

*Trade Adjustment Assistance: New Ideas for
an Old Program*

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**Trade Adjustment Assistance:
New Ideas for an Old Program**

Special Report



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Foreword

In 1986 OTA was asked by the Senate Committee on Banking, Housing, and Urban Affairs; the Senate Committee on Finance; and the House Committee on Banking, Finance, and Urban Affairs to carry out an assessment of technology, innovation, and U.S. trade, As part of that assessment, and in preparation for congressional consideration of new comprehensive trade legislation, Senator John Heinz asked OTA to prepare a special report evaluating the problems and opportunities of the Trade Adjustment Assistance program (TAA).

TAA includes two programs: employment and training assistance for workers who have lost jobs on account of trade and technical assistance for firms and industries hurt by imports. Both parts of TAA have the potential to help workers and businesses adjust to intensifying global competition. This report discusses options for TAA redesign and administration that could make both programs more effective.

OTA's analysis of TAA for workers builds on a broader assessment, *Technology and Structural Unemployment: Reemploying Displaced Adults*, published in February 1986, which examined the reemployment and retraining needs of displaced workers generally (not just those affected by trade) and the adequacy of government programs to meet those needs. Taking as a starting point the lessons learned in the earlier study, this special report analyzes the strengths and weaknesses of TAA in helping trade-affected workers find or train for new jobs. TAA's greatest strength is its capacity to support long-term training. Its major weaknesses are delays in delivery of services and lack of attention to workers' individual needs. This report focuses especially on coordinating TAA benefits with the services available to all displaced workers under Title III of the Job Training Partnership Act, in ways that take advantage of the strong points of both programs and best serve the individual worker. TAA for workers has recently expanded and is now a substantial program—almost equal in funding (about \$200 million in 1987) and enrollment (more than 100,000 workers) to the JTPA Title III program,

TAA for firms and industries, modestly funded at about \$16 million per year, is nevertheless the main source of long-term, intensive technical assistance from the Federal Government to small and medium-sized manufacturers. The Administration has long proposed to abolish the program, arguing that it is inappropriate and ineffective, and in recent months has largely immobilized it by delaying grants to service providers. Despite its difficulties, the program does have potential for helping high-risk, trade-injured firms recover competitiveness. The potential cannot be fulfilled, however, unless the grants that pay for technical assistance are released in a timely, reliable manner.

In conducting this study, OTA interviewed TAA and JTPA Title III program managers in 39 States and directors of 11 Trade Adjustment Assistance Centers, which receive TAA grants to deliver technical assistance to firms. The viewpoints of many others with an interest in the TAA program were sought as well. OTA thanks the many people who provided data and advice—panel members; State and local government officials; representatives of the Departments of Commerce and Labor; and experts in academia, business, and labor unions—for their assistance. As with all OTA studies, the analyses and findings of this report are solely those of OTA.



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