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Report to the Congress; by Elmer B. Staats, Comptroller General.

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Congress has recognized that increased imports resulting from expanded international trade could adversely affect certain workers and firms within the United States and has ected that segments of the economy affected by increased impo petition receive various forms of monetary and nonm ; adjustment assistance. The Worker Adjustment Assist ram is administered by the Department of Labor through . oloyment agencies and provides eligible unemployee s with weekly allowances; training, counseling, and job ; and job search and relocation allowances. As of June 6, 149,800 workers from the auto industry were certified . ligible to apply for adjustment assistance. Findings/Conclusions: Few automotive industry workers took advantage of the training, job search, and relocation benefits through the adjustment assistance program because most layoffs in the industry were considered temporary, and most workers were either back to work or willing to wait for recall rather than accept another job. Most of the workers had returned to work long before their adjustment assistance payments were received. When the payments were received, a large part of the money was used to repay the company/union supplemental unemployment benefit fund. Program benefits were not always distributed equitably because of problems in identifying specific workers separated from jobs because of import competition. Some auto workers received program benefits for layoff periods unrelated to import competition. Recommendations: The Secretary of Labor, before issuing certifications, should determine the extent to which affected workers can be identified from employer records, and, when issuing certifications, should provide guidelines for determining which workers are eligible. Congress should amend the Trade Act of 1974 so that supplemental unemployment and similar benefits can be treated in the same manner as other earned income in computing weekly benefit entitlements. (RRS)

REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Worker Adjustment Assistance Under The Trade Act Of 1974-- Problems In Assisting Auto Workers

Department of Labor

The worker adjustment assistance program is designed to provide cash benefits, training, and employment services to workers laid off because of import competition. However,

--cash benefits had little impact because most auto workers received the benefits after returning to work;

--eligible workers were difficult to identify when they worked interchangeably on more than one product; and

--workers received cash benefits for temporary layoffs, generally not related to import competition.

This report contains recommendations to the Congress and the Secretary of Labor.

HRD-77-152

JANUARY 11, 1978

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-152183

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the impact of the worker adjustment assistance program on auto workers separated from jobs because of import competition. It is one of several reports which we will issue in fulfilling our legislative requirements to assess the effectiveness of adjustment assistance programs and to report our findings no later than January 31, 1980.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), the Accounting and Auditing Act of 1950 (31 U.S.C. 67), and the Trade Act of 1974 (19 U.S.C. 2101).

We are sending copies of this report to the Acting Director, Office of Management and Budget, and to the Secretary of Labor.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

WORKER ADJUSTMENT ASSISTANCE UNDER THE TRADE ACT OF 1974--PROBLEMS IN ASSISTING AUTO WORKERS
Department of Labor

D I G E S T

The worker adjustment assistance program is designed to provide workers with timely and meaningful job help in adjusting to their changed economic conditions caused by import competition. The program is administered by the Department of Labor through State employment agencies and provides eligible unemployed workers with

--weekly trade adjustment allowances;

--training, counseling, and job referral; and

--job search and relocation allowances.

As of June 30, 1976, about 61,000 auto industry workers had been certified by Labor as eligible to apply for adjustment assistance benefits. Of these, about 15,000 had already received $21.8 million in program benefits. These workers comprise the largest group from any single industry to apply for and receive adjustment assistance.

However, there was little actual change in their economic condition and little benefit from adjustment assistance for most workers laid off in 1974 and 1975.

Applying for this assistance is awkward and difficult to deliver in a timely manner, and it arrived too late to be of much help for those workers who needed it.

GAO's review of 27 auto worker petitions showed that:

--Most laid-off workers received about 95 percent of their regular pay from State unemployment insurance and company/union supplemental funds. These benefits, together with the industry's high wage scale, strong seniority system, and substantial fringe benefits, were disincentives for workers to take advantage of adjustment assistance, training programs, or job search and relocation allowances. (See ch. 2.)

--Program benefits had little impact on workers because they were not received until most workers were back to work; when the benefits did arrive, about half were used to repay company/union supplemental unemployment benefit funds. (See chs. 2 and 3.)

--Program benefits were not always distributed equitably because of problems in indentifying specific workers among the group of workers Labor specified as being separated from their jobs because of import competition. (See ch. 4.)

--Some auto workers received program benefits for layoff periods not related to imports because the program was unable to deal with the special nature of auto industry layoffs and variations in production processes. (See ch. 5.)

RECOMMENDATIONS TO THE AGENCY

The Secretary of Labor should, before issuing certifications, (1) determine the extent to which affected workers can be identified from employer records and (2) when issuing certifications, provide guidelines for the employers or State employment agencies for determining which workers are eligible. (See p. 27.)

RECOMMENDATIONS TO THE CONGRESS

The Congress should amend the Trade Act of 1974 so that supplemental unemployment and similar benefits can be treated in the same

manner as other earned income in computing weekly benefit entitlements. (See p. 27.)

The Congress also should amend current legislation to provide the Secretary of Labor with the authority necessary to disallow benefit claims from certified workers for temporary layoffs not associated with increased imports. (See p. 28.)

Labor generally agreed with GAO's recommendations but indicated that it would prefer to study further the issues related to supplemental unemployment benefits (see pp. 36 and 37) and expressed concerns about the increased administration involved in disallowing benefits during temporary layoffs not associated with imports. (See pp. 37 to 39.)

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ABBREVIATIONS

GAO	General Accounting Office
SUB	supplemental unemployment benefits
TRA	trade readjustment allowances
UAW	International Union, United Automobile, Aerospace and Agricultural Implement Workers of America
UI	unemployment insurance

CHAPTER 1

INTRODUCTION

The Trade Act of 1974--Public Law 93-618 enacted January 3, 1975--gives the President authority to make trade agreements with foreign countries and liberalizes certain adjustment assistance provisions, benefits, and qualifying requirements of the Trade Expansion Act of 1962 (Public Law 87-794). In passing both of these acts, the Congress (1) recognized that increased imports resulting from expanding international trade could adversely affect certain workers and firms within the United States and (2) directed that those segments of the economy affected by increased import competition receive various forms of monetary and nonmonetary adjustment assistance. Specifically, such assistance was designed to bring about an adjustment to changed economic conditions arising from changes in international trade patterns.

Under the 1974 act, adjustment assistance was extended to communities. The Secretary of Commerce is responsible for certifying the eligibility of firms and communities for benefits and delivering the benefits to them. The act also transferred the responsibility for certifying workers' eligibility for benefits from the U.S. International Trade Commission (formerly the U.S. Tariff Commission) to the Secretary of Labor. The act left the responsibility for delivering benefits to workers with the Secretary of Labor.

Under section 280 of the 1974 act, the Congress directed us to review adjustment assistance programs and report by 1980 on how effectively the programs are helping workers, firms, and communities. Because of the programs' complex structure, we plan to issue several interim reports on various aspects of trade adjustment assistance. So far, we have issued two other reports on the Trade Act--(1) "Assistance to Nonrubber Shoe Firms" (CED-77-51, Mar. 4, 1977) and (2) "Certifying Workers For Adjustment Assistance--The First Year Under The Trade Act" (ID-77-28, May 31, 1977).

This report evaluates adjustment assistance benefits the Department of Labor provides to laid-off workers in the automobile industry. As of June 30, 1976, these workers comprised the largest single group certified for adjustment assistance. We will make separate evaluations of adjustment assistance to (1) other types of workers, (2) the Department of Commerce's implementation of adjustment assistance to firms and communities, (3) adjustment assistance in other developed countries, and (4) the coordination of the administration of the adjustment assistance program.

HOW THE PROGRAM OPERATES

Eligibility to receive worker adjustment assistance must be determined through a two-step process. First, a petition requesting certification of eligibility to apply for assistance must be filed with the Secretary of Labor. The Bureau of International Labor Affairs, within the Department of Labor, administers the certification process. A petition may be filed by either a group of workers, their union, or an otherwise authorized representative.

To be determined eligible for assistance, the Secretary must certify that

--a significant number of workers in a firm or an appropriate subdivision of the firm have become or are threatened with becoming totally or partially separated,

--the sales and/or production of such firm or subdivision have decreased, and

--increased imports of like or directly competitive articles contributed importantly to such separations and declines in sales or production.

The Secretary must also determine the date on which imports began contributing to layoffs (the impact date) and where appropriate, the date on which imports no longer affect workers (the termination date of the certification).

Upon reaching a determination on a petition, the Secretary must publish a summary of the decision in the Federal Register, together with the reasons for making such determination. Petitioners aggrieved by the Secretary's determination may, within 60 days of the notice of determination, file a petition for review of the decision with the U.S. Court of Appeals.

The second step of the eligibility process occurs when certified workers individually submit applications for benefits to the local offices of their respective State employment agencies responsible for delivery of benefits. General supervision of the trade adjustment assistance program in these State agencies is the responsibility of Labor's Employment and Training Administration. Workers may apply for the following types of trade adjustment assistance:

--Weekly trade readjustment allowances (TRA).

