TRADE ADJUSTMENT ASSISTANCE

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

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TRADE ADJUSTMENT ASSISTANCE

MONDAY, DECEMBER 7, 1981

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

The subcommittee met, pursuant to notice, at 9:40 a.m. in room 2221, Dirksen Senate Office Building, the Honorable John C. Danforth (chairman of the subcommittee) presiding.

Present: Senators Danforth, Dole, Roth, Long, Bentsen, Moynihan and Levin.

[The committee press release follows:]

[Press Release No. 81-183]

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE SETS HEARING ON TRADE ADJUSTMENT ASSISTANCE

The Honorable John C. Danforth, (R., Mo.) Chairman of the Subcommittee on Trade of the Committee on Finance, announced today that the subcommittee will hold a hearing on Monday, December 7, 1981, to review the operation of the Trade Adjustment Assistance program in the context of the changes to the program made in the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

The hearing will begin at 9:30 a.m. in Room 2221 of the Dirksen Senate Office Building.

In announcing the hearing, Senator Danforth noted that the following bills should be discussed.

S. 1865. To delay the effective date of amendments relating to group eligibility requirements for trade adjustment assistance.

S. 1868. To reform the Trade Adjustment Assistance Program.

Senator DANFORTH. Today's hearing concerns the current status of the trade adjustment assistance program. The changes that were made in June in the program cut substantially its costs and gave it a new direction in accordance with the position taken by the administration, equalizing the benefits received by workers who receive TAA with the benefits received by workers under the Unemployment Insurance program. We were able to reduce Federal spending for the program to the administration's targeted amount of no more than $205 million for the entitlement in fiscal year 1982. This is a substantial reduction from the $1.5 billion originally estimated for the program.

At the same time, we sought to move away from the traditional emphasis on cash benefits toward a stronger emphasis on retraining and relocation. In this regard, the administration pledged to spend an additional $112 million on retraining the smaller number of workers who would now be eligible for the TAA program.

We have some ground to cover today. First, we seek from the administration a clear statement of how the new austere trade ad-

justment assistance program will be implemented. In particular, we on the committee are anxious to learn how the Department of Labor intends to carry out the program's new emphasis on retraining, relocation, and job search.

Second, we expect to draw on the experience of labor and the private sector witnesses with regard to the viability and prospects of the TAA program.

Finally, a number of us on the committee have expressed concern about the overkill inflicted on the TAA program from changes in the eligibility criteria proposed by the administration as part of the June budget reconciliation process. One such change that is not scheduled to go into effect until February 1982, would require imports to be a "substantial cause" of unemployment, rather than the more reasonable "contribute importantly" eligibility standard currently in the law.

In June I offered an amendment which was incorporated in the reconciliation bill that postponed enactment of this eligibility provision for 6 months. At the time, many of us feared that the new restriction would prevent thousands of deserving workers from qualifying for the small amount of money allocated for the program. It had never been the subject of hearings in the Finance Committee. And, furthermore, the CBO estimated that the changes already enacted in the TAA program would in and of themselves result in a program that met the administration's budget objectives.

The CBO has no estimate for the savings from the measure in question, but in June reported that "due to the proposed requirement that individuals exhaust their Unemployment Insurance benefits before being eligible for trade adjustment assistance, the proposal's impact would be miniscule." Therefore, it seems to be unnecessary, if not counterproductive, to retain this additional cumbersome criterion. And we would hope today to have some testimony on this subject.

I have a statement for the record and one from Senator Heinz to be included in the record.

[The opening statements follow:]

STATEMENT BY SENATOR JOHN C. DANFORTH

Our hearing today involves an investment program that has become an integral part of American trade policy—namely, investments in human capital through Trade Adjustment Assistance.

As part of the Omnibus Budget Reconciliation Act of 1981, the Congress agreed to extensive changes in the Trade Adjustment Assistance program. By compensating workers who lose their jobs as a result of imports, we are making a long-term investment in American labor. This investment is designed to ensure that we maintain an experienced workforce, ready to take on jobs in growth industries and in mature industries that need to retool to bolster their international competitiveness.

The changes made in the TAA program in June cut substantially its costs and gave it a new direction. By equalizing the benefits received by workers who receive TAA with benefits received by workers under unemployment insurance (UI), we were able to reduce federal spending for the program to the Administration's targeted amount of no more than $205 million for the entitlement in fiscal year 1982. This represents a substantial reduction from the $1.5 billion originally estimated for the program. At the same time, we sought to move the program away from the traditional emphasis on cash benefits toward a much stronger emphasis on retraining and relocation. In this regard, the Administration pledged to spend an additional

$112 million on retraining the smaller number of workers who would now be eligible for the TAA program.

Therefore, we have a fair amount of ground to cover in today's hearing:

First, we seek from the Administration a clear statement of how this new, austere trade adjustment assistance program will be implemented. In particular, we on the Committee are anxious to learn how the Department of Labor intends to carry out the program's new emphasis on retraining, relocation and job search.

Second, we expect to draw on the experience of our labor and private sector witnesses with regard to the viability and prospects for the TAA program.

Finally, a number of us on the committee have expressed concern about the overkill inflicted upon the TAA program from changes in the eligibility criteria proposed by the Administration as part of the June budget reconciliation process. One such change that is not scheduled to go into effect until February 1982 would require imports to be a "substantial cause" of the unemployment, rather than the more reasonable "contribute importantly" eligibility standard currently in the law.

In June, I offered an amendment which was incorporated in the reconciliation bill that postponed enactment of this eligibility provision by 6 months. At the time, many of us feared the new restriction would prevent thousands of deserving workers from qualifying for the small amount of money allocated for the program. It had never been the subject of hearings in the Senate Finance Committee. Furthermore, the CBO estimated that the changes already enacted in the TAA program would in and of themselves result in a program that met the Administration's budget objectives. CBO had no estimates for the savings from the measure in question, but in June reported that "due to the proposed requirement that individuals exhaust their UI benefits before being eligible for TAA, the proposal's impact would be miniscule." Therefore, it seem to me unnecessay, if not counterproductive, to retain this additional cumbersome criterion.

The CBO report to the Finance Committee cited another serious problem created by the "substantial cause" language:

"It might also be difficult to implement the Administration's proposal that the criteria for determining the eligibility of groups of workers be restricted substantially. The shift from a "contributed importantly" test to a "substantial cause" test, of the impact of imports on job separations would require substantial changes in the type of analysis performed by the Department of Labor (DOL) in its eligibility determinations. The Secretary would be required to examine all possible causes of job separations and compare their relative contribution to layoffs in order to decide whether or not imports were less important than any other cause. This change presumes a level of sophisticated economic analysis that may not have been developed yet. Currently the Secretary only must determine if imports are an important cause of layoffs without examining other causes."

Therefore, on November 18 I introduced S. 1865, along with Senators Moynihan, Roth, Heinz and Mitchell. This bill would maintain the current "contribute importantly" criterion through the end of the life of the TAA program, the end of fiscal year 1983.

To my mind, one look at how the TAA program functioned as established by the Congress in the Trade Act of 1974, compared to how it is operating today, provides clear evidence that the change in criterion to "substantial cause" is unnecessary and redundant. Between April 1975, and September 1981, some 1,241,636 workers were certified for adjustment assistance. Yet this year, for the pericd January 1 through the end of September, only 17,714 have been certified.

If this dramnatic decline can be even partially attributed to changes already enacted in the TAA program, certainly the addition of one more severely restrictive eligibility criterion will cut away more of the program than the Administration of the Congress ever intended.

