TRADE ADJUSTMENT ASSISTANCE ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

S. 227

A BILL TO IMPROVE THE OPERATION OF THE ADJUSTMENT ASSISTANCE PROGRAMS FOR WORKERS AND FIRMS UNDER THE TRADE ACT OF 1974

H.R. 1543

AN ACT TO IMPROVE THE OPERATION OF THE ADJUSTMENT ASSISTANCE PROGRAMS FOR WORKERS AND FIRMS UNDER THE TRADE ACT OF 1974

JULY 9, 1979

Printed for the use of the Committee on Finance

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TRADE ADJUSTMENT ASSISTANCE ACT

MONDAY, JULY 9, 1979

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 2:10 p.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan presiding.

Present: Senators Moynihan, Baucus, Roth, Chafee, and Heinz.

[The press release announcing this hearing and the bills S. 227 and H.R. 1543 follow:]

[Press Release No. H-40]

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE TO HOLD HEARINGS ON TRADE ADJUSTMENT ASSISTANCE BILLS (S. 1227 AND H.R. 1543)

The Honorable Abraham Ribicoff (D., Ct.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee will hold a hearing on bills to improve the operation of the adjustment assistance programs for workers and firms under the Trade Act of 1974 (S. 227 and H.R. 1543).

The hearing will begin at 2 p.m., Monday, July 9, 1979, in room 2221, Dirksen Senate Office Building.

Requests to testify.—Chairman Ribicoff stated that witnesses desiring to testify during this hearing must make their requests to testify to Michael Stern, Staff Director, Committee on Finance, room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than the close of business on Tuesday, July 3, 1979. Witnesses who are scheduled to testify will be notified as soon as possible after this date as to when they will appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance. Chairman Ribicoff also stated that, in light of the large number of people who will be interested in testifying and the limited time available for the hearings, the Subcommittee strongly urges all witnesses who have a common position or the same general interest to consolidate their testimony and to designate a single spokesman to present their common viewpoint to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain.

Legislative Reorganization Act.—Chairman Ribicoff stated that the Legislative Reorganization Act of 1946 requires all witnesses appearing before the Committees of Congress to "file in advance written statements of their proposed testimony and to limit their oral presentation to brief summaries of their argument." Senator Ribicoff stated that, in light of this statute, the number of witnesses who desire to appear before the Subcommittee, and the limited time available for the hearings, all witnesses who are scheduled to testify must comply with the following rules:

1. All witnesses must include with their written statements a summary of the principal points included in the statement.
2. The written statements must be typed on letter-size paper (not legal size) and at least 100 copies must be delivered to room 2227, Dirksen Senate Office Building, not later than 5 p.m. on Friday, July 6, 1979.
3. Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.

4. All witnesses will be limited in the amount of time for their oral summary before the Subcommittee. Witnesses will be informed as to the time limitation before their appearance.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Written statements.—Persons not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearing. These written statements should be submitted to Michael Stern, Staff Director, Senate Committee on Finance, room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Monday, July 16, 1979.

96TH CONGRESS
1ST SESSION

S. 227

To improve the operation of the adjustment assistance programs for workers and firms under the Trade Act of 1974.

IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 15), 1979

Mr. ROTH (for himself and Mr. HEINZ, Mr. BAYH, Mr. MOYNIHAN, Mr. JAVITS, and Mr. RANDOLPH) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To improve the operation of the adjustment assistance programs for workers and firms under the Trade Act of 1974.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—IMPROVEMENTS IN ADJUSTMENT ASSISTANCE FOR WORKERS

SEC. 101. SPECIAL TREATMENT OF CERTAIN CERTIFICATIONS AND PETITIONS.

(a)(1) This subsection applies—

(A) to any petition for a certification of eligibility to apply for adjustment assistance under chapter 2 of title II of the Trade Act of 1974—

(i) if such petition was filed with the Secretary of Labor (hereinafter in this section referred to as the "Secretary") before November 1, 1977; and

(ii) if the Secretary, on the basis of section 223(b)(1) of the Trade Act of 1974—

(I) denied issuance of such a certification,

(II) refused to accept the petition,

(III) caused the petition to be withdrawn, or

(IV) terminated an investigation undertaken with respect to the petition; and

(B) to any worker covered by a certification issued under section 223 of the Trade Act of 1974 on the basis of a petition filed before November 1, 1977, if such worker was not eligible for adjustment assistance under such chapter 2 by reason of subsection (b)(1) of such section.

(2) The Secretary shall promptly reconsider any petition referred to in paragraph (1)(A) and the eligibility for adjustment assistance of any worker referred to in paragraph

(1)(B). In undertaking such reconsideration, the provisions of chapter 2 of title II of the Trade Act of 1974 shall apply, except that—

(A) for purposes of section 223(b)(1) of such Act, an 18-month period shall be applied rather than a one-year period; and

(B) for purposes of section 231(1)(B) of such Act, the date of the determination, if an affirmative determination is made incident to reconsideration, under section 223 shall be the 60th day after the date on which the petition concerned was initially filed with the Secretary, or, in the case of any petition to which paragraph (1)(A)(ii)(I) applies, the date of the initial determination by the Secretary denying certification.

(b)(1) Any group of workers separated from employment after October 3, 1974, and before November 1, 1977, may file, or have filed on their behalf (including a filing on their behalf by the Secretary), a petition for a certification of eligibility to apply for adjustment assistance under chapter 2 of title II of the Trade Act of 1974 if a petition for such a certification for such group was not filed with the Secretary after April 2, 1975, and before November 1, 1977. The Secretary may not consider any petition filed under this subsection unless the petition is filed before the close of the 6-month period beginning on the effective date of this Act.

(2) The provisions of such chapter 2 shall apply with respect to any petition filed under this subsection; except that—

(A) for purposes of section 223(b)(1) of the Trade Act of 1974, an 18-month period shall be applied rather than a one-year period,

(B) the date of the petition shall be April 3, 1975, or such other date deemed appropriate by the Secretary on the basis of the information obtained during the investigation, and

(C) for purposes of section 231(1)(B) of such Act, the date of the determination, if an affirmative determination is made, under section 223 with respect to the petition shall be the 60th day after the date of the petition established under subparagraph (B).

(c) In carrying out subsections (a) and (b), the Secretary may not pay, or recompute the amount of, any program benefit under chapter 2 of title II of the Trade Act of 1974 for the same week of unemployment for which any worker received, or is eligible to receive, such a benefit pursuant to such chapter under other than the authority of this section.

(d) The Secretary shall provide full information to workers regarding the provisions of this section and shall provide whatever assistance is necessary to enable workers concerned to prepare petitions or applications for benefits.

SEC. 102. FILING OF WORKER PETITIONS BY SECRETARY OF LABOR.

Section 221(a) of the Trade Act of 1974 (19 U.S.C. 2271(a)) is amended to read as follows:

"(a) A petition for a certification of eligibility to apply for adjustment assistance under this chapter—

"(1) may be filed with the Secretary of Labor (hereinafter in this chapter referred to as the 'Secretary') by any group of workers or by their certified or recognized union or other duly authorized representative; or

"(2) may be filed by the Secretary on behalf of any group of workers.

Upon the filing of a petition under paragraph (1) or (2), the Secretary shall promptly publish notice in the Federal Register that the filing has been made and that the Secretary has initiated an investigation.".

SEC. 103. GROUP ELIGIBILITY REQUIREMENTS FOR ADJUSTMENT ASSISTANCE.

(a) Section 222 of the Trade Act of 1974 (19 U.S.C. 2272) is amended—

(1) by inserting "(a)" immediately before "The Secretary";

(2) by amending paragraph (2) to read as follows:

"(2) that sales or production, or both, of such firm or subdivision have decreased absolutely, or threaten to decrease absolutely, and";

(3) by inserting ", or threat thereof" immediately before the period at the end of paragraph (3);

(4) by striking out the last sentence thereof; and

(5) by adding at the end thereof the following new subsections:

"(b)(1) The Secretary shall certify a group of workers as eligible to apply for adjustment assistance under this chapter if the Secretary determines—

"(A) that not less than 25 percent of the total sales, or not less than 25 percent of the total production, of such workers' firm or subdivision is accounted for by the provision to import-impacted firms of—

"(i) any article (including, but not limited to, any component part) which is essential to the production of any import-impacted article,

"(ii) any service which is essential to the production, storage, or transportation of any import-impacted article, or

"(iii) any article and any service described in clauses (i) and (ii);

"(B) that a significant number or proportion of the workers in such workers' firm or subdivision have

become totally or partially separated, or are threatened to become totally or partially separated;

"(C) that the sales or production, or both, of such workers' firm or subdivision have decreased absolutely, or threaten to decrease absolutely; and

"(D) that the absolute decrease, or the threat thereof, in the sale or production, or both, by import-impacted firms of import-impacted articles, with respect to which such workers' firm or subdivision provides articles or services referred to in subparagraph (A), contributed importantly to the total or partial separation, or threat thereof, referred to in subparagraph (B) and to the decline in sales and production, or the threat thereof, referred to in subparagraph (C).

"(2) For purposes of this subsection—

"(A) the term 'import-impacted article' means any article produced by an import-impacted firm, if such article is one with respect to which a determination under subsection (a)(3) or section 251(c)(3) was made incident to the certification of the group of workers or firm concerned.

"(B) The term 'import-impacted firm' means—

"(i) any form or appropriate subdivision there of the workers of which have been certified pursuant to subsection (a), or

"(ii) any firm which has been certified pursuant to section 251(c).

"(c) For purposes of this section, the term 'contributed importantly' means a cause which important but not necessarily more important than any other cause.".

(b) The amendments made by subsection (a) shall apply with respect to petitions filed under section 221(a) of the Trade Act of 1974 on or after the effective date of this Act.

SEC. 104. DETERMINATIONS BY SECRETARY OF LABOR.

Section 223 of the Trade Act of 1974 (19 U.S.C. 2273) is amended—

(1) by redesignating subsection (d) as subsection (f); and

(2) by adding immediately after subsection (c) the following new subsections:

"(d) In any case in which the Secretary or Commerce notifies the Secretary that a petition has been filed under section 251 by any firm or its representative if a petition has been filed under section 221 regarding any group of workers of such firm, the Secretary, notwithstanding any other provision of law, shall promptly provide to the Secretary of Commerce any data and other information obtained by the Secretary in taking action on the petition which would be useful to the Secretary of Commerce in making a determination under section 251 with respect to the firm.

"(e) If any certification issued under subsection (a) is based upon a determination made pursuant to section 222 (a)(2) or (b)(1)(C) that the production or sales, or both, of the firm or subdivision concerned threaten to decrease absolutely, no adjustment assistance under this chapter shall be provided to any worker covered by such certification until after the date on which the Secretary determines pursuant to such section that the production, or sales, or both, of such firm or subdivision have decreased absolutely.".

SEC. 105. PROVISION OF INFORMATION ON BENEFITS TO WORKERS.

(a) Section 224 of the Trade Act of 1974 (19 U.S.C. 2274) is amended—

(1) by striking out "; ACTION WHERE THERE IS AFFIRMATIVE FINDING" in the section heading thereto; and

(2) by striking out subsection (c) thereof.

(b) Subchapter A of chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2271–2274) is amended by adding at the end thereof the following new section:

"SEC. 225. BENEFIT INFORMATION TO WORKERS.

"The Secretary shall provide full information to workers about the benefit allowances, training, and other employment services available under this chapter, and under other Federal programs, which may facilitate the adjustment of such

workers to import competition. The Secretary shall provide whatever assistance is necessary to enable groups of workers to prepare petitions or applications for program benefits. The Secretary shall make every effort to insure that cooperating State agencies fully comply with the agreements entered into under section 239(a) and shall periodically review such compliance.".

(c) The table of contents of the Trade Act of 1974 is amended by striking out

"Sec. 224. Study by Secretary of Labor when International Trade Commission begins investigation; action where there is affirmative finding."

and inserting in lieu thereof the following:

"Sec. 224. Study by Secretary of Labor when International Trade Commission begins investigation.
"Sec. 225 Benefit information to workers.".

SEC. 106. QUALIFYING EMPLOYMENT REQUIREMENTS.

Section 231(2) of the Trade Act of 1974 (19 U.S.C. 2291(2)) is amended to read as follows:

"(2) Such worker had—

"(A) in the 52 weeks immediately preceding such total or partial separation, at least 26 weeks of employment at wages of $30 or more a week; or

"(B) in the 104 weeks immediately preceding such total or partial separation, at least 40 weeks of employment at wages of $30 or more;

in one or more firms or appropriate subdivisions thereof with respect to each of which a certification has been made under

section 223 and which is in effect on the date of separation; or, if data with respect to weeks of employment with a firm are not available, equivalent amounts of employment computed under regulations prescribed by the Secretary.".

SEC. 107. TIME LIMITATIONS ON READJUSTMENT ALLOWANCES.

Section 233(a) of the Trade Act of 1974 (19 U.S.C. 2293(a)) is amended—

(1) by striking out "26 additional weeks" in paragraph (1) and inserting in lieu thereof "52 additional weeks";

(2) by amending paragraph (2) to read as follows:

"(2) such payments shall be made for not more than 26 additional weeks to an adversely affected worker who is not receiving payments under paragraph (1) and has attained age 60 on or before the date of total or partial separation, except that if payment is made for the 26th additional week and such worker has not attained age 62 before the close of such week, such payments shall be made for not more than the number of weeks occurring during the period beginning with the week after such 26th additional week and ending with, but including, the week in which the worker attains age 62.";

and

(3) By amending the last sentence thereof by striking out "78 weeks" and inserting in lieu thereof "104 weeks".

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SEC. 108. EXPERIMENTAL TRAINING PROJECTS.

(a) Part II of subchapter B of chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2295–2296) is amended by adding at the end thereof the following new section:

"SEC. 236A. EXPERIMENTAL TRAINING PROJECTS.

"(a) The Secretary shall establish a program of experimental, developmental, demonstration, or pilot projects, through grants to, or contracts with, public agencies or private nonprofit organizations, or through contracts with other private organizations, for the purpose of improving techniques, and demonstrating the effectiveness, of specialized methods in meeting the employment and training problems of workers displaced by import competition. One such specialized method shall be the provision of certificates or vouchers to workers entitling employers and institutions to payment for on-the-job training, institutional training, or services provided by them to workers.

"(b) The Secretary shall carry out program projects under this section only within political subdivisions of States with respect to which the Secretary finds that—

"(1) a significant number or proportion of the workers within the political subdivision have become totally or partially separated, or are threatened to become totally or partially separated; and

"(2) increases in imports of articles like or directly competitive with articles produced by firms and subdi-

visions thereof located within the political subdivision have contributed importantly to the total or partial separations, or threats thereof, referred to in paragraph (1).

For purposes of paragraph (2), the term 'contributed importantly' means a cause which is important but not necessarily more important than any other cause.

"(c) Participation by any worker in a program project established under subsection (a) shall be on a voluntary basis; except that a worker may not be selected by the Secretary for participation unless the worker is, at the time of his application for participation—

"(1) covered by a certification issued under section 223 relating to employment or former employment within the political subdivision in which the project will be undertaken; or

"(2) if not so covered, is—

"(A) included within a group of workers for which a petition has been filed under section 221 and on which a determination under section 223 is pending, and

"(B) totally or partially separated from employment within such political subdivision.

The Secretary shall select workers for participation in a program project on such basis as the Secretary deems appropri-

ate to carry out the purposes of this section, but such selections shall be made in a manner so as to insure that each project undertaken includes workers who represent diverse skill levels and occupations within the political subdivision concerned.

"(d) Grants made, and contracts entered into, by the Secretary under this section shall be subject to such terms and conditions as the Secretary deems necessary and appropriate to protect the interests of the United States. The authority of the Secretary to enter into contracts under this section shall be effective for any fiscal year only to such extent, and in such amounts, as are provided in appropriation Acts.

"(e) Section 239(c) shall apply in the case of any individual in training under a project undertaken pursuant to this section with respect to entitlement to unemployment insurance otherwise payable to such individual. The agreement under section 239 with any State shall be modified to effect the purposes of this section, if the State deems such a modification to be necessary.

"(f) Not later than March 1, 1982, the Secretary shall submit to Congress a report setting forth a description and evaluation of the effectiveness of the projects implemented under the program established under subsection (a), together with such recommendations as the Secretary may have for

implementing on a permanent basis those methods used in the program which have proven most effective.

"(g) For purposes of carrying out this section, there are authorized to be appropriated to the Department of Labor not to exceed $1,500,000 for each of fiscal years 1980 and 1981.".

(b) The table of contents of the Trade Act of 1974 is amended by inserting after

"236. Training.".

the following:

"236A. Experimental training projects.".

(c) Section 245(b)(1) of the Trade Act of 1974 (19 U.S.C. 2317) is amended by inserting "other than section 236A" immediately before the period.

SEC. 109. INCREASED JOB SEARCH ALLOWANCES.

Section 237 of the Trade Act of 1974 (19 U.S.C. 2297) is amended as follows:

(1) Subsection (a) thereof is amended—

(A) by striking out "who has been totally separated";

(B) by striking out "80 percent of the cost of his necessary" and inserting in lieu thereof "100 percent of the cost of his reasonable and necessary"; and

(C) by striking out "$500" and inserting in lieu thereof "$600".

(2) Subsection (b) thereof is amended—

(A) by amending paragraph (1) to read as follows:

"(1) to assist an adversely affected worker who has been totally separated in securing a job within the United States;"; and

(B) by amending paragraph (3) to read as follows:

(3) where the worker has filed an application for such allowance with the Secretary before—

"(A) the later of—

"(i) the 365th day after the date of the certification under which the worker is eligible, or

"(ii) the 365th day after the date of the worker's last total separation;

"(B) if such worker is age 60 or older on the date of his last total separation, the later of—

"(i) the 547th day after such date; or

"(ii) the 547th day after the date of the certification under which the worker is eligible; or

"(C) the 182d day after the concluding date of any training received by the worker, if the worker was referred to such training by the Secretary.".

SEC. 110. INCREASED RELOCATION ALLOWANCES.

Section 238 of the Trade Act of 1974 (19 U.S.C. 2298) is amended—

(1) by amending subsection (a)—

(A) by striking out "who has been totally separated"; and

(B) by striking out the period and inserting in lieu thereof the following:

", if such worker was, or is, entitled to trade readjustment allowances under such certification and files such application before—

"(1) the later of—

"(A) the 425th day after the date of the certification, or

"(B) the 425th day after the date of the worker's last total separation;

"(2) if such worker is age 60 or older on the date of his last total separation, the later of—

"(A) the 547th day after such date or

"(B) the 547th day after the date of the certification; or

"(3) the 182d day after the concluding date of any training received by such worker, if the worker was referred to such training by the Secretary.";

(2) by amending subsection (c) to read as follows: "(c) A relocation allowance shall not be granted to such worker unless his relocation occurs within 182 days before or after the filing of the application thereof or (in the case of worker who has been referred to training by the Secretary) within 182 days after the conclusion of such training."; and

(3) by amending subsection (d)—

(A) by striking out "80 percent" in paragraph (1) and inserting in lieu thereof "100 percent", and

(B) by striking out "$500" in paragraph (2) and inserting in lieu thereof "$600".

SEC. 111. DEFINITIONS.

Section 247 of the Trade Act of 1974 (19 U.S.C. 2319) is amended—

(1) by amending paragraph (2) to read as follows: "(2) The term 'adversely affected worker' means an individual who—

"(A) because of lack of work in adversely affected employment, has been totally or partially separated from such employment;

"(B) has been totally separated from other employment with a firm, in which adversely affected employment exists, within 190 days after being transferred from work in adversely affected employment in the firm because of lack of work; or

"(C) has been totally separated from other employment in a firm in which adversely affected employment exists as the result of—

"(i) the transfer of an individual from such adversely affected employment because of lack of work, or

"(ii) the reemployment of an individual who was totally separated from such adversely affected employment, if the reemployment occurs within the 190-day period beginning on the date of such separation.";

(2) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively, and by redesignating paragraphs (6) through (14) as paragraphs (8) through (16), respectively;

(3) by inserting immediately after paragraph (2) the following new paragraph:

"(3) The term 'appropriate subdivision' means—

"(A) any establishment or, where appropriate, any group of establishments operating as an integrated production unit or engaging in an integrated process, which is within any multiestablishment firm; or

"(B) any distinct part or section of any establishment which is within any firm, whether or not such firm is a multiestablishment firm."; and

(4) by inserting immediately after paragraph (6) (as redesignated by paragraph (1) of this section) the following new paragraph:

"(7)(A) The term 'firm' includes any of the following entities (regardless whether any such entity is under a trustee in bankruptcy or receivership under court decree):

"(i) Individual proprietorship.

"(ii) Partnership.

"(iii) Joint venture.

"(iv) Association.

"(v) Corporation (including any development corporation).

"(vi) Business trust.

"(vii) Cooperative.

"(B) Any firm, together with any—

"(i) predecessor in interest,

"(ii) successor in interest, or

"(iii) other affiliated firm (if both such firms are controlled or substantially beneficially owned by substantially the same persons),

may be considered to be a single firm for the purposes of this chapter.".

TITLE II—IMPROVEMENTS IN ADJUSTMENT ASSISTANCE TO FIRMS

SEC. 201. ELIGIBILITY REQUIREMENTS OF FIRMS FOR ADJUSTMENT ASSISTANCE.

(a) Section 251 of the Trade Act of 1974 (19 U.S.C. 2341) is amended—

(1) by amending subsection (c)—

(A) by amending paragraph (2) to read as follows:

"(2) that sales or production, or both, of such firm have decreased absolutely, or threaten to decrease absolutely,",

(B) by inserting ", or the threat thereof" immediately before the period at the end of paragraph (3), and

(C) by striking out the last sentence thereof; and

(2) by striking out subsection (d) and inserting in lieu thereof the following:

"(d)(1) The Secretary shall certify a firm as eligible to apply for adjustment assistance under this chapter if the Secretary determines—

"(A) that not less than 25 percent of the total sales of such firm is accounted for by the provision to import-impacted firms of—

"(i) any article (including, but not limited to, any component part) which is essential to the production of any import-impacted article,

"(ii) any service which is essential to the production, storage, or transportation of any import-impacted article, or

"(iii) any article and any service described in clauses (i) and (ii);

"(B) that a significant number or proportion of the workers in such firm have become totally or partially separated, or are threatened to become totally or partially separated;

(C) that the sale or production, or both, of such firm have decreased absolutely, or threaten to decrease absolutely; and

(D) that the absolute decrease, or the threat thereof, in the sales or production, or both, by import-impacted firms or import-impacted articles, with respect to which such firm provides articles or services

referred to in subparagraph (A), contributed importantly to the total or partial separation, or threat thereof, referred to in subparagraph (B) and to the decline in sales and production, or the threat thereof, referred to in subparagraph (C).

"(2) For purposes of this subsection—

"(A) The term 'import-impacted article' means any article produced by an import-impacted firm, if such article is one with respect to which a determination under section 222(a)(3) or subsection (c)(3) was made incident to the certification of the group of workers or firm concerned.

"(B) The term 'import-impacted firm' means—

"(i) any firm or appropriate subdivision thereof the workers of which have been certified pursuant to section 222(a), or

"(ii) any firm which has been certified pursuant to subsection (c).

"(e) For purposes of subsections (c) and (d) the term 'contributed importantly' means a cause which is important but not necessarily more important than any other cause.

(f) A determination shall be made by the Secretary as soon as possible after the date on which any petition is filed under this section, but in any event not later than 60 days after that date.

"(g) In any case in which the Secretary of Labor notifies the Secretary that a petition has been filed under section 221 by any group of workers, their certified or recognized union, or other duly authorized representative, if a petition has been filed under subsection (a) regarding any firm in which such group of workers is, or was, employed, the Secretary, notwithstanding any other provision of law, shall promptly provide to the Secretary of Labor any data and other information obtained by the Secretary in taking action on the petition which would be useful to the Secretary of Labor in making a determination under section 223 with respect to the workers.

"(h) If any certification issued under this section is based upon a determination made pursuant to subsection (c)(2) or (d)(1)(C) that the production or sales, or both, of the firm concerned threaten to decrease absolutely, no technical assistance (other than assistance provided for in section 253 (a)(1)) or financial assistance under this chapter shall be provided to the firm covered by such certification until after the date on which the Secretary determines pursuant to such subsection that the production, or sales, or both, of such firm have decreased absolutely.".

(b) The amendments made by subsection (a) shall apply with respect to petitions filed under section 251(a) of the Trade Act of 1974 on or after the effective date of this Act.

SEC. 202. TECHNICAL ASSISTANCE.

(a) Section 252 of the Trade Act of 1974 (19 U.S.C. 2342(c)) is amended—

(1) by striking out subsection (c); and

(2) by redesignating subsection (d) as subsection (c).

(b) Section 253 of such Act (49 U.S.C. 2343) is amended—

(1) by amending subsection (b)—

(A) by striking out "(b) The" and inserting in lieu thereof "(b)(1) Except as provided in paragraph (2), the"; and

(B) by adding at the end thereof the following new paragraph:

"(2) The Secretary shall provide technical assistance, on such terms and conditions as the Secretary determines to be appropriate, to any firm certified under section 251 for the purpose of assisting such firm in preparing a proposal for its economic adjustment, unless the Secretary determines, after consultation with the firm, that it is able to prepare such a proposal without such assistance. If technical assistance provided to a firm under this paragraph is furnished, pursuant to subsection (c), through any private individual, firm, or institution, the Secretary shall bear, subject to the 90 percent limitation in such subsection (c), that portion of the cost of such

assistance which, in the judgment of the Secretary, the firm is unable to pay.".

(2) by striking out "75 percent" in subsection (c) and inserting in lieu thereof "90 percent".

SEC. 203. FINANCIAL ASSISTANCE.

(a) Section 254 of the Trade Act of 1974 (19 U.S.C. 2344) is amended by adding at the end thereof the following new subsection:

"(d) With respect to any loan guaranteed under this section, the Secretary may, without regard to section 3679 (a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), contract to pay annually, for not more than 10 years, to or on behalf of the borrower an amount sufficient to reduce by up to 4 percentage points the interest paid by such borrower on such guaranteed loan. No payment under this subsection shall result in the interest rate paid by a borrower on any guaranteed loan being less than the rate of interest for a direct loan made under this section. The authority of the Secretary to enter into contracts under this section shall be effective for any fiscal year only to such extent, and in such amounts, as are provided in appropriation Acts.".

(b) The amendment made by subsection (a) shall apply with respect to loans guaranteed under section 254 of the Trade Act of 1974 on or after the effective date of this Act.

SEC. 204. CONDITIONS FOR FINANCIAL ASSISTANCE.

(a) Section 255 of the Trade Act of 1974 (19 U.S.C. 2345) is amended—

(1) by amending subsection (b) by striking out "(i)", and by striking out ", plus" and all that follows thereafter and inserting in lieu thereof a period; and

(2) by amending subsection (h)—

(A) by amending paragraph (1) to read as follows:

"(h)(1) The outstanding aggregate liability of the United States at any time with respect to loans guaranteed under this chapter on behalf of any one firm shall not exceed $5,000,000."; and

(B) by striking out "$1,000,000" in paragraph (2) and inserting in lieu thereof "$3,000,000".

(b)(1) The amendments made by subsection (a)(1) shall apply with respect to direct loans made under section 255 of the Trade Act of 1974 on or after the effective date of this Act.

(2) With respect to any direct loan made under such section 255 before such effective date, at the request of the borrower the Secretary of Commerce shall take such action as may be appropriate to adjust the rate of interest on such loan consistent with the amendment made by subsection (a)(1) effective with respect to—

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(A) the outstanding balance of the loan existing on October 31, 1977, if the loan was entered into before that date; or

(B) the total amount of the loan if the loan was entered into on or after October 31, 1977.

SEC. 205. PROVISION OF INFORMATION ON BENEFITS TO FIRMS.

(a) Section 264 of the Trade Act of 1974 (19 U.S.C. 2354) is amended—

(1) by striking out "; ACTION WHERE THERE IS AFFIRMATIVE FINDING" in the section heading thereto; and

(2) by striking out subsection (c) thereof.

(b) Chapter 3 of title II of the Trade Act of 1974 (19 U.S.C. 2341–2354) is amended by adding at the end thereof the following new section:

"SEC. 265. BENEFIT INFORMATION TO FIRMS.

"The Secretary shall provide full information to firms about the technical and financial assistance available under this chapter, and under other Federal programs, which may facilitate the adjustment of such firms to import competition. The Secretary shall provide whatever assistance is necessary to enable firms to prepare petitions for certifications of eligibility.".

(c) The table of contents of the Trade Act of 1974 is amended by striking out

"Sec. 264. Study by Secretary of Commerce when International Trade Commission begins investigation; action where there is affirmative finding."

and inserting in lieu thereof the following:

"Sec. 264. Study by Secretary of Commerce when International Trade Commission begins investigation.
"Sec. 265. Benefit information to firms."

TITLE III—GENERAL PROVISIONS

SEC. 301. ADJUSTMENT ASSISTANCE COORDINATION.

Section 281 of the Trade Act of 1974 (19 U.S.C. 2392) is amended to read as follows:

"SEC. 281. ADJUSTMENT ASSISTANCE COORDINATION.

"(a) There is established an Adjustment Assistance Coordinating Committee to consist of a Deputy Special Representative for Trade Negotiations as Chairman and the officials charged with adjustment assistance responsibilities of the Department of Labor, the Department of Commerce, and the Small Business Administration. It shall be the function of the Adjustment Assistance Coordinating Committee to coordinate the development and review of all policies, studies, and programs of the various agencies involved pertaining to the adjustment assistance of workers, firms, and communities to import competition for the purpose of insuring prompt, efficient, and effective delivery of adjustment assistance available under this title.

"(b) There is established the Commerce-Labor Adjustment Action Committee (hereinafter referred to in this subsection as the 'Committee') the members of which shall be officials charged with economic adjustment responsibilities in the Department of Commerce, the Department of Labor, and any other appropriate Federal agency. The chairmanship of the Committee shall rotate among members representing the Department of Commerce and the Department of Labor. In addition to any other function deemed appropriate by the Secretary of Commerce and the Secretary of Labor, the Committee shall facilitate the coordination between such departments in providing to trade-impacted workers, firms, and communities timely and effective assistance under this title (including, but not limited to, the implementation of sections 225 and 265) and under other appropriate programs administered by such departments. The Committee shall report quarterly on its activities to the Adjustment Assistance Coordinating Committee.".

SEC. 302. GRANT PROGRAMS AND STUDIES.

(a) Chapter 5 of title II of the Trade Act of 1974 (19 U.S.C. 2391–1171) is amended—

(1) by redesignating section 284 as section 287; and

(2) by inserting immediately after section 283 the following new sections:

"SEC. 284. GRANTS TO LABOR ORGANIZATIONS.

"(a) The Secretary of Labor may make grants to unions, employee associations, or other appropriate organizations for the purpose of enabling such organizations to carry out research on, and the development and evaluation of, issues relating to the design of an effective program of trade adjustment assistance for workers in industries in which significant numbers of the workers have been, or will likely be, certified as eligible for adjustment assistance. Such issues shall include, but not be limited to, the impact of new technologies on workers, the design of new workplace procedures to improve efficiency, the creation of new jobs to replace those eliminated by foreign imports, and worker training and skill development. Any grant made under this section shall be subject to such terms and conditions as the Secretary deems necessary and appropriate. The Secretary of Labor may not expend more than $2,000,000 in any one year for grants under this section.

"(b) There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

"SEC. 285. GRANTS TO INDUSTRY ORGANIZATIONS.

"(a) The Secretary of Commerce may make grants, on such terms and conditions as the Secretary of Commerce deems appropriate, for the establishment of industrywide programs for research on, and the development and application of, technology and organizational techniques designed to im-

prove economic efficiency. Eligible recipients may be associations or representative bodies of industries in which a substantial number of firms have been certified as eligible to apply for adjustment assistance under section 251. The Secretary of Commerce may not expend more than $2,000,000 in any one year for grants under this section.

"(b) There are authorized to be appropriated such sums as may be necessary and appropriate to carry out the purposes of this section.

"SEC. 286. INDUSTRY STUDIES BY SECRETARY OF COMMERCE.

"The Secretary of Commerce may conduct studies of those industries actually or potentially threatened by import competition. The purpose of such studies shall include—

"(1) the identification of basic industrywide characteristics contributing to the competitive weakness of domestic firms;

"(2) the analysis of all other considerations affecting the international competitiveness of industries; and

"(3) the formulation of options for assisting trade-impacted industries and member firms, including industrywide initiatives.".

(b) The table of contents of the Trade Act of 1974 is amended—

(1) by striking out

"Sec. 281. Coordination."

and inserting in lieu thereof

"Sec. 281. Adjustment assistance coordination."; and

(2) by striking out

"Sec. 284. Effective date."

and inserting in lieu thereof

"Sec. 284. Grants to labor organizations.
"Sec. 285. Technical assistance grants.
"Sec. 286. Industry studies by Secretary of Commerce.
"Sec. 287. Effective date.".

SEC. 303. EFFECTIVE DATES.

(a) Except as provided in subsection (b), this Act shall take effect on October 1, 1979, or on the date of the enactment of this Act if the date of the enactment is after October 1, 1979.

(b) The amendments made by sections 106, 107(2), 109, 110, and 111(1) shall take effect on the 60th day after the effective date of this Act and shall apply with respect to workers separated from employment on or after such 60th day.

(c) The amendments made by section 107 (1) and (3) shall take effect on the effective date of this Act and shall apply:

(1) with respect to workers separated from employment on or after such effective date, and,

(2) with respect to workers receiving trade readjustment allowances on the effective date to assist them in completing an approved training program as

provided by section 233(a)(1) of the Trade Act of 1974.

96TH CONGRESS
1ST SESSION

H. R. 1543

IN THE SENATE OF THE UNITED STATES

JUNE 4 (legislative day, MAY 21), 1979

Read twice and referred to the Committee on Finance

AN ACT

To improve the operation of the adjustment assistance programs for workers and firms under the Trade Act of 1974.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—IMPROVEMENTS IN ADJUSTMENT ASSISTANCE FOR WORKERS

SEC. 101. SPECIAL TREATMENT OF CERTAIN CERTIFICATIONS AND PETITIONS.

(a)(1) This subsection applies—

(A) to any petition for a certification of eligibility to apply for adjustment assistance under chapter 2 of title II of the Trade Act of 1974—

(i) if such petition was filed with the Secretary of Labor (hereinafter in this section referred to as the "Secretary") before November 1, 1977; and

(ii) if the Secretary, on the basis of section 223(b)(1) of the Trade Act of 1974—

(I) denied issuance of such a certification,

(II) refused to accept the petition,

(III) caused the petition to be withdrawn, or

(IV) terminated an investigation undertaken with respect to the petition; and

(B) to any worker covered by a certification issued under section 223 of the Trade Act of 1974 on the basis of a petition filed before November 1, 1977, if such worker was not eligible for adjustment assistance under such chapter 2 by reason of subsection (b)(1) of such section.

(2) The Secretary shall promptly reconsider any petition referred to in paragraph (1)(A) and the eligibility for adjustment assistance of any worker referred to in paragraph (1)(B). In undertaking such reconsideration, the provisions of chapter 2 of title II of the Trade Act of 1974 shall apply, except that—

(A) for purposes of section 223(b)(1) of such Act, an 18-month period shall be applied rather than a one-year period; and

(B) for purposes of section 231(1)(B) of such Act, the date of the determination, if an affirmative determination is made incident to reconsideration, under section 223 shall be the 60th day after the date on which the petition concerned was initially filed with the Secretary, or, in the case of any petition to which paragraph (1)(A)(ii)(I) applies, the date of the initial determination by the Secretary denying certification.

(b)(1) Any group of workers separated from employment after October 3, 1974, and before November 1, 1977, may file, or have filed on their behalf (including a filing on their behalf by the Secretary), a petition for a certification of eligibility to apply for adjustment assistance under chapter 2 of title II of the Trade Act of 1974 if a petition for such a certification for such group was not filed with the Secretary after April 2, 1975, and before November 1, 1977. The Secretary may not consider any petition filed under this subsection unless the petition is filed before the close of the 6-month period beginning on the effective date of this Act.

(2) The provisions of such chapter 2 shall apply with respect to any petition filed under this subsection; except that—

(A) for purposes of section 223(b)(1) of the Trade Act of 1974, an 18-month period shall be applied rather than a one-year period,

(B) the date of the petition shall be April 3, 1975, or such other date deemed appropriate by the Secretary on the basis of the information obtained during the investigation, and

(C) for purposes of section 231(1)(B) of such Act, the date of the determination, if an affirmative determination is made, under section 223 with respect to the petition shall be the 60th day after the date of the petition established under subparagraph (B).

(c) In carrying out subsections (a) and (b), the Secretary may not pay, or recompute the amount of, any program benefit under chapter 2 of title II of the Trade Act of 1974 for the same week of unemployment for which any worker received, or is eligible to receive, such a benefit pursuant to such chapter under other than the authority of this section.

(d) The Secretary shall provide full information to workers regarding the provisions of this section and shall provide whatever assistance is necessary to enable workers concerned to prepare petitions or applications for benefits.