--Employment services, including training and related services.

--Job search and relocation allowances.

These benefits are in addition to those available through State unemployment insurance programs.

Workers are eligible for weekly TRA equal to 70 percent of their average weekly wage less any unemployment insurance (UI) benefits that they are entitled to, but not in excess of the national average weekly manufacturing wage for all industries as compiled by Labor. TRA is also reduced by 50 percent of any wages earned during each week that TRA is claimed. However, in these cases the weekly TRA, in combination with such earnings, and UI cannot exceed either 80 percent of their average weekly wages earned during the period on which TRA was based or 130 percent of the national average weekly manufacturing wage as compiled by Labor. Generally, TRA may be claimed for up to 52 weeks of unemployment. However, an additional 26 weeks of TRA is available for those in approved training programs and those age 60 or over on the date of separation.

In addition to TRA, those in training may receive a training allowance of up to $15 a day for subsistence and 12 cents a mile for transportation expenses. Up to 80 percent of job search expenses (not to exceed $500) may be paid to totally unemployed workers looking for work outside the commuting area. Totally unemployed workers moving to a new job outside the commuting area may also receive 80 percent of their moving expenses plus a lump sum payment equivalent to three times their average weekly wage (not to exceed $500).

The only requirement for workers to be eligible for training, related employment services, and job search allowances is that they be covered by certification. However, to be eligible for TRA and relocation allowances, certified workers must have worked in adversely affected employment for 26 of their last 52 weeks at wages of $30 or more a week.

AUTO INDUSTRY PETITIONS

Labor reported that by June 30, 1976, it had certified 149,800 workers from a variety of industries as eligible to apply for adjustment assistance. About 41 percent of these workers--61,569--were auto workers from 8 States certified under 27 petitions. (See app. I.) Ten of the petitions

covering 46 percent of the affected auto workers were from Michigan.

Through June 1976 a total of $21.8 million was paid to about 15,700 auto industry workers covered by 8 of the 27 petitions. This represents about 30 percent of the $72.8 million in TRA that Labor reported as being paid to certified workers from all industries.

The number of workers receiving TRA at any time will generally be less than the number certified because

--the number certified is based on estimates of those expected to be affected,

--some of those certified may not experience a layoff,

--some of those certified may not have worked the required 26 weeks in affected employment, and

--some of those eligible for TRA may not yet have received payments.

SCOPE OF REVIEW

To evaluate the delivery of adjustment assistance to auto industry workers, we reviewed program records for 377 randomly selected program applicants from 10,095 Chrysler Corporation workers applying for benefits under four certifications in Michigan. These workers were among the first from the auto industry to petition for adjustment assistance and constituted the majority of auto workers receiving assistance prior to June 30, 1976.

To determine whether sample results in Michigan were representative of other States' programs, we also inquired into the delivery of program benefits to auto workers covered under petitions certified as of June 30, 1976, in: Ohio, Indiana, Missouri, New York, New Jersey, California, and Wisconsin as well as workers covered by other auto petitions in Michigan. Furthermore, we discussed various aspects of program operations with officials from Labor, the International Union, United Automotive, Aerospace and Agricultural Implement Workers of America (UAW), the automotive manufacturing industry, and State employment agencies in Michigan and the seven States listed above.

We also reviewed authorizing legislation, implementing regulations, and procedures on the worker adjustment assistance program as well as records of selected individuals applying for UI in Michigan.

CHAPTER 2

ADJUSTMENT ASSISTANCE PROVIDED LITTLE HELP TO AUTO WORKERS

The adjustment assistance program did little to help import-affected auto workers adjust to changes in their economic condition. Since most workers were only laid off temporarily and were willing to await recall rather than accept another job, very few took advantage of training, job search, or job relocation. Furthermore, before they were even certified as eligible to apply for TRA, most were receiving 95 percent of their regular after-tax pay from UI and company/union supplemental unemployment benefits (SUB). When workers finally began to receive weekly TRA, these benefits were generally received retroactively (see ch. 3) and were used primarily to repay money previously received under the SUB program.

LAYOFFS WERE USUALLY TEMPORARY

The import-affected layoffs at the 27 auto plants began about October/November 1974; Labor estimated 61,569 workers were involved. None of the 27 plants were permanently closed, and we were advised by employers and State employment service officials that about 90 percent of the workers at these plants had returned to work by the time TRA was paid.

We reviewed the records of 377 workers selected randomly from 10,095 Chrysler workers applying for TRA under four certifications in Michigan. Of these 377 workers, 342 had received TRA. Our analysis of the layoff experience of these 342 TRA recipients between October 3, 1974 (the impact date specified in the certification) and June 30, 1976, showed that 94 percent of the workers had been recalled before they applied for TRA. Further analysis showed that 43 percent of the TRA recipients had experienced one continuous layoff period averaging 19 weeks, and the remaining 57 percent experienced more than one layoff, averaging 22 weeks in total. An average of 247 days elapsed between the time they were rehired and the time they received their TRA. (See discussion of delays in petition and payment process in ch. 3.)

EMPLOYMENT SERVICES NOT USED

The Trade Act of 1974 specifies that Labor make every reasonable effort that affected workers receive the counseling, testing, placement, and other related employment services

already available through State employment agencies. In addition, Labor is authorized to refer workers to existing training programs and, when appropriate, authorize and fund new training programs. Also, Labor can pay cash allowances for expenses of job search and job relocation, but we found that few auto workers used these employment services.

Limited counseling, testing, and job placement

As of June 30, 1976, only four of the eight States with certified auto petitions reported that employment services had been provided to auto workers. Employment agencies from Michigan, Missouri, Ohio, and Indiana involved with the five Chrysler and three International Harvester petitions reported that only 486 of 18,198 auto workers applying for TRA had been counseled; 18 had been tested, and only 43 were placed in other jobs. Officials from the four State agencies told us that few individuals were interested in other jobs when they applied for adjustment assistance because they were either back to work or waiting recall from their firm. Consequently, the officials considered these workers job-attached and not in need of employment services.

Of the 43 reported job placements, 39 involved certified workers from one Michigan Chrysler plant. Michigan employment agency officials at the branch office responsible for these placements advised us that these placements resulted in part from workers' fears that the Chrysler plant would close permanently. Even in view of the possible plant closing, the Employment Services Counselor advised us that it was difficult to place workers because TRA recipients were not interested in accepting jobs with smaller firms paying wages lower than those previously received from Chrysler. Furthermore, smaller firms in the area were reluctant to hire TRA recipients because of the probability that these workers would leave if recalled by Chrysler.

The Employment Services Counselor told us that employers' reluctance was warranted because most of the workers he placed quit when Chrysler recalled them. They did so to regain their higher pay and seniority. For example, by quitting and returning to Chrysler, one worker regained his seniority and increased his weekly earnings from $179 to $233.

Job search and relocation funds not used

Through June 30, 1976, only 2 of the 18,198 auto workers applying for TRA had received relocation allowances and only 1 had received a job search payment. The total amounts were $1,665 for relocation and $223 for job search. These benefits were used as follows:

--A 44-year-old male with three dependents, laid off as supervisor of material control for Chrysler's Trim Plant at Lyons, Michigan, received $660.72 to relocate to Grand Rapids from Lyons. He became a purchasing agent for a school district in Grand Rapids.

--A 28-year-old male with two dependents, earning $235 weekly, was laid off as an industrial truck driver for Chrysler. He received $1,004.69 to relocate to Missouri from Michigan to become a taxi dispatcher earning $2 per hour. However, he lost that job due to difficulties in obtaining a cab driver's license. He then found a job in a Missouri grocery store.

--A 35-year-old male, laid off from Chrysler's Lyons Trim Plant, got a $223 job search allowance to travel from Michigan to Tennessee for a job interview. According to the branch office Employment Services Counselor he was hired but quit after one day. He returned to his home in Michigan and found a job with a local employer. He then quit this job to accept recall to Chrysler.

Limited training activity

The Secretary of Labor can approve funds for training affected workers if they lack the skill to fill job vacancies. The act provides that insofar as possible, such training should be on-the-job training. Labor guidelines also require that before referring adversely affected workers to training or approving training, the State employment agency consult with the workers' firm to encourage development of a retraining program which will restore the employer/employee relationship.

Through June 30, 1976, the only major training program for auto workers involved 198 former employees at Chrysler's Lyons Trim Plant. The program consisted of 30 to 45 hours of classroom training and 440 hours of on-the-job training, to train these former employees as industrial sewing machine operators--a more needed skill when the plant expanded operations.

Of the 198 employees enrolled, 142 completed the program and were retained as sewing machine operators. Of the 56 who dropped out, 42 were eventually rehired by Chrysler. About $164,000 of Chrysler's training costs were authorized to be paid by Labor. This amount included $25,000 for classroom-related training expenses, and $139,000 for on-the-job training. In addition, during weeks of classroom instruction and weeks of waiting for placement in the on-the-job phase of the program, individuals were entitled to TRA totaling $45,000. (See p. 17.)

