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Report to the Chairman, Subcommittee
on Employment, Housing and Aviation,
Committee on Government Operations
House of Representatives

November 1993

DISLOCATED WORKERS

Proposed Re-employment Assistance Program





United States
General Accounting Office
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Human Resources Division

B-255729

November 12, 1993

The Honorable Collin C. Peterson
Chairman, Subcommittee on Employment,
Housing and Aviation
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

As you requested, we have reviewed the Department of Labor's proposed re-employment assistance program for workers who lose their jobs as a result of the North American Free Trade Agreement (NAFTA). The proposed program, as submitted by Labor to the Subcommittee, is to assist workers dislocated from firms adversely affected by increased imports from Mexico and Canada or by shifts in production to those countries. It specifically targets NAFTA-affected workers because it is believed that many affected workers would not qualify for the existing Trade Adjustment Assistance (TAA) program for trade-impacted workers. The proposed program essentially replicates the existing TAA program structure but establishes a new set of eligibility criteria focused on NAFTA-affected workers and makes changes to the certification process.

We reviewed the proposed program in relation to the seven key goals for a successful re-employment assistance program set forth in our recent testimony on the Trade Adjustment Assistance (TAA) program.¹ Using these criteria such re-employment assistance should (1) be equally accessible to all affected workers, (2) be timely, (3) be individually tailored, (4) provide workers with ongoing support, (5) tie income benefits to re-employment assistance, (6) link training with job opportunities, and (7) monitor performance and evaluate the effectiveness of the program. (App. I contains a detailed discussion of the TAA program in relation to these seven goals.)

Background

Labor has proposed its NAFTA assistance program as an amendment to the TAA program but sees it as a separate transitional program to assist NAFTA-affected workers.² Labor says that this program is only an interim measure, or "bridge" program, until a more comprehensive dislocated

¹Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, Oct. 19, 1993).

²This proposed re-employment assistance program is included in Title V of H.R. 3450, "The North American Free Trade Agreement Implementation Act." Also, for a discussion of NAFTA-related issues, see North American Free Trade Agreement: Assessment of Major Issues, (GAO/GGD-93-137, Sept. 9, 1993).

worker program can be enacted. For the 18 months it expects this bridge program to operate, Labor estimates that the cost will be about \$90 million, with \$45 million reserved for training and \$45 million reserved for income support.

In response to criticisms of the existing TAA program, the proposed program, while modeled on TAA, has some significant differences. For example, to speed up the certification process and get assistance to workers more quickly, the proposed program establishes a two-step process: (1) Within 10 days of receiving an application from workers for assistance under the program, the governor would make an initial determination of eligibility and draw on the state's existing dislocated worker funds under the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program to provide rapid response and up-front services.³ (2) Within 30 days (less than the 60 days allowed under TAA), the Secretary of Labor would determine eligibility for additional services and benefits. This would include counseling, testing, job placement assistance, training, income support, a job search allowance, relocation assistance, and support services such as child support and transportation allowances. In addition, the proposal eliminates the training waiver, available under TAA, so that all workers receiving income support would need to be enrolled in a training activity, a provision designed to tighten the link between training and income support.

This review of the proposed bridge re-employment assistance program for NAFTA-affected workers is based on our previous work, studies by the Department of Labor Inspector General and Mathematica Policy Research, and other related material. We reviewed the proposal as it was submitted to the Subcommittee on Employment, Housing and Aviation, House Committee on Government Operations at the time of our testimony on October 19, 1993.⁴

Results in Brief

As a replication of the TAA program, the proposed bridge program to meet the readjustment needs of NAFTA-affected workers has many of TAA's shortcomings. Additionally, although the bridge proposal includes two

³EDWAA is the principal job training program for dislocated workers. It operates in all states, providing a wide range of re-employment assistance to dislocated workers, including classroom training, on-the-job training, and job search assistance. In 1993, funding of \$596 million provided assistance to about 262,000 workers.

⁴The final version of the bridge program proposal contained in H.R. 3450 includes several provisions that differ from the Oct. 19, 1993, version that we reviewed. The changes largely deal with providing assistance to secondary workers and not the certification process.

major changes to the basic TAA approach intended to address the major criticisms of the TAA program, our review raises questions about these changes. First, we question the changes to expedite the certification process because it appears that Labor is asked to perform as much work as it did in 60 days for a TAA certification but in only 30 days. While the second change, eliminating the training waiver allowed under TAA, is a positive step, we believe other services, such as job search assistance, should be included as allowable training activities for receiving income support assistance. If NAFTA is passed, Labor could address these concerns as it develops the implementing regulations.