SEC. 102. FILING OF WORKER PETITIONS BY SECRETARY OF LABOR.

Section 221(a) of the Trade Act of 1974 (19 U.S.C. 2271(a)) is amended to read as follows:

"(a) A petition for a certification of eligibility to apply for adjustment assistance under this chapter—

"(1) may be filed with the Secretary of Labor (hereinafter in this chapter referred to as the 'Secretary') by any group of workers or by their certified or recognized union or other duly authorized representative; or

"(2) may be filed by the Secretary on behalf of any group of workers.

Upon the filing of a petition under paragraph (1) or (2), the Secretary shall promptly publish notice in the Federal Register that the filing has been made and that the Secretary has initiated an investigation.".

SEC. 103. GROUP ELIGIBILITY REQUIREMENTS FOR ADJUSTMENT ASSISTANCE.

(a) Section 222 of the Trade Act of 1974 (19 U.S.C. 2272) is amended—

(1) by amending paragraph (2) to read as follows:

"(2) that sales or production, or both, of such firm or subdivision have decreased absolutely, or threaten to decrease absolutely, and"; and

(2) by amending paragraph (3) to read as follows:

"(3) that increases of imports of articles like or directly competitive with articles—

"(A) which are produced by such workers' firm or appropriate subdivision thereof, or

"(B) to which such workers' firm or appropriate subdivision thereof provides essential parts or essential services,

contributed importantly to such total or partial separation, or threat thereof, and to such decline in sales or production, or threat thereof.".

(b) The amendments made by subsection (a) shall apply with respect to petitions filed under section 221(a) of the Trade Act of 1974 on or after the effective date of this Act.

SEC. 104. DETERMINATIONS BY SECRETARY OF LABOR.

Section 223 of the Trade Act of 1974 (19 U.S.C. 2273) is amended—

(1) by redesignating subsection (d) as subsection (f); and

(2) by adding immediately after subsection (c) the following new subsections:

"(d) In any case in which the Secretary of Commerce notifies the Secretary that a petition has been filed under section 251 by any firm or its representative, if a petition has been filed under section 221 regarding any group of workers of such firm, the Secretary, notwithstanding any other provision of law, shall promptly provide to the Secretary of Commerce any data and other information obtained by the Secretary in taking action on the petition which would be useful to

the Secretary of Commerce in making a determination under section 251 with respect to the firm.

"(e) If any certification issued under subsection (a) is based upon a determination made pursuant to section 222(2) that the production or sales, or both, of the firm or subdivision concerned threaten to decrease absolutely, no adjustment assistance under this chapter shall be provided to any worker covered by such certification until after the date on which the Secretary determines pursuant to such section that the production, or sales, or both, of such firm or subdivision have decreased absolutely.".

SEC. 105. PROVISION OF INFORMATION ON BENEFITS TO WORKERS.

(a) Section 224 of the Trade Act of 1974 (19 U.S.C. 2274) is amended—

(1) by striking out "; ACTION WHERE THERE IS AFFIRMATIVE FINDING" in the section heading thereto; and

(2) by striking out subsection (c) thereof.

(b) Subchapter A of chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2271–2274) is amended by adding at the end thereof the following new section:

"SEC. 225. BENEFIT INFORMATION TO WORKERS.

"The Secretary shall provide full information to workers about the benefit allowances, training, and other employment

services available under this chapter, and under other Federal programs, which may facilitate the adjustment of such workers to import competition. The Secretary shall provide whatever assistance is necessary to enable groups of workers to prepare petitions or applications for program benefits. The Secretary shall make every effort to insure that cooperating State agencies fully comply with the agreements entered into under section 239(a) and shall periodically review such compliance.".

(c) The table of contents of the Trade Act of 1974 is amended by striking out

"Sec. 224. Study by Secretary of Labor when International Trade Commission begins investigation; action where there is affirmative finding."

and inserting in lieu thereof the following:

"Sec. 224. Study by Secretary of Labor when International Trade Commission begins investigation.
"Sec. 225. Benefit information to workers.".

SEC. 106. QUALIFYING EMPLOYMENT REQUIREMENTS.

Section 231(2) of the Trade Act of 1974 (19 U.S.C. 2291(2)) is amended to read as follows:

"(2) Such worker had—

"(A) in the 52 weeks immediately preceding such total or partial separation, at least 26 weeks of employment at wages of $30 or more a week; or

"(B) in the 104 weeks immediately preceding such total or partial separation, at least 40 weeks of employment at wages of $30 or more;

in one or more firms or appropriate subdivisions thereof with respect to each of which a certification has been made under section 223 and which is in effect on the date of separation; or, if data with respect to weeks of employment with a firm are not available, equivalent amounts of employment computed under regulations prescribed by the Secretary.".

SEC. 107. TIME LIMITATIONS ON READJUSTMENT ALLOWANCES.

Section 233(a) of the Trade Act of 1974 (19 U.S.C. 2293(a)) is amended—

(1) by striking out "26 additional weeks" in paragraph (1) and inserting in lieu thereof "52 additional weeks";

(2) by amending paragraph (2) to read as follows:

"(2) such payments shall be made for not more than 26 additional weeks to an adversely affected worker who is not receiving payments under paragraph (1) and has attained age 60 on or before the date of total or partial separation, except that if payment is made for the 26th additional week and such worker has not attained age 62 before the close of such week, such payments shall be made for not more than the

number of weeks occurring during the period beginning with the week after such 26th additional week and ending with, but including, the week in which the worker attains age 62."; and

(3) by amending the last sentence thereof by striking out "78 weeks" and inserting in lieu thereof "104 weeks".

SEC. 108. EXPERIMENTAL TRAINING PROJECTS.

(a) Part II of subchapter B of chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2295–2296) is amended by adding at the end thereof the following new section:

"SEC. 236A. EXPERIMENTAL TRAINING PROJECTS.

"(a) The Secretary shall establish a program of experimental, developmental, demonstration, or pilot projects, through grants to, or contracts with, public agencies or private nonprofit organizations, or through contracts with other private organizations, for the purpose of improving techniques, and demonstrating the effectiveness, of specialized methods in meeting the employment and training problems of workers displaced by import competition. One such specialized method shall be the provision of certificates or vouchers to workers entitling employers and institutions to payment for on-the-job training, institutional training, or services provided by them to workers.

"(b) The Secretary shall carry out program projects under this section only within political subdivisions of States with respect to which the Secretary finds that—

"(1) a significant number or proportion of the workers within the political subdivision have become totally or partially separated, or are threatened to become totally or partially separated; and

"(2) increases in imports of articles like or directly competitive with articles produced by firms and subdivisions thereof located within the political subdivision have contributed importantly to the total or partial separations, or threats thereof, referred to in paragraph (1).

For purposes of paragraph (2), the term 'contributed importantly' means a cause which is important but not necessarily more important than any other cause.

"(c) Participation by any worker in a program project established under subsection (a) shall be on a voluntary basis; except that a worker may not be selected by the Secretary for participation unless the worker is, at the time of his application for participation—

"(1) covered by a certification issued under section 223 relating to employment or former employment within the political subdivision in which the project will be undertaken; or

"(2) if not so covered, is—

"(A) included within a group of workers for which a petition has been filed under section 221 and on which a determination under section 223 is pending, and

"(B) totally or partially separated from employment within such political subdivision.

The Secretary shall select workers for participation in a program project on such basis as the Secretary deems appropriate to carry out the purposes of this section, but such selections shall be made in a manner so as to insure that each project undertaken includes workers who represent diverse skill levels and occupations within the political subdivision concerned.

"(d) Grants made, and contracts entered into, by the Secretary under this section shall be subject to such terms and conditions as the Secretary deems necessary and appropriate to protect the interests of the United States. The authority of the Secretary to enter into contracts under this section shall be effective for any fiscal year only to such extent, and in such amounts, as are provided in appropriation Acts.

"(e) Section 239(c) shall apply in the case of any individual in training under a project undertaken pursuant to this section with respect to entitlement to unemployment insur-

ance otherwise payable to such individual. The agreement under section 239 with any State shall be modified to effect the purposes of this section, if the State deems such a modification to be necessary.

"(f) Not later than March 1, 1982, the Secretary shall submit to Congress a report setting forth a description and evaluation of the effectiveness of the projects implemented under the program established under subsection (a), together with such recommendations as the Secretary may have for implementing on a permanent basis those methods used in the program which have proven most effective.

"(g) For purposes of carrying out this section, there are authorized to be appropriated to the Department of Labor not to exceed $1,500,000 for each of fiscal years 1980 and 1981.".

(b) The table of contents of the Trade Act of 1974 is amended by inserting after

"236. Training."

the following:

"236A. Experimental training projects.".

(c) Section 245(b)(1) of the Trade Act of 1974 (19 U.S.C. 2317) is amended by inserting "other than section 236A" immediately before the period.

SEC. 109. INCREASED JOB SEARCH ALLOWANCES.

Section 237 of the Trade Act of 1974 (19 U.S.C. 2297) is amended as follows:

(1) Subsection (a) thereof is amended—

(A) by striking out "who has been totally separated";

(B) by striking out "80 percent of the cost of his necessary" and inserting in lieu thereof "100 percent of the cost of his reasonable and necessary"; and

(C) by striking out "$500" and inserting in lieu thereof "$600".

(2) Subsection (b) thereof is amended—

(A) by amending paragraph (1) to read as follows:

"(1) to assist an adversely affected worker who has been totally separated in securing a job within the United States;"; and

(B) by amending paragraph (3) to read as follows:

"(3) where the worker has filed an application for such allowance with the Secretary before—

"(A) the later of—

"(i) the 365th day after the date of the certification under which the worker is eligible, or

"(ii) the 365th day after the date of the worker's last total separation;

"(B) if such worker is age 60 or older on the date of his last total separation, the later of—

"(i) the 547th day after such date; or

"(ii) the 547th day after the date of the certification under which the worker is eligible; or

"(C) the 182d day after the concluding date of any training received by the worker, if the worker was referred to such training by the Secretary.".

SEC. 110. INCREASED RELOCATION ALLOWANCES.

Section 238 of the Trade Act of 1974 (19 U.S.C. 2298) is amended—

(1) by amending subsection (a)—

(A) by striking out "who has been totally separated"; and

(B) by striking out the period and inserting in lieu thereof the following:

", if such worker was, or is, entitled to trade readjustment allowances under such certification and files such application before—

"(1) the later of—

"(A) the 425th day after the date of the certification, or

"(B) the 425th day after the date of the worker's last total separation;

"(2) if such worker is age 60 or older on the date of his last total separation, the later of—

"(A) the 547th day after such date, or

"(B) the 547th day after the date of the certification; or

"(3) the 182d day after the concluding date of any training received by such worker, if the worker was referred to such training by the Secretary.";

(2) by amending subsection (c) to read as follows: "(c) A relocation allowance shall not be granted to such worker unless his relocation occurs within 182 days before or after the filing of the application therefor or (in the case of worker who has been referred to training by the Secretary) within 182 days after the conclusion of such training."; and

(3) by amending subsection (d)—

(A) by striking out "80 percent" in paragraph (1) and inserting in lieu thereof "100 percent", and

(B) by striking out "$500" in paragraph (2) and inserting in lieu thereof "$600".

SEC. 111. DEFINITIONS.

Section 247 of the Trade Act of 1974 (19 U.S.C. 2319) is amended—

(1) by amending paragraph (2) to read as follows:

"(2) The term 'adversely affected worker' means an individual who—

"(A) because of lack of work in adversely affected employment, has been totally or partially separated from such employment;

"(B) has been totally separated from other employment with a firm, in which adversely affected employment exists, within 190 days after being transferred from work in adversely affected employment in the firm because of lack of work; or

"(C) has been totally separated from other employment in a firm in which adversely affected employment exists as the result of—

"(i) the transfer of an individual from such adversely affected employment because of lack of work, or

"(ii) the reemployment of an individual who was totally separated from such adversely affected employment, if the reemployment occurs within the 190-day period beginning on the date of such separation.";

(2) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively, and by redesignating paragraphs (6) through (14) as paragraphs (8) through (16), respectively;

(3) by inserting immediately after paragraph (2) the following new paragraph:

"(3) The term 'appropriate subdivision' means—

"(A) any establishment or, where appropriate, any group of establishments operating as an integrated production unit or engaging in an integrated process, which is within any multiestablishment firm; or

"(B) any distinct part or section of any establishment which is within any firm, whether or not such firm is a multiestablishment firm."; and

(4) by inserting immediately after paragraph (6) (as redesignated by paragraph (1) of this section) the following new paragraph:

"(7)(A) The term 'firm' includes any of the following entities (regardless whether any such entity is under a trustee in bankruptcy or receivership under court decree):

"(i) Individual proprietorship.

"(ii) Partnership.

"(iii) Joint venture.

"(iv) Association.

"(v) Corporation (including any development corporation).

"(vi) Business trust.

"(vii) Cooperative.

"(B) Any firm, together with any—

"(i) predecessor in interest,

"(ii) successor in interest, or

"(iii) other affiliated firm (if both such firms are controlled or substantially beneficially owned by substantially the same persons),

may be considered to be a single firm for the purposes of this chapter.".

TITLE II—IMPROVEMENTS IN ADJUSTMENT ASSISTANCE TO FIRMS

SEC. 201. ELIGIBILITY REQUIREMENTS OF FIRMS FOR ADJUSTMENT ASSISTANCE.

(a) Section 251 of the Trade Act of 1974 (19 U.S.C. 2341) is amended—

(1) by amending subsection (c)—

(A) by amending paragraph (2) to read as follows:

"(2) that sales or production, or both, of such firm have decreased absolutely, or threaten to decrease absolutely,",

(B) by inserting ", or the threat thereof" immediately before the period at the end of paragraph (3), and

(C) by striking out the last sentence thereof; and

(2) by striking out subsection (d) and inserting in lieu thereof the following:

"(d)(1) The Secretary shall certify a firm as eligible to apply for adjustment assistance under this chapter if the Secretary determines—

"(A) that not less than 25 percent of the total sales of such firm is accounted for by the provision to import-impacted firms of—

"(i) any article (including, but not limited to, any component part) which is essential to the production of any import-impacted article,

"(ii) any service which is essential to the production, storage, or transportation of any import-impacted article, or

"(iii) any article and any service described in clauses (i) and (ii);

"(B) that a significant number or proportion of the workers in such firm have become totally or partially separated, or are threatened to become totally or partially separated;

"(C) that the sale or production, or both, of such firm have decreased absolutely, or threaten to decrease absolutely; and

"(D) that the absolute decrease, or the threat thereof, in the sales or production, or both, by import-impacted firms of import-impacted articles, with respect to which such firm provides articles or services referred to in subparagraph (A), contributed importantly to the total or partial separation, or threat thereof, referred to in subparagraph (B) and to the decline in sales and production, or the threat thereof, referred to in subparagraph (C).

"(2) For purposes of this subsection—

"(A) The term 'import-impacted article' means any article produced by an import-impacted firm, if such article is one with respect to which a determination under section 222(3) or subsection (c)(3) was made incident to the certification of the group of workers or firm concerned.

"(B) The term 'import-impacted firm' means—

"(i) any firm or appropriate subdivision thereof the workers of which have been certified pursuant to section 222(a), or

"(ii) any firm which has been certified pursuant to subsection (c).

"(e) For purposes of subsections (c) and (d) the term 'contributed importantly' means a cause which is important but not necessarily more important than any other cause.

"(f) A determination shall be made by the Secretary as soon as possible after the date on which any petition is filed under this section, but in any event not later than 60 days after that date.

"(g) In any case in which the Secretary of Labor notifies the Secretary that a petition has been filed under section 221 by any group of workers, their certified or recognized union, or other duly authorized representative, if a petition has been filed under subsection (a) regarding any firm in which such group of workers is, or was, employed, the Secretary, notwithstanding any other provision of law, shall promptly provide to the Secretary of Labor any data and other information obtained by the Secretary in taking action on the petition which would be useful to the Secretary of Labor in making a determination under section 223 with respect to the workers.

"(h) If any certification issued under this section is based upon a determination made pursuant to subsection (c)(2) or (d)(1)(C) that the production or sales, or both, of the firm concerned threaten to decrease absolutely, no technical assistance (other than assistance provided for in section 253(a)(1)) or financial assistance under this chapter shall be

provided to the firm covered by such certification until after the date on which the Secretary determines pursuant to such subsection that the production, or sales, or both, of such firm have decreased absolutely.".

(b) The amendments made by subsection (a) shall apply with respect to petitions filed under section 251(a) of the Trade Act of 1974 on or after the effective date of this Act.

SEC. 202. TECHNICAL ASSISTANCE.

(a) Section 252 of the Trade Act of 1974 (19 U.S.C. 2342(c)) is amended—

(1) by striking out subsection (c); and

(2) by redesignating subsection (d) as subsection (c).

(b) Section 253 of such Act (49 U.S.C. 2343) is amended—

(1) by amending subsection (b)—

(A) by striking out "(b) The" and inserting in lieu thereof "(b)(1) Except as provided in paragraph (2), the"; and

(B) by adding at the end thereof the following new paragraph:

"(2) The Secretary shall provide technical assistance, on such terms and conditions as the Secretary determines to be appropriate, to any firm certified under section 251 for the purpose of assisting such firm in preparing a proposal for its

economic adjustment, unless the Secretary determines, after consultation with the firm, that it is able to prepare such a proposal without such assistance. If technical assistance provided to a firm under this paragraph is furnished, pursuant to subsection (c), through any private individual, firm, or institution, the Secretary shall bear, subject to the 90-percent limitation in such subsection (c), that portion of the cost of such assistance which, in the judgment of the Secretary, the firm is unable to pay.".

(2) by striking out "75 percent" in subsection (c) and inserting in lieu thereof "90 percent".

SEC. 203. FINANCIAL ASSISTANCE.

(a) Section 254 of the Trade Act of 1974 (19 U.S.C. 2344) is amended by adding at the end thereof the following new subsection:

"(d) With respect to any loan guaranteed under this section, the Secretary may, without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), contract to pay annually, for not more than 10 years, to or on behalf of the borrower an amount sufficient to reduce by up to 4 percentage points the interest paid by such borrower on such guaranteed loan. No payment under this subsection shall result in the interest rate paid by a borrower on any guaranteed loan being less than the rate of interest for a direct loan made under this section. The authority of the Sec-

retary to enter into contracts under this section shall be effective for any fiscal year only to such extent, and in such amounts, as are provided in appropriation Acts.".

(b) The amendment made by subsection (a) shall apply with respect to loans guaranteed under section 254 of the Trade Act of 1974 on or after the effective date of this Act.

SEC. 204. CONDITIONS FOR FINANCIAL ASSISTANCE.

(a) Section 255 of the Trade Act of 1974 (19 U.S.C. 2345) is amended—

(1) by amending the second sentence of subsection (b) to read as follows:

"The rate of interest on direct loans made under this chapter shall be whichever of the following rates is lower:

"(1) A rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity that are comparable to the average maturing periods to maturity that are comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 percent;

"(2) A rate calculated by the Secretary of the Treasury to be the average annual interest rate of all interest-bearing obligations of the United States then forming a part of the public debt as computed at the

end of the fiscal year next preceding the date of the loan and adjusted to the nearest one-eighth of 1 percent, plus one-quarter of 1 percent per annum."; and

(2) by amending subsection (h)—

(A) by amending paragraph (1) to read as follows:

"(h)(1) The outstanding aggregate liability of the United States at any time with respect to loans guaranteed under this chapter on behalf of any one firm shall not exceed $5,000,000."; and

(B) by striking out "$1,000,000" in paragraph (2) and inserting in lieu thereof "$3,000,000".

(b)(1) The amendments made by subsection (a)(1) shall apply with respect to direct loans made under section 255 of the Trade Act of 1974 on or after the effective date of this Act.

(2) With respect to any direct loan made under such section 255 before such effective date, at the request of the borrower the Secretary of Commerce shall take such action as may be appropriate to adjust the rate of interest on such loan consistent with the amendment made by subsection (a)(1) effective with respect to—

(A) the outstanding balance of the loan existing on October 31, 1977, if the loan was entered into before that date; or

(B) the total amount of the loan if the loan was entered into on or after October 31, 1977.

SEC. 205. PROVISION OF INFORMATION ON BENEFITS TO FIRMS.

(a) Section 264 of the Trade Act of 1974 (19 U.S.C. 2354) is amended—

(1) by striking out "; ACTION WHERE THERE IS AFFIRMATIVE FINDING" in the section heading thereto; and

(2) by striking out subsection (c) thereof.

(b) Chapter 3 of title II of the Trade Act of 1974 (19 U.S.C. 2341–2354) is amended by adding at the end thereof the following new section:

"SEC. 265. BENEFIT INFORMATION TO FIRMS.

"The Secretary shall provide full information to firms about the technical and financial assistance available under this chapter, and under other Federal programs, which may facilitate the adjustment of such firms to import competition. The Secretary shall provide whatever assistance is necessary to enable firms to prepare petitions for certifications of eligibility.".

(c) The table of contents of the Trade Act of 1974 is amended by striking out

"Sec. 264. Study by Secretary of Commerce when International Trade Commission begins investigation; action where there is affirmative finding."

and inserting in lieu thereof the following:

"Sec. 264. Study by Secretary of Commerce when International Trade Commission begins investigation.
"Sec. 265. Benefit information to firms.".

TITLE III—GENERAL PROVISIONS

SEC. 301. ADJUSTMENT ASSISTANCE COORDINATION.

Section 281 of the Trade Act of 1974 (19 U.S.C. 2392) is amended to read as follows:

"SEC. 281. ADJUSTMENT ASSISTANCE COORDINATION.

"(a) There is established an Adjustment Assistance Coordinating Committee to consist of a Deputy Special Representative for Trade Negotiations as Chairman and the officials charged with adjustment assistance responsibilities of the Department of Labor, the Department of Commerce, and the Small Business Administration. It shall be the function of the Adjustment Assistance Coordinating Committee to coordinate the development and review of all policies, studies, and programs of the various agencies involved pertaining to the adjustment assistance of workers, firms, and communities to import competition for the purpose of insuring prompt, efficient, and effective delivery of adjustment assistance available under this title.

"(b) There is established the Commerce-Labor Adjustment Action Committee (hereinafter referred to in this subsection as the 'Committee') the members of which shall be officials charged with economic adjustment responsibilities in the Department of Commerce, the Department of Labor, and any other appropriate Federal agency. The chairmanship of the Committee shall rotate among members representing the Department of Commerce and the Department of Labor. In addition to any other function deemed appropriate by the Secretary of Commerce and the Secretary of Labor, the Committee shall facilitate the coordination between such departments in providing to trade-impacted workers, firms, and communities timely and effective assistance under this title (including, but not limited to, the implementation of sections 225 and 265) and under other appropriate programs administered by such departments. The Committee shall report quarterly on its activities to the Adjustment Assistance Coordinating Committee.".

SEC. 302. GRANT PROGRAMS AND STUDIES.

(a) Chapter 5 of title II of the Trade Act of 1974 (19 U.S.C. 2391–2394 and 2271) is amended—

(1) by redesignating section 284 as section 287; and

(2) by inserting immediately after section 283 the following new sections:

"SEC. 284. GRANTS TO LABOR ORGANIZATIONS.

"(a) The Secretary of Labor may make grants to unions, employee associations, or other appropriate organizations for the purpose of enabling such organizations to carry out research on, and the development and evaluation of, issues relating to the design of an effective program of trade adjustment assistance for workers in industries in which significant numbers of the workers have been, or will likely be, certified as eligible for adjustment assistance. Such issues shall include, but not be limited to, the impact of new technologies on workers, the design of new workplace procedures to improve efficiency, the creation of new jobs to replace those eliminated by foreign imports, and worker training and skill development. Any grant made under this section shall be subject to such terms and conditions as the Secretary deems necessary and appropriate. The Secretary of Labor may not expend more than $2,000,000 in any one year for grants under this section.

"(b) There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

"SEC. 285. GRANTS TO INDUSTRY ORGANIZATIONS.

"(a) The Secretary of Commerce may make grants, on such terms and conditions as the Secretary of Commerce deems appropriate, for the establishment of industrywide programs for research on, and the development and application of, technology and organizational techniques designed to im-

prove economic efficiency. Eligible recipients may be associations or representative bodies of industries in which a substantial number of firms have been certified as eligible to apply for adjustment assistance under section 251. The Secretary of Commerce may not expend more than $2,000,000 in any one year for grants under this section.

"(b) There are authorized to be appropriated such sums as may be necessary and appropriate to carry out the purposes of this section.

"SEC. 286. INDUSTRY STUDIES BY SECRETARY OF COMMERCE.

"The Secretary of Commerce may conduct studies of those industries actually or potentially threatened by import competition. The purpose of such studies shall include—

"(1) the identification of basic industrywide characteristics contributing to the competitive weakness of domestic firms;

"(2) the analysis of all other considerations affecting the international competitiveness of industries; and

"(3) the formulation of options for assisting trade-impacted industries and member firms, including industrywide initiatives.".

(b) The table of contents of the Trade Act of 1974 is amended—

(1) by striking out

"Sec. 281. Coordination."

and inserting in lieu thereof

"Sec. 281. Adjustment assistance coordination."; and

(2) by striking out

"Sec. 284. Effective date."

and inserting in lieu thereof

"Sec. 284. Grants to labor organizations.
"Sec. 285. Technical assistance grants.
"Sec. 286. Industry studies by Secretary of Commerce.
"Sec. 287. Effective date.".

SEC. 303. EFFECTIVE DATES.

(a) Except as provided in subsection (b), this Act shall take effect on October 1, 1979 or on the date of the enactment of this Act if the date of the enactment is after October 1, 1979.

(b) The amendments made by sections 106, 107(2), 109, 110, and 111(1) shall take effect on the 60th day after the effective date of this Act and shall apply with respect to workers separated from employment on or after such 60th day.

(c) The amendments made by section 107 (1) and (3) shall take effect on the effective date of this act and shall apply—

(1) with respect to workers separated from employment on or after such effective date, and

(2) with respect to workers receiving trade readjustment allowances on the effective date to assist them in completing an approved training program as

provided by section 233(a)(1) of the Trade Act of 1974.

Passed the House of Representatives May 30, 1979.

Attest: EDMUND L. HENSHAW, JR.,

Clerk.

Senator ROTH. Today's hearings focus on an increasingly important element in American import trade policies—trade adjustment assistance.

Originally, in establishing the trade adjustment assistance program, Congress realized the fact that liberalized trade, designed to benefit the United States as a whole, does injure some workers, firms, and communities. Trade adjustment assistance helps those who are injured to meet the challenge of changed patterns with international competitiveness.

The results of the MTN make a need for effective adjustment programs all the more important, but even without the MTN, Americans live in a highly competitive international trading environment. Effective trade adjustment assistance can help America respond to this competition.

Unfortunately, the programs we have today are not as effective as they should be. There have been a number of unintended inequities.

S. 227, which I introduced, cosponsored by eight other Senators, and H.R. 1543, the House-passed bill, are intended to improve the operation of these programs. Similar legislation passed both the House and Senate last year but failed to be enacted because there was no time for a conference committee to iron out differences of nongermane amendments.

I believe it is essential to move rapidly in this Congress to assure better programs for trade adjustment assistance in conjunction with the enactment of the MTN implementing legislation.

At this time, I would like to call on Mr. Rivers, general counsel, Office of the Special Representative for Trade Negotiations.

Welcome, Mr. Rivers.

Mr. RIVERS. For the record, I am Richard Rivers, general counsel, Office of the Special Trade Representative. On my left is Mr. Harold Williams, Deputy Assistant Secretary of Commerce; on my right, Mr. Marvin Fooks, Director of the Office of Trade Adjustment, Department of Labor. These gentlemen are responsible for the operation of the adjustment assistance programs in their respective departments and they are along today to answer specific questions.

STATEMENT OF RICHARD RIVERS, GENERAL COUNSEL, OFFICE OF SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Mr. RIVERS. I should tell you that I am a stand-in here today. I have had only a brief opportunity to review the statement that was

prepared for this occasion and I think that what I would like to do is to summarize it and submit it for the record.

We appreciate this opportunity to talk to you about the legislation to improve the trade adjustment assistance programs. We share the objective of improving the operation of these programs.

Trade adjustment assistance, we believe, should be reviewed and understood as a part of the overall U.S. trade policy and particularly the multilateral trade negotiations, about which you will be hearing more tomorrow.

During these past 5 years, while we were negotiating new rules governing international trade, our primary goal has been to promote development of an open, nondiscriminatory and fair economic system. Trade negotiations, such as the multilateral trade negotiations, necessarily entail increasing opportunities for sales by others in the U.S. market.

Trade is a two-way street.

All along, we knew there were going to be costs in terms of domestic sales and domestic jobs. In many cases, we were able to take exceptions for sensitive industries or otherwise guide the negotiations to mitigate the impact upon our domestic economy, particularly employment. The list of exceptions was a particularly hard-fought aspect of the negotiations.

We all know, however, that the benefits of trade are a net plus for the U.S. economy. We anticipate that there is going to be both arising from the tariff negotiations, as well as the codes, a positive benefit for the U.S. economy or we would not be engaged in it at all.

However, there are costs, and these costs tend to be clustered by industry and locality. We would be remiss if we did not recognize this if we did not take steps to redress these kinds of inequities where the burden of trade liberalization falls upon a particular community or a particular industry sector.

The present program is not a perfect program by any stretch of the imagination. The criticisms of trade adjustment assistance are well-known. However, no one has really come up with a better approach or alternative way of dealing with the problem.

What we need are constructive ideas for improving the current programs and making them work.

I think that the administration's record has been a good one in administering these programs: The caseload has been reduced; the time lag, which has been a chronic problem in trade adjustment assistance has been shortered.

Some of the numbers in this regard I think are of some importance.

Since the Trade Act of 1974, more than 6,000 worker cases had been instituted and more than 450,000 workers have received benefits totalling $700 million. Also, 14,000 have received job placement; 5,000 job search or relocation allowances.

The effectiveness of this program must be judged to the degree by which these large sums of money are spent in the adjustment process. We must insure that these expenditures help bring workers and firms back to an effective and productive participation in the economy.

Workers want jobs and businesses want profitable production. Nobody wants a handout.

This brings us to the question of how can we best assure that the improvements in the program are realized and that the money, if there is indeed to be additional funds for adjustment assistance, is used and expended in a way so as to be sure that it is not wasted.

Benefits are sometimes not available to workers but are delivered after the time of hardship and need is in the past. This is one instance where the expenditure of money or funds does not facilitate adjustment. It is an ex post facto benefit received by a worker and it has little or nothing to do with the adjustment process.

The administration, I wish to emphasize, supports the objective of improving the program. We support the objective of facilitating adjustment to the dislocations caused by imports and trade liberalization.

However, we cannot support the increased expenditures which are not clearly linked to the adjustment process. So we share the commitment of the authors of this bill to the adjustment assistance concept and the need for an effective program and improvements in the current program.

There is no doubt in our mind of the need for many of the changes that are proposed by these two bills. We support a major proportion of the provisions of these bills, including a number of those that increase benefits. We support provisions that seek to make the delivery of services more effective and call for an improved coordination between the Congress and the Labor Department for exchanges of information and experimental programs.

The administration heartily supports improvement of administration whereby the Commerce Department would assist firms in preparing an adjustment proposal, as where loan and guarantee provisions are enhanced. However, the administration, as I have indicated, has serious problems where the bill calls for a large expenditure of resources that are not actually directed at assisting in the adjustment to a profitable operation or returning people to productive employment.

These objections will be elaborated on by my colleagues who are far more familiar with the operation of these programs.

Thank you very much, Mr. Chairman.

Senator ROTH. Thank you.

[The prepared statement of Mr. Rivers follows:]

TESTIMONY OF RICHARD RIVERS, GENERAL COUNSEL OF STR

I appreciate this opportunity to testify before the Subcommittee on S. 227 and H.R. 1543 bills "To Improve the Operation of the Adjustment Assistance Programs for workers and firms under the Trade Act of 1974."

Trade Adjustment Assistance must be viewed and understood as part of overall U.S. trade policy and the MTN, which is also before you and on which the Committee will receive testimony tomorrow. Ambassador Strauss will testify on the MTN, and I do not want to anticipate that testimony. But I cannot help relating the MTN to Adjustment Assistance and putting it all in the general context.

Trade adjustment assistance is merely one part of a cohesive, coherent trade policy. While we were negotiating the new rules governing international trade, the tariff reductions, and the bilateral agreements, our primary goal was to promote the development of an open, nondiscriminatory, and fair economic system. But to stimulate fair and free competition between the United States and foreign nations and to foster economic growth and employment in the United States, recognizes that we are also increasing opportunities for sales by others in the United States market. We knew that there would be costs in domestic sales and in domestic jobs. Often we

were able to take exceptions or so guide the negotiations that this impact would be minimized, delayed, and even avoided all together. In fact, that list of exceptions was hard fought with our trading partners. They did not concede those exceptions easily.

The bottom line, though, is that liberalization of trade creates greater business opportunities and more jobs, not just in some theoretical sense but in a real sense. It does that because this is not a negative or even a zero-sum game. This is a plus game—for the U.S. economy and for our trading partners. studies done by the Department of Labor and by our own office of STR specify the beneficial gains in employment and production in the United States. These positive results are confirmed by your own studies even using a far different methodology than that employed by the Administration.

The benefits of a dynamic economy and the part that trade plays are well-known. And indeed, the benefits far outweigh the adjustment costs. However, there are costs and those costs tend to cluster by industry and by locality. We would be remiss in our duty if we did not recognize this and take positive action. Than is why we need and why we have an effective, adjustment assistance program.

The Adjustment Assistance Program is impressive, especially in what has been done during this Administration. The Program is not perfect, and we recognize that; but we believe that it has achieved appreciable success. The case load and the amount of benefits that have been expended indicate the scope and significance of the program. Since the Trade Act of 1974 first instituted a workable adjustment assistance program, almost 6,000 worker cases have been instituted, and 450,000 workers have received benefits totalling almost $700 million. Sixteen thousand workers have entered training. Fourteen thousand have received job placements and 5,000 job-search or relocation allowances have been paid. The program is working.

The Administration is working hard to insure that this is also an efficient program an one where benefits are delivered on time. The back-log that this Administration inherited has been brought up to date, and benefits are being delivered in a timely fashion now. You may wish to question the representatives of the Departments of Commerce and Labor who are with me on the specifics of their programs and the improvements that they have initiated.

The effectiveness of this program can be judged and must be judged by the degree to which these large sums of money are spent to assist in the adjustment process. In a time of increasing government costs, and citizen benefits, we must insure that these expenditures help bring workers and firms back to an effective and productive participation in the economy. Workers want jobs and businesses want profitable production. Neither of them wants a handout.

Now we know that adjustment assistance does not always work the way it is supposed to. Benefits are sometimes not available to workers but are delivered after the time of hardship and need is past, or firms discover that they are not able to use the delivery system effectively. The Administration wants to push forward on improvements that will assist in the adjustment process and help those in need.

This brings me to S. 227 and H.R. 1543, the bills before us. The Representatives of the Departments that actually operate the programs will address the programs in regard to firms and workers, and the Administration's position on the specific provisions of the bills.

The Administration shares the commitments of the authors of this bill to the adjustment assistance concept, to the need for an effective program and to improvements in the current program. There is no doubt of the need for many of the changes in these bill.

The Administration supports a major portion of the provisions of these bills including a number of those that increase benefits. We support provisions which seek to make the delivery of services more effective and which call for improved coordination between the Commerce and Labor Departments, exchanges of information and experimental programs. The Administration heartily supports, improvements of administration whereby the Commerce Department would assist firms in preparing an adjustment proposal. As where loan and guaranty provisions are enhanced.

However, the Administration has serious problems where the bill calls for a large expenditure of resources that are not actually directed at assisting in the adjustment to profitable operation or at returning people to productive employment. These objections will be elaborated on by my colleagues.

The Administration strongly opposes these bills in their present form. This is unfortunate because a good number of their provisions could bring necessary and appropriate improvements to the present program. We strongly oppose the provi-

sions of this bill which cost large sums of money but are not directed to the adjustment process.

I would now like to introduce Mr. Harold Williams, Depty Assistant Secretary of Commerce, and Mr. Marvin Fooks, Director of the Office of Trade Adjustment in the Labor Department. These gentlemen are responsible for the operation of the programs in their respective Departments. Their statements or answers to your questions will address specific aspects of the bill.

Senator ROTH. Mr. Fooks?

STATEMENT OF MARVIN FOOKS, DIRECTOR, OFFICE OF TRADE ADJUSTMENT ASSISTANCE, DEPARTMENT OF LABOR

Mr. FOOKS. Thank you, Mr. Chairman.

I would like to submit my statement for the record and I will summarize it and save a little time.

Last October we appeared before the committee on essentially the same legislation that we are considering today and the administration's opposition was noted to the several provisions which make the legislation unacceptable in its present form to the administration.

Specifically, the provisions which the administration opposed deal with the retroactive liberalization of the current 1-year coverage requirement. The basis of the opposition to this provision is that it serves no immediate adjustment purpose.