Chrysler officials told us that they could have filled nearly all of their needs by hiring sewing machine operators laid off by other manufacturers in the area. However, Trade Act funding provided the incentive to retrain former employees, thereby restoring the employer/employee relationship.

IMPACT OF TRA ON WORKERS' INCOME

While laid off, most auto workers received nearly 95 percent of their base after-tax pay from UI and SUB. In addition, workers were also entitled to receive TRA because the TRA benefit formula does not require States to consider SUB as income to be deducted when computing TRA entitlement. However, under union agreements, individuals who receive both TRA and SUB are required to repay a substantial portion of the SUB received while laid off. As a result, TRA provided little additional income to workers who were expected to repay SUB; in effect, it simply replaced funds workers received or would have received anyway.

Income was usually protected

The SUB program is a company-funded plan whereby the auto workers received income protection based on their pay level and length of service. The SUB plan pays the difference between the worker's UI and the total protection level--95 percent of weekly after-tax pay less overtime and a $7.50 per week deduction for work-related expenses not incurred ($12.50 beginning on January 1, 1977). Workers generally earn the right to 1 week of protection for every 2 weeks worked. They can earn up to 52 weeks of protection, but they must have at least 1 year's seniority to collect any benefits.

A Chrysler official told us that workers were paid SUB until the fund ran out of money in April 1975. About half of the total number of layoff weeks occurred before April 1975, therefore, the workers as a group received SUB payments for

half of their layoff. Ford and International Harvester officials told us that their SUB funds were sufficient to cover the workers during the entire layoff period, and General Motors advised us that with the exception of some workers at one plant, their workers were also covered.

Because length of service is a factor in determining eligibility for SUB, workers who would benefit most from TRA would generally be those with low seniority; they would be eligible for only limited SUB or no SUB. These workers are usually the first laid off and the last recalled. As discussed in chapter 3, however, TRA was in most cases not paid to workers until they had returned to work.

TRA replaced SUB

Under the TRA benefit formula, TRA payments are reduced if the worker has income during the layoff week. However, under the TRA benefit formula, SUB payments are not considered income, so workers receive both SUB and TRA. On the other hand, the SUB program considers TRA a Government benefit similar to UI, and as such, the amount of TRA received is deducted from the amount of SUB for which a worker is eligible.

If TRA is paid during the layoff, the workers' weekly SUB are reduced by the amount of TRA received. If workers receive retroactive TRA, for weeks in which they previously received SUB, they must replenish the SUB fund based on TRA received. Workers may repay SUB in a lump-sum or on an installment basis through payroll deduction. Although all workers receiving TRA and SUB are required to repay SUB, those who are not recalled usually avoid repayment because companies do not take action which requires former employees to repay the SUB fund unless the employees return to work.

The following example from Ford's Los Angeles Assembly Plant illustrates the relationship between TRA and SUB repayment for a worker who experienced 9 weeks of intermittent layoffs during the 6-month period from January through June 1975.

During the first week of layoff, the worker did not receive UI or SUB benefits but he did receive TRA benefits. During the next 3 weeks of layoffs prior to April 3, 1975--the effective date for the increased benefits under the 1974 Trade Act--he had to pay the SUB fund the equivalent of all the TRA he received because his SUB exceeded his TRA benefit. For the 5 weeks after April 3, 1975, when the TRA benefit amount increased, his weekly TRA benefit exceeded his weekly SUB benefit; therefore, he had to repay an amount equal to all of the SUB benefit.

Based on (1) an analysis of information from General Motors and Ford, and (2) repayment amounts provided by Chrysler and International Harvester, we estimate that overall, about 50 percent of the TRA paid to auto workers through June 30, 1976, under the 27 petitions will be repaid to SUB. We estimate the percentage to be higher--about 70 percent--for the estimated 45,600 workers included in 12 Ford and 7 General Motors petitions because we were advised by Ford and General Motors that SUB funds were not exhausted during the layoff periods (see p. 9) and nearly all TRA recipients were subsequently reemployed.

At the five Chrysler plants, about 22 percent of the TRA will be paid to SUB. This percentage is lower because the SUB fund was exhausted before some workers were rehired. At the remaining three International Harvester plants, about 2,500 of the 3,400 workers eligible for TRA had not been recalled as of December 1976. If these workers are not recalled, we estimate only about 16 percent of the $9 million in TRA will be repaid to SUB, since according to an International Harvester official, repayment is contingent upon returning to work.

Because under their union agreement SUB must be repaid up to the amount of TRA received, TRA has provided little additional income protection to most auto workers who were recalled. However, the workers have received some benefit from TRA as UAW indicated in a newsletter to certified Chrysler workers. The following summarizes UAW's comments:

--TRA benefits are payable to workers in lump sum amounts; repayment to SUB can be as little as $20 a week. In effect, it's like a loan without interest.

--Repayment to the SUB fund could add as much as $20 million to the fund for certified Chrysler workers and fellow union members to use during future layoff periods.

--Federal and State income tax paid on SUB fund benefits are refundable, because TRA is not taxable.

CHAPTER 3

PROBLEMS IN DELIVERING TRA BENEFITS

Due to delays at all stages of the benefit delivery process, from filing and certifying petitions to processing applications for TRA, most workers did not receive TRA until long after they had returned to work. When TRA was paid, the amount was sometimes incorrectly computed as a result of mathematical errors or failure to deduct the correct amount of unemployment insurance benefits which the workers received. Additional errors resulted from the Michigan State employment agency's confusion as to TRA eligibility criteria for workers entering on-the-job training.

LATE BENEFIT PAYMENTS

Most auto workers received their TRA payment after they had returned to their jobs, which was at least a year after they were laid off. An average of 247 days elapsed from the time workers were rehired until they received their TRA. According to Labor's criteria, the entire process from petitioning to payment is expected to take about 88 days. Analysis of the time required to deliver TRA to randomly selected Chrysler workers in Michigan under four of the petitions showed that the process took considerably longer. For 342 cases in our sample, although the workers averaged only 134 days before rehire, the process from petitioning to payment of benefits required an average of 205 days. In addition, there was an average delay of 175 days from the date of the layoff to the date of filing the petition. Thus, the entire process averaged 380 days.

Delays in providing program benefits are attributable to slow action by the affected workers, employers, State employment agencies, and Labor. While some of these problems may be overcome with added experience and better administration, weaknesses inherent in the program make it doubtful that workers will ever receive their benefits when they are most needed.

Delays in submitting petitions

The legislation allows workers to submit petitions within 1 year of actual separation to qualify for benefits. However, to assure timely delivery of program benefits, workers separated or threatened with separation should submit petitions as soon as possible. The first auto worker petitions for adjustment assistance under the 1974 act were

submitted by the UAW on behalf of Chrysler workers in June 1975. This was 2 months after the effective date of the act--April 3, 1975--and about 7 months after workers had experienced their initial import-related layoffs.

A UAW official told us that there were two major reasons for Chrysler worker petitions not being submitted until June 1975. First, by waiting to submit petitions until the more liberalized eligibility criteria of the act became effective, UAW believed auto worker petitions were more likely to be certified. Secondly, UAW felt it needed to clarify the type and extent of data required for petition process, e.g., employment levels, production , sales data, and import volume. An official said that before submitting the petitions, several informal discussions were held with Labor representatives in order to clarify data requirements. The UAW official estimated that an average of 30 days was required to prepare the data which they felt would be needed to support the petitions.

In August 1975, after Labor had acted upon the 10 Chrysler petitions--5 certifications and 5 denials--UAW submitted additional auto worker petitions in December 1975. Similar delays were also experienced in submitting these subsequent auto worker petitions. However, it appears in these later cases that the delays were caused primarily by UAW's waiting to determine whether data supporting its earlier petitions was sufficient to qualify for Labor's certification.

Delays in certifying petitions

During the first year of the program, only 25 percent of all petitions submitted to Labor were acted upon within 60 days as prescribed by the legislation.

Of the 27 auto industry petitions certified as of June 30, 1976, only the 5 petitions submitted on behalf of Chrysler workers were certified by Labor within 60 days. In the remaining 22 cases, the timelapse from petitioning to certification ranged from 72 to 169 days.

Labor's heavy caseload and inexperienced staff contributed significantly to some of the petition processing delays experienced during the first year. These problems and their impact on the worker adjustment assistance program are discussed in detail in our report entitled "Certifying Workers For Adjustment Assistance--The First Year Under The Trade Act" (ID-77-28, May 31, 1977).

Delays in processing claims

Labor guidelines specify that State employment agencies should be ready to accept applications within 7 days of certification and begin paying applicants within 21 days of the application. Steps within this process include (1) taking worker applications, (2) obtaining work history and earnings data from employers, and (3) calculating TRA.