TAA Program Falls Short of Key Goals

Our studies,⁵ as well as those of the Department of Labor Inspector General⁶ and the recent Mathematica study⁷ commissioned by Labor conclude that the TAA program falls short in assisting dislocated workers to reenter the work force. TAA fails to meet the seven key goals mentioned earlier.

- TAA benefits are not equally accessible to all affected workers as a result of the flawed certification process and varied unemployment insurance qualification criteria.
- The TAA program is often slow in reaching workers as a result of the complex certification process.
- TAA participants may receive services that are not tailored to their needs because, while a range of services are authorized, only a limited mix of services are provided.
- TAA lacks the ongoing counseling and support often cited as necessary to ensure the completion of training.
- Liberal use of the waiver provision resulted in as many as half of the TAA recipients not participating in training.
- TAA rarely works with participants after they complete training to help ensure that they find jobs related to their training.
- TAA does not have a system in place to monitor performance and evaluate the effectiveness of the program.

⁵Dislocated Workers: Improvements Needed in Trade Adjustment Assistance Certification Process (GAO/HRD-93-36, Oct. 19, 1992) and Dislocated Workers: Comparison of Programs (GAO/HRD-92-153BR, Sept. 10, 1992).

⁶Trade Adjustment Assistance Program: Audit of Program Outcomes in Nine States, U.S. Department of Labor, Inspector General, (Washington, D.C.: Sept. 1993).

⁷Evaluation of the Trade Adjustment Assistance Program: Process Report, Mathematica Policy Research, Inc., (Washington, D.C.: 1992) and International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program, Mathematica Policy Research, Inc., (Washington, D.C.: 1993)

Bridge Program Fails to Correct TAA Flaws

The bridge program for NAFTA-affected workers has many of the same problems we identified in the TAA program. The bridge program proposal attempts to address two significant TAA problems by making changes to the certification process, thus attempting to speed up the delivery of services and requiring that all recipients of extended income support be enrolled in training, thus eliminating the TAA training waiver.

As with the TAA program, we see the bridge program as likely to fall short of meeting the seven key goals of an effective re-employment assistance program. The adjustments to the basic TAA structure that were made for the bridge program for NAFTA-affected workers largely relate to three of the seven key goals: (1) being equally accessible, (2) being timely, and (3) tying income benefits to re-employment assistance.

Equal Access

Problems with the certification process identified in our review of TAA, such as inaccurate eligibility investigations and ambiguous eligibility criteria, remain unresolved in the proposed bridge program. Shortening the time frame for certification to 30 days for the bridge program—down from TAA's 60 days—will be faster, but it will add even more pressure to complete the certification process and may result in more inaccurate or incomplete investigations than we found under TAA. Labor is required to determine eligibility of workers for assistance under the bridge program within 30 days of receiving the application forwarded from the governor of the state in which the workers are employed. Certification is based on a determination that firm or subdivision sales or production has decreased as a result of increased imports of similar goods from Mexico or Canada and that this contributed importantly to the workers' layoff, or that a shift in production in the workers' firm to Mexico or Canada occurred. Obtaining the information and analyzing it to make a determination of eligibility within 60 days is the source of major errors in the TAA certification process. It will be more difficult to complete similar data collection and the necessary investigations within 30 days to determine bridge program eligibility. The result is likely to be inaccurate and incomplete investigations that may exclude eligible workers.

In addition, the extra step in the bridge program's certification process—the preapproval of the governor, designed to expedite the process—could in fact slow it down and restrict access to assistance. The governors must review petitions and precertify that workers seeking assistance meet the criteria largely similar to those that Labor will use to certify workers. Under the bridge program, the governors are given 10 days to do this. It is unclear what procedure governors will establish for

precertification and how they will be able to complete the process in 10 days. The effect on workers will depend on (1) how broadly or narrowly each governor interprets the eligibility criteria and (2) the process by which each governor determines whether petitions meet the eligibility criteria. Different interpretations of the criteria could create inconsistencies between states. Although the proposal does not include an appeals process for precertifications denied by the governor, all petitions for certification are to be forwarded to Labor for review.