Second, the extension of coverage to services and component workers to the extent that the legislation before the committee goes is unacceptable. The administration supports the extension of coverage to workers supplying components from independent firms, if those firms supply 50 percent of their output to certified firms.

The administration also opposes in H.R. 1543 the alternative qualifying requirement for workers which would weaken the labor force attachment that is currently in the Trade Act.

If it is possible to legislate a bill that is acceptable to the administration, we would like to propose some additional changes which we think would make the program easier to administer and more responsive to both the budgetary concerns of the administration and to the desire to efficiently administer the program to workers.

Specifically we recommend an amendment of the present language in the Trade Act that requires State agencies to recompute trade readjustment allowance weekly benefits for each subsequent separation from adversely affected employment. This requirement increases the cost of present administration and delays delivery of cash allowances to workers.

In addition, the statutory requirement for computation has placed a severe burden on adversely affected employers who must supply individual wage and separation information on each subsequent layoff.

We have proposed new statutory language that would allow for a single computation and not require recomputations for each subsequent layoffs that may occur.

The proposal will result in substantial savings in administrative costs and improved efficiency in delivering cash allowances to workers.

We also propose that new authority be provided to the Secretary of Labor to permit the Secretary to suspend existing certifications

so as not to cover workers whose most immediate layoff is not related to import competition.

Under the current provisions of the Trade Act, all layoffs following a qualified separation are covered, even though subsequent layoff may be unrelated to import competition, such as layoffs caused by energy problems, natural disasters, machinery maintenance, normal plant shutdowns or vacation periods.

This proposal would entail some additional administrative costs, but it is believed that such costs would be more than offset through benefit cost savings.

We proposed that the sections on job search and relocation allowances be amended to provide for adjusting the amount of job search expenses and relocation expenses payable to the extent, and by the amount, as such expenses are paid by former, current or prospective employers. Such a restriction would prevent the receipt of double payments for job search and relocation.

Finally, because of the considerable changes, the enactment of the legislation would require in existing procedures and regulations. We recommend that all pertinent provisions take effect on the 120th day after enactment.

We estimate that the annual average cost to the Labor Department associated with Senate bill 227 and H.R. 1543 would be $200 million and $220 million respectively.

That concludes my remarks, Mr. Chairman. I would be happy to answer any questions you might have.

Senator MOYNIHAN. Thank you, Mr. Fooks. I think we might wait until Mr. Williams has given his statement.

[The prepared statement of Mr. Fooks follows:]

STATEMENT OF MARVIN FOOKS, DIRECTOR, OFFICE OF TRADE ADJUSTMENT ASSISTANCE, BUREAU OF INTERNATIONAL LABOR AFFAIRS, DEPARTMENT OF LABOR

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to answer questions you might have concerning the worker adjustment assistance program and its recent operations.

The Department of Labor desires to work closely with the Committee in developing a more responsive and effective program. In recent months, we have dramatically improved program administration so that now virtually our entire caseload is being processed on a current basis. Our ability to complete cases within the 60-day requirement directed by the Trade Act increases the likelihood that the program will provide benefits to workers when they are needed most and not long after a worker's dislocation as has been too often the experience in the early years of the program's implementation.

H.R. 1543 and S. 227, currently before the Committee, contain many desirable provisions that would further enhance program responsiveness which the administration heartily endorses. We agree with the thrust of the legislation that workers be provided full information about the program and that every reasonable effort be undertaken to identify dislocation problems associated with increased imports so that assistance may be provided at the earliest possible date after employment dislocations occur. It is essential that Commerce and Labor coordinate their adjustment programs to deal directly and substantively with industry and community import-related problems.

There are some provisions to which the Administration is strongly opposed. Without removal of these seriously objectionable provisions, the Administration considers this legislation unacceptable.

At present, the impact date under a certification must be within one year of the date of the filing of a petition for certification. The bill would extend the impact date retroactively from 12 months to 18 months. It would have the effect of qualifying workers separated from employment but not covered by certification as far back as 1974. The Administration sees no adjustment purpose to be served by making Federal transfer payments to workers who were unemployed as long as 5 years ago.

We believe that this amendment is a costly and inappropriate extension of the program.

Under current law, workers may be certified for eligibility for trade adjustment assistance (TAA) if imports of goods were an important cause, but not necessarily more important than any other cause, of their separation from work. Section 103 of the bill would extend benefits to workers of independent suppliers or subdivisions of firms supplying essential parts or services.

S. 227 conditions such benefits on firms which provide 25 percent or more of their goals or services for use in the production of import impacted articles by firms which have been certified under the Trade Act. H.R. 1543 places no restrictions on a direct relationship of component parts or services to the import impacted firms and would permit workers in an independent firm or subdivision supplying essential parts or services to be certified even if workers producing the end product in the firm or subdivision they supplied have not received prior certification. These amendments would expand program coverage beyond the scope of the Trade Act to secondary supplier firms and their employees increasingly remote from trade impacts. The Administration opposes these provisions.

The Administration believes any broadening of eligibility for TAA beyond workers directly affected by imports of goods should be approached with extreme caution. Given the untried nature of this change and its uncertain implications the Administration would support congressional enactment of a provision permitting the Secretary of Labor to certify workers from independent suppliers which provide 50 percent or more of their goods for use in the production of import impacted articles by firms which have been certified under the Trade Act. The Administration believes that the effect of a broader application without a direct relationship to firms of import impacted articles would be to aid those whose problems are related only tenuously, if at all, to changes in imports, while adding greatly to the cost of the program. The Administration opposes the extension of benefits to workers of independent suppliers of services.

The alternative qualifying requirement of the bill would permit workers to qualify under this bill for up to 104 weeks of benefits on the basis of 40 weeks of employment in the 104 weeks immediately preceding layoff with one or more firms. This would be an alternative in addition to the present qualifying test of 26 weeks of employment in the 52 weeks preceding layoff. The Administration opposes this provision because the proposed alternative does not reflect a sufficient attachment to the labor force. We believe the present test is the minimum acceptable given the potential benefits under this program.

The bill provides for the extended duration of benefits for workers aged 60 or older and would allow the payment of trade readjustment allowances (TRA) to workers up to the time that reduced social security benefits become payable at age 62. The Administration believes that providing additional TRA would serve as a disincentive to work and would result in the de facto establishment of an income maintenance program for such workers until they qualify for social security benefits. The Administration opposes this provision.

If the Committee changes the legislation by removing the seriously objectionable provisions, we propose that Congress consider additional amendments to deal with particular problem areas and also consider providing the Department of Labor more time to prepare to implement the new provisions that may be enacted.

Specifically, we recommend the amendment of present statutory language that requires State agencies to recompute trade readjustment allowance weekly benefit amounts for each subsequent separation from adversely affected employment. This requirement increases the cost of present program administration and delays delivery of cash allowances to workers. In addition, the statutory requirement for recomputation has placed a severe burden on adversely affected employers who must supply individual wage and separation information based on each subsequent layoff. We propose new statutory language that would allow for a single computation and not require recomputations for each subsequent layoff that may occur. This proposal will result in substantial savings in administrative costs and improved efficiency in delivering cash allowances to workers.

We also propose new statutory language be added that provides the Secretary of Labor with authority to suspend existing certifications so that certified workers whose most immediate layoff is not related to import competition would not be entitled to special program benefits. Such workers would still receive regular unemployment benefits to which they and other workers separated for non-import reasons would be eligible. Under the current provisions of the Trade Act, all layoffs following a qualifying separation are covered even though a subsequent layoff may be unrelated to import competitions, such as layoffs caused by energy problems, natural disasters, machinery maintenance, or normal plant shutdowns or vacation

periods. This proposal would entail some additional administrative costs, but it is believed that such costs would be more than offset through benefit cost savings.

We propose that the sections on job search and relocation allowances be amended to provide for adjusting the amount of job search expenses and relocation expenses payable to the extent, and by the amount, such expenses are paid or payable by a former, current or prospective employer. Such a restriction would prevent the effective receipt of double payments for job search and relocation.

Mr. Chairman, we have drafted the necessary language changes needed to implement our additional amendments.

Because of the considerable changes enactment of the legislation would require in existing procedures and regulations, we recommend that all pertinent provisions of the Act take effect on the 120th day after the date of enactment, in order to allow for orderly implementation of new regulations and procedures and for the necessary retraining of State agency and Federal staff.

Mr. Chairman, we estimate that the annual added costs to this Department associated with S. 227 and H.R. 1543 would be about $200 million and $220 million, respectively. Mr. Chairman, that concludes my remarks, and I would be happy to respond to any questions you might have.

Senator MOYNIHAN. We are happy to welcome you.

STATEMENT OF H. W. WILLIAMS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

Mr. WILLIAMS. Thank you, Mr. Chairman.

I, too, have a prepared statement I would like to submit for the record and summarize it briefly for you.

Senator MOYNIHAN. Without objection.

Mr. WILLIAMS. We believe that the provisions in the legislation before you that relate to trade adjustment assistance for firms are, on the main, very good. We think they will enable us to do a better job of providing assistance to firms.

We have problems with two of the provisions in the bill. One relates to the question of certifying firms on the basis of a threat of a drop in sales or production, rather than an actual drop.

We would have difficulties in setting good guidelines on what constitutes a threat, and how one determines whether or not a threat actually exists.

We think that it would be administratively very difficult. We think it is unnecessary because we have been certifying firms on the basis of an average of about 45 days and therefore, the delay caused by waiting for an actual drop to go through the certification process would not be overwhelming.

We also are opposed to certifying firms which supply 25 percent of their goods and services to import impacted firms. We believe this is opening up the bill a great deal, and that it would be prudent to move more cautiously. Therefore, we would favor certifying firms that supply 50 percent of their sales to import impacted firms.

Other than these reservations, we are in favor of the provisions in the bill which is before you as they relate to trade adjustment assistance for firms.

I might add, Mr. Chairman, that in the past 2 years we are very pleased with the progress we have made in bringing assistance to firms. The number of firms that we have been able to assist has jumped rapidly. It went up a great deal in 1977 over previous years. It went up a great deal in 1978 over 1977 and, at the end of a half-year in 1979, we are already sure that we are going to surpass last year's record.

A great deal of this increase is due to the fact that we have zeroed in on the two major problems of assistance to firms: Telling the people about the program and then helping them through the rather tortuous, but necessary, path that leads to the provision of effective assistance.

To accomplish these objectives, we have established trade adjustment assistance centers throughout the country where firms can go to get assistance in helping to fill out certification petitions and get the actual technical and financial assistance they need.

This program is relatively new, but it is growing very rapidly and every month that we hit a new record in the number of firms that apply and the number of firms that are certified.

That concludes my testimony, Mr. Chairman.

Senator MOYNIHAN. Thank you, Mr. Williams.

[The prepared statement of Mr. Williams follows:]

STATEMENT OF HAROLD W. WILLIAMS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

Mr. Chairman and members of the subcommittee, I have little to add to the presentation made before this Committee on October 2, 1978, when Deputy Assistant Secretary Frederick Knickerbocker presented the Administration's position on H.R. 11711.

To summarize briefly our position on those portions of the measures you are now considering, S. 227 and H.R. 1543, which relate to trade adjustment assistance for firms, the Administration is in general agreement with most of the changes being considered for improvement of adjustment assistance for firms. The costs associated with these changes for the Department of Commerce are estimated to be about $26.5 million annually.

We do oppose certifying firms on the basis of a threat of a decline in production or sales, because of the administrative difficulties of establishing that firms are threatened with a decline in sales or production and because of the possibility of premature firm certifications. We are aware of the argument that certifying firms on the basis of a threat, but withholding assistance until the threat materializes, might speed up the delivery of assistance. But since EDA processes petitions for certification of firms within 43 working days, on the average, we do not consider that argument of sufficient weight to justify the administrative complexities of trying to establish rules and regulations for the determination of what constitutes a "threat."

The Administration also opposes enactment of the amendment which would authorize certification of firms providing not less than 25 percent of their sales of articles or services to import-impacted firms (the so-called independent supplier provision). Extension of trade adjustment assistance to secondary supplier firms and their workers would move the program onto uncertain ground. Extension of the program to second tier suppliers of services would broaden trade adjustment assistance to firms whose businesses are increasingly remote from trade impacts.

The Administration believes any broadening of the field of eligibility for adjustment assistance beyond firms and workers directly affected by imports of goods, as defined in current law, should be approached with extreme caution. Given the untried nature of this change and its uncertain implications, the Administration would support congressional enactment of a provision limited to firms which provided 50 percent of their goods for use in the production of import-impacted articles by firms which have been certified under the Act. We believe that the effect of incorporating the 25 percent rather than the 50 percent cutoff would be to aid those whose problems are related only tenuously, if at all, to changes in imports, while adding greatly to the cost of the program.

Trade adjustment assistance for firms has been improved considerably since the Carter Administration took office. The budget has been expanded from $22 million in the original fiscal year 1978 budget submission to about $97 million in fiscal year 1979, and we anticipate that our authority for direct loans, guaranteed loans and technical assistance in fiscal year 1980 will be considerably in excess of the fiscal year 1979 figure.

We have vigorously expanded our outreach program through the establishment of ten trade adjustment assistance centers throughout the country. These centers are staffed with specialists who seek out firms which have been harmed by imports,

explain the program, help them prepare petitions for certification, see to it that they receive appropriate technical assistance and help them with applications for financial assistance. Although these centers have been in operation for only about one year, we are already seeing a considerable upsurge in our assistance as a result of their efforts, and we think they have greatly improved the effectiveness of the program. With the provisions for adjustment assistance which are contained in the legislation you are considering—appropriately modified in accordance with the testimony you are hearing today—we believe that we can finally make the program of trade adjustment assistance for firms fulfill the objectives of the Congress.

Senator Roth?

Senator ROTH. I will be very brief, Mr. Chairman.

Mr. Rivers, I would have to say that I am a little surprised at the negative approach of the administration because I recall last year in the closing hours of the session the administration was very active in pushing very similar legislation.

As a matter of fact, I think even the President made some calls on its behalf. I trust that was not just because of the countervailing duty waiver extension, but because the administration was interested in strengthening trade adjustment programs.

For that reason, I would hope that the administration would take another hard look at this bill—and I would be glad to work with you in trying to develop sound legislation.

I think it was Mr. Fooks who mentioned proposed language to eliminate the recomputing of the adjustment. Has that specific language been supplied to the committee?

Mr. FOOKS. No. We can supply it to the committee.

Senator ROTH. Mr. Chairman, I would think it would be helpful if we could have that proposal prior to the markup, if you have a chance. We have had complaints in that area.

Senator MOYNIHAN. We will make that request.

Mr. FOOKS. We will submit it.

Senator MOYNIHAN. I would appreciate it.

[The material referred to follows:]

DEPARTMENT OF LABOR AMENDMENTS TO S. 227 AND H.R. 1543

(1) Recomputation of Trade Adjustment Assistance-Weekly Benefit Amount Based on Qualifying Subsequent Separation

Section 232 of the Trade Act of 1974 (19 U.S.C. 2292) is amended to read as follows:

"(g) The weekly amount of trade adjustment allowances determined under subsections (a) and (f) for an individual, with respect to the individual's first qualifying total or partial separation under a certification covering the individual, shall remain fixed for all applications for trade readjustment allowances filed by the individual with respect to that certification, except for weeks of unemployment for which a higher amount may be computed under subsection (b) and for any recomputation under this section because of a change in the average weekly manufacturing wage."

(2) Adjusting Amounts for Job Search and Relocation Expenses

(a) In section 109, relating to job search allowances, strike "and" at the end of (1)(B), strike the period at the end of (1)(C) and insert in lieu thereof "; and", and add the following to paragraph (1)—

"(D) by striking out the period at the end thereof and inserting in lieu thereof ", and which shall be reduced by any amount customarily payable by an employer for the same purposes."

(b) In section 110, relating to relocation allowances, strike "and" at the end of (3)(A), strike the period at the end of (3)(B) and insert in lieu thereof "; and", and add the following to paragraph (3)—

"(C) by striking out the period at the end thereof and inserting a comma in its place, and adding the following to subsection (d): "which shall be reduced by any amounts customarily payable by an employer for the same purposes."

(3) Termination or Suspension of Certifications for Non-Import Related Layoffs

Section 223(d) of the Trade Act of 1974 (19 U.S.C. 2273(d)) is amended to read as follows:

(d) Whenever the Secretary determines, with respect to any certification of eligibility of the workers of a firm or subdivision of the firm, that total or partial separations from such firm or subdivision are no longer attributable to the conditions specified in Section 222, he shall terminate or suspend such certification and promptly have notice of such termination or suspension published in the Federal Register together with his reasons for making such determination. Such termination or suspension shall apply only with respect to total or partial separations occurring after the termination or suspension date specified by the Secretary. In the case of a suspension, the Secretary shall reinstate the operation of the certification as of the date on which he determines that total or partial separations are again attributable to the conditions specified in Section 222, or that the conditions warranting the suspension no longer exist.

Section 231 of the Trade Act of 1974 (19 U.S.C. 2291(1)) is amended by adding a new subsection 231(1)(D) to read as follows:

"(D) before or after any period of suspension determined pursuant to section 223(d); and"

REPORT LANGUAGE FOR AMENDMENTS

Recomputation of trade adjustment assistance—weekly benefit amount based upon qualifying subsequent separation

At present, section 232(a)(1) of the Trade Act of 1974 states that an individual's weekly trade readjustment allowance (TRA) amount will be the lesser of 70 percent of the individual's average weekly wage or the average weekly manufacturing wage. An "appropriate week" is defined in section 233(b)(4) of the Act as—(a) for a totally separated worker, the week of his most recent total separation, (b) for a partially separated worker, the first week for which he receives TRA following his most recent partial separation. The "average weekly wage" is defined in section 247(4) of the Act as one-thirteenth of the total wages paid to an individual in the highest quarter among the first 4 of the last 5 completed calendar quarters prior to the individual's appropriate week. Section 251 of the Act establishes the qualifying requirements which individuals must meet in order to be eligible to receive TRA.

Therefore, presently, if an individual has a subsequent separation from the same certified employer and can again meet the requirements of section 231 of the Act based upon such subsequent separation, the individual receives a new appropriate week, a new average weekly wage, and potentially a new weekly TRA amount (be it higher or lower than the previous weekly amount).

The present provision could necessitate the recomputation of a worker's TRA amount as frequently as every quarter. This requirement increases the cost of present program administration and delays delivery of cash allowances to workers. In addition, the statutory requirement for recomputation has placed a severe burden on adversely affected employers who must supply individual wage and separation information based on each subsequent layoff. Experience to date shows that the workers have not materially benefited from the recomputation process. It is estimated that with this amendment an annual savings in administrative costs of about $2.1 million could be realized.

Adjusting amounts for job search and relocation expenses

Job search allowances.—The proposed amendment would provide for reducing the amount of job search allowances by any amount customarily payable by an employer for the same purposes. We do not intend for Federal funds to be used to duplicate expenses that are customarily payable by an employer.

Relocation allowances.—The proposed amendment would not affect the lump sum payable under section 238(d)(2) of the Act. It would reduce the amount of a relocation allowance as provided for in section 238(d)(1) of the Act, as amended, by any amount customarily payable by an employer for the same purposes. Presently, there is no prohibition against the payment of relocation expenses, although the employer may have reimbursed the worker for such expenses. Federal funds should not be used to duplicate such employer expenses when they occur.

Termination or suspension of certifications for nonimport related layoffs

To assure that program benefits are available to certified workers for reasons associated with increased import competition, additional authority is provided the Secretary of Labor to suspend the applicability of an existing certification during periods when separation from adversely affected employment are for reasons having no connection to import competition that would support the continued applicability of the certification. Such situations include separations arising from a periodic or

recurring partial or total plant shutdown scheduled for vacations or operational purposes, or a shortage of parts due to a railroad or truckers' strike, or a plant shutdown due to curtailment of energy supplies, or a shutdown for emergency maintenance or repair of equipment. It is not intended that suspension of a certification would apply to workers separated prior to the effective date of the suspension as set in the suspension order. The suspension also is not intended to apply to workers who are totally or partially separated after the date the suspension is lifted. For this provision to have its intended effect, the Secretary may suspend a certification before informing affected workers, however, such notice of a suspension must be given as early as possible to the State agency and the affected workers. The Secretary shall monitor suspended certifications and periodically affirm to the affected workers that the conditions warranting suspension continue to exist. The suspension shall be terminated as of a stated date when the causes of separations or their continuation are no longer attributable to the situation justifying the suspension. In appropriate cases the termination date would be included in the suspension order. The two year period of any certification subject to suspension shall have its effective life extended by a period equal to the duration of the suspension or suspensions.

ADDITIONAL REQUESTED LANGUAGE

Administration's proposal on 50 percent component part requirement for secondary suppliers

Upon the receipt of a worker petition from a firm, or subdivision of a firm, producting components, raw materials of (production) equipment essential to the production of an "article," the Department of Labor will institute an investigation. The initial focus of the investigation will be to establish whether or not the article produced by the workers' firm is impacted by like or directly competitive imports in its own right. If there is substantial reason to believe that this is not so and that the import impact is indirect, namely, because of a decline in production by the customers of the worker's firm, the Department will review the list of customers of the workers' firm, identify whether or not the workers of such firms, or such subdivision, or the firms themselves have been the subject of adjustment assistance certification, and determine whether sales to those import-impacted firms or subdivisions, accounted for 50 percent or more of the petitioning workers' firm's sales.

If these import-impacted customers accounted for 50 percent or more of sales in a relevant time period and if, in the aggregate, they accounted for a significant portion of the decline in sales or production and employment of the petitioning workers' firm, the Department will issue a certification. The Department will not issue certifications in those cases where the petitioning workers' firm's sales and employment decline is unrelated or only insignificantly related to decreased purchases by the import-impacted firms. For example, certification would not be granted in cases where flood, fire, technology or some other non-import-related factor was a dominant cause of the firm's decline in sales or production.

In the course of its investigation, the Department would not generally need to make a determination on the essentiality of the article produced by the petitioning worker's firm to the production of the import-impacted final article. The definition of essential should not be construed broadly as to cover articles which are related to but not received for an integral part of the production of an import-impacted article. Therefore, it would not encompass articles used in the provision of services, such as food vending machines for an in-plant workers' criteria or medical test equipment for a plant's dispensary. Nor would it cover the workers producing railroad cars used to carry iron ore to the steel mill because the service of railroad transport, if provided by a firm independent of the steel producers, could not be certifiable as import-impacted and thus could not confer derivative certification on the workers producing railroad cars. Further, it is not intended that the provider of utilities to a plant be covered.

It is not the intent of this Committee to certify any worker groups beyond those in the so-called first tier of import impact. Certification status, for example, can be conferred on a producer of heels for shoes if at least 50 percent of the heel producer's output is supplied to shoe manufacturing firms which are customers and which have been certified or whose workers have been certified eligible to apply for adjustment assistance. Certification of a synthetic rubber producer supplying the heel manufacturer, however, cannot be made based on the derived certification of the heel manufacturer. The synthetic rubber producer can only obtain certification if its customers—the heel manufacturers which account for at least 50 percent of the rubber producer's output—themselves were found directly import-impacted through the increased importation of heels.

Senator ROTH. Mr. Chairman, those are all the questions I have.

Senator MOYNIHAN. Thank you.

May I first apologize for being late? I have been up on the mountain, as they say.

I would just make one point to you as a group and then you may respond as you will.

One of the notable things about the trade bill that we have before us has been the cooperative effort of the negotiators to seek advice from the trade unions of America who have been so much affected by these matters in recent years. To seek their advice has helped them to support the overall negotiating effort. This is striking since these groups could just as easily have been in opposition.

I am a little surprised that you come here and seem rather to be drawing back from what we felt to be a forward and open view about trade adjustment.

Am I wrong in this?

Now that we have the bill on the floor, are you changing your mind? How am I to read all of this?

Mr. RIVERS. I am confident in your long and distinguished career you have had the experience of testifying on behalf of the executive branch before a congressional committee having dealt with the Office of Management and Budget for the last 3 months and having lost. It is not an easy assignment.

We want to make these programs work. We want to improve them wherever and whenever possible. They fall into that category of programs for which there is a real need.

There is a need for creativity and imagination in their administration. However, I think on the other hand we would all agree that there is also the risk that more money, if not wisely spent and directed, might not, in fact, result in an improvement in the programs.

Senator MOYNIHAN. Mr. Rivers, I have to say that far from sounding uninstructed, you sound like OMB wrote that last paragraph for you.

Mr. RIVERS. Those may have been personal views.

I think we favor those aspects of the program which do facilitate the adjustment process and mitigate the effects of trade liberalization falling inequitably. They are not evenly distributed throughout the economy and the society.

We need a program to remove insofar as possible those inequities.

On the other hand, we want a program that actually facilitates adjustment and not a program that continues and expands some of the features of the program that are well known as faults, for example, the case where the benefit is received long after the adjustment has, in fact, occurred.

Those are the facets of the program that do cause concern for people who are charged with budgetary problems, balancing the budget.

Senator MOYNIHAN. We recognize that that is a necessary concern. I think that you should know, however, that this committee is not disposed to cut back on these programs. We are disposed to enlarge them.

I think I would have to say—I do not know whether my colleague would agree—that Mr. Rivers has raised an important question—how far back in the chain of suppliers do you go?

It is legitimate to ask that question to determine how best to administer the program. I wonder if we could get from you, Mr. Williams, some specific thoughts on that. Would you give us some specific proposals on how you would like to have them changed?

Mr. WILLIAMS. I believe what we would like to do is have the privilege or the ability to certify firms—supplier firms—who supply articles or goods to import impacted firms which account for 50 percent of their sales, that is, a firm that sells 50 percent of its goods to firms that are import impacted.

Senator MOYNIHAN. To firms, plural?

Mr. WILLIAMS. That is correct. They would be eligible.

This, we think, is a modest step toward recognizing the fact that suppliers do have a legitimate case without opening it up to a point where firms which are not really affected by impacts attain eligibility.

Senator MOYNIHAN. Kind of an infinite regress, I suppose. People who manufacture pencils are then suppliers to import impacted firms.

Mr. WILLIAMS. It is not only a question of goods, but also services. The bill as it now stands before you include services, and you get into some rather gray areas there.

Senator MOYNIHAN. I wonder if I could ask Mr. Rivers as the representative from the STR—the lead agency for the administration in trade policy—if you could not work out among yourselves an administration position on this and let us have it? I know that we would want to know what you think and we will pay very careful attention to it.

Senator Baucus has joined us. Would you like to question these gentlemen?

Senator BAUCUS. Not at this time, Mr. Chairman. Thank you very much.

Senator ROTH. If I may ask one further question, Mr. Chairman, under section 102, the Secretary of Labor can file petitions for adjustment assistance on behalf of any group of workers. Some concern has been expressed that proceedings will be initiated under this provision where there is not any real need.

Could you tell us what kind of circumstances under this provision would be exercised by the administration?

Mr. FOOKS. Yes, Senator Roth.

We have run across situations where individual workers have tried to file petitions, essentially workers who were not represented by a union, and the law requires that three workers file a petition if a union representative or a worker representative does not file on their behalf.

We would envision initiating investigations in situations where individuals were having difficulty filing petitions.

A second situation would be where a firm has filed with the Commerce Department for assistance and, for some reason, the workers have not filed with the Labor Department, either because of lack of awareness or just unfamiliarity with the petitioning process.

We would look at those situations and if it looked like there was a worker dislocation problem, we would file a petition on their behalf.

Finally, we are trying to do some work on an early warning system and it is conceivable that when information derived from an early warning system is pertinent and it looked like there were real dislocation problems involved and there were no organizations that could file on behalf of the workers, we would exercise the authority in that situation as well.

Senator ROTH. In other words, as I understand you, you would intend to use that measure depending on the unions. In those cases were action was not taken, you would step in?

Mr. FOOKS. That is correct.

Senator ROTH. Thank you, Mr. Chairman.

Senator MOYNIHAN. Well, gentlemen, we thank you and we look forward to hearing from you on that particular matter.

And now the committee has the honor to welcome a panel of representatives of the American workers.

Mr. JOHN J. Sheehan, legislative director, United Steelworkers of America and he is accompanied by Mr. John Oshinski, legislative representative, United Steelworkers.

Ms. Evelyn Dubrow, a good friend of this committee, who is vice president of the International Ladies' Garment Workers' Union.

Mr. Leonard Page of the International Union of United Automobile, Aerospace and Agricultural Implement Workers.

Ms. Helen Kramer, of the Machinists and Aerospace Workers.

Mr. Gundershein, who is research director of the Amalgamated Clothing and Textile Workers of America.

I think that we might proceed just as the panel is listed.

Mr. Sheehan, we welcome you. I wonder if I could ask in the interests of the committee if you would keep your presentations to 5 minutes each. Then we will have a chance to question you.

STATEMENT OF JOHN SHEEHAN, LEGISLATIVE DIRECTOR, UNITED STEELWORKERS OF AMERICA, ACCOMPANIED BY JOHN OSHINSKI, LEGISLATIVE REPRESENTATIVE, UNITED STEELWORKERS OF AMERICA

Mr. SHEEHAN. Thank you, Mr. Chairman.

Our panel is indeed large but, indeed, the problem is also, that we come before you with this effort.

My name is Jack Sheehan from the United Steelworkers of America. I must say that today we are representing a return performance before this committee. It is a regrettable fact. We have been here before; we were here last year.

I say unfortunately because, in the last days of the 95th Congress we were unable to reshuffle some of the extraneous riders tied on the bill which you know failed within the last few minutes of the closing of the session.

I say it is unfortunate, because we would have liked to have had this bill passed.

I would like to make some comments so as to put in perspective what this bill is really all about. This bill surely—maybe some might criticize it for being that—is an income maintenance program, not a job security program. Indeed, although we would cer-

tainly subscribe to a much expanded program that would entail facilitation of the adjustment process such as some of the administration witnesses have spoken of, we find that that is not what is involved here.

This is an income maintenance program. It is a tradeoff, Mr. Chairman, a tradeoff, if you wish, for Government action to further trade liberalization. We recognize that.

I think that the Congress, in 1962, recognized that there ought to be an alternative to a trade situation where it has been injurious. Rather than to seek relief against the trade, there should be some kind of relief for the injury that might occur.

Senator MOYNIHAN. If you would allow me to interrupt, I would like to say that I was Assistant Secretary of Labor in 1962 when that Trade Adjustment Act was enacted and what you say is exactly the case. I want you to know that we the committee agree with you.

Mr. SHEEHAN. Thank you.

I think, just to close this part of the testimony, that the TRA bill has preceded the MTN legislation to the floor or at least on the House side. There was a vote. No one voted against it. It was passed by a voice vote.

I hope that establishes a precedent both here and in the minds of the administration that it is linked to the MTN.

As you yourself have stated, Mr. Chairman, we would hope that at least this kind of procedure would prevail as a necessary concomitant of the passage of the MTN Act.

We certainly appreciate the fact that this measure is being considered by this committee before the MTN hearings have taken place.

The second item that I would like to make some comment about refers to publications from your own committee and from the subcommittee hearings, entitled "The Import of MTN Studies That Deal With The Impact of Trade Liberalization Upon U.S. Labor." And without a direct quote here, that report from this subcommittee, indicates that there shall be significant displacement of workers as a result of the trade package, and the report goes on to further indicate that the real controversy in modern trade policy is over equity, not efficiency.

U.S. wage earners bear a disproportionate share of temporary unemployment compared to the recipients of property-type investment.

It further goes on to indicate that the compensation is for injury that is received. That is in this committee's report. I wish only to flag those words now, because of the reference to the so-called facilitating adjustment.

Here your own report recognizes that that is compensation for injury and indeed, that is why we are here before you today.

A couple of specific items that are in the bill that I should make reference to, and my copanel members will also be making references to them is, No. 1, that there is an effort to correct what was an abrupt transition from the 1962 act into the 1974 act. Here, I refer to the fact that unemployment under the 1962 act, due to trade impact, would be recognized after the workers established the causal relationship between imports and their unemployment.

In 1974, a rigid rule went into effect that only 1-year's period of unemployment prior to the filing of that particular application would be recognized. If a worker was unemployed prior to that 1 year he was knocked out of the box under the 1962 act. That was indeed not so. I think here the bill tries to handle, at least on a one-shot basis, those workers who were disrupted by that abrupt change in the statutory rules—in 1974—and we flag that for your attention.

I think it is significant, also, to make a further reference here to this idea of ex post facto payments. I refer not only to the one issue I mentioned just now, but the fact that, Mr. Chairman, in establishing the factor of whether a worker is entitled to TRA benefits, there is a process that he must undergo to establish causation; causation due to the imports. That takes time to determine.

The benefits, then, will not be coming up as fast as we would certainly like them to be made.

It is interesting to note that there is some opposition to the one item in the bill that allows the Government to process expected unemployment and makes provision to start the payments only after the unemployment occurs, but to prepare for that eventuality so that the adjustment features could take place immediately.

What I am indicating here is that the bill, in two areas, tries to handle the situation in view of the abrupt change; or the fact that we ought to be able to try to anticipate some of the unemployment.

Another item of importance to us in the Steelworkers Union—if I might mention our union—is the fact that after a plant is certified, individual workers must establish their own personal eligibility.

One of the more grievous of these tests is the fact that he must be unemployed 26 weeks out of the previous 52 weeks before the time of his unemployment. This is grievous enough since in many instances, long-term employees at a plant are on intermittent schedules so they do not meet the 26-week requirement in that 1-year prior to layoff.

The committee's bill here, has stretched out the eligibility period to a 2-year period and allows for work in 40 weeks out of 104 weeks prior to layoff. We do this both to try to be sure that the long-term worker can be compensated and that we do not extend undue benefits to the so-called casual employees.

There are other items, Mr. Chairman, that are incorporated in our testimony. I feel that I have already extended my time. I would like my fellow panel members to relate to specific parts of the legislation and, according to our schedule, Evelyn Dubrow, the lobbyist for one of the great unions here will speak, and she is no doubt well-known to you.

Senator MOYNIHAN. She certainly is.

Mr. Sheehan, just for the record, I would like to note that the report on the employment effects of the MTN that you mentioned was worked up by a consultant to the committee and it is not a committee document but you are quite right, that that document does exist.

Is it agreeable to my colleagues that we hear the panel en bloc and then we will ask questions?

Evelyn Dubrow, we welcome you.

STATEMENT OF EVELYN DUBROW, VICE PRESIDENT AND LEGISLATIVE REPRESENTATIVE, INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Ms. DUBROW. Thank you, Mr. Chairman and members of the committee. I want to express my appreciation for this chance to express our position in favor of S. 227. I do not want to repeat some of the things that my colleague Jack Sheehan has said because of time, but I would like to point out that perhaps our industry, almost as much as any, has suffered through the impact of imports and the hundreds of thousands of jobs have gone down the drain.

I would also like to underscore that 80 percent of the workers in the industry are women and members of minorities which makes it a particular problem to us in terms of employment for them when they lose their jobs due to the impact of imports.

We found that S. 227, or the companion bill that passed the House, H.R. 1543 I think it is, takes care of a number of problems which we have been concerned about. I will not go into expressing our opinion on those. We think they are fine.

I think the things Jack Sheehan pointed out are important.

We would like to point out, however, that there are a couple of areas where we have some recommendations, particularly in terms of workers who have failed to qualify on the 26-week period. We would like to underscore what Jack Sheehan has said, that this has been a great problem and we hope that the bill as finally agreed on will include the recommendations, in the bill.

We have one more problem which bothers us. I do not know whether it can be taken up in the legislation, but we would like to point it out. It deals with the matter of weekly trade adjustment allowance amounts. The law fixes that amount at 70 percent of the worker's average weekly wage, but not in excess of the weekly manufacturing wage.

Since unemployment insurance laws have generally provided a weekly benefit of 60 percent of the worker's average weekly wage up to a prescribed maximum, clearly the weekly trade adjustment allowance should exceed the unemployment insurance benefit. Yet it has come to our attention recently that a number of workers have been getting a weekly adjustment allowance at substantially less than their weekly unemployment benefit.

This, we do not think, was the intent of Congress when this measure was passed.

In its report on the Trade Reform Act of 1974, the Senate Finance Committee stated—and I quote—

> In the Trade Expansion Act of 1972, Congress established a special program of worker trade adjustment assistance in the belief that the special nature of employment dislocation resulting from changes in trade policy necessitated a level of worker protection somewhat beyond what is available through regular state unemployment programs.

Thus, I think they clearly expected that the adjustment allowance would be at 70 percent.

It concerns us, therefore, that in some of the States this does not occur. We hope the committee, in considering legislation, will try to do something about recognizing that this is an anomaly that arises from the fact that the Trade Act of 1974 uses a fixed method

of computing a worker's average weekly wage on which the adjustment is based.

The States, on the other hand, use various methods.

I would also like to say that the Trade Act computes the average weekly wage by dividing by 13 the worker's higher quarter earnings in the first four out of the last five calendar quarters. Most States use the high-quarter method, so it is a problem, and we hope that you will look into this.

May I just make two other recommendations that we would like you to consider and hope that you will adopt?

