for them to complete the training they may need to obtain reemployment at wages comparable to their prelayoff wages. The new enrollment deadline may also be preventing some workers from receiving thorough assessments of their training needs and enrolling in the most appropriate training. Furthermore, these difficulties may be heightened in the cases of very large layoffs. Some officials report that eligibility requirements for the new HCTC have increased their administrative workload by causing them to spend more of their resources issuing training waivers just to facilitate workers' eligibility for the tax credit. Resources spent on issuing training waivers may be detracting from time invested in providing workers with needed job placement and training assistance. Furthermore, some find the eligibility criteria for the wage insurance program problematic, for example because the criteria require workers to lack easily transferable skills yet find re-employment without TAA-funded training. These eligibility criteria could be resulting in the denial of wage insurance payments to some workers who could benefit from the program.

---

## Recommendation for Executive Action

We recommend that Labor monitor issues related to the implementation of certain provisions of the TAA Reform Act that may have had unintended consequences for some workers, and propose legislative changes as deemed necessary. In particular, Labor should track over time the following:

- the ability of workers to meet the new training enrollment deadline and of states and local areas to provide appropriate assessments to all trade-

---

affected workers within the deadline, especially when responding to very large layoffs, and

- whether the eligibility criteria for the new wage insurance program are resulting in the denial of services to some older workers who could benefit from the program.

---

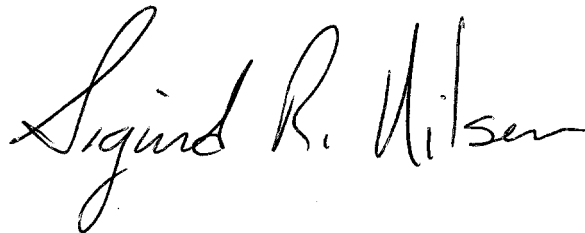
## Agency Comments

We provided a draft of this report to officials at Labor for their review and comment. In its comments, Labor did not raise any issues with our findings, conclusions or recommendations. Labor provided technical comments, which we include as appropriate. Labor's comments are reproduced in appendix VII.

---

We are sending copies of this report to the Secretary of Labor, relevant congressional committees, and others who are interested. Copies will also be made available to others upon request. The report is also available at no charge on GAO's Web site at <http://www.gao.gov>.

Please contact me on (202) 512-7215 if you or your staff have any questions about this report. Other major contributors to this report are listed in app. VIII.



Sigurd R. Nilsen  
Director, Education, Workforce,  
and Income Security Issues

---

# Appendix I: Objectives, Scope, and Methodology

---

We were asked to provide information on (1) how key provisions of the Trade Adjustment Assistance (TAA) Reform Act have affected program services, (2) what have been the challenges in implementing the TAA Reform Act's new provisions, (3) whether demand for TAA training has changed, and how states are meeting this demand, and (4) what is known about what the TAA program is achieving. To address these questions, we conducted a Web-based survey of all 50 state workforce agencies that administer the TAA program and Puerto Rico. We conducted site visits to 5 states—Maine, North Carolina, Pennsylvania, Texas, and Washington—and interviewed state and local officials in each state. We reviewed data and documents from the U.S. Department of Labor (Labor) and other sources. We also interviewed officials from Labor, the AFL-CIO, the National Association of State Workforce Agencies, and the Congressional Research Service.

---

## Web-Based Survey

To collect broad information on TAA Reform Act implementation and states' management of their training funds, we surveyed state officials from the 50 states and Puerto Rico in March, 2004. Washington, D.C. was not surveyed because it did not have a TAA program. This structured survey was administered via e-mail and the Internet and had a 98 percent response rate, including responses from all 50 states. The survey was designed to obtain information on the following: Labor and state efforts to reach out to new categories of eligible workers such as secondary workers, the effect of new training enrollment deadlines on services to participants, and obstacles that states faced in implementing new provisions in the TAA Reform Act, including the Health Coverage Tax Credit and the wage insurance provision. The survey also included questions on other sources of funds used to support services for TAA participants and the extent to which states collect outcome data that is more up to date and accurate than the data required by Labor.