STATEMENT BY SENATOR JOHN HEINZ

Mr. Chairman, this hearing takes up an extremely important issue, and I want to commend you for scheduling it. I regret that a prior commitment in my State keeps me from being present. However, I do want to get out for the record several of my concerns regarding the broader issues surrounding adjustment assistance, and I ask that this statement be made a part of the record.

In my view a comprehensive and effective trade adjustment assistance program is an essential element of a free trade policy. As I have said on numerous occasions in the past, any healthy, growing economy is going to produce change, and our competing in an international free market environment will accelerate such change by exposing domestic producers to foreign competitors. Sometimes such foreign competi-

tors have unfair advantages—their products are dumped in this country or they benefit from government subsidies. Sometimes their government, as in the case of Japan, helps them by effectively preventing our access to their markets, denying us reciprocity. Sometimes we are faced with foreign producers that have a comparative advantage.

Of course in cases of unfair advantage we should fight for our free market principles and for reciprocity. But in all cases, whether the competition is fair or unfair, we must also recognize the change it will induce in the United States and the victims it will create in the form of lost jobs, closed factories, and displaced workers. I continue to believe that the government has an obligation to such victims—both businesses and workers—because it is our trade policy that has produced them and because it makes good economic sense to help them either adjust to the competition through revitalization or find new jobs through retraining.

It is no secret that the adjustment assistance program that has been in place for the last several years has not been as effective as we would like. In part this is due to deficiencies in the statute, in part to deficiencies in program administration, and in part due to the inherent difficulties of promoting successful adjustment. Qualifying industries tend to be old, severely import-impacted, poorly located, and in dire straits economically. Affected workers frequently have few other local employment options but also have family ties and commitments that discourage moving to other locales. The plight of the auto workers, who do not fit all of this description, added a severe financial strain to the program because of the size of the problem.

All these factors combined to produce a full-scale attack on the program this past year, led by both the Administration and members in the other body. Unfortunately, in their zeal to reform the program, they not only reduced its cost by well over 80 percent (which would have fallen substantially anyway due to the decline in autoworker petitions), they so narrowed eligibility as to prevent almost everyone from qualifying. Several of us, led by Senators Danforth and Moynihan, succeeded in postponing the implementation of the worst of these requirements until early next year, and I note that both bills under consideration at today's hearing would make that postponement permanent.

At the same time as we are fighting to save the guts of this program, we also find ourselves embroiled in an appropriations fight, trying to save the $98 million in training funds the Administration has proposed. Although I am somewhat skeptical of Administration claims that this funding for training will successfully refocus the program in the proper direction and provide sufficient resources to achieve its objectives, I support it because it is clear that without it the program will have virtually nothing. Our main effort, however, must continue to be restoration of fair eligibility criteria. It is not very helpful to claim that an appropriation for training funds solves the problem when the eligibility criteria for use of those funds are so tight as to eliminate 95 percent of the people that need them. Thus, rapid approval of what Senator Danforth and Senator Moynihan have proposed is essential.

I also want to indicate my interest in Senator Moynihan's other proposals. A number of them stem from legislation I originally introduced in 1977, which was later embodied in bills which passed both the House and the Senate in the 95th Congress and the House in the 96th Congress but which never became law. They are intelligent, carefully crafted proposals which will make significant improvements in the program.

Beyond the immediate issue of adjustment assistance programs, I hope that the committee will also examine the broader issue of our trade adjustment policy. On a number of occasions in the past I have indicated my dissatisfaction with our existing escape clause process which is designed to give import-impacted industries some "breathing space" to recover from and adjust to foreign competition. This process is run by the International Trade Commission, and independent body of experts whose function is to determine whether or not a domestic industry has been injured and, if so, to prescribe a proper remedy. Both the injury process and the remedy determination are consistent with our international obligations, and, in fact, are considerably more fair and open than those employed by most of our trading partners in similar circumstances.

The Commission has, by and large, done its work well. The President, and I refer primarily to previous Presidents, since the current Administration's track record is limited (though not encouraging), has not. ITC recommendations have consistently been ignored and denied in favor of partial solutions and incomprehensible compromises designed to appease various parties in the bureaucracy without any regard to whether or not the relief provided will be of any help to the industry.

This program is not working well, and as long as it is not working well, we are not going to have a competent trade adjustment policy in this country.

I have nearly completed work on legislation to reform this program, which I plan to introduce when Congress reconvenes in January. It will narrow the President's discretion in these cases, imposing a greater burden on him before he could deviate from the ITC recommendation; adjust the injury standard with respect to both the level of injury and the degree of causation required; and make other procedural changes which should make the system function more smoothly. I believe that these reforms are an essential element of any thorough examination of the adjustment process, and I hope the Committee will take them up in due course as it further considers adjustment assistance policies and programs.

One additional, and perhaps critical reason to introduce this legislation as soon as possible is to provide an opportunity for protection for textile and apparel workers' jobs if the Administration fails to achieve a satisfactory renegotiation of the Multifiber Arrangement. This Arrangement for seven years has brought some order to a potentially chaotic world market by providing authority for countries to negotiate import quotas on a bilateral basis. These agreements are essential for the preservation of our textile and apparel industries. We cannot afford at any time the loss of the entry-level jobs these industries provide. To allow the loss of these jobs in the midst of this developing recession would be callous and inhumane. Any indifference on this critical matter is something we will all live to regret. We must promptly renegotiate an effective MFA, but at the same time we must also move to provide effective recourse should the MFA negotiations fail. My proposed bill will achieve that objective.

Senator DANFORTH. All right. The first witness is Bert Lewis, Administrator of Unemployment Insurance Service, U.S. Department of Labor.

All statements will be included in the record in full, so there's no need to read them. If you could summarize your positions in, say, 5 minutes, that would be appreciated.

STATEMENT OF BERT LEWIS, ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE, U.S. DEPARTMENT OF LABOR, WASHINGTON, D.C.

Mr. LEWIS. Thank you, Mr. Chairman. I would be pleased to enter my statement into the record and make a few comments around that statement.

[The prepared statement follows:]

STATEMENT BY WILLIAM B. LEWIS
ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE
DEPARTMENT OF LABOR
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE

December 7, 1981

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before you on behalf of the Administration to discuss a number of Subcommittee concerns about the recent changes made by the Omnibus Budget Reconciliation Act of 1981 to the Trade Adjustment Assistance program under the Trade Act of 1974.

I am accompanied by Marvin Fooks, Director, Office of Trade Adjustment Assistance, and James Van Erden, Supervisory Actuary for the Unemployment Insurance Service.

You have asked that we concentrate on the following issues, which I will address in turn:

(1) Does the Administration consider the recently amended certification criteria ("Substantial Cause") to set a higher standard and will it result in fewer certifications?

(2) Trade Training Program: (a) Departmental standards for program approval, (b) Delivery

System, (c) Program oversight, and (d) Steps to be taken to assure that training money will be effectively spent.

(3) Should training become an entitlement?

(4) Should training be provided for all dislocated workers, rather than just those impacted by foreign imports?

Certification

New group eligibility requirements for Trade Adjustment Assistance (TAA) will become effective for all petitions filed on and after February 9, 1982.

The more rigorous "substantial cause" standard was adopted to assure that during periods of economic distress, such as the present, special program benefits will be directed to individuals under circumstances where imports are clearly an attendant factor in the unemployment situation of a particular group of workers.

In order for a petition to be certified under prior law, imports must have contributed importantly to total or partial separation, or threat of separation, from the workers' jobs, and to declines in sales or production.