We are supporting the panel members who think that trade adjustment should also go to workers in jobs that produce spare and component parts. While we are not affected by it ourselves, we think it is important because it affects workers' jobs and I do not have to tell you that that has an effect on every worker. When one worker suffers, every other worker suffers.

We would like to suggest, in the areas where the bill calls for giving the Secretary of Labor the right to grant unions and employee associations, et cetera, grants for help in training new productivity techniques, and so forth; we think that the amount of money it suggests is not sufficient. The proposed legislation states that the Secretary of Labor may not expend more than $2 million in any one year for grants. We would like to suggest that it should be to any one union or employee's association; $2 million to be given out in toto would really be a drop in the bucket.

If we talk about additional productivity and developing new techniques, we think a union that wishes to undertake such projects should be able to get a grant of up to $2 million. Likewise, the Secretary of Commerce is given the right to give industry a certain amount for the same purpose, that is, new designs, new technology, new training, all of this sort of thing. We think that that amount also should be changed. We recommend expending no more than $2 million in any one year in grants for any one industry or firm.

We think specifically under this act that would be very important. I want to make it clear that we do not suggest that where the Secretary of Labor or the Secretary of Commerce are already granting money that this should be a substitution. We are saying in addition to whatever already has been done in terms of training and technology, the need is there to expand the right of the Secretary of Labor and Secretary of Commerce to encourage more productivity.

I would like to say that we wish to congratulate the committee on S. 227. We hope that the suggestions we have made will be considered and adopted. We look for very quick action on the part of the Senate Finance Committee to bring this legislation to the floor.

Senator MOYNIHAN. We are always happy to receive congratulations. They do not come every day.

Senator Chafee, we have agreed to ask questions of the panel when they have finished their testimony.

Ms. Dubrow, I wonder if I could just ask with respect to those two cases where you feel that the practice in some States is not in accord with congressional intent, could we get those States from you?

Ms. DUBROW. We would be very glad to provide you with that information, Senator Moynihan.

Senator MOYNIHAN. We appreciate that.

[The material referred to follows:]

INTERNATIONAL LADIES' GARMENT WORKERS' UNION,
New York, N.Y., July 20, 1979.

Hon. DANIEL P. MOYNIHAN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MOYNIHAN: You will recall at the hearing you conducted on trade adjustment, the ILGWU statement pointed out that in some cases the trade adjustment benefits were less than the unemployment insurance benefits despite the fact that this was not the intent of the law.

At that time you asked that we embellish on this statement by adding to our testimony some statistics on this problem.

The attached material produced by our Research Department will, I believe, justify the statement that was made in our testimony.

If there are any other questions concerning this particular matter, I shall be pleased to try to get further information for you.

Respectfully yours,

EVELYN DUBROW, *Vice President.*

THE WEEKLY UI AND TRA AMOUNT

The Trade Act of 1974 fixes the weekly Trade Adjustment allowance at 70 percent of a worker's average weekly wage. However, the Act then defines "average weekly wage" as the result of dividing by 13 a worker's high-quarter earnings in the first four out of the last five calendar quarters completed before the worker's last layoff. This would be a true average weekly wage if the worker had worked 13 weeks in his high calendar quarter; it would not be his true average weekly wage if he had worked less than 13 weeks in the quarter. A true average weekly wage for any period would be determined by dividing total earnings in the period by the number of actual weeks worked in the same period.

This leads to the anomalous and inequitable situations where some workers receive a weekly trade adjustment allowance that is less than their weekly unemployment insurance benefit, although the adjustment allowance is supposed to equal 70 percent of the average weekly wage while the unemployment insurance benefit is normally supposed to equal 50 percent of the average weekly wage.

This anomaly will seldom occur in those States which use the high-quarter method in establishing a worker's unemployment insurance weekly benefit rate. It will tend to occur in those States which use the average weekly wage formula to compute the weekly unemployment insurance benefit. There are nine such States—Florida, Michigan, Minnesota, New Jersey, New York, Ohio, Rhode Island, Vermont, and Wisconsin. There is one additional State—Pennsylvania—which uses both methods.

As an example, let us take a worker in New York who earns $230 a week. Let us say he worked 35 weeks at that salary in his base period. Under the New York unemployment insurance law, his average weekly wage would be $230 (35 weeks at $230 divided by 35) and the corresponding weekly unemployment rate would be half of that rate or $115. This same worker had only 9 weeks of work in his high quarter with total earnings of $2,070. For TRA purposes his average weekly wage would be $2,070 divided by 13 or $159. The TRA weekly amount would be 70 percent of $159 or $111. The TRA amount would thus be $4 less than the UI amount. Put another way, the TRA amount of $111 would represent only 44 percent of his true average weekly wage of $230. If TRA were computed at 70 percent of his actual average weekly wage of $230, his TRA amount would be $161 instead of $111.

Another interesting example is that furnished by Pennsylvania. In general, that State uses the high-quarter formula to achieve its stated objective to compensate unemployed claimants for at least 50 percent of their weekly wage up to a fixed maximum. It recognizes, however, that when a claimant has experienced irregular or short term employment in the base year, the high-quarter method could result in a weekly benefit rate of less than 50 percent of his weekly wage. To meet this situtation, the State law provides an alternate formula to the high-quarter method for computing the weekly UI rate, that is, either the high-quarter or 50 percent of his full-time weekly wage, whichever is greater. Obviously, this is an eminently fair and equitable way of computing the weekly UI rate. But in the case of TRA, an irregularly employed worker in Pennsylvania who receives a higher UI rate under

the weekly wage formula than under the high-quarter formula would obviously receive a lower TRA rate because of the rigid and inflexible method whereby the trade adjustment allowance is computed.

We append, from the Manpower Administration's "Comparison of State Unemployment Insurance Laws," section 320.01 on Formulas for computing weekly benefits, pp. 3-7 and 3-8 and Table 304 on Weekly Benefits for Total Unemployment, pp. 3-35 to 3-37; and Pennsylvania Unemployment Insurance Regulation 65.113—Computation of Weekly Wage (CCH Unemployment Insurance Reports, Pa., p. 41,497-2, 3).

320.01 Formulas for computing weekly benefits.—Under all State laws a weekly benefit amount, that is, the amount payable for a week of total unemployment, varies with the worker's past wages within certain minimum and maximum limits. The period of past wages used and the formulas for computing benefits from these past wages vary greatly among the States. In most of the States the formula is designed to compensate for a fraction of the full-time weekly wage; i.e., for a fraction of wage loss, within the limits of minimum and maximum benefit amounts. Several States provide additional allowances for certain types of dependents (Tables 307 and 308).

Most of the States use a formula which bases benefits on wages in that quarter of the base period in which wages were highest (Table 304). This calendar quarter has beeen selected as the period which most nearly reflects full-time work. A worker's weekly benefit rate, intended to represent a certain proportion of average weekly wages in the higher quarter, is computed directly from these wages. In 13 States the fraction of high-quarter wages is 1/26. Between the minimum and maximum benefit amounts, this fraction gives workers with 13 full weeks of employment in the high quarter 50 percent of their full-time wages. Since it has been found that, for many workers, even the quarter of highest earnings includes some unemployment, 18 States have compensated for this by using a fraction greater than 1/26, as follows:

Fraction:	*Number of States*
1/25	10
1/24	2
1/23	2
1/22	3
1/20	1

An additional three States compute the weekly benefit as a percentage of the average weekly wage in the high quarter, i.e., 1/13 of high-quarter wages. In Colorado the weekly benefit is 60 percent (approximately 1/22) of the average weekly wage, and in Illinois and South Carolina 50 percent (1/26).

Other States use a weighted schedule, which gives a greater proportion of the high-quarter wages to lower-paid workers than to those earning more. In these States the minimum fraction varies from 1/23 to 1/31, the maximum, from 1/11 to 1/24. In Pennsylvania, an individual's weekly benefit amount is based on a weighted schedule, or 50 percent of his full-time wage, if that amount is greater.

Several States compute the weekly benefit as a percentage of annual wages. All but one of these use a weighted schedule which gives as weekly benefits a larger proportion of annual wages to the lower-paid workers (Table 304). In addition, Puerto Rico has a separate benefit schedule for agricultural workers with payments ranging from $7, for annual earnings of at least $150, to $50, for annual earnings of $2,300.01 and over.

Some States compute the weekly benefit as a percentage of the claimant's average weekly wages in the base period or in a part of the base period. Benefits below the maximum are computed at 50 percent of the average weekly wage in Florida, Ohio, Vermont and Wisconsin; at 55 percent in Rhode Island and at 66⅔ percent in New Jersey; a weighted schedule is used in Michigan and New York. Minnesota computes the weekly benefit amount at 60 percent of the first $85, 40 percent of the next $85, and 50 percent of the remainder of the individual's average weekly wage.

BENEFITS

Florida computes the average weekly wage by dividing the individual's total base-period wages by the number of weeks in which the individual was paid wages for insured work. Rhode Island computes the average weekly wage by dividing total base-period wages by the number of weeks in which the claimant earned wages of at least $40, and Minnesota, by the number of weeks in which the claimant earned wages of at least $50. New Jersey computes the average weekly wage by dividing the claimant's base-period wages with the most recent employer by the total number of weeks of employment with that employer if the claimant had at least 20 such weeks during the base period; otherwise, weekly benefits are based on weeks of

employment and earnings with all base-period employees. New York computes the average weekly wage by dividing total base-period wages paid by all employers by the number of weeks of employment furnished by all employers. Weeks in which the claimant earned less than $40 are excluded from the computation unless fewer than 20 weeks of employment remain after such exclusion. Ohio computes the average weekly wage by dividing an individual's total earnings in all weeks in which the claimant earned at least $20 by the number of such weeks. Vermont computes the weekly benefit amount on the basis of the individual's average weekly wage in the 20 weeks of the base period in which the wages were highest.

Michigan and Wisconsin compute weekly benefits on average weekly wages from each employer separately in inverse chronological order. In Wisconsin the average weekly wage is determined by dividing the individual's weeks of employment with each employer within the base period into the gross wages paid for such employment. A substitute procedure is permitted where the resulting quotient from this computation is inequitable.

In Michigan an individual's average weekly wage is the average of wages in the calendar weeks of the base period in which wages in excess of $25, were earned but not less than 14 weeks or more than the most recent 35 (34 if all with one employer) weeks. The Michigan and Ohio formulas do not provide a basic benefit for a specified amount of earnings. The schedules are arranged to show the amount which a claimant in each dependency class must earn to qualify for each weekly benefit rate. In both States, the maximum weekly benefit and the earnings required for the maximum benefit vary according to the class.

All States round weekly benefits for total unemployment (Table 304). In 52 States benefits are paid in even dollar amounts, in Nebraska in $2 amounts.

320.02 Flexible maximum weekly benefits.—More than half the States provide for annual or semiannual computation of the maximum weekly benefit amounts based on wages within the State. The maximum in these States is usually defined as 50 percent of the average weekly wage in covered employment within the State during a recent 1-year period and the computed amount usually becomes effective in July. Under these provisions, the maximum weekly benefit amount automatically increases to reflect the upward movement of wages. In Ohio the maximum is adjusted annually by any percentage increase in the State average weekly wage during the preceding fiscal year. The significant variations in the flexible maximum benefit provisions are shown in Table 305.

320.03 Flexible minimum weekly benefits.—In most States the minimum weekly benefit is an amount specified in the law, ranging from $5 to $35. However, four States—Kansas, New Mexico, Oregon and Wisconsin—have enacted flexible minimum benefits. New Mexico computes the minimum benefit annually at 10 percent and Oregon at 15 percent of the State average weekly wage. Kansas computes the minimum benefit annually and Wisconsin semiannually at 25 percent and 19 percent respectively of the maximum weekly benefit amount.

TABLE 304.—WEEKLY BENEFITS FOR TOTAL UNEMPLOYMENT

State	Method of Computing [1]	Rounding to—	Minimum weekly benefit [2]	Maximum weekly benefit [2]	Minimum wage credits required			
					For minimum		For maximum	
					High quarter	Base period	High quarter	Base period
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	High-quarter formula [3]							
Ala.	1/24 [1]	Higher $	$15.00	$90.00	$348.00	$522.01	$2,136.01	$3,204.01
Ariz.	1/25	Nearest $	15.00	85.00	375.00	562.50	2,112.50	3,168.75
Ark.	1/26	Higher $	15.00	100.00	112.50	450.00	2,574.01	3,000.00
Calif.	1/24-1/31	Higher $	30.00	104.00	187.50	750.00	3,308.00	3,308.00
Colo.	1/22 [4]	Higher $	25.00	134.00	187.50	750.00	[7] 4,420.13	[7] 13,832.52
Conn.	1/26+d.a.	Higher $	15.00-20.00	128.00-192.00	150.00	600.00	3,302.01	5,120.00
Del.	1/26	Higher $	20.00	[2] 150.00	520.00	720.00	3,874.01	5,400.00
D.C.	1/23+d.a.	Higher $	13.00-14.00	[2] 172.00	300.00	450.00	3,933.01	5,899.51
Ga.	1/25+$1	Higher $	27.00	90.00	275.00	412.50	2,225.00	3,337.50
Hawaii	1/25	Higher $	5.00	134.00	37.50	150.00	3,325.01	4,020.00
Idaho	1/26 [4]	Higher $	[2] 17.00	116.00 [2]	416.01	520.01	2,990.01	3,737.51
Ill.	1/26 [4]	Nearest $	[2] 15.00	124.00-149.00 [2]	250.00	1,000.00	[2][8] 3,204.50	[2][8] 3,479.50
Ind.	4.3%+d.a. [1]	Higher $	[2] 35.00	[2] 74.00-124.00	400.00	500.00	[8] 1,697.68	[8] 2,122.10
Iowa	1/20	Nearest $	[6] 20.00	133.00	400.00	600.00	2,650.00	2,850.00
Kans.	1/25	Higher $	[6] 29.00	116.00	[6]	870.00	2,875.01	3,480.00
Ky.	1/23	Nearest $	12.00	111.00	500.00	1,000.00	2,541.51	3,494.58
La.	1/20-1/25	Higher $	10.00	141.00	75.00	300.00	3,500.01	4,230.00
Maine	1/22+d.a.	Nearest $	12.00-17.00	90.00-135.00	250.00	900.00	1,969.00	1,969.00
Md.	1/24+d.a.	Higher $	10.00-13.00	106.00	192.01	360.00	2,520.01	3,816.00
Mass.	1/21-1/26+d.a. [3]	Higher $	12.00-18.00	122.00-183.00	225.00	1,200.00	3,170.01	3,170.01
Miss.	1/26	Higher $	10.00	80.00	160.00	360.00	2,054.01	2,880.00
Mo.	1/20	Higher $	15.00	85.00	300.00	450.00	1,680.01	2,550.00
Mont.	1/26	Nearest $	12.00	113.00	299.00	448.50	2,925.00	4,387.50
Nebr.	1/19-1/23	Nearest $2	12.00	90.00	200.00	600.00	2,150.01	2,350.00
Nev.	1/25	Higher $	16.00	107.00	375.01	562.51	2,650.01	3,973.51
N.Mex.	1/26	Higher $	[6] 20.00	98.00	494.01	617.51	2,522.01	3,152.51
N.C.	1/26	Nearest $	15.00	119.00	150.00	565.50	3,081.00	4,620.75
N.Dak.	1/26	Higher $	15.00	121.00	150.00	600.00	3,120.01	4,840.00

(Table continued on next page)

TABLE 304.—WEEKLY BENEFITS FOR TOTAL UNEMPLOYMENT (CONTINUED)

State	Method of Computing[1]	Rounding to--	Minimum weekly benefit[2]	Maximum weekly benefit[2]	Minimum wage credits required			
					For minimum		For maximum	
					High quarter	Base period	High quarter	Base period
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Okla.	1/25	Higher $	$16.00	$116.00	$250.00	$1,000.00	$2,875.01	$4,312.51
Pa.	1/20-1/25[9]	Nearest $	13.00-18.00	152.00-160.00	120.00	440.00	3,738.00	6,000.00
P.R.[5]	1/11-1/26	Nearest $	7.00	70.00	50.00	150.00	1,794.01	3,000.00
S.C.	1/26[4]	Higher $	10.00	111.00	180.00	300.00	2,860.01	4,290.01
S.Dak.	1/22	Higher $	19.00	102.00	400.00	590.00	2,222.22	3,242.22
Tenn.	1/26	Higher $	14.00	95.00	338.01	507.00	2,820.01	3,420.00
Tex.	1/25	Higher $	16.00	91.00	125.00	500.00	2,250.25	3,375.38
Utah	1/26	Higher $	10.00	128.00	175.00	700.00	3,302.00	3,682.00
Va.	1/25	Higher $	38.00	115.00	925.01	1,368.00	2,850.01	4,140.00
V.I.	1/23-1/25	Higher $	15.00	82.00	99.00	396.00	2,025.01	2,460.00
Wash.	1/25[12]	Nearest $	17.00	128.00	325.00	1,800.00	3,187.50	3,187.50
Wyo.	1/25	Higher $	24.00	121.00	600.00	960.00	3,000.01	3,000.01
	Annual-wage formula							
Alaska	2.3-1.1+d.a.	Nearest $	$18.00-28.00	$90.00-120.00	. . .	$750.00	. . . . .	$8,500.00
N.H.	1.8-1.2	Nearest $	21.00[6]	102.00	. . .	1,200.00	. . . . .	8,600.00
Oreg.	1.25	Nearest $	33.00[6]	119.00	. . .	700.00	. . . . .	9,480.00
W.Va.	2.0-1.0	Nearest $	18.00	149.00	. . .	1,150.00	. . . . .	15,800.00
	Average-weekly-wage formula							
Fla.	50	Higher $	$10.00	$82.00	. . .	[8]/[8] $400.00	. . . . .	[8]/[8] $3,240.20
Mich.	63-55+d.a.[1]	Higher $	16.00-18.00[2]	97.00-136.00	. . .	[8]/[8] 350.14	. . . . .	[8]/[8] 2,240.14
Minn.	(10)	Nearest $	18.00	133.00	. . .	[8]/[8] 750.00	. . . . .	[8]/[8] 4,770.00
N.J.	66-2/3	Higher $	20.00	117.00	. . .	[8]/[8] 600.00	. . . . .	[8]/[8] 3,480.20
N.Y.	67-50	Nearest $	25.00	125.00	. . .	[8]/[8] 800.00	. . . . .	[8]/[8] 4,980.00
Ohio	50+d.a.[1]	Higher $	10.00-16.00	120.00-189.00	. . .	[8]/[8] 400.00	. . . . .	[8]/[8] 3,760.20
R.I.	55+d.a.	Higher $	26.00-31.00	110.00-130.00	. . .	[8]/[8] 920.00	. . . . .	[8]/[8] 3,963.60
Vt.	50	Nearest $	18.00[6]	109.00	. . .	[8]/[8] 700.00	. . . . .	[8]/[8] 4,340.00
Wis.	50	Higher $	27.00[6]	145.00	. . .	[8]/[8] 780.15	. . . . .	[8]/[8] 4,320.15

(Footnotes on next page)

(Footnotes for Table 304)

1/ When State uses weighted high-quarter, annual-wage or average-weekly-wage formula, approximate fractions or percentages are taken at midpoint of lowest and highest normal wage brackets. When additional payments are provided for claimants with deps., fractions and percentages shown apply to basic benefit amounts. In Ind., benefit amounts of $87-$124 are available only to claimants with 1-4 deps. and HQ and BPW in excess of those required for max. basic wba. In Mich. and Ohio, benefit amounts above the max. are generally available only to claimants in dependency classes whose aww are higher than that required for max. basic benefit amount.

2/ When 2 amounts are given, higher figure includes DA's. Augmented amount for min. wba includes allowance for 1 dep. child. In Ind. to claimants with HQW in excess of those required for max. basic wba. Augmented amount for max. wba includes allowances for max. number of deps.; in D.C. and Md., same max. with or without deps. In Ind. wage credits shown apply to claimants with no deps.; with max. deps., Ind. requires $2,475.01 in HQ and $3,465.01 in BP.

3/ For claimant with aww in excess of $66, wba is computed at 1/52 of 2 highest quarters of earnings, or 1/26 of highest quarter if claimant had no more than 2 quarters of work.

4/ Wba expressed in law as percent of aww in HQ: in Colo. 60% of 1/13 of HQW; 50% in Ill. and S.C. (aww defined as 1/13 of HQW). Colo. provides an alternate method of computation for claimants who would otherwise qualify for a wba equal to 50% or more of the statewide aww if this yields a greater amount--50% of 1/52 of BPW with a max. of 60% of statewide aww in selected industries.

5/ Separate benefit schedule for agricultural workers with payments, based on annual earnings, ranging between $7 and $30.

6/ Min. computed annually in N.Mex. at 10% and Oreg. 15% of aww. In Kans. min. computed annually at 25% of max. wba and Wis. semiannually at 19% of max. wba.

7/ Amount shown for HQW is 1/4 BPW needed to qualify for max. benefit; determination of max. benefit based on 50% of 1/52 of claimant's BPW with no specified amount of HQW required, Colo.

8/ In Mich. figured as 14 x lower limit of min. aww bracket (applicable to all claimants) and of max. wage bracket applicable to claimants with no deps. (with deps., $2,263.38-$3,103.38 determined by dependency class). In Fla., N.J., N.Y., Ohio, R.I., and Vt., 20 x lower limits of min. and max. aww brackets; in Wis., 15 times. In Minn. 18 x lower limit of max. aww bracket. Since benefits are determined separately for each ER, some claimants with bpw less than that shown may qualify for either the min. or max. wba with respect to a given ER, Wis.

9/ Or 50% of full-time weekly wage, if greater.

10/ 60% of the first $85, 40% of the next $85 and 50% of the remainder of the individual's AWW.

11/ Wash. computes an individual's wba as 1/25 of the average of the two highest quarters in the BP.

Part A highest quarterly wage	Part B rate of compensation	Part C qualifying wages	Part D amount of compensation
$3,288 to 3,312	$134	$5,280	$4,020
3,313 to 3,337	135	5,320	4,050
3,338 to 3,362	136	5,360	4,080
3,363 to 3,387	137	5,400	4,110
3,388 to 3,412	138	5,440	4,140
3,413 to 3,437	139	5,480	4,170
3,438 to 3,462	140	5,520	4,200
3,463 to 3,487	141	5,560	4,230
3,488 to 3,512	142	5,600	4,260
3,513 to 3,537	143	5,640	4,290
3,538 to 3,562	144	5,680	4,320
3,563 to 3,587	145	5,720	4,350
3,588 to 3,612	146	5,760	4,380
3,613 to 3,637	147	5,800	4,410
3,638 to 3,662	148	5,840	4,440
3,663 to 3,687	149	5,880	4,470
3,688 to 3,712	150	5,920	4,500
3,713 to 3,737	151	5,960	4,530
3,738 or more	152	6,000	4,560

(b) The amount of qualifying wages set forth in subsection (a) of this section for the highest quarterly wage of $3,738 or more, not the employe's base year wages, shall be subject to the provisions of § 401(a)(1) of the Law (43 P.S. § 801(a)(1)). *(As amended, applicable to benefit years beginning on or after January 1, 1979).*

REGULATION 65.112—EXTENDING OR CONTRACTING BENEFIT TABLE

[¶ 5502]

(a) When it is necessary, under the provisions of section 404(e)(2) of the Law (43 P.S. § 804(e)(2)), to extend the table specified in § 65.111 of this Title (relating to benefit table) for the determination of rates and amounts of benefits, it shall be done as follows:

(1) The words "or more" shall be deleted from the last line under *Part A* of the table, and an amount $24 greater than the first entry in that line shall be substituted therefor.

(2) *Part A* shall be extended as much as necessary by adding $25 to each amount of the preceding line. At the point where the entry in *Part B* equals 64⅔% of the average weekly wage, the first entry in *Part A* shall consist of an amount $25 greater than the smaller amount in the preceding line, and the words "or more" shall be added.

(3) *Part B* of the benefit table shall be extended in increments of $1.00 until that point is reached where the amount is equal to 64⅔% of the average weekly wage.

(4) *Part C* of the benefit table shall be extended in increments of $40 to the point where, under *Part B* of the benefit table, the amount is equal to 64⅔% of the average weekly wage.

(5) *Part D* of the benefit table shall be extended in increments of $30 to the point where, under *Part B* of the benefit table, the amount is equal to 64⅔% of the average weekly wage.

(b) When it is necessary to contract the table specified for the determination of rates and amounts of benefits, it shall be done by deleting all lines following that in which the amount in *Part B* is 64⅔% of the average weekly wage and substituting the words "or more" for the higher amount under *Part A* in that line.

(c) The per centum stated in subsections (a) and (b) for establishing the maximum weekly benefit rate shall be 64⅔ percent for calendar year 1975, and 66⅔ percent for calendar year 1976 and for all subsequent calendar years. *(As amended, effective* December 21, 1974.)

REGULATION 65.113—COMPUTATION OF WEEKLY WAGE

[¶ 5503]

(a) It is an objective of the Pennsylvania Unemployment Compensation Program that an unemployed, eligible claimant shall be compensated for at least 50% of his weekly wage loss, subject to the maximum weekly benefit rate fixed by law.

(b) Prior to 1955, computation of the weekly benefit rate of the claimant was based exclusively upon his weekly earnings during that calendar quarter of his base year in which he has the greatest amount of wages in covered employment.

(c) When a claimant has experienced irregular or short term employment in his base year, the high quarter formula of subsection (b) of this section has occasionally failed to compensate the claimant at the rate of 50% of his weekly wage. Section 404(a) of the Law (43 P. S. § 804(a)) remedies this condition effective with benefit years commencing on or after May 1, 1955, to provide an alternative formula for computing a claimant's compensation rate, that is 50% of his full-time weekly wage, whichever is greater.

REGULATION 65.114—HIGH QUARTER RATE DETERMINATION

[¶ 5504]

The high quarter formula, in most instances, yields a weekly benefit rate which is equal to or in excess of 50% of the full-time weekly wage of the claimant. Since the Department is in possession of the wage records of the claimant required for this computation, and since additional information not of record is required for determining his full-time weekly wage, the Department, for the purpose of practicable administration and in order to avoid delay in the payment of benefits, shall apply the following rules in determining the claimant's weekly benefit rate under the provisions of this Subchapter:

(1) A weekly benefit rate, computed on the basis of the claimant's high quarter wages in accordance with Part A and Part B of the benefit table, shall be the rate on which his compensation rights shall be initially determined for any benefit year, unless it is found on the basis of employment experience in the claimant's base year that 50% of his full-time weekly wage exceeds his weekly benefit rate as established by the high quarter formula, in which event his weekly benefit rate shall be 50% of his full-time weekly wage.

(2) An employe who is employed in an occupation in which the remuneration is based solely on commission with no fixed or guaranteed minimum, or an employe hired as a contingent or extra employe, or one hired for less than the full-time work week of the establishment, shall be deemed not to have a full-time weekly wage on the basis of that employment.

(3) The application of these rules shall in no way prejudice the right of any claimant whose base-year wages are insufficient to qualify him for compensation at the rate thus determined to receive compensation at a lower rate in accordance with section 404(a)(3) and (c) of the Law (43 P. S. § 804(a)(3) and (c)).

REGULATION 65.115—ASCERTAINMENT OF FULL-TIME WEEKLY WAGE

[¶ 5505]

The full-time weekly wage of an employe shall be that wage which an employe would receive if he were employed for a full-time week of not less than five full work days, and shall be ascertained as follows:

(1) In all cases, the wages paid by the employer from whom the claimant earned the greatest amount of wages in his base year, as shown on the Notice of Financial Determination (Form UC-44F), shall be used as the basis for ascertaining the full-time weekly wage. If the claimant was paid at more than one wage rate based upon a unit of time by such employer, the wage rate at which he earned the greatest amount wages in his base year shall be used.

(2) In all cases, the full-time weekly wage shall be computed to the nearest dollar.

(3) If the wages are fixed by the week, the amount so fixed shall be the full-time weekly wage.

(4) If the wages are fixed by the month, the full-time weekly wage shall be the monthly wage so fixed, multiplied by 12 and divided by 52.

(5) If the wages are fixed by the year, the full-time weekly wage shall be the yearly wage so fixed, divided by 52.

(6) If the wages are fixed by the day, the full-time weekly wage shall be the daily wage rate multiplied by not less than five.

Senator MOYNIHAN. Mr. Page?

STATEMENT OF LEONARD PAGE, ASSOCIATE GENERAL COUNSEL, LEGAL DEPARTMENT, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS

Mr. PAGE. Mr. Moynihan, my name is Leonard Page. I am associate general counsel with the UAW legal department. In view of our time restrictions, I am just going to summarize my prepared testimony and get right into the problem.

Parts and components coverage. In particular, we address the extensions of coverage to component parts and service workers. As drafted, the separate parts workers certification process set out in section 103 of the bill is really a hollow shell in our opinion.

If passed in its present form, we predict very few parts workers otherwise affected by imports will ever be able to receive assistance.

The proposed certification process for parts workers is a throwback to the old statutory hurdles used in the Trade Expansion Act of 1962 which was basically to promise coverage but make the standards so difficult that no one gets any benefits.

In particular, we would like to narrow in on the output requirement, the 25-percent output requirement as set out in section 103(b)(1)(a). This provision requires that 25 percent of the total sales or production of the firm or appropriate subdivision involve work for import-impacted firms.

The stated purpose of this requirement is to assure a sufficient causal relationship between imports and domestic unemployment.

However, under the Trade Act, the causal link between imports and unemployment was intended to be provided by the "contributed importantly" test of section 222(3). This output requirement thus establishes an arbitrary second test. It would create an anomaly which we would predict would be the usual result in parts worker petitions. That is, imports will have contributed importantly to parts workers separations, but no workers will get benefits because of the structure of the industry or firm makes the output requirement an insurmountable barrier.

At first blush, this test may seem reasonable, but on further analysis, it is apparent that it rests on a faulty assumption that the shipments of component parts of a given plant are sent to one or a few plants or subdivisions. Thus, if parts plants produce components for one or two car models, for example it would be relatively easy to identify the affected workers, but the real work is much more complex.

A parts plant produces components or different models. Thus, any one parts plant is likely to have less than 25 percent of its total output end up in any particular model.

Thus, under the current bill, a parts plant could have a 20-percent downturn in production and employment related to an affected car model and be denied any relief because of the 25-percent output requirement.

We also would like to point out that the Department of Labor will presently certify a plant making end products when less than 25 percent of that end product parts output is affected by imports.

Thus, even when imports affect a product representing only 20 percent of an end product plant's output, they may cause all the

layoffs in that plant and the Secretary of Labor will certify that end product plant.

To require that imports erode sales of a product representing 25 percent of a plant's output would, therefore, impose an arbitrary barrier.

In truth, the 25-percent output test has nothing to do with causation. The causal link is provided by the fact that the Secretary, even without a fixed output requirement, must still find that increased imports have contributed importantly.

Given the time restrictions, I would like to quickly move to the end product certificaton requirement.

In addition to this 25-percent output test, section 103 requires that parts production be accounted for by the provision to an import-impacted firm. In other words, before parts workers can get benefits, it must be shown that the end product receive a certification. Thus, parts workers cannot initiate their own certification process.

That seems most unfair, that they have to rely on workers of other companies to first get a certification before they can even qualify under the act.

In summary, we estimated that the cost of removing these two restrictions at approximately $20 million. I see today that the Department of Labor has also revised their estimate to $21.9 million.

To treat parts workers the same as any other workers, we do not think the expenditure of approximately $20 million or $22 million is an unwise cost, or a waste of money. We are simply asking that parts workers be treated the same as any other worker.

Thank you.

Senator MOYNIHAN. That was very succinct and very clear testimony, Mr. Page.

Ms. Kramer?

STATEMENT OF HELEN KRAMER, ASSISTANT INTERNATIONAL AFFAIRS DIRECTOR, INTERNATIONAL ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS

Ms. KRAMER. Thank you, Mr. Chairman. I am Helen Kramer. I am assistant director of international affairs for the Machinists Union.

Since other members of the panel have addressed themselves to a particular provision, I would like to comment only briefly on those special concerns to our members who are employed in 300 different industry classifications and therefore are likely to be especially impacted by any increase in imports as a result of the MTN.

Opponents of the retroactivity provisions of section 101 of this bill have argued that it should be rejected on the grounds that it does not serve the purpose of adjustment. This is a very narrow point of view that ignores the effects of extended unemployment on workers' assets and net worth. The inadequacies of unemployment compensation as a replacement for lost wages and fringe benefits are too well documented to require further discussion here.

Those workers who were denied the additional benefits provided under the TAA program because of belated awareness of the pro-

gram's existence incurred financial losses that impact heavily on family security and well-being. Savings were depleted, debts were incurred, and consumer durable goods bought on credit may have been repossessed.

Thus, retroactive payments would not be a windfall gain, but rather belated and partial redress for injury suffered by workers caused by import competition.

Advance certification of workers when unemployment is threatened, as provided in section 104, will contribute importantly to the effectiveness of the program in aiding adjustment. As a number of evaluations have shown, a major defect in the program in the past has been the long delays in delivering benefits to unemployed workers.

Timely delivery of monetary benefits, however, will not be sufficient to insure rapid reemployment of laid off workers. The trade adjustment assistance program can achieve its goals only in the framework of monetary and fiscal policies geared to a full-employment economy, supplemented by measures to deal with problems of industrial structure and regional dislocations, whatever their causes.

With respect to coverage of workers employed by firms supplying goods or services to import-impacted firms, the IAM endorses the Downey amendment as providing more reasonable criteria than the rigid 25-percent rule. This extension of coverage to independent parts suppliers and to services has a high priority to IAM members, who in the past have been arbitrarily excluded from assistance under this program.

Finally, we give our wholehearted support to the provisions of bridge benefits for older workers in section 107. Research conducted by the U.S. Department of Labor, Bureau of International Affairs, has documented the heavy economic and emotional burden carried by older workers displaced by import competition. It seems to us a small thing to ask in the name of equity that these workers should be eligible for an extended period of assistance until they become eligible for social security retirement benefits.

To argue against this, as the administration did during consideration of this measure in the House of Representatives, on the grounds that it does not demonstrate sufficient "labor force attachment" is to cast our Government in the role of the administrators of the cruel 19th century English Poor Law. We hope that the Senate of the United States will demonstrate its humaneness by adopting this provision.

Senator MOYNIHAN. Thank you, Ms. Kramer.

And now, Mr. Gundersheim.

STATEMENT OF ARTHUR GUNDERSHEIM, DIRECTOR OF INTERNATIONAL TRADE AFFAIRS, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION OF AMERICA

Mr. GUNDERSHEIM. Thank you, Mr. Chairman.

If I could, to correct the committee record, I am director of international trade affairs.

If I could just make a couple of points, highlighting what the other panel members have already mentioned, and hit some things that are particularly important that the committee ought to be

aware of. First, the committee certainly ought to be under no illusions that we support an improved assistance program as a basic remedy for import-caused dislocations in our economy.

To us, and to many other workers in the United States, the most important priority still is an import restraint program whereby a reasonable, but controlled, share of our market and its growth is provided to exports from our trading partners.

The administration has understood the need for more effective import restraints on several items, and I must say they have worked rather diligently to meet that need with a good measure of success.

We support the enhanced trade adjustment program because, even under the best trade restraint programs, there would still be significant displacement of domestic production and workers losing their jobs. These workers certainly can legitimately deserve to have their incomes and livelihood protected by the rest of the economy.

I must say, too, since we represent textile workers and apparel workers, even going further back in the productive chain to the original fiber producers, the question of component parts is crucial to us, and the administration position of 50 percent component faction we find completely unacceptable.

The further back you go in the production chain, the smaller the percentage. Those people are just as greatly affected by imports as the finished product.

If the committee wants, we can give some indication of the percent of displacement that produces less at 50 percent of the eventual component of materials and the end product.

Senator MOYNIHAN. I think the committee would want that.

Mr. GUNDERSHEIM. We would be pleased to do so.

[The material to be furnished follows:]

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, ACTWU,
Washington, D.C.

The Trade Subcommittee has asked for further information on the relationship between the supplier industries of yarn and fabric production to the apparel industry. As we stated in our testimony, downstream providers of important elements or parts of a finished, manufactured product ought to be covered under the Trade Adjustment Assistance program. This is imperative to an equitable, reasonable approach to import-impacted employment.

In textile fabric production, the great majority of its output goes directly to apparel manufacturers. The portion not produced for the clothing industry is either for direct home consumption (sheets, pillowcases, towels, drapes and rugs) or for the automotive industry (car upholstery and rugs). In most instances, fabric producers would be covered by either a 25 or 50 percent definition of component suppliers, as well as a "contributed importantly" definition.

The more difficult situation arises with yarn production. There are two basically different types of fabrics produced based on different type construction—knit and woven. Over 90 percent of the yarn manufactured for woven fabrics is produced by textile fabric plants themselves in a vertically-integrated operation. Yarn spinning, yarn finishing (processing yarn by dyeing and imparting bulk, texture or twist), clothing weaving and final finishing are all done by one company in a single physical location.