The State employment agency in Michigan was not ready to begin taking applications until 38 days after certification. Our analysis of the 342 Chrysler workers in our sample showed that an average of 59 days elapsed between certification and filing of applications. Furthermore, it took an average of 85 days to make first payments after taking the applications.

Reluctance of States to begin precertification activities as well as the time-consuming process of determing individuals' eligibility for TRA and the amount of their allowance have contributed to delays in making first payments.

Limited precertification activity by States

To help assure prompt and effective delivery of worker benefits, Labor guidelines encourage States to prepare for the processing of individual worker applications for adjustment assistance before petitions are acted upon. Labor guidelines suggest that prior to certification, States should

--establish program coordination with Labor's regional staff,

--develop a program to train staff in the eligibility determination and benefit delivery process, and

--coordinate with employers to identify potential applicants and ensure that wage information is available to establish TRA entitlement.

Uncertain as to whether Labor would certify or deny petitions, the eight States included in our review did little to comply with Labor's precertification suggestions. Employment agency officials in two of the eight States advised us that they were reluctant to spend funds preparing to process worker applications on petitions which might never be approved.

In the case of the Chrylser petitions, the State employment agency did not act until after certification.

For example, it was not until after the Chrysler worker petitions were certified on August 1, 1975, that Michigan employment agency officials met with UAW officials to develop plans for registering the estimated 9,900 workers expected to apply for benefits, and hired additional employees to process TRA claims. Furthermore, the newly hired employees had to be trained. Consequently, about 5 weeks elapsed from certification to acceptance of the first worker application in September 1975.

In July 1976 Labor decided to allow each State $750 on each petition for funding the types of precertification activities listed above. However, Labor advised us that State officials consider the money insufficient to cover the activities anticipated and that it would cost them almost $750 just to get the $750. It appears that Labor's $750 funding will not promote precertification activity by the States.

Time-consuming benefit determination process

Determining the amount of adjustment assistance individuals will receive is a time-consuming process. Our review of the 342 Chrysler worker claims for TRA showed that it took an average of 85 days to complete the process. Similar delays in payments were also experienced for the remaining 23 auto petitions. Although such delays may be reduced as States gain experience, indications are that the determination process will continue to delay delivery of TRA.

State employment agencies must complete a series of processing steps in assuring eligibility and in determining the amount of benefits each applicant will receive. To assure that only eligible workers receive TRA, each application is forwarded to the employer who is requested to screen payroll records; the employer determines whether, in the last 52 weeks, the applicant worked in affected employment for 26 weeks at wages of $30 or more a week. Furthermore, since the act requires the amount of weekly benefits to be computed using a percentage of the individual's average weekly wage, States are also requesting employers to provide actual earnings data for the first 4 of the last 5 calendar quarters preceding the quarter in which the separation occurred. Although employers currently provide States with employee wage data for UI benefit determination purposes, additional quarterly earnings data is required for computing TRA in six of the eight States included in our review.

The problems involved in this process are illustrated by the following example as explained by a Ford Motor Company

official. The company maintains its computerized payroll records at the company's headquarters. As worker petitions were certified, Ford, working with State and union representatives, tried to identify the workers affected by certifications and generated a computer printout of required earnings data for each worker. Since its centralized payroll records did not identify the product line on which individuals worked, local plants and unions had to make the product line identification. As TRA applications from Ford workers were received at State employment offices, (1) they were forwarded to local plants, (2) workers covered by a certification were identified, (3) earnings data for these individuals was attached, and (4) the application packages were returned to the State for processing. (Problems associated with worker identification are discussed in ch. 4.)

Once work history and wage data are received from employers, and eligibility for TRA is established, the State employment agency must compute the applicant's weekly TRA--the second phase of the determination process. In computing the amount to be paid, the agency must complete the following basic steps:

--Identify the period of layoff for which the individual may receive benefits.

--Calculate the weekly TRA using the appropriate percentage of the applicant's average weekly wage in comparison to the appropriate average weekly manufacturing wage.

--Reduce the applicant's weekly TRA by any UI and a portion of any wages received.

--Verify computations, and prepare and mail TRA checks to the appplicant.

These basic steps are further complicated by several other considerations which affect the amount of TRA. Because each consideration may vary, several recalculations and/or additional calculations of TRA may be required for each individual. For example, in calculating their entitlement, the State employment agency staff must determine for each applicant

--which weeks are affected by higher entitlements available for layoffs after the April 3, 1975, effective date of the 1974 act;

- whether any other remuneration were received during the period of layoff claimed;

--whether the individual was entitled to unemployment benefits which were not claimed; and

--whether the individual is involved in a training program or is age 60 or over and, therefore, entitled to additional weeks of TRA.

As of June 30, 1976, seven of the eight States paying TRA to auto workers were doing so by time-consuming, manual processes rather than by computer. A study completed at one local office by one Michigan State employment agency estimated that after necessary employer and unemployment insurance records were obtained, an average of 2 hours was still required to complete the manual determination process for each Chrysler applicant.

ERRORS IN BENEFIT PAYMENTS

Besides being slow, the payment process was also subject to errors. About 9 percent of the Michigan Chrysler workers in our sample who received allowances during the period from October 3, 1974, through July 3, 1976, were either over or underpaid. Of the 342 Chrysler workers in our sample, 31 had one or more errors in their benefit amounts. While most of the individual errors were not significant--18 underpayments totaling $1,480, ranging from $1 to $616, and 19 overpayments totaling $819, ranging from $3 to $112--a total of 37 errors were found. The following categories of errors were identified:

Category	Number of errors (note a)
Error in unemployment benefit rate used	10
Error in TRA benefit rate used	9
Error in applying partial earnings formula	3
Mathematical error	11
Other	4
Total	37

a/Five of the 31 individuals in the sample had more than one error.

Also, an audit by the Michigan employment services agency of records of about 8,500 TRA recipients identified for recovery 438 TRA overpayments totaling $42,462. These overpayments occurred from November 1975 through June 1976.

We also found that about $45,000 in TRA was not paid to 91 workers who participated in the approved on-the-job training program sponsored by Chrysler and partially funded under the adjustment assistance program. (See p. 8.) These individuals were entitled to, but did not receive, TRA while (1) completing the classroom phase of their training and (2) awaiting placement in the on-the-job phase of the program. During that time, trainees did not receive wages and, therefore, were entitled to TRA and SUB. When subsequently placed in the on-the-job phase of the program, trainees received wages sufficient to disqualify them from receiving additional weeks of TRA and SUB. We attribute this error to inadequate coordination between State officials responsible for negotiating the training arrangements with Chrysler, and State employment agency staff responsible for processing TRA claims. We informed Labor and State officials of these underpayments, and the State, with Labor's concurrence, is taking action to make necessary benefit payments.

Although more than one cause existed for the errors in benefit payments, it appears that staff inexperience was a major cause. For example, applications from certified workers at three of the four Chrysler facilities in Michigan were processed at a single branch office with a staff of about 50, most of whom were involved in manually computing weekly benefit allowances. State employment officials advised us that with the exception of the manager, the staff had virtually no prior experience and only a few hours of training in processing TRA requests. Furthermore, only 15 individuals had prior experience in dealing with unemployment insurance claims; the remaining 35 were new employees hired to process TRA claims. This lack of experience and the requirement that the staff compute weekly benefits using the number of complex steps discussed earlier were major factors in benefit errors.

CHAPTER 4

PROBLEMS IN IDENTIFYING ELIGIBLE WORKERS

Another major problem with adjustment assistance for workers in the auto industry was the difficulty of specifically identifying those workers certified by Labor as adversely affected by imports. Labor determinations on petitions were written so that this determination had to be made by employers. As a result, the identification of eligible workers became a time-consuming process involving inequitable and arbitrary decisions by employers, State employment agencies, and Labor officials overseeing the eligibility determinations.

IDENTIFICATION PROBLEMS AT MULTIPRODUCT PLANTS

Labor issued auto worker certifications to cover those assembling a certain type of vehicle (e.g., subcompact, full sized, etc.) or producing parts for a specific vehicle type (e.g., transmissions for subcompacts, trim for full-sized cars, etc.). Certified workers were eligible for employment assistance if

--they were working on the particular type vehicle that was affected by increased import competition and their unemployment was the result of a lack of work on that particular vehicle or

--they were separated from a firm because other workers in the same plant who met the above criteria took their jobs.

Those affected were eligible for TRA if they had worked on the adversely affected product for 26 of the 52 weeks, with earnings of at least $30 per week, prior to layoff.

In its investigation of Ford and General Motors petitions, Labor was aware that the employers would have substantial difficulty identifying affected employees, particularly at plants producing parts. For example, General Motors informed Labor, in a letter prior to certification, that

> "* * * it could virtually be impossible to accurately allocate manpower, especially at our auxiliary (parts) plants, between car lines that are and are not included in the petition."