Timeliness

Even with the shortened time frames for certification in the bridge program, the petition requirement and the two-step certification process will most likely result in substantial delays in worker assistance. Under the bridge program, upon certification by a governor, NAFTA-affected workers would be eligible for basic readjustment services under EDWAA. However, dislocated workers are already eligible for EDWAA rapid response and other services, without governor certification. In addition, the delivery of services to workers under EDWAA is not much faster than under TAA.

Tying Income Benefits to Re-employment Assistance

The bridge program requirement to strengthen the link between income support and training is an improvement in the program over TAA. However, because classroom training may not be needed for all participants, we believe job search activities should be valid substitutes for classroom training in considering participants' eligibility for income support.

Conclusion

As a replication of the TAA program, the proposed bridge program to meet the readjustment needs of NAFTA-affected workers has many of TAA's shortcomings. The two major changes to the basic TAA approach intended to address the major criticisms of the TAA program do not entirely resolve the problems. First, the changes to expedite the certification process appear to require Labor to perform as much work as it did in 60 days for a TAA certification but in only 30 days. Second, while eliminating the training waiver allowed under TAA is a positive step, other services, such as job search assistance, should be appropriate readjustment activities as well.

Recommendation

If NAFTA is enacted, the Department of Labor should address the concerns we raised about the bridge program for workers dislocated as a result of NAFTA in its implementing regulations. First, processes should be developed that ensure that the certification process is as quick and as fair as possible. Second, other activities, in addition to classroom training,

such as job search assistance, should be allowable in considering participants' eligibility for income support.

We did not obtain written comments from the Department of Labor, but we discussed the contents with appropriate Labor officials. We are sending copies of this letter to other congressional committees and the Department of Labor. We will also make copies available to other interested parties.

Should you have any questions or wish to discuss this information, please call me at (202) 512-7014. Other contributors to this report are listed in appendix II.

Sincerely yours,



Linda G. Morra
Director, Education
and Employment Issues

Assessment of the TAA Program in Relation to the Seven Goals for an Effective Re-employment Assistance Program

As discussed below, the TAA program fails to meet the seven key goals.

TAA Benefits Not Equally Accessible to All Affected Workers

TAA benefits are not equally accessible to all worker affected by international competition. We found four reasons for this situation. First, we found that flaws in Labor's investigations have raised questions about the correctness of decisions to approve or deny certification to workers. We estimate that 63 percent of the petitions filed in 1990 and 1991 had flawed investigations. Flaws were found about equally in certified (60 percent) and denied (65 percent) petitions. Many of these flaws appeared to result because of pressure to complete the complex investigations in 60 days.

Second, Labor generally approves certifications of employees of companies that provide services or component parts if the company also produces the finished product that is impacted by imports; but denies certification to workers who provide services or produce component parts for another company that is trade impacted. For example, workers who produced automobile bumpers were denied certification for TAA assistance because they did not work directly for the company affected by the increased import of cars. We found that about 40 percent of the petitions filed in 1990 and 1991 were for workers who provide services or produce component parts.

Third, some workers are dislocated even when there is no increase in imports. The relocation of production facilities to another country may result in the loss of jobs that produced items for export. However, because the job loss is not tied to imports, the workers are not eligible for TAA assistance.

Fourth, dislocated workers are not eligible for TAA assistance if they are not eligible for unemployment insurance (UI) benefits. In a recent report we noted that the proportion of unemployed workers who receive UI benefits has declined by about one-fifth since the late 1970s.¹ The percentage of unemployed workers collecting UI benefits in 1990 was 36 percent nationwide, but rates varied widely among states—ranging from 20 percent or less in four states (Florida, Oklahoma, South Dakota, and Virginia), to over 55 percent in three states (Alaska, Massachusetts, and Rhode Island). Because each state has its own UI eligibility criteria, a dislocated worker might qualify for benefits in one state, while a worker

¹Unemployment Insurance: Program's Ability to Meet Objectives Jeopardized (GAO/HRD-93-107, Sept. 28, 1993).

Appendix I
Assessment of the TAA Program in Relation
to the Seven Goals for an Effective
Re-employment Assistance Program

with a similar work history in a different state might not qualify for UI benefits and thus not have access to TAA assistance, even though workers from the same firm were certified as trade impacted.