The present "contributed importantly" standard requires that imports be important but not necessarily

more important than any other cause. The amended standard requires that imports be a substantial cause of such job loss, or threat of job loss. Substantial cause is defined as a cause which is important and not less than any other cause.

Clearly, the new standard is a more rigorous one than the present one. We contemplate that the new standard will result in fewer certifications in the future as compared to what might have occurred under the prior standard.

Training

The recent amendments accomplish a fundamental shift in program emphasis from payment of cash allowances to job placement and employment services. These services are intended to shorten the period of unemployment for import-impacted workers, and to reduce the worker's vulnerability for future unemployment, if possible, by achieving a more permanent adjustment to changed labor market conditions. Training is a critical component of these services. The President's September budget amendments included $98.6 million for these services.

On November 16, Secretary Donovan recommended to Senator Hatfield, Chairman of the Senate Appropriations Committee, that the Continuing Resolution include

a specific appropriation for the expenditure of $98,560,000 for such services in fiscal year 1982 (to be offset by other reductions in H.R. 4560). As you know, Mr. Chairman, the Senate added $50 million to the proposed Continuing Resolution. However, the present 3-week extension of the current resolution does not carry this item, and at this time, Federally funded training is not taking place.

Under agreements with the Secretary of Labor, State employment security agencies have the responsibility for providing reemployment services for Trade Act recipients at the earliest possible stage of the worker's unemployment.

The Department's guidelines to state employment security agencies for the approval of training are consistent with the criteria outlined in the amended legislation.

Workers may be approved for training if:

(a) There is not suitable employment (which may include technical and professional employment) available;

(b) The worker would benefit from appropriate training;

(c) There is a reasonable expectation of employment following completion of training;

(d) The approved training is available from government agencies or private sources (which may include area vocational education schools and employers);

(e) The worker is qualified to undertake and complete such training;

(f) The worker applies for training within the required time periods and before the exhaustion of entitlement to basic trade readjustment allowances. A worker who is not entitled to trade readjustment allowances must commence training prior to the expiration of the 78-week period following the worker's first separation; and

(g) Sufficient funds allocated to pay the costs of such training are available. A State agency may not approve training for a worker when funds to be expended for this purpose would exceed the amount allocated by the Secretary.

The State agencies exercise considerable flexibility in their detailed operational procedures. In general, the approach is as follows:

If a referral to a new job is not readily available, a reemployment plan is developed for the worker. Such a plan usually includes those services needed

to fulfill a suitable employment objective. Additionally, the use of job search workshops and job finding clubs by the State agency to assist adversely affected workers in developing the necessary self-directed work search skills is recommended. Self-directed work search will assist the State agency in determining whether suitable employment is available and if a referral to training is appropriate.

In addition, the State agency is responsible for all reemployment services when a certified worker, who is receiving regular unemployment compensation, expresses interest in any reemployment services or when the worker exhausts regular unemployment compensation. Reemployment services include, but are not limited to:

(1) Employment Registration
(2) Employment Counseling
(3) Vocational Testing
(4) Job Development
(5) Supportive Services
(6) Classroom Training
(7) Relocation Assistance, and
(8) Referral to On-The-Job or Classroom Training

The State agency approves the length and nature of the training needed for the worker to achieve desired skill levels, but no course may exceed 104 weeks.

A worker who is reemployed in work which is not suitable employment as defined in the Act and is approved for training may leave work or may continue in full or part-time employment while engaged in training.

In developing training opportunities, the State agency is expected to consult with adversely affected firms, unions or other representative of workers. Priorities are to be given first, to on-the-job trainig in which the employer shares the cost, and next, to institutional training, with first consideration to public area vocational schools.

The State agencies are expected to document the development of approved training programs that offer reasonable expectations of a job after training. Where possible, facilities under the Comprehensive Employment and Training Act are to be used.

Where no other suitable training is available, the State agency will reimburse the prime sponsor or other public agency for the cost of training. Assistance for subsistence and transportation expenses are available where the training is outside the worker's commuting area.

As I previously indicated, the Administration is seeking funding in fiscal year 1982 to provide training opportunities, job search and relocation assistance to trade impacted workers. Since enactment of the Trade Act of 1974, outlays for training, job search and relocation have ranged between $5 and $16 million per year.

If the requested funds are appropriated by the Congress, the Administration's emphasis on this aspect of the program should result in a significant increase in outlays for these activities and consequently, should achieve the Administration's goal of adjusting in a more effective and expeditious manner permanently displaced workers to new employment environments.

Training As An Entitlement

We believe the $98.6 million requested by the Administration, if approved by the Congress and the President, will be sufficient to fund foreseeable training needs.

The Administration believes entitlement programs should be created only in the most compelling of circumstances. As you are aware, some of these programs have caused problems, for both the Congress and the Executive Branch, in bringing public expenditures under control

and in reducing projected deficits. It is essential that scarce resources be carefully managed, which is not possible with blank checks, such as entitlements.

Training for Any Dislocated Worker

The issue of training for any dislocated worker has been raised by the National Governor's Association and by a number of States. It is also receiving careful study within the Department of Labor. We believe more detailed study and evaluation are necessary before the subject can be adequately addressed. We would prefer to return to this subject at a later time.

Mr. Chairman, we are also prepared to comment on the two bills recently introduced in the Senate, S. 1865, which you have co-sponsored with Senators Moynihan, Roth, Heinz, and Mitchell, and S. 1868, introduced by Senator Moynihan.

S. 1865

S. 1865 would postpone from February 9, 1982, until October 1, 1983, the change in the group eligibility requirement from the earlier "contributed importantly" standard to the new "substantial cause" standard. This would have the effect of repealing the change made in the Omnibus Budget Reconciliation Act of 1981, since the present authorization for the Trade Adjustment

Assistance program under the Trade Act of 1974 expires on September 30, 1983. We oppose this bill, for the pragmatic and financial reasons stated earlier. The bill would return the program to a situation under which Trade benefits would be paid to many workers whose unemployment was not clearly attributable to national import policies. We also anticipate it would increase program costs, but we do not have a budget estimate at this time.

S. 1868

S. 1868 would make five changes to the Trade Act of 1974, none of which the Administration can support. Those include:

(1) Amending the group eligibility requirement explained previously in my discussion of S. 1865. We believe it would return the Act to a situation in which Trade benefits would be paid to many workers whose unemployment was not clearly attributable to national import policies.

(2) Establishing approval for training by the Secretary as an entitlement. We are opposed to making training an entitlement, for the reasons stated above.

(3) Providing for the extension of coverage for workers employed by suppliers of essential parts or services. We oppose this change which would broaden coverage beyond a clearly defined causal relationship to governmental trade policies and would also increase the costs of the program. Cost increase is estimated at $150 million.

(4) Broadening the 26-weeks-of-work qualification test to include certain weeks during which an individual did not work but with respect to which such individual is subsequently awarded back pay. We do not support this proposal, which would provide coverage for weeks in which a worker clearly did not perform any services.

(5) Amending the "suitable work" standard for workers receiving extended benefits under the Federal-State Extended Unemployment Compensation Act or Trade Readjustment Allowances (TRA) to "work of a substantially equal or higher skill level than the worker's past adversely affected employment (as determined for purposes of the Trade Act of 1974),

and wages for such work at not less than 80 percent of the individual's average weekly wage for his most recent base period."

We are opposed to this proposal. It would eliminate the present consistency of TRA with present extended benefits and other work search requirements which provide an essential link between the basic unemployment compensation program and Trade Adjustment Assistance.

We also estimate additional program costs of $10 million if this provision were adopted.