Because this was not a sample survey, there are no sampling errors. However, the practical difficulties of conducting any survey may introduce other errors, commonly referred to as nonsampling errors. For example, difficulties in how a particular question is interpreted, in the sources of information that are available to respondents, or in how the data are entered into a database or were analyzed can introduce unwanted variability into the survey results. We took steps in the development of the questionnaire, the data collection, and the data analysis to minimize these nonsampling errors. For example, GAO survey specialists designed the questionnaire in collaboration with GAO staff with subject matter expertise. Then, the draft questionnaire was pretested with three state

officials to ensure that the questions were relevant, clearly stated, and easy to comprehend. When the data were analyzed, a second, independent analyst checked all computer programs. Since this was a Web-based survey, respondents entered their answers directly into the electronic questionnaire. This eliminates the need to have the data keyed into a database, thus removing an additional source of error.

**Site Visits**

We selected 5 states for site visits according to several criteria, including experience with large numbers of TAA participants in recent years, representation of a range of adversely affected industries, states recommended by Labor either as models in implementing TAA or as states facing implementation challenges, and geographic diversity (see table 4). In each state we interviewed state officials on topics including TAA Reform Act implementation, management of TAA training funds, and coordination between TAA and other federal programs.

**Table 4: Site Selection Criteria**

<b>State</b>	<b>Average participants<sup>a</sup> per year, FY00-FY02 (national ranking)</b>	<b>Average TAA training allocation per year, FY01-FY03 (national ranking)</b>	<b>Recent adversely affected industries</b>
Maine	1,286 (14)	\$4,073,574 (17)	Paper, computer equipment, apparel
North Carolina	6,850(1)	\$6,596,453 (7)	Textiles
Pennsylvania	2,401 (7)	\$14,846,753 (1)	Steel, airlines, chemical dye, electronics
Texas	4,368 (2)	\$9,893,323 (3)	High-tech, <sup>b</sup> oil, electronics, garment/apparel
Washington	3,749 (3)	\$11,070,045 (2)	Aluminum, lumber/paper/forest products, aerospace

Source: Department of Labor and GAO analysis.

<sup>a</sup>Participants are workers in training during the fiscal year.

<sup>b</sup>High-tech job categories include computer-related occupations and technical and quality assurance.

Combined, the 5 states constituted about 36 percent of the national total of TAA participants from fiscal years 2000 through 2002 (see fig. 14).



Figure 14: Percentage of Total TAA Participants in Selected States, Fiscal Years 2000-2002



Source: Department of Labor and GAO analysis.

Note: Because of rounding, the total does not add up to 36 percent.

We judgmentally selected two local areas in each state and visited a mix of urban and rural areas (see table 5). We met with local officials, program participants, employers, and workforce investment board members. We collected information on how local areas are implementing provisions of the TAA Reform Act and how they are coordinating Workforce Investment Act and TAA funds.

**Table 5: Local Workforce Areas Selected for Visits**

State	Local workforce area	City
Maine	Augusta East Millinocket	Augusta East Millinocket
North Carolina	Vance County Kannapolis	Henderson Kannapolis
Pennsylvania	Berks County Lehigh Valley	Reading Lehigh Valley
Texas	Greater Austin Area Dallas County	Austin Richardson
Washington	Cowlitz/Wahkiakum East Tacoma-Pierce County Employment & Training Consortium	Kelso Tacoma

Source: GAO analysis.

## Review of Data from Labor and Other Sources

We reviewed data from Labor on petitions, participants, services, performance, and expenditures from fiscal year 1999 to fiscal year 2003. For fiscal year 2003, we broke out data on petition-processing times between workers served prior to the TAA Reform Act and those served after implementation of the Reform Act in an attempt to isolate the effects of program changes. We assessed the reliability of key data by interviewing Labor officials, reviewing Labor documentation, and performing edit checks of computer-based data. We found some limitations in these data but judged the data to be sufficiently reliable for the purposes of our reporting objectives. In particular, some data on certified workers and on the number of workers entering training annually may have inaccuracies, but we believe these data to be sufficiently reliable for the purpose of demonstrating trends over time, the main focus of our reporting objective. Data that were used for background purposes and provided in app. VI were not independently verified.