The situation is very different with knit items. Spinning and finishing of yarns destined for usage in knit fabrics are overwhelmingly done by independent suppliers. Over 85 percent of yarns used by textile plants manufacturing knit fabrics are bought from outside, independent companies rather than self-produced.

A further complication is in the area of man-made fiber materials. The percentage of yarn production destined for the clothing industry can vary quite widely. For example, a company may produce only acrylic yarn which goes totally for the making of sweaters. Another company can be producing nylon or polyester yarns of which only a small portion is utilized in apparel production.

A reasonable interpretation has to be that yarn producers ought to be covered by any definition of supplier industry. Providers of knit yarns should not be penalized for their "failure" to be part of a vertically-integrated complex, for their not being direct immediate suppliers to the apparel industry.

Limiting the extension of trade adjustment assistance benefits to just first level, immediate supplier industries would cause major problems of administration. When we joined with the other labor organizations at the hearing in urging the Subcommittee to adopt the Downey Amendment, as done in the House of Representatives, we did so because we felt all elements of the yarn and fabric industries should be accorded import impact relief. We would be happy to work with Subcommittee staff in clarifying any problems of interpretation through the Subcommittee's report.

ART GUNDERSHEIM, *Director.*

Mr. GUNDERSHEIM. A prime example we could talk about is the production of acrylic fibers, for example, that go into acrylic yarn that gets spun into sweaters, and imports of sweaters have been devastated by imports.

The domestic market has been devastated by imports of sweaters. It is crucial, going all the way back to the acrylic fiber producers, that they be eligible for trade assistance.

One particular problem that we have with this bill, that the committee has to pay attention to, concerns sections 284 and 285. This deals with what has been spoken of before of the $2 million funds that have been set out to help come up with proposals to make the industries more efficient, more competitive, to utilize some of the new technology and other innovations, to become more competitive in our market on a cost basis.

Section 284 limits the funding to the Secretary of Labor to $2 million in total. We think that, in conjunction with what has been mentioned already, it should be $2 million to any single union or labor association.

In addition, we think that it is necessary to add statutory language that states that these funds are for new programs, not to supplement currently existing programs funded under other authorizations, such as in the Labor Department under CETA.

Section 285 presents an even greater problem. In President Carter's program to assist the textile and apparel industry that he just announced a few months ago, there is a commitment made to enhance the productivity competitiveness and export potential of our domestic industry.

The Commerce Department is currently working on elements of this program and foresees the cost being in the neighborhood of $15 million.

Currently there exists a program of revitalization of the domestic shoe industry and that is in the neighborhood now of $2 million to the industry association and $2.5 million to individual firms. That is a part of the import relief given to that industry as a part of the escape clause case.

Both the textile program and the shoe program are jeopardized by the way the language is written in section 285. We asked that one of two alternatives be made by the committee: One, that a sentence be added stating that this limitation of $2 million is not intended to restrict funding of industry relief programs under other authorizations. And, if it is infeasible that the language in the act itself be changed in the interests of possibly moving its enactment along that much quicker, we ask that the committee in its report very clearly indicate that in both cases these $2 million

programs are not designed to restrict ongoing programs under current legislation.

You will undermine much of the revitalization going on in a number of different programs in the Government.

In conclusion, I might add that the committee ought to look into the way in which wages are calculated in terms of the issues that Ms. Dubrow has raised and, I might add, in some cases some of our workers are denied benefits because they do not have a high level of 13 full weeks of employment, and there ought to be better ways of calculating their weekly wage average.

Therefore, let me close by saying, in general, we endorse the general provisions of this bill.

Senator MOYNIHAN. Thank you, Mr. Gundersheim.

I wonder if I could ask Mr. Cassidy if he would take note of this question on the language in section 285. It seems to me you have a clear point there. We can handle it in report language, or in the legislation itself.

Senator Roth?

Senator ROTH. We have received different estimates as to the cost of the Downey amendment. The author believes it will cost $14 million. Others have estimated $46 million.

The Department of Labor has estimated it will cost $50 to $100 million. I wonder if any of you would care to comment on that?

Mr. PAGE. Mr. Roth, I would like to try to respond to that.

The staff has prepared a report which, on page 19, lists the cost estimates that show the projected costs for extending coverage to totally parts and buyers to $20 million. The original estimates for the first-year operations were $54 million, as I recall.

There is a 25-percent reduction applied due to lack of knowledge in the first year operation of the bill for parts workers, so the ongoing original costs estimated by the CBO was, I believe, approximately $73 million.

Now, when the Downey amendment was proposed, what some of the opponents did—what I think was sloppy arithmetic—they subtracted the original first-year cost of $54 million from the original possible projected cost of $100 million to get $46 million.

Now, I see the Department of Labor has reduced their projections to $21 million, $21.9 million, which I believe is in line with our projections of around $19 million.

My point is, even the current cost projections of $100 million do not take into account the fact that captive parts workers presently can be directly certified. That is, if I am a GM parts worker, and I make a bumper and some Chevrolet models are found to be import impacted, as a bumper manufacturer working for Chevrolet I can get benefits because I am engaged in production of the affected product.

So captive parts workers are presently eligible for benefits.

What we are trying to do is simply extend coverage to independent parts workers, the Budd worker, the Borg-Warner worker, who makes the same bumper that may go on the same car.

Even at the $100 million projection, that figure does not take into account that captive parts workers can be directly certified but just underscore our proposal to eliminate the 25-percent output test and the end-product certification test. Both the Department of

Labor and the UAW presently estimate the cost of that alone to equalize the program for both end-product workers and parts workers to only be around $20 million.

One thing, Senator Roth—I will stop quickly—there was a question earlier, are we extending this program too far? Are we going to be giving benefits to the suppliers?

Well, as I read section 103 and in our proposals, that is not the case. We are only talking about the first tier level of component parts suppliers, those people directly supplying an end product that is found to be import impacted.

Senator ROTH. As you know, I have a lot of sympathy for what you are saying. For example, we had one case at home where people in the leather tanning business were not covered even though the people they sold the leather to, the employees of the buyer, were.

Could you say what industries would particularly benefit from deleting the 25-percent requirement?

Mr. PAGE. It would have to be any industry in which parts production is very common: electronics, machinery, electrical parts, television, textiles. Obviously, the auto industry, almost any industry that you are talking about significant parts production.

Mr. SHEEHAN. It would cut across all industry lines and still we have the same thing.

Senator ROTH. I think the point you make that it does not go beyond the first tier is an important point.

Senator MOYNIHAN. Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Page, perhaps you can help me a little. Where did the 25-percent figure come from in the first place?

Mr. PAGE. I am not really sure. It apparently came from the Department of Labor originally. It is an output test that they began to apply to captive parts workers under the present act.

Mr. SHEEHAN. I believe probably part of that came, Mr. Baucus, from the fact that if you have an integrated plant which services itself, where those workers supplying essential parts or services to the impacted product line, if it were all or part of the same company, did receive the TRA benefits. They—DOL—ruled upon the dependency of that integrated supplier based on a 25-percent formula.

When this bill started moving, they—DOL—then said:

> We will also allow the independent supplier and his workers to qualify and we will file the same rule under the 25-percent dependencies.

So the bills talk about a 25-percent dependency factor.

Senator BAUCUS. What would your reaction be to some other percentage figure, lower—say 15 percent or 12 percent?

Mr. PAGE. Our problem with that is that the real causal link between the increased imports and the domestic unemployment was supposed to be the "contributed importantly"—if increased imports "contributed importantly" these workers should be certified.

Both the Senate and the House, at one time, had before them proposals to consider applying a percentage test to "contributed importantly." At that time—and we think it is true now—you

should not apply any fixed percentage test. You unnecessarily tie up the Secretary of Labor's hands where there is a close case.

If you begin to lower that percentage, what do you do where you have a plant that may have significant unemployment, yet because they happen to fall short of any percentage would otherwise be denied benefits?

We had experience with this in 1975 when we got relief for the domestic subcompact car industry. We petitioned for over 96 parts plants yet only 12 of them got benefits because of the 25-percent test. Even if you reduce that test to 15 percent, you would only have picked up an additional 7 of these 96 plants.

Senator BAUCUS. What is your response to those that claim that the elimination of the 25-percent requirement might mean that workers who spent only 1 percent of their time, or 2 percent of their time, on import-affected products would get benefits?

Mr. PAGE. We do not believe that those people are going to be getting benefits. First of all, the Secretary of Labor has the ability, where possible, to carve out an appropriate subdivision in a plant and simply certify as eligible those workers who are engaged in the production of that particular product.

Where the Secretary cannot carve out an appropriate subdivision, the Secretary must still find that increased imports "contributed importantly."

We would only have 1 to 5 percent of the unemployment in that pack attributable to increased foreign imports. I cannot see how the Secretary of Labor would issue a certification under the "contributed importantly" test.

Senator BAUCUS. Senator Roth raised the point, and you confirmed it to the effect that the Downey amendment would only apply to the first tier. As a matter of equity, the question is why not an application to second-, third-, and fourth-tier.

We may have an administration problem. Maybe that is the response. Maybe as a matter of equity, if a guy is out of work because of imports, why in the world should it not apply to the second-tier supplier?

Mr. PAGE. Well, we are having problems even getting coverage for the first tier. The Secretary has proposed a 50-percent test which, as far as we are concerned, you might as well forget about extending coverage under the 50-percent test. Even the first tier is not even going to get any relief.

I think, as negotiators, we would like to get to the first tier first. We would consider extensions to other groups at a later date.

Senator BAUCUS. You would have to be a pretty successful negotiator.

Ms. DUBROW. You could be the champion for making this work for all workers.

Mr. GUNDERSHEIM. In regard to the textile and apparel industry, the first tier may not be sufficient to solve our problems particularly, going back to the polyester producers, and so on, the ones that produce the basic fiber used in the industry, particularly the synthetic fiber industry.

There are some real problems in just considering the first tier.

Senator BAUCUS. Thank you very much. I do not know where all of these tiers came from. We have them in oil in windfall profits; now we have them here.

Maybe this committee just likes tiers.

Thank you, Mr. Chairman.

Senator MOYNIHAN. I think the committee prefers laughter.

Senator BAUCUS. I have some additional questions. May I place them in the record.

Senator MOYNIHAN. We will have that done.

[The material to be furnished follows:]

RESPONSES TO QUESTIONS SUBMITTED BY SENATOR BAUCUS FROM UAW

Question 1. The cost estimates on eliminating the 25 percent output and end-products certification requirement for parts service workers vary widely. How do you explain the obvious differences in the estimates?

Answers. Originally the Congressional Budget Office (CBO) estimated that the total cost for parts worker coverage under S. 227 would be $54 million the first year and $72 million thereafter. This was before the Downey amendment was passed in the House. Based on the methodology used by the Department of Labor, the UAW estimated that the cost of eliminating the 25 percent output and end-product certification requirements would add only $14 million the first year, and $19 million thereafter, to the overall cost of providing parts worker coverage. We are happy to see that the Department of Labor has apparently accepted our calculation in this area. At page 19 of the Staff Data and Material Relating to the Trade Adjustment Assistance Program, the Department of Labor reportedly puts a $21.9 million price-tag on treating parts workers like other workers.

The Congressional Budget Office current estimates of the proposed amendment adding another $46 million costs are based on the sloppiest sort of numbers manipulation. It is arrived at by subtracting $54 million from $100 million. The latter figure is the maximum potential cost of providing coverage to parts workers based on the CBO's assumed ratio of parts workers to end-products workers.

We are advised that the CBO, in consultation with the Commerce Department, determined that there are approximately 32 parts workers to every 100 end-product workers. Thus, given a total projected budget of $300 million a year in adjustment assistance benefits for end-product workers, application of a 0.32 percentage shows a maximum potential cost for parts worker coverage at approximately $100 million. However, this maximum potential cost was reduced by the Congressional Budget Office by two 25 percent factors. The first 25 percent factor was attributable to lack of knowledge among workers in the early states of the program. The second 25 percent reduction factor was arrived at by the CBO, in consultation with the Department of Labor, based upon a combination of the end-product certification and 25 percent output test and the fact that some parts workers can be directly certified where increased parts are imported directly into the country.

Thus the current projection by the CBO of $100 million annual cost for parts workers coverage fails to take into account both lack of worker knowledge and the fact that parts workers can already be directly certified under the present law where parts themselves are imported.

Question 2. Wouldn't your proposal provide benefits to workers where perhaps as little as five or even one percent of their time was spent making an import-impacted product?

Answer. Absolutely not. The statute would still require a showing that increased imports have contributed importantly to unemployment before the Secretary of Labor could issue a certification. We would fully expect that where an insignificant portion of the parts production can be traced to increased imports of like or directly competitive articles the Secretary of Labor would not issue a positive certification.

In addition, the Act presently requires that there be unemployment among a "significant number or proportion of workers." The term significant has been defined to mean at least 5 percent of the workforce or 50 workers, whichever is less. Moreover, we would fully expect that the Secretary would have the discretion to carve out "appropriate subdivisions" to exclude workers who are not engaged in employment related to increased imports. I would emphasize once again that this is not a unique problem for parts workers. It is resolved already on a regular basis where end-product workers are involved in the manufacture of a variety of products.

We should remember, and I would underscore, that the so-called 25 percent output test has nothing to do with causation. The present output test simply says that even though increased imports have otherwise contributed importantly to parts worker unemployment, no worker can be certified unless 25 percent of their output goes into an end product which has been certified. Thus, under the original version of S. 227 you could have a situation where 20 percent of the workforce in a very large plant is permanently laid off due to increased imports and yet no worker could get benefits because of the output requirement.

Question 3. How would the Secretary of Labor administer the contribute importantly test to parts workers under your proposal?

Answer. The simple answer is, the Secretary would administer this test just as they have been doing for the last five years for end-product workers. No 25 percent output requirement is imposed on end-product workers even though many of them are also involved in production of import-impacted and non-import-impacted products. Multi-product manufacturing is not unique to parts workers. Thus the current bill actually discriminates against parts workers and imposes a test which end-product workers never have to meet.

I think you would have a very difficult time justifying to parts workers that there is a rational basis for this discrimination. I'm sure that as far as they are concerned, they are just as unemployed due to foreign imports as their fellow end-product workers.

I would also like to point out that the director of the Office of Trade Adjustment Assistance testified before the House that it would in fact be feasible to administer the program to parts workers without the 25 percent output and end-product certification requirements.

Question 4. You have also proposed to eliminate the end product certification requirement. Shouldn't there be a requirement that parts workers must in fact produce parts that go into an import-impacted produce?

Answer. Yes. But there is a difference between the end-product certification requirement in the present bill and a need to show that the final product is import-impacted. Under the present law, parts workers, even though otherwise meeting all the criteria of the Act, could be denied benefits where other workers in other companies failed or declined to seek a certification. Let me give you an example. Let's say affected subcompact workers at Ford Motor Company either file late (beyond the one-year limitation period) or for other reasons do not file at all for Trade Act benefits. Thus no certification is issued for Ford subcompact workers even though they meet all the criteria under the Act. As S. 227 presently reads, Budd workers, Bendix workers, and any independent parts manufacturer that supply parts directly to Ford subcompacts could not possibly receive benefits because no end-product certification exists. It should be emphasized that this end-product certification requirement is therefore even more arbitrary, unfair and discriminatory than the 25 percent output test.

Question 5. What about those workers or firms that supply parts to the supplier plant—do you favor extension of benefits to second third suppliers?

Answer. No. The original bill is intended to only provide coverage to the first tier parts workers, that is, those workers who directly supply parts to finished products which are import-impacted. Nothing in our proposal would change this or extend coverage beyond the first tier parts workers. Our proposal is to simply eliminate the separate certification process and really just added one line to the present law. We propose that the Senate simply correct the court of appeals decision in *United Shoeworkers* v. *Bedell*, 506 F. 2d 174 (D. D.C. Cir. 1974) in which the court held that workers at supplier firms do not qualify because their product does not directly compete with the imported finished product.

Question 6. Some opponents have claimed that parts worker coverage is special interest legislation, that it would only help auto workers. How would you respond?

Answer. I have no doubt that if there continues to be increased imports of foreign made cars that the UAW will be filing petitions on behalf of its members. We would hope that independent parts suppliers laid off due to imports would also get benefits. However, I think it is most unfortunate to call this a special interest provision. The problem of independent parts workers exists throughout our economy, not just the automotive industry. The *Bedell* case I mentioned involved workers who made women's shoe counters, for example. Other industries affected would include electronics, machine tools, and the garment industry. But we do agree that parts workers have special problems. Parts workers are in a highly competitive industry and are particularly susceptible to unemployment due to imports. At the first downturn in sales, end product manufacturers cancel subcontracts for parts production and do their work in-house. The parts industry is therefore generally the first to feel the impact of increased imports, even before end-product workers. In addi-

tion, given the highly competitive nature of the supplier industry, these workers are often poorly paid and unrepresented by labor unions. They are not part of master supplemental unemployment benefit programs which provide additional unemployment insurance benefits in the event of layoffs. Our proposal is an attempt to prevent discrimination against this generally less fortunate segment of the workforce.

Question 7. What about changing the output test to some other percentage. For example, wouldn't a 15 percent output test be satisfactory?

Answer. Any fixed percentage test for an output requirement will unnecessarily tie the Secretary of Labor's hands in close cases. Moreover, when Congress passed both the Trade Expansion Act of 1962 and the current Trade Act of 1974, the question of whether to assign a specific percentage level to the so-called "contribute importantly" test was considered and rejected. Congress believed then, as it should now, that the Secretary should have the discretion to determine when imports have contributed importantly to domestic unemployment.

However, the UAW has had some first hand experience with the use of percentage tests. In model year 1976 the UAW successfully petitioned for domestic subcompacts automobile workers. We petitioned for approximately 96 parts plants that supplied parts for subcompact cars. Only 12 of these 96 plants were certified. Had a 15 percent output test been used only 6 more parts plants would have been added. Thus, under even a 15 percent percentage test, out of 96 parts plants located in almost every state in the Union, 77 would have been denied relief.

Question 8. In your written statement you refer to a problem involving appropriate subdivision determinations made by the Secretary of Labor. Haven't we changed our definition of appropriate subdivision in this bill to permit the Secretary to group plants together which produce the same product?

Answer. Yes. The bill does clearly permit the Secretary to group plants that make the same product together for purposes of determining appropriate subdivision. However, the Committee report used last session which describes this change, narrowly restricts the intent of this amendment. We believe that the Secretary should consider as an appropriate subdivision all locations which produce an import-impacted product which experienced unemployment. The Secretary wishes to decline to issue certifications where production has gone up. However, the Secretary's view neglects the fact that you can still have production increases in individual plants and yet experience unemployment.

Senator MOYNIHAN. It is my unhappy responsibility to point out that our excellent counsel states that the language in the bill is not clear on this question of confining adjustment to the first tier only. The committee will want to take that up with Mr. Cassidy.

At this point, we seem to have ambiguous language.

Senator Chafee?

Senator CHAFEE. Mr. Chairman, I was not here through the whole hearing so if these questions I am asking have been answered I would appreciate it if somebody would bring it to my attention. Then I could look at the record.

I was looking at—I am very sympathetic to this legislation—I was looking at the remarks of Mr. Fooks and on page 5 of his remarks he points out the qualification provisions—and see if I follow these through.

As I understand it, the alternate qualifying requirement under this bill would permit workers to qualify for up to 104 weeks benefits, up to 40 weeks of employment in the 104 weeks immediately preceding the layoff.

If my arithmetic works out right, you could then have a mathematical case of somebody who worked 40 weeks, the first 40 weeks of the 104 weeks preceding the layoff. The closure because of difficulties in the plant.

Would that mean that the worker could, under this situation, not have worked for the company for 64 weeks, 40 from 104 being 64, or a year? Is that correct?

Mr. SHEEHAN. Let me see if I can respond to your question, Senator Chafee. Very quickly, let me put it this way.

What we have here is a situation as to whether workers have a sufficient attachment to the work force under the current law. A sufficient attachment to the work force means 26 weeks.

Some may call that a casual employee, but he establishes——

Senator CHAFEE. 26 weeks in the previous 52 weeks?

Mr. SHEEHAN. Right, but that could mean that a worker could work only 26 weeks, period.

Senator CHAFEE. Out of the previous year?

Mr. SHEEHAN. Out of any period of time.

Senator CHAFEE. No.

Mr. SHEEHAN. Out of the previous year.

What I am saying, in that year he could have worked just 26 weeks and he qualifies under current law.

Senator CHAFEE. Right.

Mr. SHEEHAN. That is the rule that tries to establish commitment to the work force. We are concerned about the problem. That is why this provision went in, to the fact that there had been workers in many of our plants—and maybe those workers had 15, 16, sometimes 20 or 40 years of seniority, at the plant. Indeed, they were long-committed workers to that work force, yet because of the operation of the seniority provision, such as departmental seniority, you found that they did not work a full 26 weeks in the immediate period prior to their unemployment.

What we are trying to establish here was a base period for identifying a worker who was committed to that work force. That is why we came in with a 2-year spread in order to measure it—long attachment to the work force.

Surely you could add that up and if the worker in the first 2 years worked 40 weeks out of 52, he could be off the rest of the 52, plus 14. That is correct, and your example is absolutely correct.

What we were trying to establish was the fact also that a person could have worked only 26 weeks and still get maximum benefits under this.

Senator CHAFEE. On the next page, the problem he raises, I think that Miss Kramer addressed this, but I would like to explore it briefly, if I might. The worker who is 60 years of age or older, you could have somebody who fell under the provisions in the prior page—that is, when he was 59 he was laid off and then he went 64 weeks.

I am combining the two examples here. He is laid off when he is 59. He then is eligible, under the provision that you and I just discussed, to collect the 64 weeks. Are you with me?

Mr. SHEEHAN. Yes.

Senator CHAFEE. He is 59.

Mr. SHEEHAN. Right.

Senator CHAFEE. He has worked the 40 weeks.

Mr. SHEEHAN. Right.

Senator CHAFEE. Say he has worked 15 years before that.

Mr. SHEEHAN. Yes.

Senator CHAFEE. Now he is laid off at the end of his 40th week and then he can collect for 64 weeks on top of that?

Mr. SHEEHAN. Right.

Senator CHAFEE. Let me finish this, if I might, whoever is manning the bell.

Then he is 60 and under the provisions, as I understand it, he would then be permitted to go until he is 62. Is that the suggestion here?

Mr. SHEEHAN. I will tell you what. I would like to look at the arithmetic, but the suggestion is where you do find a worker finding that his benefits terminate when he is 6 months short of early retirement at the age of 62, that is the worker we are trying to protect.

Senator CHAFEE. You are going further than that. You are covering the worker who is 60. You are not covering the worker who is 61½.

Mr. SHEEHAN. His benefit would terminate after he became eligible for a reduced pension at the age of 62.

The current law recognizes the need to bridge the senior employee somewhat further. He heretofore has been eligible for 78 weeks of benefits. That is in the current law.

That brought him up to the 61½ year, birthday. We wanted to give him the additional weeks to bridge him into an additional social security benefit. That is the intent of the act.

The law already recognizes that, but it does not go as far. The "bridge" is extended across the gorge, but it is short.

Senator CHAFEE. I do not want to belabor this. Thank you, Mr. Chairman.

As I see it, it is possible that somebody could be laid off when he was 59 and under this provision on pages 5 and 6 he could collect until he is 62.

Mr. SHEEHAN. Could we respond in writing?

Senator CHAFEE. I would be glad if you would.

Senator MOYNIHAN. That, indeed, would be helpful.

[The material to be furnished follows:]

RESPONSE TO SENATOR CHAFEE

The Senator's inquiry relates to two provisions of S. 227: (1) the 40 weeks of work eligibility test; and (2) the additional 26 weeks of benefits for older workers.

Under the current program a worker, after a plant has been certified as import impacted, must establish personal eligibility if he is to receive TRA benefits for the period of his unemployment. He must show that he had worked at least 26 weeks out of the previous 52-week period prior to his unemployment. This test was designed to assure that the eligible worker had a sufficient attachment to the workforce before he could draw TRA benefits. The benefit duration is 52 weeks except for a worker who is 60 years of age. In that case, he would receive an additional 26 weeks of benefits. (Trainees are also eligible for 78 weeks of benefits.)

The first proposed amendment would provide an optional eligibility test, namely, a work-relatedness of 40 weeks out of a two year period. Elsewhere we have indicated our reasons for the option. But in relationship to Senator Chafee's question, it must be pointed out that a worker who qualifies under this test would not be entitled to any more benefits than a worker who qualifies under the 26-week rule. Regardless of the way the 40 weeks may be accumulated, the worker would be entitled to only the 52-week benefits or the 78-week benefits if he were 60 years of age. Note that in exercising either option the worker must also have been laid off after the impact period, i.e., after the Labor Department declared the plant was import impacted. Thus a worker who uses either option would not be eligible if he accumulated his 40 or 26 weeks in the first part of the two or one year period respectively. In both cases he must have been recalled to work and laid off after the import period.

It is the age of the worker at the time of separation within the impact period which determines duration of benefits. The work-career test in no way determines duration. The proposed amendment would not change the current method by which

DOL determines the duration benefit as between a worker who is 60 at time of layoff and a worker who is 59 but becomes 60 after he has begun to receive benefits.

It is true that the second proposed amendment does grant an additional 26 weeks of benefits to the worker who is 60. Instead of 70 weeks or a year and a half of benefits, he could receive 104 weeks or two years. However, he would receive this benefit only if he meets the work-relatedness test. If the 40-week rule is not enacted and the 26-week rule is the only option, the 60-year worker could still receive the 104 weeks of benefits provided the second amendment is enacted. If, however, the 40-week rule is adopted but the second amendment is not, the older worker who establishes eligibility through the optional 40-week rule, would receive only the 78 weeks of benefits as provided under the current program. The work test (26 weeks or 40 weeks) in no way affects the duration of the benefit (78 weeks or 104 weeks).

Senator MOYNIHAN. Senator Heinz?

Senator HEINZ. Thank you, Mr. Chairman.

First, let me commend the Chair and Senator Roth for having scheduled these hearings. It is a pretty busy time of year. We have a lot of things on our plate, but yet we have managed to get this very important item that died in the closing minutes of last year up, I think none too soon.

I would be remiss if I did not compliment Senator Roth, the principal author of this bill. It is a bill that looks somewhat familiar to me, having had the opportunity to work with many of the people at the table on similar legislation last year.

I hope that we can have expeditious action on this.

Mr. Chairman, I would ask unanimous consent that the full text of my statement be put in the record at this point.

Senator MOYNIHAN. Without objection.

[The statement of Senator Heinz follows:]

STATEMENT OF SENATOR JOHN HEINZ

Mr. Chairman, I am pleased that the Finance Committee has scheduled this hearing so promptly after House passage of the Trade Adjustment Assistance Act Amendments, despite the committee's extraordinarily busy schedule. I think this reflects a recognition of the importance of this program to the workers and firms of this country, and the need to make it more effective. The testimony of the various witnesses should be helpful in making needed improvements to this program, and the opportunity to hear them today is appreciated.

I have been a longstanding supporter of trade adjustment assistance, and have cosponsored S. 227 and introduced and cosponsored other legislation in this area. The importance of this program to my own state of Pennsylvania is clear. As an older industrialized area, Pennsylvania has been particularly hard hit by changing patterns of trade and industrial production. This is reflected in the statistics of the trade adjustment assistance program itself. Since 1975, over 71,000 Pennsylvanians have qualified for trade adjustment assistance payments, the largest number in any state.

The national importance of this program should be equally clear. We are living in a period of massive changes in economic activity and international trade, and these changes will continue. When international competition is fairly conducted, it can result in economic benefits to the entire country. However, those individual workers, firms, and communities that are most directly and severely affected by increased imports must be assisted to adjust to changed circumstances. This is a matter of fairness—selected individuals and groups should not have to pay the total cost of changes that benefit the nation as a whole. Moreover, in the long run, it is economical, as workers and firms in affected industries are assisted to become more productive.

Unfortunately, the existing Trade Adjustment Assistance Program has not been as effective as was hoped. The eligibility provisions are inequitable in that they exclude workers and firms that supply component parts even when they have been as strongly affected by increased imports as manufacturers of end products. The administrative procedures have often been too cumbersome and resulted in excessive delays in providing assistance. The benefits for training and moving expenses have been inadequate. The terms for loans and loan guarantees for firms have been

too stringent and have have discouraged participation. As a result, the program has not had the desired impact.

The proposed amendments in S. 227 would remedy some of the major deficiencies. It would extend coverage to additional workers and firms, would reduce the minimum employment requirement for eligibility and increase benefits periods for some workers, would increase benefits for training and moving, would provide technical assistance to firms in preparing petitions and economic adjustment plans, and reduce the interest rates and increase the ceilings on direct loans and loan guarantees. These changes would significantly improve the program and make it more responsive to the dislocations that result from increased trade competition. I welcome the comments of the witnesses on the program, and look forward to early enactment of this bill.

Senator HEINZ. Mr. Chairman, I have only one area of inquiry that might be a little dfferent from those that have gone before, and it starts with my understanding that of all those who have received cash payments under the present adjustment assistance program, inadequate as the present program might be, something in the neighborhood of only 3.7 percent of those have either received or sought to participate in training programs.

Obviously, when we use the term adjustment assistance what we want is for people to adjust, for people to get a job, hopefully, to develop different skills if there are no comparable opportunities in their community to become once again productive members of their community.

Do you have any comments as to why we are not doing—at least based on this one statistic—somewhat better than this?

Senator CHAFEE. If the gentleman would yield for one moment, I have a statement I would like to insert in the record. I would appreciate it if I could.

Senator MOYNIHAN. So ordered.

[The statement of Senator Chafee follows:]

STATEMENT OF SENATOR JOHN H. CHAFEE

Today's hearing on proposals to expand and improve the trade adjustment assistance program is an important sign of this Committee's commitment to equitable implementation of U.S. trade policies.

In originally establishing trade adjustment assistance programs, Congress recognized the fact that changes in foreign trade policies designed to enhance our overall prosperity to injure some workers, firms, and communities. Adjustment assistance helps those who are injured to adjust to changing import conditions and patterns of international competitiveness.

It is, of course, not the only remedy that import-impacted workers and firms have. The Trade Act of 1974 also provide other forms of import relief and protection against unfair competition. But adjustment assistance is an essential element in a balanced international trade policy.

I support strong and effective programs of adjustment assistance because those injured by changes in Government foreign trade policies are entitled to relief. Adjustment assistance can help maintain a strong healthy competitive U.S. economy.

Approval of legislation to strengthen the adjustment program is especially important this year in light of the pending multilateral trade agreement.

During the past decade the globe truly has become more interdependent. Annual world trade has increased from $215 billion in 1968 to $1 trillion, 250 billion last year. During these years, the United States witnessed a boost in our exports from $34.1 billion to $143.6 billion, while our imports jumped from $33.2 billion to $172.0.

The MTN Agreement will no doubt provide expanded markets abroad and new opportunities for our businesses and workers. Passage of new trade adjustment assistance legislation will, at the same time, guarantee that society, not the individual, will shoulder the cost invoked by a new trade policy.

We must continue to demonstrate to those who have been hurt in the past, or may be adversely affected in the future, by a policy of "freer" trade that they will be protected fairly.

This is a small price to pay for providing an orderly job transition for those who have paid the price for government actions that are designed to achieve general economic improvement to the nation.

I support this Committee's efforts to improve the trade adjustment assistance program and hope that the legislation we recommend to the full Senate will receive prompt and careful consideration.

Mr. SHEEHAN. We have a number of people who would like to comment on that, Senator Heinz. I might indicate, however, that the question of retraining and the actual utilization of retraining programs by the Federal Government is, in this situation, not a unique one.

I think if you looked at other Government programs where you find areas of heavy unemployment there has been either reluctance to use them or the lack of availability of training programs by the workers who have been laid off.

Sometimes, of course, this results from the fact that there are no jobs in the area for which you can actually be retrained. I remember under the OMDTA program there was a charge that people were being trained for jobs that did not exist.

Looking at another aspect of it, sometimes the training available related to the fact that there were programs elsewhere in the State, or out of State, and it was conditioned on some kind of relocation.

Workers are quite rightly reluctant to move out of their communities.

The extent to which the training programs are not job-related, they may be general in increasing your ability, but if you do not see a job at the end of the line, the chances are that you may simply not line up for this training.

I would think that what we are experiencing in this program is somewhat comparable to what we have seen before in other programs. However, we recently have found that more of the workers are now aware that this kind of a training program is also provided in this act. You will find that that knowledge is spurring utilization of it.

For instance, in my own union, the Youngstown Sheet & Tube Workers and the workers at the Lackawanna plant in upstate New York have utilized this section—and also the job search and relocation.

John Oshinski is here from our staff. We were looking up some figures this morning. I think we came up with a figure of $313,000 in job search and relocation funds just for the workers at those two locations.

I might suggest that they are going to know more of what is available under the act. There is also the fact that if there is not a permanent shutdown, then the training is not something that will be utilized, because the workers always expect to go back to the plant.

Senator HEINZ. In the seconds remaining to me——

Senator MOYNIHAN. The Senator may proceed.

Mr. SHEEHAN. There are others who want to comment.

Ms. KRAMER. Senator Heinz, I would like to comment on what have been severe deficiencies in the training provisions under this program.

In some cases when workers who have been certified as eligible have applied at the State employment security office for their training programs they have been told that the funds which come out of the CETA program, have been exhausted. Other circumstances that we have encountered were, for example, as was the case in Sioux City, Iowa, when the Zenith plant closed. Hundreds of those workers applied for the training programs and the local facility was completely filled. Those who came after those spaces were filled wanted to go to a facility out of town. They were denied this opportunity on the grounds that it would cost money for transportation and other expenses and that there were no available jobs foreseeable.

This points to one of the key problems: that is, the adjustment aspects in terms of shifting into an alternative occupation or industry are only effective when you have an economy that is at least approaching full employment, and when you have specific programs geared to problems of industrial structure and regional dislocation whether caused by trade or not. Where there is high unemployment, there are no jobs to adjust into.

So you have these two problems: inadequate funding of the training programs and inadequate job opportunities.

Senator HEINZ. There is one problem that an awful lot of people I have talked to are concerned about. It is a very sensitive problem. It is that there are a lot of jobs that nobody wants to take. Few people want to be dishwashers, particularly, after they have been building cars or slinging rivets. You know, these are menial jobs.

And yet everybody you talk to says: "By gosh, it is better to have someone working than not working." And it just seems to me a great waste of the most precious resource in our country, namely people, is we cannot find some way to get people back into the work force without penalty, doing work, period.

What would be the problem with a proposal like the following, that under an adjustment assistance program, or under an unemployment compensation program, if you find a job, albeit one that is nowhere near the status or the pay of what you had before, that the Government, through adjustment assistance or unemployment compensation, between what you have been earning as a member of the steelworkers or up to the maximum you could get paid under unemployment comp, or adjustment assistance? So we would have people on a voluntary basis doing things that are productive, rather than doing nothing.

Mr. SHEEHAN. Might I suggest, Mr. Heinz, that that is a problem that constantly comes up with the unemployment compensation system and with the welfare programs and the whole concept of whether you are ready, willing and available for work and whether unemployment compensation benefits shall be conditioned upon the acceptance of wages at below what was their customary entitlement.

Senator HEINZ. That is not the question I was raising. I specifically structured my example so that question, which we all know backwards and forwards and round and about, so that that question would not come up.

Mr. SHEEHAN. It does come up.

What we are talking about here is the fact that you might want to structure the payment, as I understand it—maybe you can go both ways. You might deny a payment if, indeed, a worker does not accept such a job.

Senator HEINZ. I said it would be voluntary.

Mr. SHEEHAN. Voluntary. Indeed, you might suggest that the payments might continue as a make-up between the low wages that he is receiving and what he might otherwise have received.

Senator HEINZ. The comparable prevailing rate.

Mr. SHEEHAN. You are running into a situation that involves—it takes a longer conversation and I would suggest to this whole question of whether wages are being subsidized in such a situation, whether indeed the wage at that particular plant or that particular area should be much higher than it is, whether you would start supplying plants with federally subsidized wage workers.

I think that it would be something that, at least in this program, we would not have you encouraged looking at that. It might be something you might want to look at on an overhaul of some of the more general workmen compensation systems.

You are talking about an entitlement that we feel a worker is due, and which should not put him into low-wage job and then subsidize the low-wage job. He should, indeed, get his TRA benefit.

If he elects to take a low-wage job, that would be his decision if he wants to do so.

Senator HEINZ. Of course, you know, you are kind of damned if you do and damned if you don't. I appreciate the chairman's giving me the extra time to make this point. On the one hand, you know, if you are given a choice between unemployment comp or trade adjustment assistance and a low-wage job, I will tell you what the choice is. The choice is to take the money and moonlight a little bit, I guess, if you want to maintain your standard of living.

The other problem is that under the present program you have got to give up your benefits if you take a real job. That is a lousy choice, somehow. I would like to see a better choice. I do not think we disagree on that.

We do seem to have—and this is not a new question—we have trouble coming up with a formula that works. I just wanted to build a little concern in the record that I think we all share on that.