Mr. Chairman, this completes my formal statement. My colleagues and I would be pleased to respond to any questions you may have.

Mr. LEWIS. With me this morning is, to my right, Marvin Fooks, who is Director of the Office of Trade Adjustment Assistance, and to my left, James Van Erden of our Actuarial Services Staff. We are pleased to appear before you this morning to discuss several issues before you.

We were asked to comment on four areas of interest to the subcommittee. The first was the new substantial cause criterion for certifying group eligibility for allowances under the Trade Act. The second was certain procedural aspects for approval and delivery of training. Third was a question of: Should training be an entitlement? Fourth: Should training be provided all dislocated workers rather than just those affected by import competition?

The administration is also prepared to speak to two bills recently introduced: S. 1868, introduced by Senator Moynihan, and S. 1865, cosponsored by you, Mr. Chairman, and Senators Heinz, Mitchell, Moynihan, and Roth.

On certification, the new group eligibility requirements for TAA are to become effective for all petitions filed on and after February 9, 1982. In order for a petition to be certified under present law, imports must have contributed importantly to total or partial separation or threat of separation and to declines in sales or production.

The present contributed-importantly standard requires that imports be important but not necessarily more important than any other cause. The amended standard requires that imports be a substantial cause of job loss or threat of job loss. Clearly, the new standard is more rigorous than the one being used presently, and we contemplate that the new standard would result in fewer certifications in the future as compared to those that otherwise might be the case.

Training—The administration has requested $98.6 million in fiscal year 1982 for training, relocation, and job search assistance. This proposed funding level, when compared to the $5-16 million per year spent for such services in prior years, underscores the administration's emphasis on worker adjustment rather than cash benefits.

The Omnibus Budget Reconciliation Act of 1981 contains several criteria for training. Some of the more important ones in the statute indicate that workers may be approved for training if there is not suitable employment and if the worker would benefit from training and if there is reasonable expectation of employment following training, if the approved training is available from public or private sources including vocational education schools and employers, if the worker applies for training within the required time periods, and if sufficient funds are available.

In developing training opportunities, the State agencies are expected to consult with adversely affected firms and unions and other representatives of workers. Priorities, according to our guidelines to the States, would be given first to on-the-job training and next to institutional training, with first consideration to area vocational schools.

In addition to training and cash benefits, the State agencies provide reemployment services that include counseling, testing, job development, supportive services, and relocation assistance. Often these services may be provided in the context of a specific reemployment plan for the individual. The State often will use group job-search techniques such as workshops and job-finding clubs.

As far as the training-as-an-entitlement question, Mr. Chairman, the administration believes that the $98.6 million requested would be sufficient for foreseeable needs in 1982. The administration believes that entitlements should be created only under the most compelling circumstances, in view of problems entitlements cause in bringing expenditures and deficits under control.

The Department of Labor is considering the question of training for all dislocated workers, regardless of cause. We have not finished evaluating that issue yet and would prefer to comment at a later date.

I would like to turn now to the bills before you: S. 1865 and S. 1868. As you know, S. 1865 would postpone the new substantial-cause standard until October 1983, in effect repealing action the Congress just took in the Omnibus Reconciliation Act of 1981. The administration opposes this bill because, under it, benefits might be paid to many workers whose unemployment is not clearly related to import policies. There also would be some potential cost implications.

S. 1868 would make five changes to the Trade Act of 1974, none of which the administration can support. The changes include amending the group-eligibility requirement as S. 1865 would. The second involves establishing training as an entitlement; the third would extend coverage to workers employed by suppliers of essential parts or services. We believe this would broaden coverage beyond a clearly defined causal relationship to trade policy and also would increase the cost of the program an estimated $150 million in 1982.

The proposal would also broaden the 26-weeks-of-work qualification test to include certain weeks during which an individual did not work but with respect to which such individual is subsequently awarded back pay. We do not support this proposal either, because it would provide coverage for weeks in which a worker clearly did not perform any services. And lastly, the proposal would amend the suitable-work standard for workers receiving extended benefits and TRA.

Thank you, Mr. Chairman.

Senator DANFORTH. Do you oppose both bills?

Mr. LEWIS. Yes, the administration does.

We would be happy to entertain any questions we might be able to answer.

Chairman DANFORTH. Under the "substantial cause" test, would auto workers be eligible for Trade Adjustment Assistance?

Mr. LEWIS. Well, as you know, Mr. Chairman, the ITC in its recent action on the industry petition for escape-clause, the import reviews, applied that standard. The auto industry was not found eligible. We can't speculate on what a decision would be after February when the new standard is scheduled to go into effect.

Senator DANFORTH. This is my concern: Here you have a program which is scheduled to expire at the end of fiscal year 1983, regardless. So we are talking about less than 2 years for the life of the program. We have already accomplished very substantial reductions in the cost of the program by providing for the equalization and expiration of the unemployment insurance benefits. And we have brought the cost down to less than 20 percent of what it was before. So having done that, then to say, "Well, we've already realized these very substantial savings on the benefits, but for the next 2 years we are also going to have a substantive change in the law pertaining to who is able to qualify for benefits under this stripped-down program," just seems to me to be overkill in the extreme and totally unnecessary.

My second concern with respect to the retraining aspect of the program is that the administration took the position that if we are going to have less emphasis on benefits then we should have more emphasis on retraining, and that the retraining component will be allocated $112 million a year. Through the budget process we have seen that remaining part of the program whittled down.

Do you know the figure in the last version of the continuing resolution? I believe it was $25 million. Twenty-five. So we have said:

We are going to do two things for you. We are going to cut down the benefits to a small fraction of what they were before, but we are going to emphasize retraining. We've got a retraining program of $112 million.

And then, all of a sudden, the retraining component is about 20 percent of what the administration originally requested. So, how are we left with anything at all? I guess that's my question.

Mr. LEWIS. Well, Mr. Chairman, we would agree with you as to the savings steps that you listed. I think what we have in mind is having the proposed new standard go into effect as the Congress intended originally. The reason would be that it probably insures against the down-side risk of outlays getting out of control. We would want to try to draw as close a relationship as possible to

import policy and in the subsequent disemployment of a worker, and the current standard could permit some petitions being approved if the economy goes as some of the commercial forecasters are predicting.

Senator DANFORTH. Senator Long?

Senator LONG. I just want to ask one question about training people for jobs that we hope will exist. It seems to me that in years gone by we have wasted all of our money training people for jobs that do not exist. Have you found ways to identify jobs, wherever they may be across this country, to direct the applicants to? And then have you identified a way to get some understanding with the employer that, if he trained a person to the level that the person has starting-level skills, that person would then be employed in the job for which he is training? Have you done that?

Mr. LEWIS. Senator Long, we would agree with you that over the history of employment and training efforts there has been much left to be desired in the selection of training opportunities. I think that over the last few years there have been several improvements in the delivery system that would help correct those problems that you are concerned about. One is that we would hope to bring private employers more closely into planning at the area level in selection of training classes.

Now there are two mechanisms already in place that we will be looking to.

Senator LONG. Well, do you have it now?

Mr. LEWIS. Yes, they are in place.

Senator LONG. Are you in contact with people who you would hope could use additional skilled workers so that you can direct workers to those jobs when they apply for training?

Mr. LEWIS. Well, the mechanisms that I refer to are, one, the private industry councils created under CETA, and another development over the past few years, the State employment security agencies now are affiliated with 900 to 1,000 local job service employer committees. And we would hope through some combination of that that we can solicit employer views on what their needs are.

Another modification that has been made recently is that we have prioritized the selection of training to attempt to seek out on-the-job training opportunities before other types of training are considered. So with some combination of that we hope to bring about improvements.