# Appendix II: Final Decisions Rendered by the U.S. Court of International Trade on Appealed TAA Cases, Fiscal Years 1999-2004

Workers whose petitions for certification of TAA eligibility are denied by the U.S. Department of Labor may seek judicial review of Labor's decision by filing an appeal with the U.S. Court of International Trade. Workers may file such an appeal either after Labor's negative determination on the initial petition or after Labor's negative determination on a reconsideration of its determination. The U.S. Court of International Trade may affirm the action of the Department of Labor, set it aside in whole or in part, or return—termed remand—the case to Labor to take further evidence.

**Table 6: Final Decisions Rendered by the U.S. Court of International Trade on Appealed TAA Determination Cases, Fiscal Years 1999-2004**

	Fiscal year						Totals
	1999	2000	2001	2002	2003	2004	
<b>Number of decisions</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>8</b>	<b>5</b>	<b>26</b>
<b>Outcomes<sup>a</sup></b>							
Reversed Labor's decision after remand				1	2		3
Affirmed Labor's original decision without remand	1		1	1			3
Affirmed Labor's reversal of original decision after remand		1			3	4	8
Affirmed Labor's negative decision after remand	1	1	2		1		5
Dismissed		2		2	2	1	7

Source: GAO analysis.

<sup>a</sup>Four other cases were remanded to the U.S. Department of Labor for reconsideration. However, the results of these remands were not available to us at the time of this report.

# Appendix III: Certified Workers, Benefit Recipients, and Expenditures

**Table 7: TAA and NAFTA-TAA Certified Workers, Benefit Recipients, and Expenditures, Fiscal Years 1999-2003**

	Fiscal year				
	1999	2000	2001	2002	2003
Certified workers <sup>a</sup>	175,898	116,720	164,701	274,081	204,233
Extended income support					
Payments	\$213.1	\$257.6	\$260.4	\$228.6	\$326.9
New recipients	37,540	34,965	34,690	42,362	47,992
Workers entering training <sup>b</sup>	32,587	25,258	30,340	45,771	47,239
Training-related costs <sup>c</sup>	\$97.3	\$106.7	\$99.0	\$145.0	\$191.4
Job search allowance					
Payments	\$0.1	\$0.1	\$0.1	\$0.1	\$0.2
Recipients	314	371	261	2,126	433
Relocation allowance					
Payments	\$1.0	\$1.2	\$0.9	\$1.0	\$1.7
Recipients	772	757	407	453	766

Source: Department of Labor.

Note: All dollars are in millions.

<sup>a</sup>The data used for this table are estimates of the number of workers certified as eligible for TAA, based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected. We use these estimates because the Department of Labor does not collect data on the number of workers ultimately certified.

<sup>b</sup>This figure is an underestimate of the total number of workers entering training, because some states do not capture all workers entering training in the data they submit to Labor.

<sup>c</sup>Includes costs of tuition, transportation, subsistence, and related expenses for all workers who received training during the year. States may pay some of these costs through funding sources other than TAA, such as WIA funds.

# Appendix IV: State Training Allocations, Fiscal Years 2001-2004

Prior to fiscal year 2004, Labor awarded TAA training funds to states based on their requests throughout the fiscal year. In fiscal year 2004, Labor allocated 75 percent of available training funds among the states at the beginning of the fiscal year according to a formula. The amounts allocated to states at the beginning of fiscal year 2004 are their base allocations. Labor held the remaining 25 percent of available training funds in reserve to help states respond to large and unanticipated layoffs throughout the year. States are eligible to submit requests for 25 percent reserve funds only after they have expended 50 percent of their base allocations.