Early Intervention

Researchers have found that reaching workers before or at the time of layoff increases the chances of re-employment.² When help is available before or at the time of job loss, far more workers seek assistance, and those workers who receive timely assistance appear to find jobs sooner and earn more than they would have without such help. If workers are not reached before layoff, many do not seek assistance until their unemployment benefits are nearly exhausted, thus wasting a substantial amount of time that could have been used to seek a new job or explore the possibility of retraining. However, the TAA program is often slow in reaching workers. Our analysis of TAA assistance in Michigan, New Jersey, and Texas showed that 65 percent of the TAA participants did not receive training in their first 15 weeks of unemployment. Mathematica reported similar findings from its national TAA study.

Delays in the delivery of TAA assistance were generally due to the complex worker certification and notification process. For workers to receive assistance from the TAA program, the Department of Labor must certify that increased imports "contributed importantly" to their dislocations. The investigation involves several steps and can take up to 60 days after workers petition for TAA assistance. The first step is to determine whether a company's sales or production has decreased and whether significant numbers of the company's workers have lost their jobs. The next step is to analyze trade statistics to determine whether imports of like or competitive products have increased. Third, Labor must determine whether those imports contributed to the company's decline in sales or production. Once certified, the Department of Labor notifies the state, who in turn notifies the workers in writing of their eligibility for assistance, which can take another 60 days. Thus, workers may have to wait 4 months before they know whether they are eligible to receive TAA assistance. Workers must then individually apply for assistance with the local Employment Service office.

²See *Plant Closings: Limited Advance Notice and Assistance Provided Dislocated Workers* (GAO/HRD-87-105, July 17, 1987); *Plant Closings: Advance Notice and Rapid Response Special Report*, OTA-ITE-321, U.S. Congress, Office of Technology Assessment, (Washington, D.C.: 1986) and *Technology and Employment: Innovation and Growth in the U.S. Economy*, National Academy of Science, National Academy of Engineering, Institute of Medicine, (Washington, D.C.: 1987).

Assistance Tailored to Worker Needs

Research has also shown that the reemployment potential of dislocated workers is enhanced when programs offer a range of assistance options and independent assessments of workers are performed to determine their individual skills and interests. An assistance strategy could then be developed that is tailored to the individual worker's strengths and interests, taking into account job opportunities in the local labor market.³ However, TAA participants may receive services that are not tailored to their needs because, while a range of services is authorized, the TAA program actually provides a limited mix of services. For example, we found that TAA offers participants classroom training in a variety of occupations, but it rarely offers the option of on-the-job training. TAA participants not suited to the classroom have no other option available through the TAA program. The Mathematica study concluded that for some TAA participants training may not be the most appropriate adjustment approach. It indicated that job search assistance was all some participants needed.

In addition, many TAA participants never receive an assessment or counseling on training options or job opportunities in their community. Some states in the Mathematica survey reported that a lack of administrative funds constrains testing or assessing participants. The Department of Labor Inspector General reported that it was difficult to assess the quality of services because participant files lacked documentation of activities such as counseling, assessment and testing, or development of individual training plans.

Ongoing Counseling and Support

Experts agree that dislocated workers often need ongoing monitoring, encouragement and various forms of emotional support to help them cope with financial as well as personal problems that may hamper their ability to adjust and reenter the work force.⁴ A 1981 handbook for community involvement in helping dislocated workers describes the emotional turmoil felt by those who lose their jobs, including depression and a questioning of their skills and competencies. Studies have found that providing assistance to reduce anxiety and help dislocated workers cope with their problems is an essential component of successful dislocated

³Dislocated Workers: Labor-Management Committees Enhance Reemployment Assistance (GAO/HRD-90-3, Nov. 21, 1989).

⁴Dislocated Workers: Exemplary Local Projects Under the Job Training Partnership Act (GAO/HRD-87-70BR, Apr. 8, 1987); U.S. Office of Technology Assessment, Technology and Structural Unemployment: Reemploying Displaced Adults OTA-TTE-250, (Feb. 1986); Gary Hansen and Marion Bentley, Problems and Solutions in a Plant Shutdown: A Handbook for Community Involvement, Utah State University (Nov. 1981).

worker projects. Also, maintaining contact with participants after they enter training to provide encouragement and additional assistance that would enable participants to complete training is often cited as a common characteristic of successful programs. While the TAA program recognizes the need for financial assistance and provides participants with income support, there is little evidence that it provides ongoing contact with participants after they enter training. Our analysis of the TAA programs in Michigan, New Jersey, and Texas found little evidence of any follow-up with the participants to determine whether they completed training.