Senator LONG. You are not saying that you have it now, though. We've been involved with things like this for a long time. I just want to know if we have it now, and apparently the answer to that question is no. You were saying that you hoped to have it.

Mr. LEWIS. I may have misunderstood what "it" is. We do not have, if by "it" you mean a listing of 10,000 pledges from employers for specific, concrete jobs, that if trainees are produced they will be taken in some prospective period, no, we don't have that.

Senator LONG. Because there are certain places where people need workers. I just happen to know of one or two of them in my part of the country. You go to Morgan City, La., and if you can handle a welding torch, you can get a job. They need people down there to build drilling rigs to go out to get oil out of the Gulf of Mexico.

The same type thing is true in the Houston area. Now, there are undoubtedly other areas. But all I have got to do is to look at television to see that people know that, because you will see some worker losing his job up there in Detroit, and they will ask him on television, "Well, are you going to stick around here and hope that after a while there will be another employment opportunity, or are you going to move?" And he will say, "I'm going to go down to Texas. They tell me there are some jobs down there." Well, the Labor Department ought to be in the position to tell him for a certainty that there are jobs down there, who the employer is, and what skill he is going to have to have if he is going to be employed.

Mr. LEWIS. Senator, in addition to the operating mechanisms I described, we also have area labor market information that would provide that kind of planning information. An illustration would be the Occupations in Demand Bulletin, which is published periodically by the Department, that lists occupations, wage rates and geographic areas where some unfilled job openings have existed for 30 days or more. There are numerous other things that we could submit for the record.

Senator LONG. Well, there ought to be ways that we could obtain the cooperation of employers. Now, sometimes employers don't trust these Government training programs, and maybe we ought to work it out so that the programs that we have are programs that they themselves helped to supervise so that they are satisfied that this worker will be qualified when they take him on.

But one way or the other, for a displaced worker, if there is a job anywhere in America that that fellow could hold, we ought to try to see that he is pointed toward that job and that the training money is used to train him for that job, not for some job that doesn't exist but a job that does exist.

I just wondered to what extent this program has been sharpened to where it actually targets the job and directs the worker toward that job, and also contacts the employer to say we are training a man up here, wherever, in Detroit or wherever, or we are sending a man from Detroit to Texas that we hope to train for that particular job or for any job of that sort.

I just want to know to what degree this program has managed to make that progress to the point that you've got the man training for "a" job, a particular job, or a type of job for which there is an opening at a particular place.

Mr. LEWIS. Well, Senator, I almost have to resort to repeating myself. We agree with the objective that you state and feel that mechanisms are in place, that we would have a reasonable opportunity of achieving that objective.

Senator LONG. All right.

Senator DANFORTH. Senator Dole.

Senator DOLE. Well, I have a statement I would like to make a part of the record.

[The prepared statement follows:]

STATEMENT OF SENATOR BOB DOLE

Mr. Chairman, in the past several years the trade adjustment assistance program has received a quite a bit of attention. As its cost started to raise a number of Members of the Congress wanted to know if the program was really working. The Gener-

al Accounting Office examined the trade adjustment assistance program in 1980 and concluded it was not working. GAO recommended that a number of changes be made to return the program to its original purpose—adjustment.

Many of these changes were enacted into law this past summer. In considering these changes this committee, and the Senate as a whole understood that the program was being changed from one which would simply provide concurrent unemployment benefits to a program which would more strongly emphasize retraining unemployed workers. Mr. Chairman, largely as a result of your efforts and those of some of our colleagues in this committee the Senate amended the continuing resolution to add $50 million in training funds. I supported this because I also think that retraining workers so they can adjust to new economic conditions is the primary purpose of this program.

Several of our colleagues in the Senate questioned the addition of these funds, however, because they did not believe that the money would be well spent. They argued that there are no adequate plans for ensuring that the training is adequate and that workers are retrained for jobs which actually exist or will be created. This hearing will provide the opportunity for a number of these criticisms and questions to be raised and resolved. If the retraining program works or can be made to work then it should be funded. If it doesn't work and cannot be made to work then we must look for an alternative approach.

Senator DOLE. I assume that the chairman may already have addressed some questions to Mr. Lewis. If not, there are a number of questions I would like to submit to Mr. Lewis and have him furnish responses for the record, because we need to find out what's left of this program and whether or not it is working.

There is a lot of criticism of the program, that it isn't truly an adjustment program and is just another unemployment benefit program. And so, in the last battle on the continuing resolution there was an amendment offered to add, first a hundred, but finally $50 million, for retraining. Some feel that money is not being well spent or would not be well spent. So if those questions have not been asked, then I would hope that you might furnish responses to those questions.

Mr. LEWIS. We would be happy to do that, sir.

[The information follows:]

RESPONSES TO QUESTIONS SUBMITTED BY
SENATOR DOLE

1. Question

What caused the recent dramatic drop in the number of petitions filed?

Answer

There had been a steady growth in petition filing from the beginning of the program until 1980 when the inflow of petitions exploded, reaching a monthly peak of about 800 in August. There has been a significant decline since August, 1980 and for the past seven months the inflow has remained below 80 per month. The petitioning activity in 1980 averaged 445 per month compared with the previous high rate of 176 per month in 1979. 1980 was an aberration and dominated by the downturn in the auto industry, including its supplier industries.

It is not clear what has led to the recent low rate of petitioning. Among the likely causes is the misperception by some that the program has been abolished or the view held by others that benefit levels have been so significantly reduced as to raise a question as to the purpose of filing a petition. The fairly high rate of petition denials may also be a factor, as may the long time it is taking the Department to make its determinations because of the backlog of more than 1100 petitions.

2. Question

What caused the recent drop in the percentage of petitioners certified as eligible?

Answer

In the first four years of the program over 40 percent of the case determinations were certifications. This rate fell to 29 percent in 1980 and to about 9 percent in 1981. The low rate of certifications in 1981 reflects

a number of developments. First, many cases involve components or services provided by independent companies to the automobile industry. In the vast majority of cases these kinds of petitions cannot be certified because of the restrictive language of the law. Second, most of the auto assembly and related facilities owned by U.S. automakers are already covered by certifications. The impact of increased auto imports was largely felt in 1979 and 1980. Third, at least until recently, steel imports in most categories were not increasing. Last, in the areas of footwear and apparel, industries which featured numerous certifications in earlier years, where the investigation indicated decreased production the Department could not importantly associate it with increased imports. In many cases domestic shipments in the industry overall were up. It is impossible to predict whether this recent low rate of certifications will continue over the months ahead.

3. Question

Are TAA training programs administered by the states? What type of review or overview is performed by the Department of Labor to ensure that the training programs are administered properly?

Answer

The answer to the first part of this question is yes. State Employment Security Agencies administer all aspects of the Trade Adjustment Assistance (TAA) program through agreements with the Secretary of Labor. With respect to the second part, the Department of labor has developed a review guide covering the delivery of employability services offered under the Trade Act of 1974. The guide is for use of Federal staff in our regional offices and contains the basic materials required for conducting a review of State agencies' delivery of employability services to trade impacted workers. Each activity question in the guide is keyed to Federal regulations and administrative directives. DOL staff is in the process of updating the review guide to encompass the 1981 amendments to the TAA program. Despite budgetary constraints we plan to have reviews conducted in several key states to insure

effective implementation and administration of the new amendments.

4. Question

What type of training do most beneficiaries get? How good is this training? What is the success ratio of people who have completed training getting jobs in the occupation they have been retrained for?