Mr. SHEEHAN. Some comments in this area have extended to the fact as to whether there should be lump-sum payments; that is where a worker would not feel that he would be jeopardized by losing his benefit, but did go out and seek a job earlier. He knows he will, if he gets that job. Indeed, if there should be lump-sum payments—that seems to be more in a positive area in my mind, at least, than subsidized wages.

Senator HEINZ. Thank you.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator Heinz.

I have one question. We are running late. If you can believe it, I have to go to Camp David again. I did want to ask one question on section 284, the grants to labor organization and the limitation of $2 million.

Suppose that were taken out and the limitation as an overall one, and replaced by this, what would you estimate would be the cost on that? Please don't wing it if you do not know. Would you like to think about it?

Mr. GUNDERSHEIM. Yes.

The problem is, in terms of the Labor Department, there are not a whole lot of programs in terms of actively moving people into new jobs and new employment, or utilization of new technology, and so forth.

We have, particularly in the men's tailored clothing industry, a CETA program being utilized to encourage people in the inner cities, particularly where the garment industry is centered, to encourage the long-term unemployed to enter the industry and so forth.

The number of programs that we work with, the Commerce Department in terms of the intention of section 285, but they have not been put into place yet.

Senator MOYNIHAN. If you have any thoughts on that, we would appreciate hearing them.

Ms. DUBROW. We would be glad to make some suggestions on that, too, Senator Moynihan. We have been thinking a lot about that.

Could I just make one comment on what Senator Heinz said about training people?

I think Senator Heinz ought to recognize that in an industry like the garment industry which is made up of workers who on the most part are women and minorities the problem of training for jobs is very difficult. That is one of the reasons we are concerned with sections 284 and 285, to produce technological advances, so that these workers can stay within the industry they know.

The new migrant groups arriving, like the Vietnamese and Cambodians who will be coming into our garment plants (if there are any left after the impact of imports) there will be problems with language and other things. They could not possibly meet the requirements of retraining.

It is great to say they ought to take advantage of training, but they never train them for the kinds of work that they could do. I think that has to be taken into consideration when we talk about the Trade Adjustment Act and when we talk about giving the garment industry and the textile industry a chance to develop some new techniques that these people can pick up.

I think it covers other impacted industries as well, like the electronics industry.

Mr. ORSHINSKI. With regard to the training provisions in the Trade Act of 1974, training is a privilege, it is not a right. Unlike other conditions in the Trade Act, unlike other benefits, it is a privilege accorded in the act.

Therefore, there had been no real commitment by either administration since passage of the act.

However, we are encouraged by recent turn of events, that as the program, as the trade adjustment assistance program, becomes more seasoned, as the work goes out that there are opportunities as impact continues, there is a growing sensitivity by the workers to avail themselves of the training provisions available and, as a

result, the $16 million a year that is authorized and appropriated for training is being fully utilized now, and there comes a time—especially in upstate New York and Lackawanna, they have run out of funds. They have expended those funds and have sought supplemental funds to meet that.

Overall, I would indicate there is a growing awareness on the part of the workers and the part of the administration, to meet its mission in granting training opportunities in that regard, so that adjustment provisions, as I see them, and the adjustment opportunities are growing and the people will avail themselves if the administration makes that commitment.

Senator MOYNIHAN. I could not agree with you more, after my long involvement.

We are running late, as I said, and so I will not keep the panel. I would like to thank them for helping us to draw up a bill and I think we are going to have an acceptable one.

[The prepared statements of the preceding panel follow:]

PREPARED STATEMENT OF JOHN J. SHEEHAN, LEGISLATIVE DIRECTOR, UNITED STEELWORKERS OF AMERICA

S. 227—TRADE ADJUSTMENT ASSISTANCE AMENDMENTS TO THE TRADE ACT OF 1974

My name is John J. Sheehan. I am Legislative Director of the United Steelworkers of America. Our union supports S. 227 and requests the committee to speedily adopt and report S. 227.

Congress in recent years has recognized that the federal government bears a special responsibility towards workers, firms, and communities that are adversely affected by increased imports resulting from federal policy which encourages foreign trade and Congress has provided programs of trade adjustment assistance.

In 1962 it initiated the program in the Trade Expansion Act of 1962, but the program was so restrictive, and eligibility was so stringent, no workers received benefits for a period of seven years.

Subsequently in 1974, the Congress, after seeing the need for improvements in the Act and noting increased dislocation because of rising imports, provided needed improvements so that workers could receive real benefits from this program.

This Act improved access to the program by liberalizing the criteria for certification and speeded up delivery of the benefit delivery system, and transferred administrative responsibility from the International Tariff (Trade) Commission to the Department of Labor.

The revised trade adjustment assistance program has, in fact, provided extensive benefits and significant relief to workers certified for benefits under the program. Certainly the income security benefits provision in the Act is working. According to recent Department of Labor reports, nearly $700 million in trade readjustments benefits in the form of cash payments has been paid to workers overall. Of that total, over $200 million has been received by over 100,000 member of the Steelworkers union determined to have been trade impacted by the DOL.

In effect, the program is concrete recognition by the Congress that a worker's career as an investment, is deserving of a special return when such career is adversely affected by a national policy.

In addition, Congress also indicated that the present unemployment insurance program does not offer sufficient income protection to those workers so dislocated by a governmental policy adopted to be in the national interest because of the very special nature of the dislocation, and has established this "super" or supplemental unemployment insurance program to offset the resultant injury.

The TAA program has been especially effective for employees laid off because of temporary conditions as opposed to those dislocations where there are resulting permanent shutdowns. However, where there are permanent shutdowns of entire facilities such as the Youngstown, Ohio and Conshohocken, Pennsylvania steel facilities, the adjustment assistance programs, while not being rejected are not acceptable as a substitute for a job, especially since they do not entail a job security benefit, but render only an income security benefit, and then only for a very limited period of time. That is not to mitigate the effects of the income security benefits in Youngstown and elsewhere; they have been helpful both financially and psychologically.

The bill before the committee is very modest and conservative in its intent. There is little reference to a job security program so that specific individuals and communities are not forced to share the social cost of economic changes which are actively encouraged by governmental policies on the assumption that the nation as a whole would benefit from them. On a practical basis, Congress does not seem ready to deal with that large problem at this time.

While the TAA program has been effective, the operation of the program has shown serious defects and shortcomings in the Act which deprives many workers of these benefits that Congress had envisioned in the Act as a result of trade impact.

We are pleased to say that S. 227 recognizes and addresses these inadequacies of the present law with regard to the income security provisions in a modest but practical approach and we support it, and again emphasize the need for speedy and prompt adoption. We do so especially because of last year's experience with similar legislation. We remember that the 95th Congress enacted the remedies now incorporated in S. 227 and H.R. 1543, which we advocated and supported. But we know the bill missed becoming law because of the lack of time to consider extraneous issues which were added during the floor debates in the respective Houses of Congress.

More recently, on May 30, 1979, the House of Representatives by voice vote, again gave affirmation and recognition to an improved adjustment assistance program when it adopted H.R. 1543 which is similar to S. 227, and in so doing, added one important amendment which would include coverage to impacted workers working in firms providing component parts for trade impacted products in independent or subsidiary firms.

The need for this legislation is now even greater than in the immediate past. The introduction of the Multilateral Trade Agreement package to the Congress makes this legislation imperative. Our union thinks the TAA is an important adjunct to the MTN legislation package.

While there may be general overall benefits emanating from a program to increase trade, this national policy may bring about severe dislocations to certain groups of workers and communities. We are not alone in this assessment.

The U.S. Department of Labor, through its Office of Foreign Economic Research, in a study released June 15, 1979, relating to the MTN proposal stated that "some adjustments will be required on the part of American industry and workers," and affirms that "certain firms and localities may encounter reduced output and employment. This can even occur in industries which are expected to experience overall gains in job opportunities." The study indicates that job losses in the aggregate could reach 137,000 due to increased imports. Such job displacements would occur according to the study in 33 manufacturing categories which are expected to experience declines in employment opportunities of more than one-half of 1 percent in their existing labor force.

Despite these projected losses, the study concludes that the economy as a whole will net a gain of 30,000 jobs as a result of the MTN Agreement. Nevertheless, the figures dramatize the fact that significant factors of our economy will be adversely affected by these increased imports with job losses resulting from curtailment and shutdowns of certain production facilities. Thus it is necessary to offset and cushion the effects of such prospective dislocations of workers to correct and modify the TAA program's shortcomings developed from past experience, we urge prompt adoption of S. 227 with the appropriate amendment added by the House.

The principal objections to the legislative thrust in this measure has been cost. The 95th Congress, however, put those cost objections in perspective. Congress perceived that the pursuit of our current trade policy was a distinct advantage to the nation and the principle of payment for injury received (that is, job loss, temporary or permanent) and compensation adjustment was a proper public policy objective of the Trade Act of 1974, which was a needed improvement.

We are hopeful that this Congress will again use the same criteria and adopt this measure. Because if we indeed cannot pay for so modest adjustments as the Administration officials declare, then neither can we afford the benefits of a liberalized trade policy.

Addressing specific income security benefits, S. 227 attempts to soften some of the rigidity in the eligibility criteria which prevents individual workers from obtaining benefits. The actual number of workers who receive benefits at a plant which has been certified by the Department of Labor as import impacted are often substantially less than the number certified because some of the workers do not meet the criteria for personal eligibility.

I. Impact period

It is important to recognize the twofold aspect of trade adjustment assistance. It is a program to handle both injury and adjustment. There is often a delay factor in the delivery process due to the need to determine causation, i.e., to make a finding

of a causal link between job loss and imports. With this delay in the delivery of benefits, the desired or optional adjustment function is not met. After a plant is certified, however, such facility generally remains certified for a three-year period and when the compensation of TRA benefit is finally received, it meets the goal and does provide adjustment assistance.

It was especially true during the earlier years of the program, that many, if not most TRA payments, were retroactively paid, i.e., around one year or more from impact or separation to delivery of cash payment, since there were no previous certifications of plants and because of delays in determinations. Now, however, with improved administration and more prompt determinations, many of our steel and fabrication plants, if they suffer future unemployment due to imports, will not incur the delay formerly experienced in benefit delivery because they have conditioned sensitivity to the import problem by the previous certification. There is little likelihood of incurring a repeat of those difficulties experienced when the program was changed after the Trade Act of 1974.

Nevertheless, even then there is a retroactive feature and perhaps less an adjustment function, these payments are still within the intent of the Act. The fact that the compensation is paid after the injury does not mean that an injury did not occur nor that it does not continue to have an impact. Many workers who suffer long periods of unemployment must dip into savings or incur debts even for needed purchases. TRA benefits, whenever delivered enable a worker to recapture the lost ground and allow fuller adjustment to occur. It is therefore very erroneous to declare that the TRA program is not fulfilling its objective because of these retroactive type of payments. Indeed, some of the proposed amendments in this bill attempt to shorten the time frame between injury and payment. But our union wishes to emphasize that such a time gap does not automatically discredit this program.

To illustrate but one of many examples of groups of workers which this section would redress: the Lebanon, Pennsylvania fastener plant of Bethlehem Steel had been certified for TRA benefits. Of the 2,400 workers therein employed in 1975, only 1,200 are now employed. Of these, some 800 were separated before the impact date determined by the DOL and were denied eligibility and never drew one cent in TRA benefits. The fastener industry was then petitioning the International Trade Commission for escape clause relief at that time and petition filings were delayed pending the outcome of that import relief action.

The current law extends TRA benefits to affected workers at import impacted plants if their injury began within one year prior to their petition for relief. Thus, it is not the beginning of the injury, but the filing of the petition which is a major determinant of the recipients of relief. This is an automatic cutoff which is mandated by the 1974 Trade Act. It was not a condition for relief in the 1962 Trade Act.

On August 4, 1977, several Congressmen[1] wrote to President Carter decrying the rigidity of this provision and especially the abruptness of its application:

"When the adjustment assistance program was new, many affected workers were unaware of its provisions and consequently missed the one-year deadline for applying for certification. The fault was not theirs, but they are the ones who are suffering. Although some of them are back at work, all suffered financial loss which continues in the form of debts, discontinued insurance, lost homes or cars, bad credit, and depleted savings. They understandably feel that the promise of assistance made to them in the Trade Act of 1974 has not been kept.

"Retroactive extension of the one-year deadline to a two-year deadline would fulfill the government's commitment to these people. It would also be a signal to the American workers who bear the burden of import competition, and to their representatives, that the Administration intends to keep its promises. This will be an important signal as Congress considers your recommendations in the whole area of trade policy and readjustment assistance."

The GAO, in its June, 1977, report on the TAA program, stated:

"* * * program awareness in most of the workforce appears limited.

"A reason for this lack of awareness is that the Department of Labor has not affectively publicized the adjustment assistance program. The Department has relied on making program literature available to State Unemployment offices, giving program information to publications and newspapers, attending regional conferences and union conventions, and issuing press releases on petition determinations. Labor officials believe the major cause of unawareness is the failure of State unemployment offices to inform workers of the program."

Many workers during this period, therefore, were denied benefits both because of lack of information and the abruptness of the change. The Administration indicates

[1] Burke, Brademas, Sharp, Rhodes, Applegate, Brodhead, LaFalce, A. Murphy, Oakar, Richmond, Simon, Vento.

that "no adjustment purpose can be served" by this provision. Yet it is the unrealistic cutoff date in Section 223(b)(1) of the current law which is the burden. While it is true that we can prospectively—at least for the organized sector of the labor force—adjust to this restriction, the earlier worker petitions should not be the victims of such a rigid change. Thus, S. 227 would remove the barrier for those workers who were unemployed or who filed petitions because of import penetration between October 3, 1974 and November 1, 1977.

Furthermore, it should be noted that in Section 201 for escape clause relief, the establishment of injury is not limited to a finding of such a condition within a one-year period. The injury rule should be uniform both for relief from imports and compensation because of imports. More pointedly, Section 251, Adjustment Assistance for Firms, does not limit the period for establishing injury.

We consider this to be a satisfactory response to our original contention that the Department of Labor should not be restricted in establishing the retroactive impact period. Actually, if the injury occurs, the Department of Labor should be able to certify it and not be constrained by arbitrary time limitations.

II. 40-week worker eligibility requirement

It has often been characterized that a plant certification has the effect of being a "hunting license," since the certification of itself does not bestow benefit rights to workers. In each case, each worker must establish his or her eligibility. The major and stiffest individual requirement to be met in the Act is that a worker must have had 26 weeks of work in the 52 weeks or one year before layoff. Thousands of workers with long years of seniority have lost benefits because of this stringent requirement. At the nearby Sparrows Point, Maryland plant of Bethlehem Steel, 693 workers otherwise eligible and with up to 30 years of seniority at the plant, lost TRA benefits because in the year prior to their layoff, they were not scheduled or had not been able to secure 26 weeks of work.

190 Steelworkers in the Lackawanna, New York works of Bethlehem Steel were likewise denied such TRA benefits even though some of the workers had seniority back to 1957 (i.e., 22 years) and none of them had less than seven years at the plant.

The "worst case" of an example, however, in this instance has to be the worker at the Johnstown; Pennsylvania facility, again, of Bethlehem Steel, who had 42 years of service, had worked 22½ weeks then incurred a non-occupational injury as the result of a fall and when ready to return to work his plant operation had shut down.

In Youngstown, Ohio, a Steelworker with more than 20 years of service had 19 weeks of work and he was requested to take 3 weeks vacation in a "share the work" scheduling by the company. He then had a coronary and when released by the doctor for return to work, Youngstown Sheet and Tube announced permanent shut down of the steel plant idling 5,100 workers. His denial represents a real "Catch 22" situation. This worker was denied eligibility because:

(1) He did not have 26 weeks earnings

(2) Vacation weeks are not counted as time worked for trade benefit eligibility (nor are such wages computed in average wage determinations)

(3) Sick pay time or benefits are not counted or computed for TAA benefits, and

(4) When he was physically able to return to work, he was denied because the plant had shutdown.

Certainly our union is not advocating that the casual employee should be entitled to the full scope of TRA benefits, but how does one define the casual employee—certainly not a 30-year employee. We have expressed disagreement with the 26-week rule because it, as a federal standard, is more restrictive than many states in the implementation of their unemployment compensation system. In some states, the condition for qualification for unemployment insurance is as low as a 14-week attachment to the workforce. In previous testimony, we recommend that since the TAA program is tied to the unemployment compensation program and such payments offset TRA levels of benefits, it is logical to reduce the restrictive provision to the 14-week level where the state has such a provision. In no case should the requirement be for more than 20 weeks in the previous 52-week period.

S. 227, however, does provide the compromise provision and option of 40 weeks in the 104 weeks before separation. The liberalized option of 40 weeks included in S. 227 is designed to qualify for TRA eligibility those workers who have a comparatively long attachment to the workforce, not for a casual or recent employee. Such recent employees will still have to qualify through the 26-week provision.

The 40-week option will more equitably treat senior workers and give them the opportunity to qualify for TAA benefits which Congress intended. The projected annual cost of this provision would be only $17 million and does provide even and equitable treatment with unemployment compensation criteria in most states.

III. Older worker concern

The current TAA program recognizes that workers over the age of sixty will find it more difficult to find alternative employment. Hence, this group of workers are already entitled to a benefit duration of 78 weeks rather than the 52 weeks which other workers enjoy. The intent is to allow these workers to maintain a longer period of income security. Since that purpose is already the intent of the Act, it seems most proper that we should not fall six months short of fully meeting the objective. The 60-year-old workers, under the current program, will have their benefits terminated at 61½ years of age—six months short of eligibility for early social security benefits.

It is for this reason that the House bill provides an additional six-months benefits to bridge such an employee to social security benefits. The Administration claims that the new provision "would serve as a disincentive to work and would result in the de facto establishment of an income maintenance program for such workers until they qualify for social security insurance benefits." Well, if that is true, the criticism is equally applicable to the current program. While we do agree with the "bridge concept," it surely is ridiculous to declare that the benefits will act as a disincentive to a 61-year-old employee. If the TAA system is designed to be humane, then, at least, we should agree to allow these workers to reach their social security benefits without becoming welfare cases.

IV. Component parts and service employees

The GAO report indicates that there is a real problem with the way the Department of Labor is interpreting the 1974 Act.

"Workers who provide services and those who produce component parts of manufactured goods may be excluded from the adjustment assistance program due to legal interpretations. Labor has observed that in the absence of

> 'any clear expression in the statute or legislative history to the contrary, the phrase 'articles produced' or 'imports of articles' * * * does not extend to services unrelated to the production of a tangible item.'

And, component-part workers have been excluded on the grounds that a component part is not 'like or directly competitive' with the end product."

"However, if the service unit or the component-part factory is affiliated with a plant demonstrated to be import-affected, then workers may be included in the program, because the statutory wording covers not only workers separated from a firm but workers in an appropriate subdivision."

We think it significant that the GAO indicates that the Department of Labor thought congressional action was necessary to resolve this dilemma.

"Excluding workers from adjustment assistance because they produce a component part or provide an intermediate service for an industry affected by changes in international trade appears inconsistent with the intent of the Trade Act. The Congress should modify the law to include all workers affected by increased import competition. We recognize, of course, that, in the case of intermediate service and component parts producers, and eligibility cutoff is necessary or the petitioning process could extend back to producers of raw materials and all related products.

Agency comments

Labor agreed that program inequities have arisen from interpretations of the law. They also agree with our proposal that the Congress should modify the law to include all workers affected by increased import competition."

The Administration apparently has changed its mind. The House passed bill as amended now removes the percentage requirement and accords component parts workers in independent firms the same opportunity for TRA eligibility as those making the like impacted product.

Our union has workers who would be affected by these necessary changes. When steel mills shut down, there are a number of satellite firms which provide direct essential services also shutting down. One of our plants, for instance, produced bumpers for automobiles which were heavily impacted by imports. While the auto workers received benefits, the bumper workers did not. This is an equity which GAO recommended be changed and which the House provision corrects.

There are, of course, other provisions of the Senate bill which call for comments. We support them.

We seek expansion of certain benefits which workers are already eligible, i.e., that:

The training period be extended;

Job search and relocation allowances be liberalized;

Recognition of the implication of seniority rights during layoff arrangements be made;

All of which are contained in the bill, S. 227.

With regard to the addition of new provisions to the current program we support:
An experimental training program with private sector institutions.
A labor-management technical assistance and study program so that adjustment problems of workers and firms could be further analyzed in terms of benefits other than cash payments.
An anticipatory filing program so that workers could file petitions, although not receive benefits until actual separation.

STATEMENT OF EVELYN DUBROW, VICE PRESIDENT OF THE INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Mr. Chairman and members of the Committee, my name is Evelyn Dubrow. I am Vice President of the International Ladies' Garment Workers' Union with a membership of 348,380 from 39 states and the Commonwealth of Puerto Rico. I appear before you today in my capacity as Legislative Director of the union.

I would like to express the appreciation of my organization for this opportunity to present its views on S. 227, the Trade Adjustment Assistance Amendments to the Trade Act of 1974. These amendments, already passed by the House of Representatives in H.R. 1543 on May 30th, 1979, will expand the benefits and protection for workers and firms who have been injured by the impact of imports to the United States.

As you know, our union and the industry we work in have been among those hardest hit by the torrent of imports from low-wage countries. As a result we have suffered either a permanent loss of jobs or severe reduction of working time affecting literally hundreds of thousands of workers. When you realize further that the workers in our industry are 80 percent women with many coming from minority groups—the most disadvantaged sections of our society—you can well understand that we are vitally interested in the legislation now before you.

While we know that the trade assistance program, in and of itself, cannot solve the import problem, it is nevertheless a very important means to ease and mitigate the catastrophic effect of imports on our members, as well as on millions of workers in other industries.

S. 227 expands the coverage of workers and firms and liberalizes adjustment assistance benefits. We feel that the bill reacts very responsibly to the problems that have arisen in the trade assistance program since the passage of the Trade Act of 1974. It therefore has our full support.

Let me emphasize one of the problems handled by the bill in which we have special interest. The current law does not permit a shop to be certified as eligible for import assistance if the petition for such certification was filed more than 1 year after the last layoff of the workers. The law further provides that even in cases where a shop has been approved and certified for import assistance, those workers who were laid off more than 1 year before the petition for certification was filed are not eligible to receive trade adjustment benefits. These provisions of the law have resulted in serious inequities. Let me give an example.

About 200 production workers in one of our shops, Raincraft Corporation in Farmingdale, Long Island, were permanently laid off in February 1977. Some of these workers were not aware of their rights under the Trade Act of 1974. Others made inquiries at their unemployment insurance office but were not given assistance. As a result, no petition for certification was filed until March 1978 when a handful of executives and supervisory employees who has continued to work after the layoff of the production workers filed a petition for certification of the shop. After investigation, the Labor Department approved the certification and affirmed that the shops had gone out of business due to imports. However, because of the 1-year rule, only those workers who had been laid off on or after the same day in march 1977 as the day in March 1978 that the petition was filed were eligible for benefits. Thus, you had this anomalous and inequitable situation where a handful of executive received benefits but the 200 production workers did not, although their unemployment had been caused by imports, a fact attested to by the certification granted by the U.S. Labor Department!

We have a number of shops in this predicament. Section 101 of the bill before you would solve this inequity. It provides for retroactive eligibility for workers in cases where petitions for certification were filed before November 1, 1977 or workers were laid off before November 1, 1977. Such cases will be treated as if an 18-month rule had been in effect rather than the one-year rule. This is a welcome change and we urge your approval. We are aware that the one-year rule remains in the Law and still applies to current cases. We do not object to that since the failure to file in time because of lack of information was a phenomenon that occurred in the first years of the Trade Act of 1974 and is not typical today.

I wish to comment on another problem which is met by the bill. Present law requires that only those workers can qualify for trade adjustment allowances who had at least 26 weeks of employment at wages of $30 or more in the 52-week period immediately prior to their last layoff. The purpose behind this requirement is to grant benefits only to workers who have demonstrated attachment to the labor market. While we have no quarrel with this principle, experience has shown that the specific requirement of 26 weeks is too inflexible.

We have had many sad cases of workers who have failed to qualify although they have worked for many years at the affected shop because they lacked one or two weeks of the required 26. Yet these workers had shown by their many years in the shop that they were deeply attached to the labor market. They may have fallen short of the 26 weeks because of a reduced number of weeks of employment as imports began to have an impact. Parenthetically, in our union, workers are not laid off on the basis of seniority. Instead, when there is not sufficient work for all, the available work must be divided equally among all workers in the shop. This division of work principle reduces the number of weeks worked in a year. On top of that, a worker may suffer a spell of absence due to illness or injury which would further reduce the number of weeks worked. There is no reason why such workers who lose employment as a result of imports should not qualify for adjustment assistance so long as they can meet a reasonable test of attachment to the labor market.

We believe that Section 106 of H.R. 1543 meets this problem by providing a more flexible and reasonable test. It would enable workers who lack the requisite 26 weeks of employment in the year before their last layoff to qualify if they had at least 40 weeks of employment in the two years before they last worked. We feel very strongly that this alternative test of work in a two-year period would demonstrate a consistent record of substantial employment and thus show attachment to the labor market. This amendment deserves your support, as does the entire bill.

I should like to comment briefly on another problem which has not been dealt with in the bill. This has come to our notice recently and to our knowledge has not been considered up to now by either the House or Senate. That is the matter of the weekly trade readjustment allowance amount. The law fixes that amount at 70 percent of the worker's average weekly wage though not in excess of the national average weekly manufacturing wage. Since state unemployment insurance laws generally provide a weekly benefit of 50 percent of a worker's average weekly wage up to a prescribed maximum, clearly the weekly trade adjustment allowance should exceed the unemployment insurance benefit. Yet it has come to our attention recently that a number of workers have been getting a weekly adjustment allowance that is substantially less than their weekly unemployment benefit.

This was clearly not the intent of Congress. In its Report on the Trade Reform Act of 1974 on November 26, 1974, the Senate Finance Committee stated: "In the Trade Expansion Act of 1962, Congress established a special program of worker adjustment assistance in the belief that the special nature of employment dislocation resulting from changes in trade policy necessitated a level of worker protection somewhat beyond what is available through regular State unemployment insurance programs" (Report No. 93-1298, p. 131). Thus, Congress clearly fixed the adjustment allowance at 70 percent of the average weekly wage rather than 50 percent because it wanted to go "somewhat beyond" unemployment insurance benefits.

It should therefore concern us that some workers are getting substantially less than what Congress intended when they get an allowance less than their unemployment insurance. This anomaly arises from the fact that the Trade Act of 1974 uses a fixed method of computing a worker's average weekly wage on which the adjustment is based; the States, on the other hand, use various methods.

The Trade Act computes the average weekly wage by dividing by 13 the worker's high-quarter earnings in the first 4 out of the last 5 calendar quarters prior to the worker's last layoff. Most States use the high-quarter method of figuring the average weekly wage for unemployment insurance purposes but some States do not. The problem I speak of tends to occur in those States that do not use the high-quarter method.

Since this matter has not yet been considered by the Congress, we do not insist that it be acted on now. However, we do ask that you look into why some workers victimized by imports are not getting the supplemental benefits that Congress intended and the extent of it. We would suggest that a more flexible formula be adopted for computing the average weekly wage. And at the very least, the law should contain a proviso that no matter how the average weekly wage is computed, no worker should receive a trade adjustment allowance that is less than his weekly unemployment insurance rate.

While we appreciate the great strides this legislation makes towards alleviating serious employment problems of our workers and the industry which employs them, we should like to offer some recommendations for consideration by this Committee and urge their adoption.

One of these recommendations deals with an amendment to H.R. 1543 adopted by the House of Representatives. It approved the extension of coverage to workers making "component or spare parts" of products which are affected by imports. The amendment would delete any percentage test by the Department of Labor in determining whether imports impact on spare parts workers and replace such a test with one requiring the Department of Labor to determine whether the import product contributes "importantly" to the layoff of workers in spare and component parts plants.

We also would urge the Committee to consider a change in Title 3 of Sections 284 and 285 of S. 227. Section 284 permits the Secretary of Labor to "make grants to unions, employee associations, or other appropriate organizations for the purpose of enabling such organizations to carry out research on, and the development and evaluation of, issues relating to the design of an effective program of trade adjustment assistance for workers in industries in which significant numbers of the workers have been, or will likely be, certified as eligible for adjustment assistance. Such issues shall include, but not be limited to, the impact of new technologies on workers, the design of new workplace procedures to improve efficiency, the creation of new jobs to replace those eliminated by foreign imports, and worker training and skill development. Any grant made under this section shall be subject to such terms and conditions as the Secretary deems necessary and appropriate. The Secretary of Labor may not expend more than $2,000,000 in any one year for grants under this section."

We respectfully suggest that the purpose of this section would have much greater impact on assisting workers affected by imports if the Act could read that "the Secretary of Labor may not expend more than $2,000,000 in any one year for grants to any one union, etc."

Likewise, in Section 285 which permits the Secretary of Commerce to "make grants, on such terms and conditions as the Secretary of Commerce deems appropriate, for the establishment of industrywide programs for research on, and the development and application of, technology and organizational techniques designed to improve economic efficiency. Eligible recipients may be associations or representative bodies of industries in which a substantial number of firms have been certified as eligible to apply for adjustment assistance under section 251. The Secretary of Commerce may not expend more than $2,000,000 in any one year for grants under this section."

It would be a greater boon to affected firms if the Secretary of Commerce were permitted to make grants of not more than $2,000,000 in any one year to any one industry.

S. 227 goes a long way in the direction of meeting the problems that have arisen in the course of the operation of the trade assistance program. We believe that with the additions recommended to you today by this panel this program will be even more effective in meeting the needs of ILGWU members and other workers in this country whose jobs are threatened by imports.

STATEMENT OF LEONARD R. PAGE, ASSOCIATE GENERAL COUNSEL, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

My name is Leonard R. Page. I am an Associate General Council with the UAW Legal Department. For the past seven years I have been coordinating the worker adjustment assistance program for the International Union, UAW on behalf of approximately 1,700,000 UAW members and their families.

I welcome this opportunity to testify on the worker adjustment assistance program and the proposals for its reform contained in S. 227. Improvement in this part of the Trade Act is badly needed so that workers who have lost their jobs due to increased imports are provided with adequate adjustment assistance benefits. The House has recently passed a similar version of this bill, H.R. 1543. We are here to ask the Senate to join this much needed reform effort.

Unfortunately, the Administration has not supported efforts to make adjustment assistance work. We have even heard that equity for workers displaced by imports must be sacrificed on behalf of saving a few million dollars in the federal budget. We find it difficult to believe that either the Administration or the Senate will oppose this reform measure while approving the Tokyo Round of Multilateral Trade Negotiations known as MTN.

S. 227 does much to eliminate the more glaring defects in the adjustment assistance program. However, there are several key areas where this reform legislation will either not achieve its stated purpose or leaves a major deficiency uncorrected.

1. PARTS AND COMPONENT COVERAGE MUST BE FREED OF ARBITRARY RESTRICTIONS

In particular, we address the alleged extension of coverage to component parts and supplier workers. As drafted, the separate parts worker certification process set out at Section 103 is a hollow shell. If passed in its present form, we predict very few parts workers otherwise affected by imports will ever be able to receive assistance. The proposed certification process for parts workers is a throwback to the old statutory hurdles used in the Trade Expansion Act of 1962. Let me first detail the background of the parts coverage problem.

The purpose of Section 103 is to cure the effect of the exceedingly narrow definition applied in *United Shoe Workers* v. *Bedell*, 506 F.2d 174 (D.C. Cir. 1974) to the phrase "like or directly competitive article." In that case, the District of Columbia Court of Appeals approved the Tariff Commission's view that a component part was not like or competitive with an end-product import. The result was that domestic workers who produced counters (a component part of shoes) could not receive benefits because of increased imports of shoes. This holding has meant that workers whose firm supplies parts to import impacted firm are not covered, while workers who are engaged in the same process but employed by an end-product firm can receive benefits. Under present law, parts worker eligibility is thus made to depend on the corporate structure of the industry, not on need or the source of the harm.

However, rather than simplifying the law and ending the arbitrary exclusion of independent parts workers, Section 103 establishes an elaborate and separate parts certification process that would make eligibity depend on fortuitous circumstances over which the worker has no control.

To begin with, we see no valid reason to establish an entirely separate group eligibility test for independent parts and suppliers. Section 222 of the present Act requires only minor changes to permit the same coverage for parts and service workers regardless of the degree of their employer's vertical integration. The most straightforward change would be to amend Section 222(3) to make it clear that the "like or directly competitive" language applies to both end products and parts.

OUTPUT REQUIREMENT

The biggest problem is the 25 percent output requirement of Section 103(b)(1)(A). This provision requires that 25 percent of the total sales or production of the firm or appropriate subdivision involve work for "import-impacted firms." The stated purpose of this requirement is to assure a sufficient causal relationship between imports and the domestic unemployment. However, under the Trade Act the causal link between imports and unemployment was intended to be provided by the "contributed importantly" test of Section 222(3).

The output requirement thus established an arbitrary second test. It would create an anomaly which we predict would be the usual result in parts worker petitions: imports will have contributed importantly to parts worker separations, but no workers will get benefits because the structure of the industry, or the firm, makes the output requirement an insurmountable barrier.

At first blush, the 25 percent output requirement may seem reasonable, but on further analysis it is apparent that it rests on the faulty assumption that shipments of component parts from a given plant are sent to one or a few plants or subdivisions. Thus if parts plants produced components for only one or two car models it would be relatively easy to identify the affected parts workers. But the real world is much more complex. A given parts plant produces components for different models. Any one parts plant is likely to have less than 25 percent of its total output end up in any particular model. Thus, under the current bill a parts plant could have a 20 percent downturn in production and employment related to an affected car model and be denied any relief because of the 25 percent output requirement.

The problem of imports affecting only a fraction of a plant's output is not unique to parts workers. Many final assembly plants produce products which are both import and non-import impacted. Yet only workers at parts firms would have the additional hurdle of a 25 percent output test.

The Department of Labor will certify a plant making end products when less than 25 percent of the plant's output is in direct competition with imports. Even when imports affect a product representing only 20 percent of a plant's output, they may cause all the layoffs from the plant. The important connection is between imports and layoffs. To require that imports erode sales of a product representing 25 percent of a plant's output would impose an arbitrary barrier.

Some critics have suggested that the 25 percent output test provides a causal link between imports and unemployment which if removed would provide benefits to a worker who spent only 1 percent of his or her time in import-related employment.

But in truth, the 25 percent output test has absolutely nothing to do with causation. The causal link is provided by the fact that the Secretary, even without a fixed output requirement, must still find that increased imports have "contributed importantly" to parts worker unemployment. Thus, where there is insignificant parts production related to imports, no certification would be issued because imports have not contributed importantly to unemployment.

Parts workers are not seeking any special consideration or privileges, only equal protection under the law. If imports "contribute importantly" to their unemployment, parts workers should be certified. The parts worker who loses his or her job due to imports is just as unemployed as an end-product worker. I have yet to hear a reasonable explanation justifying a different test for parts workers. The arbitrary and discriminatory output requirement must be eliminated.

END-PRODUCT CERTIFICATION REQUIREMENT

The injustice of the 25 percent output test is compounded by a second requirement that the end-product actually be certified. Section 103(b)(1) also requires that the parts production be "accounted for by the provision to an import-impacted firm."

Section 103(b)(2) (A) and (B) defines import-impacted article or firm to be one for which an adjustment assistance certification has been issued. This means that in order for workers at supplying firms to obtain certification, 25 percent of their output must go to firms where end-product workers have already been certified. Thus, parts and service workers will not be able to initiate their own certification process under the present Bill.

Even when it is plainly apparent that increased imports have adversely affected their entire output, workers at supplying firms might not be eligible. The present bill would lead to such a result when end-product workers of other companies have not yet been certified in sufficient numbers or have been denied certification for reasons unrelated to the difficulties in the supplying industry. Where the end-product involves a broad horizontal market of producers, the failure of a significant number of these separate firms to seek relief could be fatal to parts supplier certification.

This requirement also rests on the faulty assumption that end-product and parts production are equally impacted by imports. However, where there is a downturn in end-product sales, independent parts suppliers may be even more adversely affected than captive workers. Many companies have dual parts production sources—both captive and through outside suppliers. When end-product sales are down, employers may shift workers from end-product work to parts work. As a result, in-house parts production increases at the expense of outside suppliers. This not only means that a higher proportion of unemployment occurs in supplier firms than in end-product firms, but supplier firms' workers would be denied benefits under the current S. 227. Workers at the end-product firms may not apply or, if they do, may not get certified because the employment loss to imports is shunted to supplier firms.

This shifting of unemployment to independents is characteristic of the auto industry. Where the independent parts suppliers suffer an even greater injury due to imports than end-product manufacturers, it seems most unfair to have their benefits hinge upon an end-product certification of other workers in other companies.

The present defects in the attempted coverage of component parts and service emasculate the intended purpose. Very few parts workers could ever get benefits under the current version. The UAW had enough bad experience under the empty promises of the Trade Expansion Act of 1962. Its adjustment assistance provisions promised benefits and delivered only crushed expectations. Fortunately, the House Ways and Means Committee and the House itself have approved the Downey Amendment to put workers for parts and supplier firms on the same basis as in end-product firms. We hope this committee and the Senate will also approve this needed change.