However, Labor still specified the certifications as if employers could make the determinations as to which laid-off workers worked on the specified product lines.

At 21 of the 27 auto plants, both import-affected and non-affected products were produced. As a result, when layoffs occurred, employers had the difficult task of determining

--which workers were bumped from the affected product line by other workers,

--which workers were laid off because they worked on the affected vehicles or parts identified by Labor in the certification, and

--whether a worker had worked long enough on the affected product to qualify for TRA.

The results varied considerably because of differences in the way production was organized and the way seniority was considered; this can be seen from the following examples based on interviews and information obtained from auto employers and State and Labor officials.

Bumping complicated eligibility determinations

At 8 of the 21 plants, the affected product was produced separately from other products. Workers employed on the affected product lines were generally identifiable as a separate group. However, when production stopped on the affected product, these workers did not always lose their jobs; instead, they took jobs from other employees with less seniority working on non-affected products. In some cases this "bumping chain" involved several workers before the lowest seniority employee was laid off.

Labor regulations specify that bumped employees are eligible to apply for adjustment assistance as long as their layoff can be linked to the person who worked on the affected product. Employers told us, however, that it was not always possible to link layoffs back to the import-affected product line because

--complications resulted when some workers moved back and forth between production lines and

--the layoffs on the affected product line occurred at the same time as non-affected plant layoffs.

In some instances, employers felt that all workers laid off at the time of the affected-line shutdown were eligible for benefits. In other instances, employers tried to make a list of eligible employees by tracing job losses from the affected product line, but encountered many eligibility disputes. For example, according to an official at International Harvester's Springfield, Ohio, plant the affected vehicle, a light-duty truck, was assembled on a separate line. Because the bumping process was complex and other layoffs had occurred simultaneously, International Harvester officials formulated a list of affected workers by tracing layoffs from the light truck line to the laid-off workers. Of the plant's 2,800 laid-off workers, about 1,500 were found eligible. However, about 200 workers protested their denial, and most were later determined eligible through the State appeals process.

Employees worked on both affected and non-affected products

At 7 of the 21 plants, both affected and non-affected products were produced on the same assembly line. Consequently, all workers spent part of their time producing affected products. In these cases, employers considered all workers affected even though all of the layoffs may not have been the result of cutbacks in the affected product line. For example, workers producing intermediate-sized cars (e.g., Fury and Coronet) at Chrysler's St. Louis Assembly Plant were certified as eligible to apply for trade adjustment assistance in August 1975. These workers also produced compacts (e.g., Dart and Valiant) on the same assembly line.

Because of production cutbacks in both models--a 4-percent decline for intermediate and a 66-percent reduction for compacts--production was reduced to one shift beginning in December 1974, and the entire work force of about 4,900 was laid off during January 1975.

Even though the majority of the job losses in the plant were the result of production cutbacks in the non-import-affected compacts, according to Chrysler, all workers were declared eligible by Labor to apply for adjustment assistance because all worked on both affected and non-affected production. It was considered too difficult to determine who lost their job specifically because of the intermediate cutbacks.

At the remaining six plants producing both affected and non-affected products, workers were involved in a mixture of the production variations previously described. Some produced

parts for affected vehicles only; some produced parts for both affected and non-affected vehicles; still others working on non-affected vehicles were bumped by workers from affected product lines.

Time worked in affected employment

After establishing that program applicants worked on affected products, employers must also determine if these individuals worked on the affected products for 26 of the last 52 weeks with weekly earnings of at least $30. At the 21 plants producing both affected and non-affected products, this information was not always readily available. Auto manufacturers told us that their centralized payroll records could not identify the number of weeks an individual worked on the affected product.

Consequently, once workers qualified as "affected," they were considered by employers and Labor to be eligible for TRA benefits if they had worked the required 26 weeks at the plant. Thus, "26 weeks at the plant" became synonymous with "26 weeks in affected employment."

CHAPTER 5

NEED FOR FLEXIBILITY IN HANDLING AUTO INDUSTRY LAYOFFS

Auto industry workers are receiving TRA for layoff periods resulting from model changeover and inventory adjustments--temporary layoffs which have been characteristic of the auto industry in the past and which may not be directly or indirectly related to increased imports.

Under the Trade Act, all workers qualified for TRA who have not exhausted their weeks of benefits are eligible for TRA during future layoffs, regardless of the reason for those layoffs. These provisions were apparently aimed at protecting those workers who, because of increased imports, are forced to change jobs and give up years of seniority. During future layoffs, these workers could be the first to be unemployed because of their lower seniority. However, auto workers rehired within a year by the same firm do not lose their seniority and, therefore, do not become more vulnerable to future layoffs as a result of their original affected layoff.

TRA PAID DURING INVENTORY ADJUSTMENT AND MODEL CHANGEOVER LAYOFFS

In August 1975 about 9,900 Chrysler Corporation workers in Michigan were certified by Labor as eligible to apply for TRA. About 8,300 of these workers applied for benefits during September 1975. Our sample results showed that most workers had already returned to their jobs with Chrysler at the time they applied for TRA. Furthermore, according to State employment agency and UAW officials, the workers had not lost their seniority.

After being rehired by Chrysler, about 3,400 workers at one facility were laid off for a 1-week period in December 1975. Since they had not exhausted their weeks of benefit entitlement during their prior layoff, these workers applied for and received an estimated $188,430 in additional TRA. Two months later, this situation was repeated when about 4,150 workers at the same Chrysler facility were laid off for a 1-week period and received an estimated $228,250 in TRA.

In both of the above cases, Chrysler Corporation representatives cited inventory adjustment as the reason for the 1-week layoffs. Since these were only temporary layoffs, workers were not threatened with the permanent loss of their

jobs or their years of seniority with Chrysler. Furthermore, State employment officials considered such laid-off workers applying for TRA and UI as "job attached"--sure of returning to their jobs and not in need of customary employment services.

Inventory adjustment layoffs, such as those experienced by Chrysler workers, are not new to the automotive industry. UAW advised us that such layoffs have been characteristic in the past and are being used more frequently today. According to a spokesman for one auto manufacturer, the increased use of inventory adjustment layoffs reflects a changing philosophy of that manufacturer away from the practice of large inventory buildups and toward a closer alinement of production with consumer demand.

Annual layoffs for model changeover are also traditional within the auto industry, generally occurring during July and August. We were told by officials of one auto manufacturer that the length of model changeover layoffs vary from plant to plant. Union officials stated the average model changeover layoff was from 1 to 2 weeks. Exactly how many workers may have received TRA for model changeover layoffs was not readily identifiable from State employment agency records. However, information provided by the State employment agency indicates that workers at a General Motors plant in St. Louis received TRA for 3 to 5 weeks during model changeover layoffs in 1976. Workers at a Chrysler plant also in St. Louis received an estimated $2.6 million in TRA during a 9-week layoff classified by Chrysler as a model changeover layoff in 1976.

LABOR'S POLICY ON TEMPORARY LAYOFFS

In May 1976 we notified Labor that Chrysler workers had already received TRA for inventory adjustment layoffs and that the possibility existed that these workers could also receive TRA during model changeover layoffs. In this regard, we inquired into whether Labor

--monitors industry activity to determine whether increased imports "contribute importantly" to subsequent layoffs or whether these layoffs are seasonal within the industry and

--considers it desirable to seek changes to the act which would provide the Secretary with the authority to disallow TRA for nonimpacted, temporary layoffs.

In responding to our inquiry, Labor stated that while industry activity is in fact monitored, making determinations of import impact for subsequent layoffs would create an administrative burden for Labor. Labor further stated that payment of TRA for temporary layoffs are allowable under the 1974 act and that in its view, the legislative history indicates the Congress intended for such layoffs to be covered by this program. In other words, Labor further explained that while the Congress provided a mechanism for terminating certifications when the adverse impact of imports had ceased, it did not envision a constant monitoring of individual worker eligibility with respect to the impact of imports on temporary layoffs.

CHAPTER 6

CHARACTERISTICS OF PROGRAM PARTICIPANTS

In its report on the 1974 Trade Act (Senate Report No. 93-1298, November 26, 1974), the Committee on Finance, United States Senate, requested that we identify characteristics of workers benefiting from the adjustment assistance program and determine whether such workers differ from other unemployed workers in the same area. Responding to this request, we compared certain characteristics of 342 randomly selected TRA recipients from about 10,095 Chrysler workers in Michigan with a sample of 380 out of about 156,000 unemployed workers who had applied only for UI at those local offices which were serving our TRA sample.

Reported characteristics show substantial differences in several areas

--89 percent of the sample group receiving TRA were male compared to only 61 percent of the UI group;

--44 percent of the TRA group were black compared to 28 percent of the UI group;

--69 percent of the TRA group were married compared to only 51 percent of the UI group; and

--56 percent of the TRA group reported less than 2 dependents compared to 79 percent of the UI group.