Answer

TRA recipients are most frequently trained in:

Electronics	Key Purch Operator
Welding	Diesel Mechanic
Bookkeeping	Accounting
Licensed Practical Nurse	Appliance Repair
Secretarial & Related	Electronics Technician
Wireman	Industrial Technician
Auto Mechanic	Small Engine Mechanic
Auto Body Repair	Cosmetologist
Computer Technician	Barber
Machinist	Heat & Air Conditioning Mechanic

- The training has generally been effective because it has been vocationally oriented toward occupational categories which have been deemed as having good employment prospects, whether of a technical or professional nature. Such training has been certified by State Vocational Education Departments as meeting their high requirements and standards to provide the workers with the skills and knowledge needed to perform the job satisfactorily and subsequently secure employment.

- While we cannot identify the extent to which retrained workers enter non-adversely affected employment, we do know that of the 15,793 workers who completed training during the life of the program through June 1981, 3,474, or 22 percent were placed in jobs by State Employment Security Agencies. In addition, many more were placed in jobs through their training facilities.

5. Question

Is on-the-job training the most successful type of retraining? How can we encourage more such training?

Answer

The Department of Labor generally considers on-the-job training in the public or private sector to be relatively more successful than other types of training because it is less expensive and a worker is job attached and engaged in productive work while learning the particular skills and knowledge required to perform the job satisfactorily. Upon completion of the training, the worker is more likely to continue to be employed as a permanent member of the work force. The Congress, in amending the Trade Act of 1974, recognized this fact and placed emphasis and priority on providing training first through on-the-job training, whenever possible.

Current statistics indicate that five out of every six jobs in the American economic system are in the private sector. The DOL position is that training of this nature can be increased by encouraging private sector employers to take the initiative in providing on-the-job training programs for occupational shortages in their industries.

As an inducement for participation of the private sector, the Congress may want to consider approving tax break incentives to employers who provide this type of training in their industries.

6. Question

Did the Department of Labor ever look into the possibility of using the training facilities and expertise which presently exist in the armed services as a means of retraining TRA recipients?

Answer

On occasion, the local national guard facilities have been used to supplement training needs on a local or community basis. In an attempt to utilize the training facilities, expertise, and resources of the armed services, a special task group of Department of Labor and Department of Defense staff is presently participating in a joint effort to develop cross walks between civilian and military occupations which could eventually lead to this kind of cooperative training endeavor. However, local occupational needs do not necessarily coincide with those for which the military could provide training.

Senator DANFORTH. Let me just ask you one more question, Mr. Lewis. When the administration decided that it was going to emphasize training and substantially reduce the benefit portion of the program, it did so with a view toward trying to reduce the cost of Government. Isn't that correct?

Mr. LEWIS. That was one of several objectives.

Senator DANFORTH. Wasn't that the principal one?

Mr. LEWIS. There were several others, one being an equity question. It was felt with the very, very high benefit level afforded under the prior program it was difficult for other unemployed workers in a State to understand why they were receiving benefits equal to possibly half of that.

Senator DANFORTH. With respect to the training part of the program, there wasn't an effort, or was there, to add that to create a fat program? That part was put together with a view toward the general constraints of the Federal budget, wasn't it?

Mr. LEWIS. The training, the original $112 million estimated, was thought to be a fairly rich program for the number of persons we thought would be drawing benefits, particularly compared with the history of the program.

Senator DANFORTH. But the object wasn't just to repeat history; the object was to shift in the direction of the program.

Mr. LEWIS. Yes, it clearly was.

Senator DANFORTH. And are you telling me that the administration wanted to put together a fairly rich retraining program?

Mr. LEWIS. Yes, if you look at the past.

Senator DANFORTH. But we are not looking at the past; we are saying we are going to shift the course of the trade adjustment program.

Mr. LEWIS. The training, clearly, the $98 million which the Secretary——

Senator DANFORTH. A hundred and twelve it was, originally.

Mr. LEWIS. Well, originally 112.

Senator DANFORTH. Then it got to 98, then it got to 50, then it got to 25.

Mr. LEWIS. The 98 was consistent with the 12-percent reductions that were applied across the board, but a high of $16 million in any 1 year is the experience.

Senator DANFORTH. Mr. Lewis, I am not talking about the experience; I am talking about what is happening to trade adjustment assistance. It is my understanding that the position of the administration is to change the emphasis of the program, to deemphasize benefits and to emphasize training, so I say "new emphasis" on training. Is that correct?

Mr. LEWIS. That's correct. And I would say that of the original estimate of $350 million, having practically a third of that for training and relocation and job search is a decided shift in emphasis.

Senator DANFORTH. Yes. But suddenly, or not so suddenly but over a period of a half of the year, that's been whittled away and it's now down to about $25 million. We thought we would lose it all for a time.

Mr. LEWIS. The administration's request has not changed.

Senator DANFORTH. The administration's request is what?

Mr. LEWIS. $98.6 million.

Senator DANFORTH. It is $98.6 million?

Mr. LEWIS. Right.

Senator DANFORTH. Is it the position of the administration that $98.6 million is an amount which is important to carry out the administration's new trade adjustment program, which in the aggregate substantially reduces the cost of the program from what was the projected figure?

Mr. LEWIS. The administration sees that as important and continues to.

Senator DANFORTH. And it's a necessary component, is it not?

Mr. LEWIS. It is.

Senator DANFORTH. Of the stripped-down program?

Mr. LEWIS. It is.

Senator DANFORTH. Is it fair to say that if we were to gut that replacement part of the program, we would do violence to the aggregate, total administration program which was intended to save money?

Mr. LEWIS. I would say that the training is a critical part of the shift in emphasis. There is no particular magic about the $98.6 million, but something far in substantial increase above historical outlays for training would be necessary in order to achieve that.

Senator DANFORTH. Well, it would approximate what the administration asked for; wouldn't it?

Mr. LEWIS. That's right.

Senator DANFORTH. Yes.

Mr. LEWIS. Yes.

Senator DOLE. Well—you say there is no magic in that figure—you probably couldn't spend $98.6 million, could you? Wisely, if you could spend it. We are trying to avoid some of that spending, if it can't be done wisely.

Mr. LEWIS. As the year progresses, it would become more and more difficult to spend it. And right now, as you know, no training

is taking place because there are no funds in the current continuing resolution.

Senator DANFORTH. Mr. Lewis, on the substantial cause issue, given what we have already done, would the administration fight to the death if we tried to keep the current standard through the end of fiscal year 1983? Would you just go to the mat?

Mr. LEWIS. I don't know that I could attach myself to the dramatic language you used, Senator.

Senator DANFORTH. Isn't it reasonable to say that given the savings on the program already, if we were to keep the "contribute importantly" language as is for the next, not quite, 2 years, it would not exactly cause people in the administration to stay up late at night to enforce it?

Mr. LEWIS. It could, but I believe the administration would continue to oppose that.

Senator DANFORTH. Well, they might oppose it, but it wouldn't cause great agony; would it?

Mr. LEWIS. Where it fits in an array of total concerns would be difficult for me to say.

Senator DANFORTH. Would you stay awake at night with remorse? Could I say that an administration spokesman told me that he would not stay awake at night with remorse?

Mr. LEWIS. I stay awake at night for a number of things. That could well be one of them. [Laughter.]

Senator DANFORTH. But not necessarily?

Mr. LEWIS. It could contribute importantly. [Laughter.]

Senator DANFORTH. All right.

Mr. Lewis, could you stay around for a few minutes?

Mr. LEWIS. I would be happy to.

Senator DANFORTH. Because I think Senator Moynihan is coming.