Our estimate of the cost of putting parts workers under the same test as end-product workers is 14 million dollars the first year and 19 million dollars thereafter. This estimate is based on data supplies to us by the Congressional Budget Office. Our financial analysis has never been criticized. Estimates higher than $19 million are based on pure speculation.

2. EMPLOYMENT SERVICES AND TRAINING NEED TO BE EMPHASIZED

One goal of adjustment assistance is to help a person unemployed because of imports to return to the job market.

The worker adjustment assistance program has been criticized in some quarters as nothing more than "burial insurance." After the TRA payments have been exhausted, many workers affected by imports are still left high and dry without a replacement job or an employable skill.

While the Trade Act of 1974 provided for a comprehensive program of adjustment assistance, only the weekly TRA benefits program has received much emphasis. The facts show only limited use of employment services and training, and job search and relocation benefits. There is almost no Department of Labor coordination or emphasis on the availability of these programs. Indeed, given the budgetary requests made by the Department, there appears to be a deliberate de-emphasis of any program other than the weekly TRA. Almost no attention and even less money goes for employment services and training.

Given the vacuum at the federal level, the initiative for development of employment services and training has been left to the states. As expected, state experience and interest varies widely. At one extreme are those states which do nothing to even advise the worker of the program benefits. At the other end, some states have done exemplary jobs in making full use of employment services and training.

Section 108 of the Bill will provide for experimental training projects for selective use by the Department. For the workers fortunate enough to be selected, these projects should finally provide some meaningful adjustment assistance.

But the Department of Labor needs no further grants of authority to take employment services and training out of mothballs for general use in all certification situations.

The UAW would like to see a greater prominence given to the use of employment service and training together with job search and relocation. The Department of Labor has a special obligation to ensure that all the available tools for helping workers adjust are used. The time for lip service to these adjustment assistance programs has passed. The Committee should direct the Department of Labor to publish quarterly reports on its efforts to provide better coordination, emphasis and usage of the non-TRA aspects of the adjustment assistance program. More of the benefit program budget must be allocated to employment services and training.

Weekly TRA benefits are fine, but what the permanently displaced worker really wants is a new job or a new marketable skill.

3. WHERE MULTINATIONAL CORPORATIONS RELOCATE IN FOREIGN COUNTRIES, ADVANCE NOTICE AND BENEFITS MUST BE MANDATORY

Section 283(a) of the Act currently requires firms relocating in foreign countries to give workers 60 days advance notice of such a move. However there are no penalties for failure to give such advance notice and to our knowledge the requirement is universally ignored.

Section 283(b) of the Act says "it is the sense of Congress" such firms also offer relocation to other domestic facilities to the affected workers. It is bad enough that multinational corporations are currently exporting production abroad that could be done here, but when an American worker's job is exported, you would think that Congress would do much more than "sense" the need for relief. These provisions must be mandatory and penalties should be attached for non-compliance.

In addition, to work effectively, the advance notice provisions must extend not only to plant closings where the work is going to foreign countries, but to all situations where there are significant reductions in employment. Since adjustment assistance benefits coming from the Federal treasury operate as a subsidy to a foreign plant relocation, the Department of Labor should also exercise oversight and licensing responsibilities to determine when these moves are not in the public interest.

4. THE DEFINITION OF APPROPRIATE SUBDIVISION MUST BE CLARIFIED TO COVER ALL AFFECTED WORKERS

Section 111 amends the definition of "appropriate subdivision" to permit the Secretary of Labor to issue certifications covering groups of plants which produce an affected product. We presume this change comes about as a result of our successful litigation on the definition of "appropriate subdivision" in *UAW* v. *Marshall*, 584 F. 2d 390 (D.C. Cir. 1978).

In that case, the Court of Appeals directed the Department of Labor to reconsider certification of plants which produced import-impacted car models but had not been certified by the Department of Labor because production of specific models (but not

total production) at these plants had increased slightly over the previous year. On remand, the Department of Labor has reaffirmed its decision and declined to issue a certification going beyond a single plant.

However, the language in last year's Senate Report implies that the Department of Labor need not consider all plants which produce an import-impacted product as within an appropriate subdivision. The Report language thus appears to adopt the erroneous arguments used by the Department of Labor and previously rejected by the Court of Appeals in the UAW case.

Our position is that when imports have been found to contribute importantly to a decline in sales or production of a domestic product, than all locations which make that product and experience unemployment related to that product must be considered as an appropriate subdivision. The Department of Labor has refused to consider several plants making the same product as a single "appropriate subdivision" and the law permits certification only when output of the affected product falls in the appropriate subdivision. We had the unfortunate experience of denial at specific plants with higher unemployment than certified plants making the same import-impacted product. The corporation had assigned the former slightly higher production of the import-impacted product than the year before—and less production of other products. Clearly, an absence of pressure from imports would have relieved as much unemployment in the denied plants as the certified plants.

If production has gone up at a particular facility, workers receive no "windfall" since we can assume their periods of unemployment and thus the total amounts of benefits will be normally lower than workers of other facilities. In an integrated industry producing for a national market, a week of unemployment among workers engaged in production of an affected product is indistinguishable between plants.

Nor would such a grouping extend benefits to underserving workers. The "Qualifying Requirements for Worker," Section 231, must still be satisfied. To receive adjustment assistance, a worker must have engaged in "adversely affected employment" and, of course, he could not receive any benefits unless he has been laid off. Provision of adjustment assistance in this circumstance is precisely the goal of the Trade Act: It would not "reward workers not intended to be covered by the program."

The Department of Labor's current approach (denying certification to specific with high unemployment but which have increased output of the product affected by imports) creates arbitrarily changing appropriate subdivisions within the same firm, depending on changes in production allocations beyond the worker's control and the timing of the petition filing.

For example, as amended, workers can now receive assistance at the outset of unemployment caused by imports. If a petition is filed at the start of a model year and the Department of Labor finds that a particular model is import-impacted, *all plants which produce the affected product would have to be certified.* End-year production figures are only available, by definition, at the end of the model year. Thus, under the Department of Labor's interpretation, the appropriate subdivision really depends upon when the petition is filed. We submit that the petition filing date should be totally irrelevant to a determination of the causal link between imports and the extent of injury.

Another byproduct of the appropriate subdivision problem involves separate certifications and the individual eligibility test.

Certifications are issued only by product. Thus a given company or even a single plant may be covered by several certifications. Workers often transfer within the corporate structure thus crossing over from one certification to another. Yet the Department of Labor by narrowly construing "appropriate subdivsion" refuses to tack together separate certifications for workers trying to meet the 26 or 40 week eligibility test. Thus a worker transferred across certifications within the same plant who is laid off after twenty-five weeks of employment under a second certification cannot use the prior weeks or even years of employment under the first certification to meet the individual eligibility test. Try explaining to a worker who had been continuously engaged in adversely affected employment that he or she cannot get benefits because his employment crossed from one appropriate certified subdivision to another.

The Senate Report explaining the changed definition of "appropriate subdivision" must be clarified to prevent narrow and arbitrary use of the phrase by the Department of Labor. The Report should direct that the "appropriate subdivision" must include all workers engaged in production of the affected product who have experienced significant levels of unemployment within the certification period.

5. OTHER IMPROVEMENTS

The UAW also supports restoring benefits to workers who were caught in the one year limitation when the Trade Act was originally enacted. The one year limitation on pre-dating certifications was added to the Trade Act of 1974 for purely budgetary reasons. Such a limitation was not in the 1962 version and can hardly be viewed as a reform measure. The 12 month limitation of 223(b)(1) should really totally be removed. It unfairly penalizes workers for not having immediate knowledge of the causes of their layoffs. At a minimum those import-impacted workers prejudiced by the lack of knowledge of the change in eligibility requirements during the first 18 months of the new program should be made whole.

We also believe the individual eligibility requirements are far too narrow. Many workers fail to achieve 26 weeks of active employment in import-impacted employment due to leaves of absence or unfair and narrowly drawn certifications. The UAW therefore supports an alternative test. Where a worker spends 40 weeks in a two year period in import-affected employment, sufficient attachment exists to merit adjustment assistance.

In summary, we ask the Senate to begin to remove the callous "burial insurance" label from the adjustment assistance program. The present program has done little more than provide improved unemployment benefits to a limited segment of American workers displaced by imports. S. 227 is at least a first step toward an equitable program. Honest reform would necessitate including protection for fringe benefits as well as wages in the adjustment assistance package, as has been done in the Amtrak and Redwoods bills.

S. 227 with the improvements we have proposed is a modest effort to provide real "adjustment assistance." We urge your support.

TESTIMONY OF AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO, MURRAY H. FINLEY, PRESIDENT, JACOB SHEINKMAN, SECRETARY-TREASURER, PRESENTED BY ART GUNDERSHEIM, DIRECTOR OF INTERNATIONAL TRADE AFFAIRS

Mr. Chairman and Members of the Committee, I am Art Gundersheim, Director of International Trade Affairs of the Amalgamated Clothing and Textile Workers Union. Accompanying me is Ms. Elizabeth Smith, Legislative and Political Education Director of our Union.

The ACTWU has a membership of 510,000, most of whom work in the fiber, textile fabric and male apparel industries and, through a recent merger, the shoe industry. We appreciate the chance to testify on this bill to improve the operation and benefits of the trade adjustment assistance programs. We are also pleased to join with our fraternal union colleagues on this panel in endorsing this bill.

While we strongly favor and welcome the changes in trade adjustment assistance enactment of S. 227 would provide, we still must mention the lingering misgivings toward adjustment assistance our Union has expressed to Congress many times before. The workers in the textile and apparel industry have been especially hard hit by imports. We don't have to recite for you again the discouraging figures of lost employment, lost manhours of work, community disruptions, and foregone opportunities. Let us simply state that over 103,000 workers in the textile/apparel industry and 51,000 workers in the leather products industry have already been certified for assistance over the four years the program has been in operation. A far larger number should have been deemed eligible were not the present program so restrictive and limiting.

Many people, both in government and outside of it, view adjustment assistance as the only necessary response to import injury. When we in labor say this is inadequate, their retort is "make it better." The Committee should be under no illusions that we support an improved assistance program as the basic remedy for import-caused dislocations in our economy. The most important priority is still an import restraint program whereby a reasonable but controlled share of our market and its growth is provided to exports from our trading partners.

The Carter Administration has understood the need for more effective import restaint on textiles, clothing and shoes and has worked very diligently to meet that need, with a good measure of success, I might add. We support an enhanced trade adjustment program because even the best import control program attainable will result in significant displacement of domestic production by overseas suppliers and workers thereby losing their employment. These workers can legitimately call upon and deserve to have their incomes and livelihoods fully protected by the rest of society who remain employed.

In this sense one of the greatest improvements this bill makes to the program instituted with passage of the Trade Act of 1974 is the inclusion of down stream

workers who produce necessary components of a product that is import impacted. Just recently several hundreds workers at the Fitchburg Yarn Co. in Fitchburg, Massachusetts, had to be told that there is no way they can qualify for assistance. These workers produced the acrylic yarns used in making sweaters. But since it is the sweaters that are being imported in enormous numbers (imports now having a majority of the sweater market), not acrylic yarn, the workers suffer the double consequence of lost jobs and no trade adjustment assistance. This example can be multiplied many times over for workers in the primary fiber and textile industry.

This problem has been rectified by the amendments made to Section 222 of the Trade Act by redefining group eligibility requirements. We urge the Senate to maintain the language of the amendments as passed in the House of Representatives and not adopt a component part test based on a fixed percentage as some have suggested.

Another valuable improvement this bill makes is in the qualifying employment requirements. By adding the alternative of at least 40 weeks of employment in the 104 weeks immediately preceding total or partial unemployment, workers in a highly seasonal and fashion-volatile industry such as ours will have a more reasonable chance to qualify for benefits. Heretofore, they have suffered extra economic hardship in disproportionate numbers due to the unique market characteristics of the apparel industry.

There is, however, one major area of the House-passed bill which requires specific attention by this Committee. There ought to be changes made in Sections 284 and 285. Section 284 provides for the Labor Department to make grants to labor associations for the development of more effective responses to trade-induced job displacement. But the Secretary of Labor is limited to expending a total amount of $2 million for all affected industries. This limitation is too severe to make any meaningful programs possible. We therefore urge the Senate Committee to change this $2 million maximum to apply to any single union or labor association. It is also necessary to add in the statute language a sentence that states these funds are for new programs and are not to supplant currently existing programs funded under other authorizations such as under CETA.

Section 285 presents even greater problems. In President Carter's program to assist the beleaguered textile and apparel industry, announced just a few months ago, there is a commitment made to enhance the productivity, competitiveness and export potential of our domestic industry. The Commerce Department is working on the elements of this program and foresees its cost being in the neighborhood of $15 million. A successful program of revitalization of the domestic shoe industry is already in place and provides $2 million to industry-wide groups and $2½ million to individual firms as part of the import relief given to this industry under the President's proclamation pursuant to the escape clause case the industry and unions won in 1976. Both of these efforts would be jeopardized by the wording of Section 285.

We ask that this Committee make the $2 million limitation applicable to any one industry and not to all industries in total. It is also vital to add to the statute a sentence stating that this limitation is not intended to restrict funding of industry relief programs under other authorizations.

If the Committee feels our first preference of changing the bill itself is not feasible in the interests of moving its enactment along quickly, it is crucial that the Committee's report on the bill make the above points. Unless the Committee, either through change in the statute language, or through its report, clearly indicates that these two $2 million funds are new grant programs and not designed to restrict ongoing or new programs funded under other legislation, much of the basic purpose trade adjustment assistance is designed to meet will be undermined.

One additional item, which the House bill does not address, is the method of wage calculation used in determining the amount of trade adjustment benefits provided the unemployed worker. Currently the method of calculation is tied in with each individual state's method of determining unemployment compensation. Most states (41 of the 52) use the highest quarter of earnings in the previous four or five quarters and divide by 13 to arrive at the average weekly wage. Again due to the highly seasonal nature of the apparel industry, many of our workers do not have a full quarter of consistently high earnings and complete 40-hour weeks within the 13-week period. A fairer method of calculating the average weekly wage would be to take the highest quarter of earnings within the last four or five quarters and divide by the actual number of weeks worked in that quarter. If this recommendation proves to be administratively unfeasible, an alternative solution would be to provide a set minimum weekly amount for trade adjustment assistance. A reasonable minimum weekly benefit should be $30 per week. We ask that the Committee look into these two alternatives or any others, and propose a means whereby people who

suffer unsteady work schedules can be more equably treated in their benefit determination.

With the changes and proposals we have suggested, this bill will make a major improvement toward mitigating the hardships workers face when imports cause them to lose their jobs. Trade Adjustment Assistance serves a useful purpose and ought to better fulfill the functions for which it was intended. The Amalgamated Clothing and Textile Workers Union joins in recommending enactment of this legislation.

Quick action will move us much further along toward a meaningful, useful assistance program.

Senator MOYNIHAN. There is a vote on the Senate floor, and rather than hold the panel up, I am going to declare a 5-minute recess, after which we are going to hear from a panel of businessmen who are receiving adjustment assistance for the injury their firms have suffered from imports.

We are looking forward to that very much.

There will be a 5-minute recess. This committee will resume at 4:05.

[A brief recess was taken.]

Senator MOYNIHAN. Good afternoon. The subcommittee will resume.

Our apologies to the witnesses.

We have a very special panel at this point: Mr. William Glaser of the Dynamic Instrument Corp.; Mr. Kurt Swenson of the John M. Swenson Granite Co.—where is that?

Mr. DELANEY. Unfortunately, Mr. Swenson will not be here today, but I will take care of his testimony.

I am Mr. Delaney.

Senator MOYNIHAN. Good.

Mr. Marvin Kleinman, secretary-treasurer, Bentwood Sportswear.

Mr. Glaser?

STATEMENT OF WILLIAM J. GLASER, EXECUTIVE VICE PRESIDENT, DYNAMIC INSTRUMENT CORP.

Mr. GLASER. Mr. Chairman, I am absolutely delighted to see you here, because we are a New York-based company and, of course, you are our Senator from New York. It is a great pleasure to see you.

My name is William Glaser and I am executive vice president of Dynamic Instrument Corp.

My testimony before this distinguished subcommittee today is not only on behalf of our company, but on behalf of many other firms that have qualified for trade adjustment assistance and my remarks today are supported by all of these firms.

I wish to first introduce the gentlemen who are accompanying me here today: Mr. Marvin Kleinman, on my right, and Mr. Paul Delaney, our special counsel, on my left. And, as Mr. Delaney has just indicated, Mr. Swenson was not able to join us today, but Mr. Delaney will read his testimony.

I wish first to thank Senator Moynihan and other members of the Subcommittee on International Trade and the Senate as a whole for their efforts to expedite this legislation through the Congress. I testified before this subcommittee in October 1978 and wish to thank you for your expeditious consideration of the matter last year and again this year.

Our company, Dynamic Instrument Corp., is a manufacturer which has been very seriously impacted by imports from abroad. In 1975, we applied for financial assistance under the provisions of the Trade Act of 1974.

Our company is a producer of wall plug-in power supplies that are used in conjunction with hand-held calculators, electronic games and portable battery operated products which operate on rechargeable nickel cadmium batteries. The company was responsible for the introduction and development of this product over 15 years ago and has been the largest manufacturer and developer of similar products in the very specialized field of low-voltage power supplies. We have always been proud of our image as a developer and innovator of new products associated with battery charging and power supplies.

Between 1972 and 1974, Dynamic Instrument saw its sales increase from $5 to $12 million, primarily as a result of the rapid development of the hand-held calculator market, as well as the introduction of other products which require Dynamic's adaptors and chargers.

The rapid growth in Dynamic's markets during this period attracted offshore manufacturers who, because of their low costs and subsidies provided by their governments, were able to sell their products at significantly lower prices in the U.S. market.

The result was that Dynamic saw its sales volume and backlog in 1975 decrease by 50 percent and its operating results turn from a profit in 1974 to extremely large losses in its 1975 and 1976 fiscal years.

The company responded by cutting its overhead and reducing the number of its production workers by more than 50 percent. The company saw the number of its production workers decrease from over 800 to less than 350. The fall off in volume, however, was so significant that the company could not respond with a sufficient number of cost reductions to offset the loss of revenue. At this point, the very survival of the company was threatened.

In 1975, the company applied for assistance under the Trade Act of 1974. We received a working capital loan in June of 1976. This working capital loan has resulted in preserving our company and has allowed us to retain our production workers. Without the loan, our company would not be in existence today.

At this point, however, we are clearly aware of the need for improvements in the trade adjustment assistance to firms under the provisions of the Trade Act of 1974, and the group of companies and workers, which we represent today, fully support the firm provisions of S. 227 sponsored by Senator Roth and other Senators, H.R. 1543 sponsored by Chairman of the Subcommittee on Trade Vanik and chairman of the full Ways and Means Committee Ullman and other Members of the House, and H.R. 1953 sponsored by Congressman Frenzel.

Specifically, as related in the subject Senate bill and House bills there is a need for a reduction in the interest rates on direct loans as well as a Government subsidy for interest rates on Government guaranteed loans. The present trade adjustment assistance interest rates are extremely high, up to 10¾ percent, and this has created a

significant burden for the firms which have qualified for financial assistance under the Trade Act of 1974.

Another area where there is a need for improvement relates to present limitations on the amount of direct and Government guaranteed loans. These limitations are not realistic in terms of the financial needs of the typical firm applying for trade adjustment assistance under the Trade Act of 1974.

There is also a need for expedited administrative procedures which would insure more timely consideration and processing of cases by the U.S. Department of Commerce Economic Development Administration which administers the firm program; this would increase the prospects for recovery of trade-impacted firms.

On behalf of Dynamic Instrument Corp. and its workers and also on behalf of those firms and workers which we represent today, we wish to express our sincere thanks to the Subcommittee on International Trade, the Committee on Finance, and the Senate as a whole for their interest and help regarding this matter and we hope that our testimony will help provide you with a better understanding of the problems faced by trade impacted firms which have qualified for trade adjustment assistance, and the necessity of improving the subject legislation to insure the survival and preservation of U.S. firms and workers which have been adversely affected by imports.

We were very pleased by the action of the last Congress where the House passed H.R. 11711 by the overwhelming margin of 261 to 24, and the unanimous passage of the bill by the Senate. The failure of the bill to become legislation due to a lack of time for conference committee action was unfortunate.

We urge you to support prompt action on this legislation. Previous action by the Senate Finance Committee, the Senate, the House Ways and Means Committee, and the House has resulted in the present proposed legislation that would significantly improve Trade Adjustment Assistance for firms.

We wish to thank you for your past help and assistance on this legislation and urge that you give this legislation your strong support so that it may become law in the early part of the new session.

Senator MOYNIHAN. I thank you very much, Mr. Glaser, for your statement.

Mr. Kleinman?

Mr. KLEINMAN: Thank you, Mr. Chairman.

STATEMENT OF MARVIN KLEINMAN, SECRETARY-TREASURER, BRENTWOOD SPORTSWEAR, INC.

Mr. KLEINMAN. Senator Moynihan, I am Marvin Kleinman, secretary-treasurer of Brentwood Sportswear appearing on behalf of our company and a group of other firms which have qualified for trade adjustment assistance under the provisions of the Trade Act of 1974.

We have testified and submitted material to both the Senate Finance Committee and the House Ways and Means Committee in the last Congress in support of H.R. 11711. We are appearing here today in support of S. 227 sponsored by Senator Roth and other Senators and H.R. 1543 sponsored by Chairman of the Subcommittee on Trade Vanik and Chairman of the full Ways and Means

Committee Ullman and other Members of the House, and H.R. 1953, sponsored by Congressman Frenzel.

We wish to thank the members of the Subcommittee on International Trade and the Senate as a whole and particularly Chairman Ribicoff who is chairing today's hearing, for your efforts to act expeditiously on improving the trade adjustment assistance provisions for firms. A representative of Brentwood testified before the House Ways and Means Committee earlier this year and I wish to thank the SFC for your expeditious consideration of this matter.

Brentwood Sportswear, Inc., was founded in 1928 and was incorporated in December 1966 in Pennsylvania and we manufacture through subcontractors, selling and distributing knitted shirts, sweaters, bathing trunks, and walking shorts. We operate facilities at 4411 Whitaker Avenue in Philadelphia and we have a sales office in New York City. I became secretary-treasurer of Brentwood in 1966.

Since 1973, when the company had gross sales in dollars of $9.6 million, sales volume has declined dramatically. In 1975, sales volume was $3.9 million which is a decrease of more than 40 percent over the 3-year period.

The number of employees has declined from a high at the end of 1972 of 154 to 107 employees as of this date.

The employees in our location own part of what we represent, because with the various contractors making our goods, we have as high as 3,000 people depending on us for support.

Our problem is that we could not exist without the loan and, now that we have the loan at the high-inteest rates, we are depleting our capital in making our payments.

It is that simple.

These large interest bills imperil our working capital position and severely limit our chances of recovery, which is certainly contrary to the legislative intent of this committee and the U.S. Congress. Without your help in promptly passing the new legislation, we see no future ahead for us or our employees, many of whom have been with us a great number of years.

As we noted previously—or Mr. Glaser noted—the things that are important really are the lowering of the interest rate and the raising of the ceilings. Now, we are talking about the ceilings on the direct loans, which we would go from $1 million to $3 million under the new legislation and raising the limits on the guarantees from $3 to $5 million.

It is unfortunate that the bill did not pass in the last session and we are hoping that the new bill will get prompt attention.

Again, we wish to thank the distinguished members of the Subcommittee on International Trade for having afforded us the privilege of appearing before you today to offer our views on the trade adjustment assistance program for firms and we urge you to do whatever you can to obtain prompt passage of this legislation and thus save the U.S. trade-impacted firms and jobs.

This concludes my testimony.

Senator MOYNIHAN. Thank you.

First, Mr. Glaser, may I apologize for a simple error? You are recorded as Mr. Glasser on our witness list, but I see by your testimony——

Mr. GLASER. That is quite all right.

Senator MOYNIHAN. Now, look. This is an absolute outrage that you are paying 10¾ percent for loans from the Federal government?

Mr. GLASER. The loans, depending on when the loans were taken out, Senator Moynihan, the rates have fluctuated and there are some government loans to trade-impacted firms that are as high as 10¾ percent.

Senator MOYNIHAN. At that rate, the U.S. Government could get rich.

Mr. GLASER. That is right.

Senator MOYNIHAN. If we could lend everybody at 10¾ percent, we would never have any taxes. A revolutionary idea, here. I think we should vote on it.

You could borrow that kind of money from the local bank, could you not? That is clearly too much.

The House bill provides for the Treasury cost of borrowing. Does that fit with your judgment, Mr. Delaney?

Mr. DELANEY. Yes, Senator. We have an interest chart which we have submitted with our testimony.

Senator MOYNIHAN. Yes; you do have it right here.

Mr. DELANEY. In the last Congress, we had a large chart that I demonstrated to the members. This is basically the same chart, and it is directed to exactly the point you are making, the comparative interest analysis and what the firms have had to bear compared to the cost of money to the Federal Government.

Indeed, you are right, Senator. In fact the problem is even more serious than that. Obviously, the smaller firms, particularly the ones that are marginal, cannot carry that kind of interest cost.

For the Government to suspect that people who are trade-impacted, marginal in the first place, can pay this kind of interest and still survive is really beyond comprehension.

The old House bill did have the Treasury borrowing rate. The House bill, at this time, has an alternative. It provides for the Treasury borrowing rate or the small business loan rate, whichever is lesser.

The feeling was what we were talking about before and that certainly a trade-impacted firm should not bear interest costs more than you would have under the small business program. The House modified the legislation from the past Congress.

Senator MOYNIHAN. The small business rate is below the borrowing rate?

Mr. DELANEY. Sometimes above, sometimes below it.

Senator MOYNIHAN. I see.

Mr. DELANEY. Not as low as the rate on the agricultural assistance loans.

Senator MOYNIHAN. Good Lord.

Mr. DELANEY. We think that this is reasonable. The position that the firms have taken, Senator, is that a reasonable interest rate would be either the Treasury borrowing rate or the SBA rate whichever is lesser, and it seems thus far both the Members of the House and Senate have accepted this as being reasonable.

Senator MOYNIHAN. It certainly makes its case to me. I had no idea that the rates were that high—about a 2-point spread, if I read your chart.

Mr. DELANEY. It is even higher than that, in some cases, Senator. There were times after the Trade Act was just enacted where the prime rate in the United States was running 6 and people were borrowing at 10, where it would have been a 4-percent spread in terms of the average cost of money.

Senator MOYNIHAN. That just makes no sense and should be changed. It defeats the purpose of this enterprise to take firms that are obviously in trouble or they would not be eligible and charge them these high rates of interest. You can do better than that on the New York City docks.

All right.

Let me just ask a question; perhaps, Mr. Delaney would know.

Is there some generalization that can be made about the size of the firms that receive trade adjustment assistance?

Mr. DELANEY. I can respond to that, because I have been involved with quite a number of these firms.

We have seen companies with sales all the way from less than $1 million a year up to companies in the $50 to $100 million range interested in trade adjustment assistance, and in this regard one of the problems that you have taken care of in your bill is the matter of ceilings.

As a practical matter, Senator, for a long time the $1 million direct loan was the absolute because firms could not obtain guarantees. Your interest rate subsidy would take care of that problem too.

I suspect that larger firms, firms in the $20 million, $30 million, $50 million range, in terms of annual sales, may become more interested in trade adjustment assistance if the legislation you are considering passes.

It certainly has been a program for small firms since the time of the 1974 Trade Act. Under the 1962 Trade Expansion Act, there were no such limitations on ceilings.

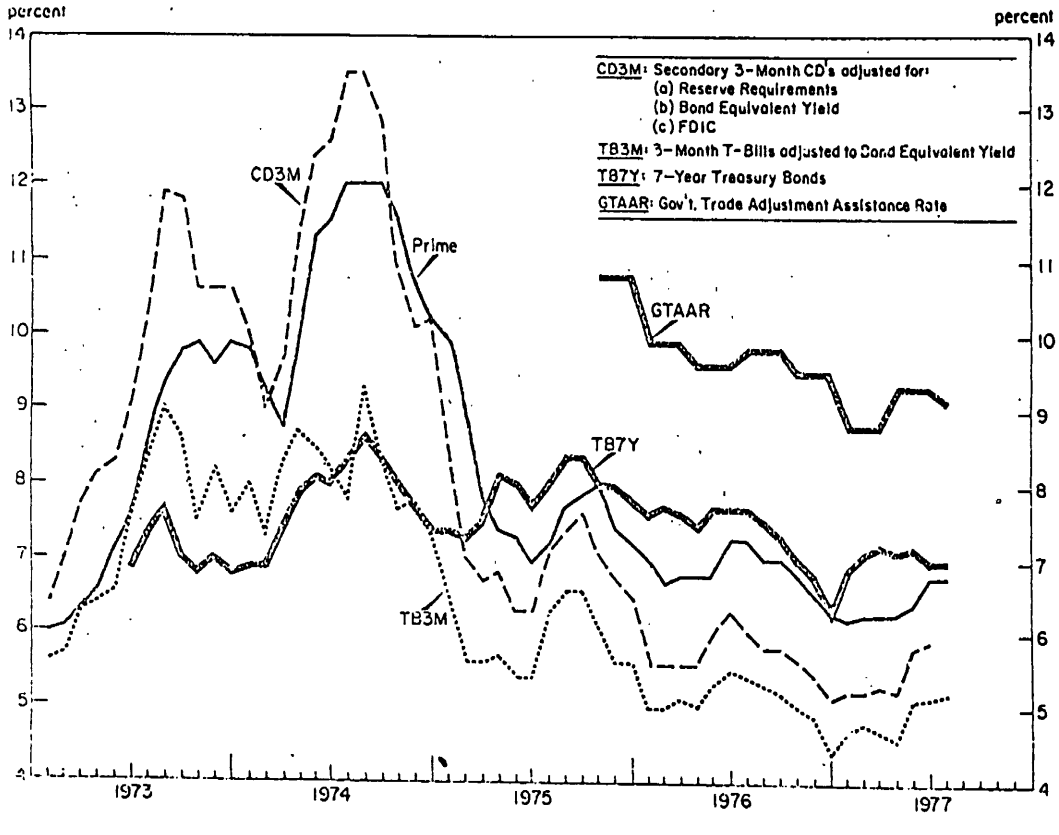
Senator MOYNIHAN. Well, you have persuaded this Senator.

As it is late in the afternoon and we are voting in the full Senate on all sorts of things, I should not speak for the committee, but I will certainly speak to the subcommittee. You make your case very well and we certainly appreciate your doing it. It reassures us to know that there are people who understand the value of this subject and can make some sensible comments about it.

I do not know if we can renegotiate your loans or not. Thank you very much, Senator.

[The Selected Interest Rates chart, as submitted for the record, follows:]

SELECTED INTEREST RATES



Mr. DELANEY. Senator, one point. I would like to be sure that Mr. Swenson's testimony will be put into the record.

Senator MOYNIHAN. It will be put in the record.

[The prepared statement of Kurt M. Swenson follows:]

STATEMENT ON BEHALF OF THE JOHN SWENSON GRANITE CO., INC., AND OTHER FIRMS WHICH HAVE QUALIFIED FOR TRADE ADJUSTMENT ASSISTANCE UNDER PROVISIONS OF THE TRADE ACT OF 1974

Mr. Chairman and Members of the Subcommittee, my name is Kurt M. Swenson, and I live in Hopkinton, New Hampshire. I am President of The John Swenson Granite Company, Inc. of Concord, New Hampshire, and my purpose here is to testify on behalf of our company and many other firms which have qualified for trade adjustment assistance in support of S. 227 sponsored by Senator Roth and other Senators, H.R. 1543 cosponsored by the Chairman of the Subcommittee on Trade Vanik and Chairman Ullman of the full House Ways and Means Committee, H.R. 1953 sponsored by Congressman Frenzel, and the House Bills and Senate Bill to improve the trade adjustment assistance programs.

I want to sincerely thank all interested Senators, Members of this Subcommittee, and particularly Chairman Ribicoff for scheduling and holding this hearing so expeditiously. I testified before this Subcommittee in October 1978 and appreciated the expeditious consideration the Senate Finance Committee gave the matter last year. I am well aware of the many important pieces of legislation pending before the Subcommittee, and genuinely appreciate the opportunity to appear before you today to support this bill. These bills are extremely important, not only to all of the companies, including ours, who have already qualified for trade adjustment assistance, but also for all other companies who have been injured or will be injured in the future by imports.

I think it is important at the very outset to place into perspective the impact of H.R. 1543, H.R. 1953 and S. 227. They do not deal with the very difficult questions of tariff levels, quotas, countervailing duties, or other restrictive or expansionary trade practices and their consequent effects. These issues and criteria for qualifying for adjustment assistance were addressed at length in the Trade Act of 1974 which amended the Trade Expansion Act of 1962. These bills are limited solely to the issue of adjustment assistance to companies and employees who are found to be adversely impacted by imports. Our primary concern, and the areas of these bills I will speak to, relate to the amount of monetary assistance available, the cost and time required to obtain that assistance, and most importantly the interest rate charged on the loans. I hope the following history and experience of our company will be helpful to you in making your decisions.

The John Swenson Granite Company, Inc. was founded in 1883 by my great-grandfather and the company has been owned and operated by four generations of Swensons. My brother and I are currently the only family members in management. Initially, the company manufactured granite monuments, but shortly after 1900, its major business became supplying granite for buildings. The company survived the Depression, and shortly thereafter, supplied granite for the Waldorf Astoria in New York City and a number of other major buildings in the United States. During World War II, our company converted its entire productive capacity to manufacturing submarine nets and reconditioning rockets to support the war effort.

After World War II, the company grew to be the second largest domestic supplier of building granite in the United States. The company quarried and/or fabricated granite for the CBS Building and Seagrams Plaza in New York City, the DuPont Brandywine Building in Wilmington, Delaware, and hundreds of other buildings throughout the United States. In Washington, our granites can be found in numerous places and applications including, among others, the Tomb of the Unknown Soldier, the Hirshhorn Museum and the Rayburn House Office Building.

While the foregoing recitation might lead you to believe that we are a big business, our highest annual sales level ever was $4,000,000 achieved in the mid-1960's. While we were for many years Concord's largest private employer, our highest employment level was 170 employees. We always were a small business, and today our company is even a smaller business.

In 1962, Congress enacted the Trade Expansion Act of 1962. By its name alone, its intent to increase free trade is evident. Congress wisely provided for trade adjustment assistance in that Act, recognizing domestic business would be adversely effected by the contemplated reduction of tariff levels. I do not believe, however, that any one expected the magnitude of the problem as it has unfolded in the ten years since the Kennedy Round tariff reduction in 1968.

Our company, along with thousands of others, was severely impacted by the resulting increase in imports in the late 1960's and the 1970's. The shoe industry, the flatglass industry, the textile industry and the granite industry are industries where the effect was felt the earliest. The steel industry and television industry are more recent examples.

Our company had survived the Depression, two world wars, and domestic competition for over 75 years and our management thought it could survive imports. It could not. Despite what was, for our company, a massive investment of over $1,000,000 to install and update machinery and equipment, and despite the diversification into the granite curb business and reentry into the monumental business, our company suffered staggering losses between 1968 and 1974, bringing it to the brink of bankruptcy. Employment levels dropped over 400% from 140 to 40.

There is no doubt in my mind that without trade adjustment assistance, our company would not exist today. That holds true, I expect, for every member of the group of firms which we represent which have qualified for and received trade adjustment assistance, and each of these firms and their workers support this bill. In this regard, we are certainly grateful for the actions of this Subcommittee and the Congress in 1962 and 1974. Our experience in obtaining adjustment assistance, however, made it clear to me that changes in the relief available to businesses are essential to meet the current situation.

I think it is obvious to everyone that the need for changes cannot become known until the program itself becomes tested. Enough experience now exists under the program to fully justify the changes so overwhelmingly approved by the House and Senate in their passage of H.R. 11711 during the past Congress. It's unfortunate this Bill was passed by substantial margins and due to the time limitations could not become law. Our experience with trade adjustment assistance will hopefully demonstrate to you the urgent need for this legislation.

One major effect of the bill is to expedite the process of obtaining assistance. We initiated procedures for trade adjustment assistance on June 24, 1974, by filing a petition with the then United States Tariff Commission. While we were certified eligible for assistance on September 25, 1974, we did not receive the desperately needed funds until August 6, 1976. This represents a period of almost two years between the initiation of the procedure to the receipt of the funds. I can assure you that both our company and the Commerce Department staff worked as expeditiously as possible. We survived this delay by selling assets, terminating additional employees, not paying our bills, and generally doing business on a shoestring basis. It cost our company about $25,000, 10 percent of our $250,000 loan, for legal, accounting and other expenses to obtain the assistance. It is fairly obvious that it is in everyone's best interest, including the government's, to expedite the process and reduce expenses for the applicant and the government.