These differences may be the result of variations in the specific industries from which the samples were drawn. The TRA sample was drawn from the auto industry whereas the UI sample was randomly selected without regard to industry or occupation.

Average weekly wage data was not uniformly available for group comparison; however, it is likely that those applying only for UI would have a wage level comparatively lower than that for auto industry workers. The average weekly manufacturing wage for auto workers is 36-percent higher than the national average weekly manufacturing wage. TRA recipients in our sample averaged $130 in weekly benefits while laid off--$87 from State UI and $43 from TRA. Non-TRA recipients received an average of $86 in State UI weekly benefits (based on their most recent layoff prior to the last week of June 1976). A comparison of available characteristics for TRA and non-TRA recipients is shown in appendix IV.

CHAPTER 7

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

The worker adjustment assistance program, when applied to workers in the automotive industry, experienced serious problems in providing meaningful and timely assistance to workers.

Few workers took advantage of the training, job search, and relocation benefits available through the adjustment assistance program because (1) most layoffs in the automotive industry were considered temporary, and (2) most workers were either back to work or willing to wait for recall rather than accept another job.

As for financial assistance, most of the workers had returned to work long before their TRA payments were received. While awaiting recall, most auto workers received 95 percent of their regular after-tax pay through a combination of UI and SUB.

Furthermore, when the TRA payments were received, we estimated a large part of the money was frequently paid to the company/union SUB fund under the worker/union agreement when workers were recalled. Workers who did not return to work were generally not required to repay the SUB fund.

As Labor and State employment agencies gain experience in implementing the adjustment assistance program, some of the problems encountered with regard to delays in processing claims and errors in computing the amount of TRA may be overcome.

But, it is unlikely that TRA payments will ever reach workers during the early weeks of their initial layoff because of the time needed to certify petitions and process applications.

Labor certifications of groups of workers as import-affected did not assure that the employers or State employment agency could identify specifically which workers were or were not a part of the certified groups. As a result, benefits to workers were not always distributed equitably. Some workers who qualified for benefits may have been denied them or workers who did not qualify may have been paid TRA only because the employer could not distinguish which employees were a part of the certified group of workers.

In addition, auto workers received program benefits for layoff periods not related to imports. Temporary layoffs from model changeover and inventory adjustments which have been characteristic of the auto industry in the past may not be directly or indirectly related to increased imports. However, under the Trade Act, all workers qualified for TRA who have not exhausted their weeks of benefits are eligibile during any other layoffs regardless of the reason for the subsequent layoff.

We are not certain whether these problems are unique to the automotive industry or that similar problems may be experienced when the worker adjustment assistance program is applied to workers in other industries. Since additional evaluations in other industries are continuing, we are not making specific recommendations in all areas discussed in this report. However, some areas, in our opinion, warrant the attention of the Secretary of Labor and the Congress at this time.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

To assure that all workers are treated equitably, we recommend that the Secretary of Labor (1) before issuing certifications, determine the extent to which affected workers can be identified from employer records and (2) when issuing certifications provide guidelines for the employers or State employment agencies for determining which workers are eligible.

RECOMMENDATIONS TO THE CONGRESS

Under the present legislation, SUB payments are not treated as wages and offset against the TRA benefit amount for which the worker is eligible. Therefore, workers could receive a combination of UI, SUB, and TRA which would far exceed their original after-tax pay.

If the worker is required to repay SUB as a result of receiving TRA, as is the case in the automotive industry when workers are recalled, such occurence would be precluded. To assure that TRA does not result in workers receiving more than their original after-tax pay, and is not being used to replenish general industry benefit funds, we recommend that the Congress amend the act to provide that SUB and similar benefits be treated in the same manner as other earned income in computing weekly benefit entitlements.

Also, under the present legislation, certified workers are entitled to receive benefits even though they may incur temporary layoffs not associated with the increased import competition which justified their initial certification.

To assure that program benefits are only paid for layoffs related to import competition, we recommend that the Congress amend current legislation to provide the Secretary of Labor with the authority necessary to disallow benefit claims from certified workers for temporary layoffs not associated with the increased imports.

AGENCY COMMENTS AND OUR EVALUATION

Labor generally agreed with both recommendations to the Secretary of Labor. (See app. III.) In response to our first recommendation, Labor basically points out some of the practical difficulties in administering certifications involving multiproduct plants where workers are employed interchangeably in the production of all products but certification coverage is limited to workers producing only one product. Labor will involve the employer and State agency in the investigation process, to the extent appropriate, to determine what problems may arise in identifying workers from available company records in the event of certifications. Where problems exist in identifying workers, and conditions warrant, the certification will be broadened to include other significant groups of workers whose employment has a relationship to the certified product.

Labor further stated that it

> "* * * would support legislation to allow discretionary authority for the Secretary of Labor to cerifty an entire plant when the plant produces more than one product, only one of which is adversely affected by increased import competition and it is not possible to identify the workers involved in producing the adversely affected product, provided the adversely affected product accounts for a significant proportion of the plant's output."

Our report recognizes the difficulty in making individual determinations which involve multiproduct plants with workers working interchangeably on all products. However, we believe that Labor should continue to encourage State agencies to require an affadavit in these circumstances and verify, to the extent possible, data on the affadavit. If after evaluating this approach. Labor finds that the approach does not remedy the identification problem, we would agree that Labor should pursue legislation.

Regarding our recommendation that employers or State employment agencies be provided guidelines for determining worker eligiblity, Labor stated that guidelines for interpreting certifications under the Trade Act of 1974 were sent to regional offices in January 1977. We reviewed the guidelines and found that, while types of certifications and the intent of the certification's language are discussed, the guidelines only suggest that State officials request individuals to file affadavits showing time and earnings in import-affected production. We believe more specific guidance from Labor to State employment agencies will be necessary to facilitate more equitable and expeditious worker-eligibility determinations. Labor should further identify and propose solutions to State agencies on the special problems which arise in identifying eligible workers from employer records. Labor should also encourage State agencies to take the necessary steps to obtain employer information and cooperation so that affected workers can be quickly identified.

Regarding our first recommendation to the Congress (that the act be amended to provide that SUB and similar benefits be treated as other earned income in computing weekly benefit entitlements), Labor said that it would not recommend congressional consideration without more careful and indepth analysis of all the issues involved. While Labor agrees that payments of TRA to auto workers who are also paid UI and SUB could result in workers receiving higher net incomes than they would receive had they been working, the Department expressed concerns about (1) including SUB in determining TRA entitlements but not other similar employer payments, such as dismissal payments; (2) demonstrating no effect on the individual by reducing TRA by the amount of SUB paid, since workers who return to the same employer must repay the SUB fund for TRA received; (3) reducing, possibly, the value to individuals of SUB arrangements negotiated privately between employers and employees; and (4) treating SUB payments differently for TRA as compared to UI since SUB is not considered in determining UI payments.

Notwithstanding Labor's reservations, we believe that SUB payments (and other similar benefits) should be treated as other earned income in computing weekly TRA benefits because (1) the Internal Revenue Service considers SUB payments as taxable earned income, (2) workers would be entitled to the same amount of combined benefits (UI + SUB + TRA) but would not be in the position of having to repay TRA payments

to the SUB fund, and (3) the possibility of unemployed workers receiving a net income greater than they had received while working would be lessened. Currently, because of the late TRA payments, many workers do not benefit directly from TRA payments because the money is used to replenish the SUB fund. Labor, as it suggests, may want to study the issues further and report on its findings to assist the Congress in its deliberations on this matter.

Regarding our recommendation that the Congress amend the act so that the Secretary of Labor would have authority to disallow benefit claims for temporary layoffs not associated with import competition, Labor stated several reasons why it considered this legislative proposal undesirable. These reasons generally related to (1) a perceived increased administrative burden for Labor to investigate and determine whether imports contributed importantly to temporary layoffs and (2) the possible need to involve State officials in the determination process. Labor further stated that it will carefully study whether workers covered by existing certifications who are subsequently reemployed by the company and then separated after issuance of a termination notice should remain eligible for adjustment assistance benefits.

We do not believe trade adjustment assistance should be provided to certified workers for temporary layoffs not associated with increased imports. Our report notes that benefit payments during these periods could be substantial. (See p. 23.) The increase in administrative costs would most likely be insignificant in relation to the potential payments during these periods.

We further believe that it would not be appropriate to use the Secretary of Labor's authority under the act to terminate certifications during temporary layoff periods. The act states that a termination applies only with respect to workers separated after the termination date specified by the Secretary. Therefore, workers who (1) were certified as eligible prior to the termination date and (2) had not exhausted their benefits could still apply for and receive payments during temporary layoffs.

The Michigan Employment Security Commission stated that it generally agreed with the report as far as providing employability services to workers attached to the labor market is concerned. The commission indicated further that precertification activity has increased in Michigan, but the $750 per petition allowed by Labor is not adequate to implement all of its suggested guidelines regarding precertification. (See app. IV.)