**Table 8: State Training Allocations, Fiscal Years 2001–2003, and State Training Base Allocations, Fiscal Year 2004**

State	Fiscal year 2001	Fiscal year 2002	Fiscal year 2003	Fiscal year 2004
Alabama	\$6,762,498	\$690,000	\$2,639,932	\$2,352,825
Alaska	0	0	1,425,664	539,240
Arizona	4,520,650	925,865	4,286,604	3,190,283
Arkansas	2,645,000	1,451,875	2,919,461	2,226,153
California	6,787,415	7,831,443	9,437,155	6,826,917
Colorado	1,093,500	1,177,232	2,590,199	1,859,483
Connecticut	2,642,528	2,300,000	3,205,582	2,388,390
Delaware	0	0	41,466	0
Florida	5,168,100	3,747,465	5,594,035	4,332,785
Georgia	0	1,891,750	0	0
Hawaii	11,541	0	0	0
Idaho	1,920,421	3,137,200	4,304,245	3,155,550
Illinois	5,663,750	4,427,500	7,923,660	5,809,033
Indiana	2,415,000	3,323,500	6,597,124	4,836,517
Iowa	405,150	1,035,000	6,376,729	4,513,308
Kansas	347,814	2,019,208	6,025,569	4,417,495
Kentucky	2,388,901	3,200,757	2,688,600	2,405,596
Louisiana	1,124,701	940,010	728,928	612,285
Maine	3,174,980	4,381,291	4,664,450	3,607,190
Maryland	34,500	690,000	706,808	518,179
Massachusetts	1,667,500	2,702,500	8,133,369	5,962,776
Michigan	2,866,156	6,141,000	8,191,855	6,050,100
Minnesota	632,500	3,967,500	7,621,904	5,173,069
Mississippi	379,562	915,573	2,635,960	1,932,488
Missouri	2,169,475	5,687,589	8,631,673	5,519,517
Montana	1,148,850	1,322,500	2,373,933	1,118,812

**Appendix IV: State Training Allocations,  
Fiscal Years 2001-2004**

<b>State</b>	<b>Fiscal year 2001</b>	<b>Fiscal year 2002</b>	<b>Fiscal year 2003</b>	<b>Fiscal year 2004</b>
Nebraska	2,098,750	2,012,500	344,401	441,442
Nevada	0	281,750	1,066,034	332,032
New Hampshire	195,500	1,153,450	885,500	662,720
New Jersey	3,450,000	4,018,157	1,454,572	1,397,110
New Mexico	0	542,800	820,282	601,369
New York	4,545,317	2,024,920	3,471,173	2,755,667
North Carolina	4,231,540	6,619,170	9,159,118	7,246,224
North Dakota	29,900	33,350	11,270	0
Ohio	4,678,912	2,913,171	8,144,190	5,717,602
Oklahoma	1,220,190	1,269,752	2,658,052	1,948,684
Oregon	9,805,360	8,780,480	6,335,181	5,244,609
Pennsylvania	10,867,500	8,245,500	32,707,004	23,725,215
Rhode Island	1,957,593	4,934	959,973	764,425
South Carolina	730,250	2,070,000	12,506,305	9,168,685
South Dakota	270,250	347,300	629,480	461,488
Tennessee	2,806,000	2,219,500	2,852,109	2,349,510
Texas	8,232,418	6,389,309	15,058,242	11,211,282
Utah	214,508	2,804,350	3,684,565	2,286,508
Vermont	460,000	920,000	317,139	280,819
Virginia	4,600,000	3,484,500	7,302,968	5,353,742
Washington	7,736,280	4,450,500	21,243,827	15,412,748
West Virginia	2,300,000	805,000	743,636	662,652
Wisconsin	3,323,854	5,692,500	16,883,175	12,377,478
Wyoming	140,000	16,985	64,898	0
<b>Reserve Funds</b>	-	-	-	<b>55,000,000</b>
<b>National Total</b>	<b>\$129,864,614</b>	<b>\$131,006,636</b>	<b>\$259,047,999</b>	<b>\$244,750,000</b>

Source: Department of Labor.

Note: State allocations in all fiscal years include funds reserved for administration in addition to funds reserved for training. Allocations for fiscal years 2001-2003, but not for fiscal year 2004, also include amounts awarded for job search and relocation benefits.

# Appendix V: Detailed Listing of Steps States Report Taking in Response to Limited TAA Training Funds

**Table 9: Steps States Report They Have Taken in Response to Limited TAA Training Funds, Fiscal Years 2001-2003**

State	Developed new guidelines for enrolling participants	Obligated current year funds only for current year costs	Enrolled participants in shorter-term training	Placed participants on temporary waiting list for training	Reduced training cost limit per participant
Alabama			X	X	
Alaska		X			
Arizona		X			
Arkansas					
California				X	
Colorado	X		X		X
Connecticut		X	X	X	X
Delaware	X	X	X	X	
Florida	X		X	X	
Georgia	X				X
Hawaii					
Idaho	X	X	X		
Illinois				X	
Indiana		X	X		
Iowa	X		X	X	X
Kansas	X	X	X		
Kentucky	X		X	X	
Louisiana	X				
Maine					
Maryland		X			
Massachusetts					
Michigan		X	X	X	
Minnesota				X	
Mississippi			X		
Missouri	X		X		
Montana			X		
Nebraska	X	X	X		X
Nevada		X		X	
New Hampshire					
New Jersey	X	X	X	X	X
New Mexico	X				X
New York			X	X	
North Carolina			X		