Senator DOLE. He has some friendly questions.

Senator DANFORTH. Yes, friendly questions.

The next witness is Alan Wolff, formerly Deputy STR.

Mr. WOLFF. Mr. Chairman.

Senator DANFORTH. Good morning.

STATEMENT OF ALAN WOLFF, FORMER DEPUTY U.S. TRADE REPRESENTATIVE, WASHINGTON, D.C.

Mr. WOLFF. Good morning. I will summarize my remarks, if I might.

I applaud your efforts, Mr. Chairman, to extend the period of applicability of the provisions governing eligibility for trade adjustment assistance. I think it is important for there to be some time to think about what sort of program the country ought to have and not to cut it back even further at this time. To cut back the program drastically is terribly shortsighted. It is wrong in terms of what was promised to American labor; it is wrong in terms of equitable treatment of workers; and it is wrong in terms of our national interest in maintaining a liberal, outward-looking trade policy.

The program is far from perfect. It is reactive rather than anticipatory. I think there is an insufficient emphasis on training, insufficient emphasis on aid in relocation. The German Government has

a national jobs register. We do nothing to help assist people to find jobs in other areas of the country where they may exist. We have an educational system that is not geared to our job market, so that—on the highest level of skills—we graduate half as many electrical engineers each year, while the Japanese, with half the population, graduate twice as many. And that goes right down to the skilled production line worker.

The key question that will be coming up is what to do, as you mentioned this morning, with the tens of thousands of automobile workers who will not be rehired, due in part to automation and a change in buying habits of the American people. But the key purpose for which I have been asked to come here this morning is not to testify as to what the shape of a program should be but rather what does it mean to trade policy in this country if we do not have a major trade adjustment assistance program? I was asked to come here because of my experience in dealing with trade legislation since 1969, including most recently the Trade Agreements Act of 1979.

In my view trade adjustment assistance is absolutely essential to maintaining a domestic political consensus in favor of maintaining a liberal trading system. The liberal trading community is too quick to forget the bargains that were struck in order to achieve a major reduction in tariffs—down from 60 percent average tariffs in the 1930's. The industries, firms, and workers who suffered from import competition were promised, first of all, a working escape clause—that relief would be granted unless the President determined it was *not* in the national interest to do so. Despite it's presence in the law, that is not the presumption that is applied by most administrations. The opposite presumption is in fact applied, namely having to show that it is in the national interest to provide relief.

The second part of the bargain was trade adjustment assistance introduced two decades ago into U.S. law. And what is being done currently by this administration threatens to undermine further the already uneasy domestic political consensus which permits the continued efforts of this country toward trade liberalization.

The trade adjustment assistance program is designed to serve two purposes: To compensate those who have lost their jobs and to facilite adjustment, relocating, and retraining workers for better employment opportunities.

I spoke, in preparation for this testimony, with John Rehm, who was the first General Counsel of the first Office of the Special Trade Representative, and before that, when the Trade Expansion Act of 1962 was before the Congress, was responsible for the administration for the contents of that legislation. He told me that the administration clearly regarded as a moral obligation keeping trade adjustment assistance in the bill, despite the opposition which developed to the program. The same arguments you hear today were made 20 years ago. Congressman Byrnes, the ranking Republican of House Ways and Means at the time, said, "Why prefer trade dislocated workers, import impacted workers, over other kinds of workers?" There are a variety of answers to this question, one of them being that it is important to national policy

to have an open trading system, and some workers will bear the cost of that policy.

In return for labor's support the administration got authority to cut tariffs by 50 percent and to go to zero tariffs on any product that an enlarged European Community would also go to zero on. This was exceptional authority at the time. And that bill contained trade adjustment assistance.

Three arguments were made in favor of trade adjustment assistance at the time: That it was important to gain labor's support of a liberal trade policy, that the Federal Government was morally obligated to provide this form of assistance for the adjustment that would be necessitated by trade liberalization, and that the cost of the program would be more than offset by advantages stemming from the new policy. George Meany said before House Ways and Means at the time, "Adequate assistance or relief for those adversely affected by imports is essential if the American labor movement is to continue its support for a liberal trade policy." I have included a number of quotations in my written statement from the Secretary of Labor and the Secretary of Commerce, who were testifying at the time, as well as the summing up that Ways and Means put in its report on why the committee had adopted this program. The report stated: "Great as the employment benefit is expected to be from expanded trade, our interests as a nation and those of the American worker require attention to the situation of those workers who will be displaced, even though their number may be small compared to the labor force as a whole. Their displacement would be the price of the national gain from expanded trade, and in those cases where it would be inappropriate to assist those workers and their employers by increasing tariffs or otherwise restricting imports, they should be helped to adjust to the new international competition to become able to enjoy its benefits themselves."

Now, as you know, the program didn't work for quite a number of years. No group of workers was certified for the first 7 years until the criteria for access to the program were administratively relaxed. Thereafter, 47,000 workers were certified over the 5 years from 1969 to 1974. Now this administration, is apparently reversing that trend by administratively tightening the program so that very few workers are currently being certified.

To sum up: Our trade objectives in this country do not vary now from what they were in 1962, 1974, and 1979. To be sure labor has ceased to support trade liberalization in general, without asking questions. But labor is there in support of balanced agreements when they can be shown to be balanced. The Trade Agreements Act of 1979 would not have passed by 395 to 7 in the House and 91 to 4 in the Senate, had labor been opposed.

Trade adjustment assistance was promised to labor as part of the price for the United States reducing its trade barriers on a reciprocal basis. When labor last supported trade agreements in 1979, some 700,000 workers had been certified under the program; so organized labor had a right to assume that that program would continue. The program is a significant factor in retaining labor's support of the basic thrust of opening markets abroad and maintaining an open trading system, and I would not regard labor's role as to be of no consequence. Labor quite successfully, as Evelyn

Dubrow can testify here, managed to take textiles out of the trade negotiations in 1978. Labor cannot be discounted as a force in the shaping of this Nation's trade policy.

Finally, I would say enlightened national interest dictates the same course of action today as it did in 1962, that is to provide a program that will help facilitate adjustment and promote the openness to trade.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Testimony

of

Alan Wm. Wolff

Partner,

Verner, Liipfert, Bernhard & McPherson

Mr. Chairman:

My name is Alan Wolff.

I am a trade lawyer who has worked with the Congress and the Executive Branch over the last twelve years in fashioning trade legislation. My first experience in the field was as a Treasury lawyer, participating in the drafting of the President's trade bill in 1969, and then the Mills bill in 1970. In 1973, I served as principal draftsman of the Administration's proposed "Trade Reform Act" and lived for two years with the House Ways and Means and Senate Finance Committees (as Deputy General Counsel and then General Counsel of the Office of the Special Trade Representative) working out the language and compromises that became the Trade Act of 1974. Most recently, as Deputy Special Trade Representative (STR) under Robert Strauss, I spent months with the two trade committees of Congress working on the legislation which was enacted as the Trade Agreements Act of 1979.

While, as Deputy STR, I was nominally (by statute) chairman of the Trade Adjustment Assistance Coordinating Committee, this was an activity left unfunded and therefore unstaffed by decision of the Office of Management and Budget. Thus, I have not been requested to appear before you today to testify as an expert on the design and implementation of trade adjustment assistance programs.

However my experience has allowed me to understand and appreciate the important role which an effective trade adjustment program must play in maintaining the domestic political consensus essential for a liberal trading system.