APPENDIX I

SUMMARY OF AUTO WORKER PETITIONS CERTIFIED AS OF JUNE 30, 1976

Petition number	No. of petitions	Location	Impact date	Petition date	Certification date	Month first payment made	Estimated workers affected
Chrysler:							
TA-W-36	1	Michigan	10/3/74	6/2/75	8/1/75	10/31/75	1,800
TA-W-38	1	Missouri	"	"	"	"	4,900
TA-W-42	1	Michigan	"	"	"	"	1,700
TA-W-43	1	"	"	"	"	"	5,700
TA-W-44	1	"	"	"	"	11/30/75	700
	5						14,800
International Harvester:							
TA-W-404	1	Indiana	11/25/74	12/17/75	2/27/76	6/30/76	100
TA-W-406	1	Ohio	"	"	"	4/30/76	80
TA-W-407	1	"	"	"	"	"	1,000
	3						1,180
General Motors:							
TA-W-409	1	Ohio	11/18/74	12/18/75	4/23/76	7/31/76	3,047
TA-W-411	1	"	"	"	6/4/76	"	2,889
TA-W-412	1	New York	"	"	"	9/30/76	1,216
TA-W-413	1	" "	"	"	"	8/31/76	589
TA-W-416	1	" "	"	"	"	9/30/76	1,313
TA-W-472	1	Missouri	"	"	4/23/76	7/31/76	288
TA-W-474	1	Wisconsin	"	"	"	"	2,722
	7						12,064
Ford:							
TA-W-483	1	Calif.	11/18/74	12/18/75	5/10/76	8/31/76	1,450
TA-W-487	1	Michigan	"	"	"	a/-	3,900
TA-W-488	1	Calif.	"	"	"	8/31/76	2,500
TA-W-489	1	New Jersey	"	"	"	9/30/76	2,900
TA-W-490	1	Ohio	"	"	6/2/76	8/31/76	3,100
TA-W-492	1	"	"	"	"	"	2,425
TA-W-498	1	Michigan	"	"	"	a/-	2,350
TA-W-499	1	"	"	"	"	a/-	2,350
TA-W-507	1	"	"	"	"	a/-	2,175
TA-W-508	1	Ohio	"	"	"	8/31/76	2,700
TA-W-510	1	Michigan	"	"	"	a/-	2,700
TA-W-512	1	"	"	"	"	a/-	4,975
	12						33,525
Total	27						61,569

a/No payments made thru December 1976.

COMPARISON OF TRA AND UI

APPLICANTS' CHARACTERISTICS

	TRA		UI	
	Percent	Number	Percent	Number
Sex:				
Male	89	306	61	230
Female	11	36	39	150
Race:				
Black	44	149	28	105
Other non-white	2	8	2	7
White	48	166	64	244
No information	6	19	6	24
Education:				
0-8 grade	9	29	14	53
9-11 grade	28	97	21	81
12 grade	37	127	34	131
13-14 grade	13	45	13	48
15+ grade	2	5	7	26
Other training	2	8	3	10
No information	9	31	8	31
Marital status:				
Married	69	236	51	193
Single	26	88	37	142
Other	4	15	11	41
No information	1	3	1	4
No. of dependents:				
0	39	132	66	249
1	17	57	13	50
2	18	63	8	32
3	16	54	6	22
4	7	25	3	12
5+	3	10	3	10
No information	0	1	1	5
Spouse working:				
Yes	15	50	10	37
No	45	155	20	78
Not applicable	28	97	43	163
No information	12	40	27	102
Age:				
25 years and under	30	104	40	154
26-30 years	18	60	14	54
31-40 years	22	75	12	44
41-50 years	15	51	14	53
51-60 years	13	46	11	42
Over 60 years	2	6	8	31
No information	0	0	1	2

APPENDIX II

	TRA		UI	
	Percent	Number	Percent	Number (note a)
UI weekly benefit range based on most recent lay-off prior to June 1976:				
$50 and under	2	6	11	33
$51 - $70	10	33	17	52
$71 - $80	7	23	14	43
$81 - $90	11	36	7	20
$91 - $100	33	114	28	86
$101 - $110	14	49	7	22
$111 - $120	8	29	5	15
$121 - $130	10	34	6	18
Over $130	5	18	5	15
Average	b/$99		$86	

a/Of the 380 UI applicants, 304 were approved as eligible for benefits at the time of our review, and of the remaining 76 applicants, 46 were denied and 30 were pending a decision.

b/The average weekly UI amount is higher than that shown on page 25 since the above figure is based on the most recent UI benefit rate and the figure shown on page 25 is based on an average of all UI benefits received from October 3, 1974, through the last week of June 1976.

APPENDIX III

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

NOV

Mr. Gregory J. Ahart
Director, Human Resources Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

Thank you for the draft report to the Congress on Worker Adjustment Assistance Under the Trade Act of 1974--Problems in Assisting Auto Workers. We appreciate the opportunity for review and comment on this draft report.

The Department understands that GAO's review focused primarily on the auto industry. Problems cited in the review regarding the delivery of trade readjustment allowances (TRA) were addressed in a recent study by an interagency task force, which developed recommendations for improvement of the delivery of benefits and services to workers. These recommendations are being implemented by State agencies with the assistance of the national and regional office staff.

A system of monitoring each certification has been developed which will track each certified petition to allow for early identification of problem areas in order that corrective action may be taken.

The following comments pertain to the report's three recommendations in order of their discussion in the report.

1. Chapter 4, Problems in Identifying Eligible Workers (pages 30-35), and Chapter 7 (page 44), Conclusions and Recommendations

[GAO note, p. 39.]

The report recommends that in order to assure that all workers are treated equitably the Secretary of Labor will: (a) before issuing certifications, determine the extent to which affected workers can be identified from employer records, and (b) when issuing certifications provide guidelines to assist the employers or State agencies in determining which workers are eligible.

Where plants produce multiple products, employers often encounter problems identifying the specific workers who are adversely affected. Where such identification cannot be made, the State agency, under regulations, is required to take affidavits from workers attesting to the product line on which they worked.

Considerable difficulty has arisen in administering certifications involving multi-product plants where workers are employed interchangeably in the production of all products but certification coverage is limited to workers producing only one product. In such cases the Department is expected to specifically identify the workers covered by the certification. The Department cannot always do so because company data prevent such identification. The problem facing the Department is essentially the same as that which confronts the employer and the State agency in attempting to identify such workers.

Frequently, when workers cannot be readily identified as to their work on the adversely affected product, all workers in the plant receive benefits but only after considerable delay in attempts by the employer and State agency to identify such workers. The Department's identification of a group of adversely affected workers, under the Act, is related to the product. This approach makes it possible to identify and certify a group of workers even though the specific identity of qualified workers in that group may be difficult to determine.

To remedy this problem we would support legislation to allow discretionary authority for the Secretary of Labor to certify an entire plant when the plant produces more than one product, only one of which is adversely affected by increased import competition and it is not possible to identify the workers involved in producing the adversely affected product, provided the adversely affected product accounts for a significant proportion of the plant's output.

In the interim, the Department during the investigation process involving a multi-product plant will involve the employer and State agency, to the extent appropriate, to determine what problems may arise in identifying workers from available company records in the event of a certification. Where problems exist in identifying workers, and conditions warrant, the certification will be broadened to include other significant groups of workers whose employment has a relationship to the certified product.

Guidelines for Interpreting ILAB Certifications Under the Trade Act of 1974-No. 1 were furnished to all regional offices on January 31, 1977. These guidelines discuss the various types of certifications and explain the intent of the language of the certification.

2. Chapter 2, Impact of TRA on Workers' Income (pages 13-17), and Chapter 7 (page 44), Conclusions and Recommendations

The report recommends in order to assure that TRA does not result in workers receiving more than their original after-tax pay, and is not being used to replenish general industry benefit funds, that Congress amend the act to provide that supplemental unemployment insurance (SUB) and similar benefits would be treated in the same manner as other earned income in computing weekly benefit entitlements.

The proposal to change the Trade Act so as to reduce TRA by any SUB payment singles out one type of employer payment to TRA claimants for deduction from their TRA. The Trade Act does not provide for any reduction in the following types of payments: wages in lieu of notice; dismissal payments; employer's retirement or disability pension; OASI: and worker's compensation. Any one of these payments which when added to unemployment insurance (UI) and TRA could exceed the worker's usual weekly wage.

Payment of TRA to auto workers who are paid UI and SUB could result in workers receiving in net income more than they would receive had they been working. TRA payments, like UI payments, are tax-free, however, SUB is taxable and for those auto workers who return to work with the same employer, the reduction of TRA by the amount of SUB paid would have no effect since they are required to repay the SUB fund for any TRA received.

Since the proposal effectively reduces the value to individuals of SUB arrangements negotiated privately between employers and employees and would treat SUB payments differently for TRA as compared to UI, we have serious reservations about it and would not recommend congressional consideration without more careful and in-depth analysis of all the issues involved.