Income Benefits Tied to Re-employment Assistance

To ensure that workers get the assistance needed to help them adjust to a changing economy, the 1988 amendments to the Trade Act linked income support under the TAA program to participation in training, unless it is determined that training is not feasible or appropriate. In such cases, TAA participants can receive a waiver and still receive cash benefits without participating in training. However, the liberal use of the waiver provision resulted in many TAA recipients not participating in training.

In three local areas included in our analysis, 39 percent of the workers receiving cash benefits did not enter training. The Department of Labor Inspector General found in their nine-state survey that almost half the workers enrolled in the TAA program did not participate in training. The Inspector General found one state that granted waivers so frequently that the requirement that cash benefits be linked to participation in training was considered meaningless. The Mathematica national survey found that 53 percent of TAA participants were not enrolled in training.

The Mathematica study suggests that an alternative approach to the use of waivers for those not in training is to include participation in a job-search activity as meeting the intent of the 1988 amendments to link income support to re-employment assistance activities. Their study notes that training may not be needed for all participants. We agree with Mathematica that the most appropriate activity for some TAA participants may not be training. However, we believe that linking income support to adjustment activities is essential if the assistance is to be effective in helping workers return to the work force.

Training Linked With Job Opportunities

For training to be effective in assisting dislocated workers, the training must be linked to real job opportunities. For dislocated workers in some rural communities, creating job opportunities that are related to the

**Appendix I
Assessment of the TAA Program in Relation
to the Seven Goals for an Effective
Re-employment Assistance Program**

training provided is the real challenge in assisting dislocated workers. However, the TAA program rarely works with participants after they complete training to help ensure that they find job opportunities related to their training.

The Department of Labor Inspector General reported that most of the states in their survey did not maintain contact with participants after the participant completed training unless the participant returned to the Employment Service for additional help. Mathematica also reported that contact with participants after training to assist in identifying job opportunities was "uncommon."

The TAA program also offers participants relocation assistance, but few workers use this benefit. Mathematica reported that in the 1980s only 3 percent of the TAA participants received relocation benefits. While some states had more workers claiming relocation benefits, the higher level of activity in these states appears more related to the participants' assessment of the local economy and their willingness to relocate than any special effort by ES staff to encourage relocation.

**No System to Track
Performance or
Evaluate
Effectiveness**

The TAA program lacks the basic tracking system needed to ensure that assistance is provided effectively and efficiently. The TAA program has no established performance goals, thus there is little impetus for states to track participant progress or program performance. Even when states collect information on their own, they do not collect the same types of information or their definitions are not consistent. Without basic information on whom the program served, the services they received, and how they fared after completing training both in the short and long term, no determination can be made about how the program is performing or what can be done to improve performance. The Department of Labor Inspector General and Mathematica also found that data on the TAA program were either not collected or were inaccurate and inconsistent. Mathematica concluded in its study that: "Greater emphasis by ES staff on post-training follow-up might improve the effectiveness of the TAA program."

The Mathematica study did attempt to assess the effectiveness of TAA and compare the outcomes of participants with similarly dislocated workers who did not receive assistance. They concluded that while changes to the program in the 1980s resulted in a greater targeting of the program on workers permanently dislocated from their jobs, and increased the

Appendix I
Assessment of the TAA Program in Relation
to the Seven Goals for an Effective
Re-employment Assistance Program

enrollment of participants in training, it did not necessarily have a significant impact on the employment and earnings of trade-impacted workers in comparison with similarly dislocated workers. They noted no substantial positive effects either on employment or earnings within 3 years after their first UI claim.

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Related GAO Products

Dislocated Workers: Trade Adjustment Assistance Program Flawed
(GAO/T-HRD-94-4, Oct. 19, 1993).

Unemployment Insurance: Programs' Ability to Meet Objectives Jeopardized (GAO/HRD-93-107, Sept. 28, 1993).

Multiple Employment Programs: National Employment Training Strategy Needed (GAO/T-HRD-93-27, June 18, 1993. Letter on same topic, GAO/HRD-93-26R, June 15, 1993).

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Dislocated Workers: Implementation of the Worker Adjustment and Restraining Notification Act (WARN) (GAO/T-HRD-93-6, Feb. 23, 1993).

Dislocated Workers: Worker Adjustment and Retraining Notification Act (WARN) Not Meeting Its Goals (GAO/HRD-93-18, Feb. 23, 1993).

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Advance Notice: Public and Private Sector Policy and Practice
(GAO/T-HRD-91-19, Apr. 18, 1991).

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