**Appendix V: Detailed Listing of Steps States  
Report Taking in Response to Limited TAA  
Training Funds**

<b>State</b>	<b>Developed new guidelines for enrolling participants</b>	<b>Obligated current year funds only for current year costs</b>	<b>Enrolled participants in shorter-term training</b>	<b>Placed participants on temporary waiting list for training</b>	<b>Reduced training cost limit per participant</b>
North Dakota					
Ohio			X	X	
Oklahoma					
Oregon				X	
Pennsylvania	X	X		X	X
Rhode Island	X			X	
South Carolina	X			X	X
South Dakota		X	X		
Tennessee	X				
Texas	X	X	X	X	
Utah		X			
Vermont					
Virginia		X			
Washington					
West Virginia			X		
Wisconsin		X			
Wyoming					
<b>Total</b>	<b>18</b>	<b>18</b>	<b>22</b>	<b>19</b>	<b>9</b>

Source: GAO survey of state workforce agencies.

Note: (X) indicates state has taken step at some point between fiscal year 2001 and fiscal year 2003.



**Appendix V: Detailed Listing of Steps States  
Report Taking in Response to Limited TAA  
Training Funds**

**Table 10: Steps States Report They Have Taken or Anticipate Taking in Response to Limited TAA Training Funds, Fiscal Year 2004**

<b>State</b>	<b>Developed new guidelines for enrolling participants</b>	<b>Obligated current year funds only for current year costs</b>	<b>Enrolled participants in shorter-term training</b>	<b>Placed participants on temporary waiting list for training</b>	<b>Reduced training cost limit per participant</b>
Alabama		X	X	X	
Alaska	X	X			
Arizona	X	X			
Arkansas			✓		
California	X	X	X	X	✓
Colorado	X		X		X
Connecticut	✓	✓		✓	
Delaware	✓	X		X	
Florida	X	✓	X	✓	✓
Georgia		✓			X
Hawaii					
Idaho	X	X	X		
Illinois	X	X	✓		
Indiana	✓		X		
Iowa	X		X	✓	X
Kansas		X	X		
Kentucky	✓	✓	X	✓	
Louisiana	X	✓			
Maine				✓	
Maryland		✓			
Massachusetts	X	X		X	✓
Michigan	X	X	X		
Minnesota		✓	✓	✓	X
Mississippi		X			
Missouri	X	✓	X		
Montana		✓	X		
Nebraska	X	X	✓		✓
Nevada	X	X			
New Hampshire	X	✓	✓		
New Jersey	X	X	X	X	X
New Mexico	X	✓	✓	✓	X
New York	X		X	X	✓

**Appendix V: Detailed Listing of Steps States  
Report Taking in Response to Limited TAA  
Training Funds**

<b>State</b>	<b>Developed new guidelines for enrolling participants</b>	<b>Obligated current year funds only for current year costs</b>	<b>Enrolled participants in shorter-term training</b>	<b>Placed participants on temporary waiting list for training</b>	<b>Reduced training cost limit per participant</b>
North Carolina			X		
North Dakota					
Ohio	✓	✓	✓	✓	✓
Oklahoma					
Oregon		X		✓	
Pennsylvania	X	X			
Rhode Island		X		✓	
South Carolina					
South Dakota	✓	X	✓		
Tennessee	✓				✓
Texas	X	X	X		
Utah		X			
Vermont					
Virginia	✓	X	✓	✓	
Washington					
West Virginia	X	X	X	✓	
Wisconsin		X			
Wyoming		✓	✓		
<b>Totals taken</b>	<b>21</b>	<b>23</b>	<b>17</b>	<b>6</b>	<b>6</b>
<b>Totals anticipate taking</b>	<b>8</b>	<b>13</b>	<b>10</b>	<b>12</b>	<b>7</b>

Source: GAO survey of state workforce agencies.

Notes: (X) indicates state has taken step during fiscal year 2004.