3. Chapter 5, Need for Flexibility in Handling Auto Layoffs (pages 36-39), and Chapter 7, Conclusions and Recommendations (page 45).

The report recommends that Congress amend current legislation to provide the Secretary of Labor

with authority necessary to disallow benefit claims from certified workers for temporary layoffs not associated with increased imports.

Under current legislation, certified workers who have been rehired after receiving TRA and who subsequently became separated from employment for reasons not importantly related to imports (which may include temporary layoffs for model changeover and inventory adjustments) are eligible to receive TRA, providing that they have not exhausted their entitlement to TRA and their benefit period. Temporary layoffs also include periods of plant shutdown for vacation period for which TRA is payable.

Only a case-by-case investigation can determine whether imports have contributed importantly to temporary layoffs associated with model changes or inventory adjustments. Experience in the auto industry has led to the conclusion that in many instances inventory adjustments were necessitated by customer preferences for imports.

It cannot be assumed that model changeovers are unrelated to import competition. Such changeovers may not be unrelated to the efforts of the firms to attain competitive advantages over their foreign competitors in the U.S. market. Also, decisions by domestic firms to produce certain models must take into account their Canadian facilities which are highly integrated with their domestic facilities.

Finally, with respect to model changeover, some shifts in production, occasioned in part by import competition, involve phasing out one model car in favor of another at irregular intervals not normally associated with the midsummer model changeover period.

The problem of limiting the extent to which workers receive benefits for weeks of unemployment not related importantly to increased import competition is dealt with, to some extent, currently through the provision allowing the termination of the certification when separations are no longer attributable to the conditions warranting the certification.

As you know, the Department has the authority to terminate certifications under Section 223(d) of the Act when it is determined that imports no longer contribute importantly to job displacements. In such cases, we should, and will, carefully study the issue whether workers covered by an existing certification who are subsequently reemployed by the company and then separated subsequently to the issuance of a notice of termination should continue to be eligible for adjustment assistance benefits.

To ensure that temporary layoffs are not import related, would require a determination mechanism at the state level as to whether each worker covered by a certification was, in fact, displaced by imports -- or, rather, that increased imports "contributed importantly" to displacement. State officials would, in effect, be making "mini-investigations" as to the status of individual workers. This would, of course, increase the already considerable delays in the benefit delivery process and, given the multitude of SESA's involved, might lead to conflicting and arbitrary determinations. Also, SESA's would, in many cases, look to the company employers to make this determination for them, thus introducing a new and unpredictable variable into the certification process. Principally for this reason, we do not think that the legislative proposal is desirable.

On behalf of the Department of Labor, I want to express our appreciation for the recommendations which the Comptroller has made to improve the worker adjustment assistance program.

Sincerely,

ALFRED M. ZUCK
Assistant Secretary for
Administration and Management

GAO note: Page references in this appendix refer to the draft report and do not necessarily agree with the page numbers in the final report.

APPENDIX IV

STATE OF MICHIGAN
WILLIAM G. MILLIKEN, GOVERNOR

DEPARTMENT OF LABOR

MICHIGAN EMPLOYMENT SECURITY COMMISSION
7310 WOODWARD AVENUE
DETROIT, MICHIGAN 48202

OFFICE OF THE
DIRECTOR

October 28, 1977

Mr. Gregory J. Ahart, Director
United States General Accounting Office
Washington, D.C. 20548

Re: Proposed Report to Congress on Worker Adjustment Assistance

Dear Mr. Ahart:

We have reviewed the draft of your proposed report to Congress on worker adjustment assistance provided to auto workers under Title II of the Trade Act of 1974. While we are in general agreement with the report as it pertains to providing employability services to workers attached to the labor market, we do have some reactions regarding the following statements on pre-certification activity.

Page 22: "Uncertain as to whether labor would certify or deny petitions, the eight states included in our review did little to comply with labor's pre-certification suggestions. Employment agency officials in two of the eight states advised us that they were reluctant to spend funds preparing to process worker applications which might never be approved."

Page 23: "In July 1976, labor decided to allow each State $750 on each petition for funding the types of activities listed above. However, labor advised us that State officials consider the money insufficient to cover the activities anticipated and that it would cost them almost $750 just to get the $750. It appears that labor's $750 will not promote precertification activity by the States."

The precertification activity for auto worker TRA petitions would have encompassed the period June 2, 1975 to June 2, 1976. During this period, TRA responsibilities were fragmented between several different organizational units within the Michigan Employment Security Commission (MESC). While it was unfortunate that the delivery of a uniform TRA precertification package could not be implemented because of the above during this period, the problem

[GAO note, p. 42.]

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October 28, 1977

no longer exists within the M.E.S.C. In August, 1976, a TRA Coordinator position was established. This was followed closely in January, 1977, by the addition of a TRA U.I. Technical Specialist. The addition of these two positions has greatly improved TRA precertification activity in the M.E.S.C., providing a uniform precertification package to affected employee groups, employers, unions, and to our own program staff. While it has been difficult to implement all of the Department of Labor guidelines due to current limits established for funding precertification activity, all TRA petitions filed subsequent to August, 1976, have received more precertification steps than were applied to the auto worker petitions discussed in the report.

Since July, 1976, thirty-five new TRA petitions affecting workers within the State of Michigan have been filed. At the present rate of reimbursement of $750.00 per petition, a total of $26,250 has been made available to the MESC from the Department of Labor for precertification activity. Agency time-cost records indicate that during the period July 1976 to June 1977, a total of $17,893.98 was spent in personal service costs directly related to TRA precertification. While Department of Labor funding exceeded the amount used by the MESC by $8,356 (an average of $238 per petition), it must be pointed out that had the MESC attempted to implement each of the precertification guidelines listed in the attached excerpt from the D.O.L. TRA Handbook, the MESC would have far overspent the $26,250 which it was allocated. As stated, the $17,893.98 spent by the MESC during the period mentioned above for precertification activity covered personal services. This charge represents for the most part, the cost of the TRA Coordinator position and the TRA U.I. Specialist, who are primarily responsible for meeting with employers, unions and employee groups to outline procedures to facilitate the prompt payment of TRA benefits, provide an overview of Job Service benefits available to affected workers upon approval of a petition and insure timely application to protect worker's rights to program benefits. Additionally, the TRA Coordinator and the TRA U.I. Specialist have been responsible for training U.I. and E.S. program personnel in the proper methods to be followed in administering the Trade Act Program.

An example may clarify our contention of inadequate TRA precertification funding. One of the points mentioned in the D.O.L. precertification guidelines which would greatly improve the ability of the MESC to deliver prompt TAA benefit payment following the certification of a petition would be the flagging of U.I. benefit claims filed by trade impacted workers prior to petition certification. This procedure has yet to be adopted because the costs involved would exceed that reimbursed by the Department of Labor. The number of Michigan workers affected by the auto worker TRA petition as listed in Appendix I of the G.A.O. report averaged 2,835 employees per petition. For fiscal year 1978, an average

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U.I. position costs the MESC $18,519 or 17.6¢ per U.I. minute of output. If the $238.00 per petition not used by MESC for TRA previous precertification activity were applied to cover the cost of flagging U.I. benefit claims, approximately 22.5 hours per petition would be funded (238.00 ÷ .176 ÷ 60). At an average rate of 2,835 U.I. claims per petition, the MESC would be funded for flagging U.I. benefit claims at the rate of less than one-half minute per U.I. claim flagged (1350 funded minutes ÷ 2,835 claims).

Michigan has a manual system of filing U.I. claim ledgers. One-half minute simply does not allow enough time to locate, flag and replace a U.I. claims ledger. As a consequence, the MESC has yet been unable to implement a procedure to flag U.I. claims since it realizes that it would not fully recover the cost of such activity. While the $750 per petition allowed has supported funding of partial TRA precertification activity, it does not fund to the level required to implement all of the suggested guidelines established by D.O.L.

Sincerely,

S. Martin Taylor
Director

GAO note: Page references in this appendix refer to the draft report and do not necessarily agree with the page numbers in the final report.

PRINCIPAL DEPARTMENT OF LABOR OFFICIALS RESPONSIBLE FOR ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of Office	
	From	To
SECRETARY:		
Ray Marshall	Jan. 1977	Present
W. J. Usery, Jr.	Feb. 1976	Jan. 1977
John T. Dunlop	Mar. 1975	Jan. 1976
Peter J. Brennan	Feb. 1973	Mar. 1975
DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS:		
Howard Samuel	Mar. 1977	Present
Herbert N. Blackman (acting)	Jan. 1977	Mar. 1977
Joel Segall	July 1972	Jan. 1977
ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING:		
Ernest G. Green	Mar. 1977	Present
William B. Hewitt (acting)	Feb. 1977	Mar. 1977
William H. Kolberg	Apr. 1973	Jan. 1977

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