In the spring of 1975, for example, we came within days of being forced out of business. It would have been a great waste of time, money and effort on both our part and the government's part if we had failed. I am personally aware that one company that was qualified for assistance was forced out of business in the midst of the adjustment assistance process. Clearly the time and expense of obtaining assistance is in need of improvement.

A second major effect of the bill is to expand the amount of funds available. Many of the companies in the group we speak for today received substantially less than the amount of money they needed because of the $1,000,000 loan limitation on direct loans and the $3,000,000 limitation on guaranteed loans. If the trade adjustment assistance program is to work, it not only must be timely, but in an amount necessary to have the intended impact. This can only be done by raising the amount that can be loaned and increasing the flexibility of the Commerce Department to meet the specific needs of the particular business involved. these bills meet this need.

In my view, and I think in the view of all of the qualified companies which we represent, the most important effect of this bill is to reduce the interest rate on the loans granted under the Trade Act of 1974. When the 1962 Act was passed, Congress first utilized the concept of determining the rate by taking into account the current average market yield of interest bearing marketable public debt obligations of the government. Under the Trade Act of 1974, This amount was increased by an amount determined by the Secretary of the Treasury to be necessary to cover the administrative costs and probable losses of the trade adjustment assistance program. No matter how laudable this formula was when originally enacted, changes in the money market in the past 15 years and the actual experience under the formula has created one of the unfairest anomalies I have ever personally experienced.

We undertook to qualify for trade adjustment assistance on the basis of our misguided and uninformed assumption that the interest rate would not exceed 6

percent. As it turned out, I was advised in the fall of 1975 that the rate of interest on our loan was to be 10¾ percent. I knew that at approximately the same time, the Small Business Administration was loaning money to New England businesses effected by the "red tide" at an interest rate of 3 percent and making "energy loans" at 6 percent. At the same time, our government was making loans to foreign countries, including those whose imports had caused our injuries, at a rate of 6 percent. Our company, that Congress itself had determined in 1962 should be aided because of increased imports, had spent 2 years and $25,000 for a $250,000 loan at 10¾ percent interest. I understate my reaction when I say that I was extremely upset. To bring the situation into current perspective, just two weeks ago, the New Hampshire branch of the Small Business Administration granted a total of $3,000,000 in direct loans to small businesses at an interest rate of 6⅝ percent.

The critical factor related to interest expense, and the factor that may very well destroy the whole adjustment assistance program if not remedied, is that our company and every other company in this group simply cannot pay such a high rate of interest, repay principal, and maintain or improve its employment levels and operations. I guess I have to be proud of the fact that our company has made every principal and interest payment under the terms of our note as originally written. I want to make it perfectly clear, however, that those payments are in lieu of necessary capital expenditures and increased employment levels to increase productive capacity. Our company sold out its entire productive capacity for the calendar year 1978 and stopped taking additinal orders at the beginning of August of 1978. In addition, our interest expense essentially depletes all of our operating earnings.

Our company, however, is one of the lucky companies. Many members of our group will be forced out of business in the next few months if interest rates are not reduced substantially and additional funds provided. If one measures the success of the adjustment assistance program by the amount of estimated repayments achievable on the loans made, the program is in serious jeopardy.

I am confident, in view of this Subcommittee's support of adjustment assistance in the past, that this Committee will expeditiously rectify these weaknesses in the trade adjustment assistance program and conform the actual impact of the program to the previous intent and purpose of this Committee and the Congress. I cannot overstress the need for immediate action. As you know, Improvements to trade adjustment assistance for firms contained in H.R. 11711 were overwhelmingly approved by the House and unanimously by the Senate in the last session. Unfortunately, that bill did not become law due to the lack of adequate time for a conference to resolve differences between the House and Senate versions. Both versions, however, would have reduced interest rates effective October 31, 1977, increased loan ceiling levels, and generally improved the efficiency and fairness of the loan process. These provisions are of paramount concern to our company. We sincerely appreicate the support of the Senate Finance Committee during the last session of Congress and the support of the many other concerned members of Congress who recognize the need for improvements in trade adjustment assistance.

As I explained in my testimony during the last Congress, it is imperative that improvements to the Trade Adjustment Assistance Program be made as soon as possible.

Mr. DELANEY. Mr. Swenson asked for me to convey to you his thanks. He was sorry not to be here today but he realizes the importance that the Senate Finance Committee attaches to this legislation, and the major effort you have made, particularly yourself, Senator Roth and Senator Ribicoff to push this legislation along in this present Congress.

Senator MOYNIHAN. You tell Mr. Swenson that we appreciate his good wishes and we know that he could not be with us, but if the granite companies go under, how are we going to build Government buildings? You cannot have a U.S. Government without granite.

This is the closest thing to a national emergency that we have come across in some time.

Gentlemen, we thank you very much.

Now, next the committee has the distinct pleasure of greeting Mr. Donald Whitely, Secretary of Labor, State of Delaware.

Is Mr. Whitely here?

Evidently, Mr. Whitely could not remain.

Mr. Whalen? Are you here, Mr. Whalen?

We welcome you. We recognize you. Would you come forward?

I am afraid my time is running very narrowly at this point but we are glad to see you here and will welcome your full testimony for the record.

STATEMENT OF CHARLES W. WHALEN, JR., PRESIDENT, NEW DIRECTIONS

Mr. WHALEN. Thank you, Mr. Chairman. It is good to see you. I will be very brief. I know the stresses under which you operate.

I do want to thank you and members of your subcommittee for permitting me to testify in support of H.R. 1543.

I appear before you today as a representative of New Directions, whose presidency I assumed on a full-time basis in January after leaving the Congress. This organization is a 14,000-member citizens lobby working toward world security. One of the goals stemming from this objective is greater international economic cooperation which explains my presence here today.

Mr. Chairman, your subcommittee conducted trade adjustment assistance hearings during the 95th Congress. In view of this earlier review, you need no lengthy discourse from me on the details of the measure now before you which is a reincarnation of last year's H.R. 11711.

Senator MOYNIHAN. This committee would always look forward to a lecture from you.

Mr. WHALEN. I did not know whether to make this parenthetical comment for fear that it would derogate the chairman of the committee who started his career as a professor. If it is offensive, I would not object to its being stricken from the record.

I would like to know what retrogression, from profession, to Congressman, to lobbyist——

I shall address the theoretical aspects of trade adjustment assistance.

During the past decade the globe truly has become more interdependent. For example, annual trade among nations increased from $215 billion in 1968 to $1.25 trillion last year. During this same period, we in the United States witnessed a boost in our exports from $34.1 to $143.6 billion while our imports jumped from $33.1 to $172 billion.

Several factors account for these changing patterns, but principal among them are the effects of the six post-World War II GATT agreements to which the major western industrial nations have been a party. As you are well aware, the seventh negotiating session—the so-called Tokyo round—was concluded on April 12.

Your committee already is considering H.R. 4537 which implements the multilateral trade package adopted by the United States and the other nations participating in the GATT discussions in Geneva. The House of Representatives, incidentally, will act upon this measure later this week.

Many academicians have a tendency to focus exclusively on the macroeconomic impact of worldwide trade agreements. Indeed, our own economy should benefit from the further widening of international trade lanes. Our exports and the jobs resulting therefrom

should continue to increase as trade barriers abroad are dismantled. Likewise, foreign competition helps the consumer by dampening inflationary pressures and sharpening domestic production techniques.

Such societal benefits do not come without individual cost, however. An economics professor turned politician very quickly is confronted with the microeconomic effects stemming from international trade arrangements. I can vividly recall that two plants in my district were closed as a direct result of the importation of lower priced foreign products.

Fortunately, both firms were relatively small and the impact, therefore, upon the Dayton area was minimal. Nevertheless, to the families involved, the distress occasioned by this job loss was acute. Nor were my constituents problems allayed by the trade adjustment assistance program established by the 1962 Trade Act. As in most other instances, this legislation's provisions were "not applicable."

The issue, as I see it, is: Should the costs incurred in invoking a national trade policy be borne by the individual or by society? By its earlier enactment of trade adjustment assistance, the Congress has already answered this question in favor of the latter approach.

As Senator Heinz has noted, it still has not addressed the process of adjustment. Rather, it has focused more on easing the hardship of job location. For this reason, Mr. Chairman, the program should be improved and expanded. This is especially true, both in economic and political terms, if the Congress is to adopt the Trade Agreements Act of 1979.

True, at a time when prudence dictates that the Federal budget be contained, the $197 million annual cost of implementing H.R. 1543 cannot be ignored. But it seems a small cost for providing an orderly job transition for those who have paid the price for a policy designed to achieve general economic improvement.

This, Mr. Chairman, is why I endorse passage of H.R. 1543.

I will be happy to respond to any questions.

Senator MOYNIHAN. I take it you are speaking for New Directions?

Mr. WHALEN. YES. That is correct, Mr. Chairman.

Senator MOYNIHAN. Congressman, first, if I may, I apologize. It was inadvertent. I was just working my way down the list and did not see your name until I got to the end. You would have been called on much earlier than that, before I had to announce I have to rush off to Camp David again.

Mr. WHALEN. You are taking a helicopter?

Senator MOYNIHAN. Yes; up to Camp David. We are going to solve inflation tonight.

Those are striking figures.

It probably was a balanced expansion for us until the OPEC price increase.

Mr. WHALEN. Certainly the OPEC price increase would have been incorporated in this and is partly responsible for this increase in world trade figures, but there are other factors, as I pointed out—principally the lessening of trade barriers which has occurred since the end of World War II.

Senator MOYNIHAN. The balance between exports and imports? This has to be a real tribute to GATT.

It is really quite striking.

If you have a set of policies that have generated another $110 billion in exports, you can afford $200 million in adjustment, I would think, can you not?

Mr. WHALEN. That would be my conclusion.

Senator MOYNIHAN. That would be the price you pay for having added $110 billion—even adjusting for that. That is a very nice way to put it. I think you made the point in the context of what these trade bills have done. The cost of adjustment seems really quite reasonable.

I know in my city of New York we lost 600,000 jobs in a 7-year period. On the Island of Manhattan, 400,000 jobs were lost just south of 59th Street, mostly low-wage garment jobs.

There is no country in Europe that would sustain that kind of loss. They would not, and could not, put up with it.

But we have been very casual about this, I think.

Mr. WHALEN. Just to repeat what I said in another way, I think too often those of us—that would include myself, perhaps, not you in the academic world—tend to focus on the general benefits of trade but we have to recognize the loss that certain individuals suffer.

Senator MOYNIHAN. I give you the example, a most distinguished gentleman of your profession, John Dunlop, who was very fashionable all those years because he knew nothing about macroeconomic policy, only what was happening to the roofing industry and sheetmetal, and what is going on in the metal fasteners. It turned out to be an important kind of language, particularly when it turned out that the other knowledge was not invoked anyway.

Mr. WHALEN. I found macro much more interesting when I taught it, but when I got here, I was confronted with the individual and his concerns.

Senator MOYNIHAN. If you would excuse me, I do have to catch that limousine. We very much thank you for your courtesy and you have made a point of great moment. You will hear yourself quoted on the Senate floor for not the first time.

The committee will now have to recess.

[Thereupon, at 4:40 p.m. the subcommittee recessed, to reconvene at the call of the Chair.]

[By direction of the chairman the following communications were made a part of the hearing record:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 16, 1979.

Hon. ABRAHAM RIBICOFF,
Chairman, Senate Subcommittee on International Trade,
Committee on Finance, Washington, D.C.

DEAR MR. CHAIRMAN: I would much appreciate your Committee's consideraiton and inclusion for the record of Puerto Rico's recommendations concerning the administration and amendment of the Trade Act of 1974.

First, let me say that we firmly support amendments contained in H.R. 1543 and S. 223 to provide benefits to workers who were unaware that they could qualify, to increase benefits for workers in training and workers over 60, to provide benefits to firms supplying component parts, to provide pre-certification technical assistance to firms for preparing petitions and proposed adjustment plans, to increase the government's share of technical assistance and to reduce interest rates on direct loans and

loan guarantees. We also favor action to accelerate processing and improve coordination of the program.

I remain concerned, however, by the very limited authorizations proposed for titles II and III in the draft legislation, of only $10.6 million for fiscal year 1980, $36 million for fiscal year 1981 and $56.6 million for fiscal year 1982. I also remain convinced that more flexibility is required to provide assistance to trade injured seasonal agricultural workers to retrain them for remunerative permanent employment.

While the economic analysis of the overall effects of the Tokyo Round on the United States in Senate Finance Committee Report No. 5 of June 19, 1979 concludes that the main effect of reduced tariff and non-tariff barrier is minimal with an estimated net increase of 15,000 jobs and minor reductions in various industries, a loss of more than 6,500 jobs is anticipated in apparels and textiles. It is striking that Report No. 3 in the Finance Committee Series concerning the impact of trade liberalization on U.S. labor concludes that wage earners bear approximately seven times the income reduction as do recipients of income from property, although the latter bear the brunt of permanent losses.

While there may be minimal adverse direct effects from the Multilateral Trade Negotiations, the trend toward increasing U.S. dependence on imports of labor intensive manufactured products is a more important guide to future adversity. According to the U.S. Department of Labor's June 1979 cumulative report on trade adjustment assistance, a total of 3.6 percent of 470,125 workers certified were in textile industries, 18.3 percent in apparel and 10.9 percent in leather goods. These categories represented 3 percent, 22.3 percent and 3.7 percent respectively of Puerto Rican manufacturing employment in February 1979, or a total of 29 percent of our manufacturing employment. In comparision all these categories represented only 12 percent of 1977 U.S. manufacturing employment.

As I mentioned in my letter of March 1, 1979, from July 1969 through June, 1978, 1,201 manufacturing plants employing 27,499 people closed permanently in Puerto Rico. From October, 1967 (a time congruent with the beginning of Kennedy Round reductions) until October 1978, Puerto Rico lost 4,475 jobs in leather goods, 2,015 in tobacco and 1,754 in textiles. While apparel showed a slight gain of 487 jobs over the 10 years, there was a 4,459 job loss from the October 1973 peak of 40,700 jobs in this industry. Clearly, we can anticipate proportionately greater adverse effects on Puerto Rico from import competition with these and other industries than for the United States as a whole.

Dramatic changes in the United States and world economy in the last 10 years lead me to conclude that the problem of economic adjustment stemming from trade cannot be considered in isolation.

The Trade Act of 1974 recognizes that a continuous process of trade negotiations, reductions in trade barriers and increasing international integration is beneficial and creates additional jobs; while accelerating damage, adjustment or replacement of less competitive industries. In recent years the realization has grown that reduced barriers and increased trade in a climate of slow growth or stagnation and inflation have severe consequences because new opportunities for employment are not being created rapidly enough in growth industries. More efficient industries in some countries drive out the least efficient in other countries without sufficient opportunity for employment in replacement or expanding industries.

Thus, trade adjustment assistance must not be a stepchild but integral with economic development, priorities and specific incentives and assistance for expanding growth and export industries, increased investment and savings, expanded research and development, improved management, positive new labor-management relations, improving technology and productivity and expanding output of basic materials and foods as an anti-inflation measure.

The Administration and Congress have recognized this most creatively in the Proposed Public Works and Economic Development Act of 1979 (H.R. 2063 and S. 914). Clear regognition is given to the need to link national, State and local planning; to assure public and private cooperation; to attack underdevelopment, poverty and economic adjustment with adequate resources and to integrate these with national development policies, priorities and programs. Because of the limited resources both for H.R. 1543 and S. 223 compared to the proposed PWEDA of 1979, it appears most important to maintain the clear linkage established under chapter IV, Adjustment Assistance for Communities in the Trade Act of 1974.

As reported in the November 26, 1974, Senate Finance Committee Report (19-1298) pages 152 and 153, the committee stressed that a program of higher unemployment compensation benefits was "no substitute for a positive program aimed at restoring the economic viability of depressed communities. What is needed, the committee is convinced, is a new program capable of stimulating and attracting new

investment and job opportunities to industries hard hit by increased imports." Section 273, Program Benefits, provided all the benefits available (except loan guarantees) under the PWEDA of 1965 to redevelopment areas and included separate authority for 100 percent guarantees of loans. Section 273 gave assistance priority to companies providing employee stock ownership plans and Section 274, Community Adjustment Assistance Funds, established a revolving fund which could be used for all purposes of the PWEDA of 1965 except guarantees. Congress authorized $100 million for this purpose and made available direct loan and grant funding from PWEDA resources. Section 282, Trade Statistics Monitoring System, required the Labor and Commerce Departments to establish a monitoring system aimed at early warning for impending, trade induced damage to U.S. industries or specific geographic regions. Section 283, Firms Relocating in Foreign Countries, provided a 60 day minimum advance notice by firms relocating abroad.

I also believe that the Finance Committee's intention was to permit communities to qualify for Adjustment Assistance based on satisfying tests other than aggregation of individual firm data. In many communities, trade injured firms had already closed, making difficult either the aggregation of data on import damage or establishing whether they had moved abroad. Accordingly, I respectfully recommend that the Committee establish either in the Conference Report or through amendments, the following guidelines for future administration of the Adjustment Assistance Program:

Continue the clear linkage between Trade Adjustment Assistance and assistance provided under the Proposed Public Works and Economic Development Act of 1979 so that all categories of assistance under this Act will be available for workers, firms and communities injured by trade.

Revise the criteria for qualifying communities for assistance, from aggregation of individual firm data to collecting and arraying data at the 4 digit SIC level, to prove injury through association among reduced output, sales and employment in U.S. industries and increased imports of competitive products.

Assure cooperative state, federal and local efforts to provide early warning, identification, notification and assistance efforts to industries and individual plants likely to be injured by increased imports.

Assure technical, worker training and financial assistance before injury to a firm actually takes place, to enable continued employment of the work force and production of different products if desirable.

Require a minimum of 60 days advance notice for either plant relocations abroad or closures.

Integration of Adjustment Assistance with programs to promote internationally competitive growth and export industries.

Qualification of seasonal agricultural workers if they completed 24 weeks of work in a trade impacted industry in a 2-year period prior to being laid off.

Extension of availability of Adjustment Assistance from September 30, 1982 to at least 1 year following the end of phased reductions in tariffs negotiated during the Tokyo Round.

We would much appreciate your Committee acting on these suggestions during the Mark-up Session.

Yours truly,

BALTASAR CORRADA,
Resident Commissioner, Puerto Rico.

STATEMENT BY REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. Chairman: National Farmers Union wishes to add its support to S. 227 and H.R. 1543 which would strengthen provisions of the trade adjustment assistance program for workers adversely affected by international competition.

Delegates to our national convention in March approved two sections of our annual Policy Statement which speak to the issues involved in this legislation. Our Policy Statement reads as follows:

"We favor negotiation with other countries for measures to further expand international trade. The primary goal of United States farmers and ranchers in such negotiations is the expansion of opportunities for the impoverished people of the world to sell their goods and services in the markets of the developed countries to earn foreign exchange so they can buy food and other urgent necessities * * *.

"We object to allowing the burden of adjustment to trade policy changes to fall exclusively upon the farm/ranch producers or the workers and investors in industries who are partially displaced in our markets by imports, and we favor positive

measures of adjustment assistance which will lift this burden and enable them to share equitably in the economic advantages of trade expansion."

We believe that it is important that this legislation be approved so that workers will be assured that they will not be victims of the agreements reached in the Multilateral Trade Negotiations and the trade agreements can be implemented.

National Farmers Union has endorsed the trade agreements, with some reservations, because we know that free world trade generally benefits agricultural producers. We also believe it benefits workers in the long run, but both farmers and workers must be assured that individual workers and producers will not suffer unduly.

It is for this reason that we urge you to approve S. 227 (H.R. 1543) and send it to the Senate floor for speedy action.

UNITED MINE WORKERS OF AMERICA,
Beckley, W. Va., June 7, 1979.

Re Trade Act of 1974, Trade Readjustment Assistance (TRA) Amendments.

Hon. ROBERT C. BYRD,
Hon. JENNINGS RANDOLPH,
U.S. Senate, Washington, D.C.
Hon. NICK JOE RAHALL,
Washington, D.C.
Hon. JOHN D. ROCKEFELLER, IV,
Governor of West Virginia, Charleston, W. Va.

GENTLEMEN: I understand that the United States House of Representatives has passed and sent for concurrence by the United States Senate a bill which would amend the Trade Act of 1974, in part allowing for a liberalization of TRA benefits. I applaud your efforts in this regard.

Perhaps the following problem areas have already been brought to your attention, but, to be safe, I am taking the liberty of hereinafter mentioning to you some areas of the Trade Act of 1974 that have caused our unemployed miners to be denied TRA benefits, to-wit:

First, the Act does not take into consideration in any way otherwise eligible workers who have been off on Workmen's Compensation in the period immediately prior to their layoff. For example, in our area we have a number of miners who have worked for Westmoreland Coal Company for over twenty years who received a compensable injury under Workmen's Compensation and were off work for a long period of time who returned to work only a short while before they were laid off. The result has been that these miners who were off work for a considerable time during the 52-week period before their layoff due to no fault of their own (i.e., an injury they received in the course of and as a result of their employment) have been denied TRA benefits because they did not receive "wages" of $30 or more in 26 of the 52 weeks preceding their layoff. I recommend an amendment to the pending bill to take into consideration the special problems of workers who have been on Workmen's Compensation or otherwise on sick or injured status in the 52-week period immediately preceding their layoff.

Second, some special provision should be made so that subcontractors such as truckers who are not directly attached to the production firm which is having the layoff but who nonetheless are an integral part of the production process are included within the definition of "firm" or "subdivision" of a firm and are made eligible for TRA benefits.

Third, as I am sure you well know, the provision in the Act requiring that a worker must have received wages of $30 or more in 26 of the 52 weeks preceding his layoff before he can receive TRA benefits has rather arbitrarily and capriciously resulted in the denial of benefits to many miners in our area who within the last year have worked every available working day. Since all the miners are regularly attached to the firm affected by the imports and are, therefore, "in the same boat", this provision may well be unconstitutional in that it denies some workers "equal protection" under the law. The wages-weeks approach is arbitrary, capricious, somewhat unreasonable and unfair, and bears little rational, realistic, practical relationship to the concept of "attachment" to a firm to be eligible for TRA benefits. The miner who has worked for a coal company for 30 days and who is laid off due to imports is just as much adversely affected by the layoff as the miner who has worked for the company for 30 years. Therefore, I recommend that the Act be amended to include all workers who are permanently (even if only for a day) attached to the firm as full time employees, excluding and making ineligible for TRA benefits only those persons who are laid off or who leave their employment

with the affected firm for some reason other than layoff due to imports (this might include, for example, college work-study students returning to school).

I hope the above-given information will enlighten you as to some of the problems the miners have faced with getting their due benefits under the Trade Act of 1974. I hope you will take these problems into consideration in your actions upon and consideration of the bill now pending in Congress.

If you have any questions about this letter or if I can otherwise be of assistance with respect to your consideration of the pending bill, please do not hestitate to call upon me.

Thank you very much for your kind and immediate attention to this problem area.

Very truly yours,

KENDRICK KING,
General Counsel, District 29, UMWA.

STATEMENT BY WILLIAM E. LAIRD, DEPARTMENT OF ECONOMICS, FLORIDA STATE UNIVERSITY

I would like to offer some remarks on adjustment assistance and the current proposals (H.R. 1543) to improve the policy as well as raise an issue regarding the overall balance of the program. It seems appropriate to set the stage for these remarks by reviewing briefly some salient aspects of international trade theory and policy.

THE DILEMMA OF INTERNATIONAL TRADE: LONG RUN BENEFITS: SHORT RUN COSTS

The theory of international trade has evolved over many decades and is both powerful and elegant. It presents a compelling case for freer (if not free) trade and the theory's major implications for increased economic efficiency cannot be ignored. The long run benefits of international trade are made strikingly clear by the theory.

From the time of David Ricardo, if not before, international trade theory has exhibited a long run orientation. This orientation has served well the purpose of focusing attention on the ultimate outcomes of international trade. The short run problems of adjustment are kept in the background in the tradional analysis. These adjustment problems, are in effect, ruled out of order by the key theoretical assumption of the factors of production being perfectly mobile within a country. Thus, when trade begins, labor and capital are released from import-competing industries and are then fully absorbed into the more productive export industries. Efficiency is improved by the resource reallocation and the nation as a whole gains from trade.

If attention is directed, however, to the more immediate problems of resource reallocation in a world where factors are not perfectly mobile and where time is important, it becomes apparent that there are short run costs which must be endured to achieved the long run benefits of trade. These costs would involve "transitional" unemployment of some duration as the import-competing industries decline. Labor and capital may not be absorbed easily and quickly into the export industries for a variety of reasons. The export industries may, for example, require an entirely different level and mixture of skills. Also, the export industries may be geographically remote. Some workers may have locational and lifestyle preferences which would reduce their geographic mobility. Such conditions would slow resource reallocation and heighten the problems and costs of adjustment.

International trade is characterized by the awkward combination of long run benefits and short run costs. It is further characterized by the benefits being generalized to most of the population (in the form of lower prices), while the costs of adjustment are more concentrated and tend to be immediately felt. Thus, while there is impressive theoretical as well as practical evidence (expanding world trade) of a favorable benefit-cost ratio coming from international trade—important distributional issues remain. These distributional issues lie at the heart of most protectionist sentiments—although they are seldom well enunciated, or even explicitly mentioned in most tariff arguments.

These distributional issues are of significance not only from the equity viewpoint, but from the perspective of whether trade liberalization is politically feasible. Since those who might be damaged are often concentrated and have a clear interest in preventing such damage—their opposition should be expected.

The "vested interests" which might be expected to oppose trade liberalization are somewhat broader than they might at first appear. The pervasiveness of the vested interest is well illustrated by the small textile town of the Carolinas. Who is affected by an import-induced decline in the local mill? The list would include not only the mill owners, managers and workers, along with their families—but every-

one with whom they do business. The local merchants would be immediately affected, along with the local professionals. An exodus of workers would affect construction and real estate values as well as the availability of jobs for teachers and other service personnel. It is quite possible the local government would suffer declines in revenues. Welfare costs may rise and civic improvement may be delayed or cancelled. On the non-economic side, families may be split up as relatives are forced to leave in search of jobs. There would, in short, be remarkably few people unaffected by the decline of the principal local employer. Strong opposition could be expected. History has demonstrated that such opposition is frequently successful in preventing, limiting, or slowing trade liberalization.

ADJUSTMENT ASSISTANCE

The Trade Expansion Act of 1962 stands as a major landmark in the history of American International economic policy. Among the Act's notable advances is the concept of adjustment assistance. Adjustment assistance attempts to moderate the opposition to trade liberalization by using short run aid to mitigate the impact of lowered trade barriers. It also attempts to spread the costs of trade barrier reduction and resource reallocation in a more equitable manner. The new program established benefits for both workers and firms adversely affected by trade liberalization.

Adjustment assistance was introduced as a new departure in thinking about the problems of trade liberalization in a dynamic world and it stands in contrast to the philosophy of "letting the chips fall where they may." The latter philosophy, of course, heightens the stake for those adversely affected by trade and galvanizes opposition. Adjustment assistance attempts to reduce the level of conflict among domestic interest groups. Adjustment assistance also offers advantages over "escape clause" and "peril-point provision" policies, which are by their nature inconsistent with trade liberalizational and resource reallocation.

The Trade Expansion Act introduced adjustment assistance, but the policy was virtually without practical significance for several years. This was because the eligibility criteria had been made highly restrictive and the criteria were narrowly interpreted at first. No one received aid for about eight years!

The Trade Act of 1974 moved to correct previous problems which seemed to limit unduly participation in the program. Considerably less rigid criteria of eligibility were introduced and the tie between increased imports and prior trade concessions was cut. Severing the tie between increased imports and prior trade concessions was important in that increased imports alone could now justify extending aid. This change compromised to a degree the original justification for adjustment assistance. From another perspective, however, it can be argued this change increases the effectiveness of the policy in that it ultimately may lessen popular controversies about imports. The 1974 Act also extended policy by making communities as well as workers and firms eligible for assistance. This addition was a significant intellectual step in the development of the new policy.

These changes resulted in a substantial increase in the number of individuals receiving assistance. Implementation of the 1974 Act, however, revealed a combination of operating errors, technical problems, and inadequacies which should now be addressed. I will comment briefly on some of the current proposals to improve the policy and then move to the broader issue of the overall balance of the adjustment assistance program.

OBSERVATIONS ON CURRENT PROPOSALS

Some reservation must be expressed on the proposed changes in the qualifying requirements for workers. The proposed requirements seem inordinately low and could create problems which might tend to discredit the overall adjustment assistance program. Earnings of $30 for only 40 weeks out of 104 weeks would seem to allow rather casual labor to qualify one for disproportionate and prolonged benefits. Adjustment assistance should not discourage anyone from seeking employment. This matter of incentives could be a problem with those having a more casual work record.

The proposals to speed certification and the delivery of benefits are technical changes of a very desirable nature. Providing coverage to enterprises supplying component parts of services to import-impacted firms is a logical extension of policy. The increased job search and relocation allowances are in keeping with current economic realities and with the original purpose of the legislation.

The proposed experimental training projects could produce useful innovations in the retaining of workers. Vouchers may be quite useful in stimulating retraining, although some caution should be exercised to assure that voucher-financed trainees

do not displace other employees. Employers will have an obvious incentive to substitute subsidized workers for others. Careful monitoring will be required to minimize this problem.

The proposals now under consideration do not seem to improve benefits to communities directly, although benefits to firms such as the proposed subsidy (up to 4 percentage points) on guaranteed loans may indirectly help communities—as would some benefits accruing to workers. The absence of proposals in the community sphere may indicate a general satisfaction with existing legislation in this area, or perhaps there is a less obvious explanation which others will supply. In any event, there seem to be no proposals in this area and perhaps none are called for, although I suspect otherwise. Rather than suggest a specific proposal regarding communities, I would like to raise a broader related issue concerning the overall direction and emphasis of adjustment assistance as it has been and, I think, will continue to be in the future if most of the current proposals are accepted in new legislation.

LABOR MOBILITY AND CAPITAL MOBILITY: A QUESTION OF BALANCE

Movements of both labor and capital are integral parts of the conventional analysis of market adjustment and one would normally expect market adjustments to involve some combination of the two. Existing adjustment assistance legislation, as well as current proposals to improve the policy, stress labor mobility and, at least in a relative sense, neglect capital mobility. It is recognized, of course, that labor and capital mobility are similar in principle—at least from one perspective. In an ideal economic model unemployment could be eliminated in time by either mechanism, although the ultimate full employment states achieved by the alternative mechanisms might differ in some very important respects.

Unfortunately, the real world does not fully correspond to that ideal model for several reasons, including the existence of some labor immobility. In some cases increased capital mobility which provides new local jobs may be relatively more effective in achieving market adjustment where labor has strong locational and lifestyle preferences and resists relocation. Time is always a factor in the adjustment process and where labor resists relocation continued reliance on labor mobility as the prime adjustment mechanism will make the time issue critical. A more appropriate balance between labor mobility and capital mobility may speed adjustment and lower overall costs.

Another point should be recognized in considering the relative emphasis given to labor mobility vis-a-vis capital mobility. From the viewpoint of communities facing a potentially difficult economic adjustment, labor outmigration will generally be viewed as a negative solution—one that is detrimental to the long-run interests of the community. If we may return to the small textile town example, the decline of the local mill will be viewed as a disaster. The subsequent outmigration of the mill workers is likely to be viewed as a second misfortune and a further blow to the community. Workers, of course, will have their individual reactions, but the existence of prolonged labor surplus in various localities suggest that some workers also view outmigration as an undesirable alternative. By contrast, capital inflow bringing new job opportunities is usually viewed as a positive solution to the problem of adjustment by communities and is seen by workers as a welcomed alternative.

With these points in mind, let us turn to a brief review of adjustment assistance as it is now and will be if current proposals are accepted.

Assistance to workers involves retraining and relocation allowances, as well as supplemental unemployment compensation—with the practical emphasis seemingly on the last alternative. While these are appropriate, they also have their limitations. In the case of the textile town, for example, the decline of the principal employer may create more unemployed workers than can be retrained for employment in the local economy (in the absence of new local jobs). Relocation under the program may alleviate part of the local unemployment. In all probability, however, outmigration will nonetheless be viewed locally as a mixed blessing at best. The local economic interdependence of the textile town is obvious and outmigration is likely to create a further decline in the community's economic base. Those left behind are likely to be worse off. Outmigration is hardly an ideal solution from the community's viewpoint. Also some workers may have strong locational preferences and resist relocation.

Supplemental unemployment compensation may be particularly appropriate from the viewpoint of those who most strongly resist relocation and also meet with favor from local officials concerned with the community's long-run economic base. Supplemental unemployment benefits will provide additional search time and may enable some to find a niche in the local economy they would otherwise have missed. Nonetheless, a prolonged job search in a now stagnating textile town is likely to prove both frustrating and futile in many cases. Unless new jobs open in the

community, neither retraining nor extended search are likely to prove either very successful or economical.

The assistance provided to workers, while appropriate, seems insufficient. Even when combined with the assistance available to firms, the package still may be deficient in coping with the more difficult adjustment cases.

Adjustment assistance attempts to facilitate the preservation of old jobs and established concerns by providing various forms of aid to eligible firms. This aid may be in the form of technical advice, financial assistance, or limited tax breaks. Where the firm in question is vigorous and adaptable, these measures may be sufficient to restore its economic viability and enable it to provide adequate (or at least some) local employment. In other cases these measures may be inadequate. Some firms in a declining industry will be unable to adjust and will close. In these cases the affected workers and their localities may require assistance which goes beyond the traditional labor market policies of retraining and relocation. Indeed, their needs may go beyond the help available to communities through the current adjustment assistance program. Such communities need to change their economic base with unusual speed. The question is, can communities accomplish this under the current program? How many have done so?

New industry may be the most efficacious means for some communities and their workers to adjust to import competition. This means that increased capital mobility may be called for if long-term stagnation and decline are to be avoided. In an age when industry is increasingly footloose with respect to location, increased capital mobility is not only practical, but when other costs are considered it may also be the most efficient means of coping with the adjustment problems of communities and of workers who prefer not to relocate. I am not, of course, alluding to the pirating of existing industry. I refer instead to affected communities working to influence the location of new firms and the expansion of existing firms elsewhere (the location of branch plants). In a growing economy there is a net addition of jobs. If some portion of these new jobs can be secured for affected communities, their economic base can be changed. Accomplishing this objective in a timely fashion may require somewhat more leverage for communities than existing legislation provides.

Returning to the textile town, the decline of the mill may be best compensated for by the location of an alternative industry in the community. The community might secure, for example, a new branch plant with labor requirements not much more demanding than those of the declining mill. (It might even find an expanding export-oriented firm.) If a new local employer is thus secured, retraining efforts (if they are necessary) may be more appropriately focused. The unemployment compensation-financed local job search is more likely to be successful with a new local employer and may require less time.

There are several ways adjustment assistance might be modified to increase the leverage affected communities have in negotiating with prospective new firms. I will refrain from advocating a particular plan to accomplish this objective. It seems more appropriate that I simply raise the issue for your consideration.

CONCLUSION

The proposals for improving adjustment assistance now under consideration are, for the most part, reasonable and appropriate. There remains, however, some question regarding the overall balance of the program.

An increased emphasis on capital mobility in the legislation governing adjustment assistance would constitute a logical step in the development of this relatively new concept of public policy. Increased capital mobility would provide what might ultimately prove to be the most powerful mechanism to accomplish the kinds of resource reallocations necessitated by trade liberalization. Current and proposed legislation attempts to encourage labor mobility and provides help to affected firms, but does relatively little to utilize capital mobility to assist workers and communities in adjusting to import competition. Broadening the legislation to encourage further capital mobility is now a logical step to improve adjustment assistance. Extending legislation in this direction should increase the effectiveness of the policy as well as enhance its attractiveness to those in potential need of assistance.

STATEMENT SUBMITTED BY DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of achieving an open international economic system in the overall public interest. The Council

speaks for no private, commercial interest, only for what it sees as the total national interest in this policy area.

We support development of the best possible adjustment assistance program for firms, workers and communities seriously injured by import competition. We therefore support the basic principles of S. 277 and H.R. 1543 introduced in this Congress. We regret the failure of the previous Congress to enact the essentials of similar bills, a failure traceable in no small measure to the Administration's reluctance to press for passage. Fear of protectionist riders (the alleged reasons for this reluctance) bespeaks serious inadequacies in trade-policy planning.

Even with enactment of improved legislation on adjustment assistance as this policy has come to be defined, the Administration, the Congress and the country should be under no illusion that a balanced, effective adjustment strategy has been put in place. Far from it. The following major ingredients would still be lacking:

1. A coherent, credible full-employment policy to (among other purposes) ensure that good, indeed better jobs are available for import-impacted workers who seek new employment;

2. Industry-adjustment strategies addressing the real problems and needs of our weaker industries in a rapidly changing world (e.g., there is no coherent steel policy and no coherent textiles policy, although there are major trade restrictions on these products); and

3. An overall national adjustment strategy affecting capital formation, research and development, productivity, etc. (a) to backstop consistent implementation of current trade-policy commitments, and (b) to plan for the truly free-trade objective that should be high on our national agenda

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