(✓) indicates state anticipates taking step during fiscal year 2004.

The survey was fielded in March 2004, therefore these results reflect steps states have taken during the first six months of fiscal year 2004 and steps states anticipate taking during the last six months of fiscal year 2004.

---

# Appendix VI: Demographic Characteristics of TAA Participants

---

Through the Trade Act Participant Report (TAPR), states regularly submit data to Labor on the demographic characteristics of TAA participants. The data provided below are for participants who completed program services or stopped receiving services between July 1, 2001, and June 30, 2002. These data include workers who received services under either or both the TAA program and the NAFTA-TAA program.

**Table 11: Select Demographic Characteristics of Participants Exiting TAA Program, July 1, 2001-June 30, 2002**

	Percentage <sup>a</sup>
<b>Sex</b>	
Female	55
Male	45
<b>Age</b>	
Under 30 years	10
30–45 years	41
45 years and older	48
<b>Education</b>	
Less than high school	20
High school graduate	57
Some education beyond high school	23
<b>Average tenure on prelayoff job (in years)</b>	<b>9.3</b>

Source: Department of Labor.

Note: Because these data are provided primarily for background purposes, they were not independently verified.

<sup>a</sup>All percentages are based only on participants for whom data were available.

# Appendix VII: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



**AUG 26 2004**

Mr. Sigurd R. Nilsen  
Director  
Education, Workforce, and Income Security Issues  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Nilsen:

The Employment and Training Administration (ETA) is in receipt of the draft Government Accountability Office (GAO) report, "Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, But Implementation Challenges Remain," GAO-04-1012. The objectives of the study were to determine: (1) how key reform provisions have affected program services; (2) what have been the challenges in implementing new provisions; (3) whether demand for TAA training has changed, and how states are meeting this demand; and (4) what is known about what the TAA program is achieving.

The report includes one recommendation for executive action. The recommendation is that ETA monitor the implementation of certain provisions of the TAA Reform Act that may have had unintended consequences for some workers and that may require legislative changes. These include the new training enrollment deadline, which may be negatively affecting some workers, and the eligibility criteria for the new wage insurance provision, which may be resulting in denial of services to some older workers who could benefit from them.

We believe the enclosed technical comments can improve the final report. If you would like additional information, please don't hesitate to contact me at (202) 693-2700.

Sincerely,

A handwritten signature in black ink that reads "Emily Stover DeRocco" followed by the initials "ESD".

Emily Stover DeRocco

Enclosure

---

# Appendix VIII: GAO Contacts and Staff Acknowledgments

---

## GAO Contacts

Dianne Blank (202) 512-5654  
Lorin Obler (617) 788-0511

---

## Staff Acknowledgments

Irene J. Barnett and Eric Clemons made significant contributions to this report in all aspects of the work throughout the assignment. In addition, Stuart Kaufman assisted in the design of the state survey, George Quinn Jr. assisted in the analysis of survey data, Ray Wessmiller assisted in the analysis of data collected from the Department of Labor, and Shana Wallace contributed to the development of the report's overall methodology. Jessica Botsford and Richard Burkard provided legal support, and Corinna Nicolaou assisted in the message and report development.

---

# Related GAO Products

---

*Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help.* [GAO-04-657](#). Washington, D.C.: June 1, 2004.

*National Emergency Grants: Labor Is Instituting Changes to Improve Award Process, but Further Actions Are Required to Expedite Grant Awards and Improve Data.* [GAO-04-496](#). Washington, D.C.: April 16, 2004.

*Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing is Needed.* [GAO-03-725](#). Washington, D.C.: June 18, 2003.

*Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services.* [GAO-03-350](#). Washington, D.C.: January 24, 2003.

*Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program.* [GAO-02-274](#). Washington, D.C.: February 11, 2002.

*Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness.* [GAO-02-275](#). Washington, D.C.: February 1, 2002.

*Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities.* [GAO-01-838](#). Washington, D.C.: August 24, 2001.

*Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs.* [GAO-01-59](#). Washington, D.C.: October 13, 2000.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to Updates."

---

## Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office  
441 G Street NW, Room LM  
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000  
TDD: (202) 512-2537  
Fax: (202) 512-6061

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

---

## Public Affairs

Jeff Nelligan, Managing Director, [NelliganJ@gao.gov](mailto:NelliganJ@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548