The liberal trading community is remarkably forgetful of the political foundation of our open trade policies. First and foremost, there is the escape clause. A consistent part of our international trade agreements since the Second World War, it is the international recognition of the pledge implicit in our domestic trade legislation--namely, that while we will eliminate all barriers to imports, if a domestic industry suffers injury, the President will grant it temporary relief from imports unless it is not in the national interest to do so.

In fact, in government decision-making the presumption in the law is ignored, and the opposite one applied. There is a burden of proof to show that it is in the national interest to grant relief. While this may be a better economic policy in the short run, it is a betrayal of the bargain underlying U.S. support for a liberal world trading system. In the long run, breaking this pledge may result in the loss of what free-traders seek most to preserve.

A second part of the bargain struck for trade liberalization was the introduction of Trade Adjustment Assistance into law two decades ago. My concern in appearing before

this Subcommittee is that the amendments made to the Trade Adjustment Assistance (TAA) program this year threaten to undermine further the already uneasy domestic political consensus which permits the continued efforts of this country toward trade liberalization.

I believe that there is a basic domestic consensus favoring the opening of the world's markets, and that this consensus includes organized labor. This is true despite the trade resolutions concerning international trade adopted at the recent AFL-CIO Convention, which endorse increased trade restrictions for steel and automobiles. Labor's view is internationalist, but it has little use for experimentation with theories of free trade, while economies abroad functioning with different economic precepts appear to frustrate U.S. exports while providing sharp import competition here resulting in lost American jobs. If it can be shown that balanced agreements can be negotiated, some unions will actively support passage of those agreements, while, by-and-large, others will at least control their skepticism and not work against Congressional approval of the agreements.

An important part of the compact with American labor, which enables the U.S. Government to continue to work for a more open world trading system, is the maintenance of a meaningful trade adjustment assistance program. Thus, the

recent AFL-CIO Convention also called for the restoration of assistance provided by the TAA program as it existed by virtue of the Trade Reform Act of 1974.

This program was designed to serve two purposes--it was to compensate those who lost their jobs so that the nation could benefit from increased international trade, and it was to facilitate adjustment, relocating and training workers for better employment opportunities. One can argue about how best to shape the program, or whether compensation or adjustment is to be a preferred objective, but it is political fact that an effective adjustment assistance program adds support for a balanced liberal trade policy. Removal of that program can only accellerate the deterioration of domestic support for a liberal world trading system.

TAA (Trade Adjustment Assistance) was an essential part of a bargain struck with labor to enable the President to receive the Congressional delegations of authority and approval necessary to negotiate and implement international trade agreements. This conclusion emerges from the record of major trade legislation running back over two decades, despite the vastly different economic circumstances of the beginning of this period.

While it cannot be said with assurance that the inclusion of TAA bought labor's support for the 1962 trade act, those managing the bill for the Administration (such

as John Rehm, later the first General Counsel of the new Special Trade Representative's office) state that the Administration regarded keeping the adjustment assistance program as a moral obligation to labor for its support for the bill. This was the case even though in 1962 organized labor was still strongly in favor of the free movement of goods across borders. The United States was the dominant national economy in the world, American trade surpluses were to be expected, the fixed-rate international monetary system worked. However, the authority being requested was for a massive round of tariff negotiations under the auspices of the GATT. Fifty percent tariff cuts were authorized, with tariff elimination allowed if a Europe that included the U.K. agreed to match the U.S.' action. With the support of organized labor, the necessary authority, the Trade Expansion Act of 1962 was enacted.

Thus, it was more than a coincidence, that this Act also contained an important legislative innovation--a program of adjustment assistance for workers and firms injured or threatened with injury from import competition. The Act provided for supplemental unemployment benefits, retraining and placement services, and relocation allowances for workers. And for the eligible firms it offered loans or loan guarantees, technical assistance and tax relief.

Labor wanted a workable preferred alternative to the

imposition of import restrictions, which it felt in any event might be difficult as a practical matter (with lack of resources and access to the facts) for unions to obtain. The trade adjustment assistance provisions of the Trade Expansion Act of 1962 were a natural application of the well-known principle of welfare economics that any government policy, presumed to be of net benefit to the nation as a whole, should not impose disproportionate costs on certain segments of the population. The government should offer compensation to those who might otherwise suffer from the imposition of its policies. This was essentially the argument made by organized labor concerning the potential effects of trade liberalization on the economic well-being of the workers they represented. The Administration and the Congress accepted this argument and the concept of trade adjustment assistance was included in the legislation. The adjustment assistance provisions of the Trade Expansion Act were crucial in enlisting the support of organized labor for its passage.

A review of the legislative history of the Trade Expansion Act of 1962 indicates that three arguments were emphasized in favor of adoption of the Trade Adjustment Assistance program. These are (1) that adjustment assistance was important to labor's support of a liberal trade policy; (2) that the federal government was morally

obligated to provide this form of assistance because of the projected scope of the economic adjustment necessitated by the trade liberalization envisaged, and (3) that the cost of the program would be more than offset by advantages stemming from the new, liberalized policy.

In his testimony before the House Ways and Means Committee, AFL-CIO President George Meany quoted a then recent AFL-CIO convention resolution:

> "Adequate assistance or relief for those adversely affected by imports is essential if the American labor movement is to continue its support for a liberal trade policy."

A second theme was the government's moral obligation to assist workers and firms. In his testimony concerning the original bill, then Secretary of Labor Goldberg stated:

> "...in a democratic country such as ours, which concerns itself with the individual, if, as a result of our national decision that will benefit the country, individuals, workers, employers are adversely affected, then it is the proper concern of the government to do something about it. . . . Here we have a national decision, and if Congress decided that the national decision is sound for the reasons we are all advancing in the interests of the country as a whole, in the interests of its growth, in the interests of employment, and some people are affected, then we say there is a national responsibility to do something about it for those people and those firms that are involved."

Goldberg pointed out that the existing system of tariffs and import restraints had resulted in subsidization of inefficient U.S. producers and in an inability of some U.S.

producers and workers to adjust to the changing patterns of international trade. Adjustment assistance was the proposed response.

In his testimony before the Ways and Means Committee, then Secretary of Commerce Luther H. Hodges indicated that an important source of the government's obligation to provide assistance was the economic dislocation which would be caused by trade liberalization:

> "While I do not think any firm or group of workers should have a proprietary interest in the continuance of a government policy, I do think that where individual firms and groups of workers have enjoyed many years of tariff protection, then the government has a duty to help in the adjustment . . . . Where it is in the national interest to remove the tariff protection around these industries, it should also be the national duty to help those individual firms and workers who do not have resources to make the necessary adjustment."

Finally, the legislative history indicates that the cost of the program would be insignificant relative to the benefits to be gained from trade liberalization. During the original hearings, Secretary Goldberg estimated that over the subsequent five years, approximately 90,000 workers would be eligible for assistance. He went on to emphasize, however, that:

> "This is a relatively small number...and...it would be more than offset, much more than offset, by the number of jobs which would be created by the expansion of our export trade as a result of adopting liberal trade policies."

This idea was perhaps most succinctly expressed by the Committee on Ways and Means in its report on the bill:

> "Great as the employment benefit is expected to be from expanded trade, our interests as a nation and those of the American worker require attention to the situation of those workers who will be displaced--even though their number may be small compared with the labor force as a whole. Their displacement will be the price of the national gain from expanded trade and in those cases where it would be inappropriate to assist these workers and their employers by increasing tariffs or otherwise restricting imports, they should be helped to adjust to the new international competition--to become able to enjoy its benefits themselves."

The concept of trade adjustment assistance was also applied shortly thereafter to trade in automotive products between the United States and Canada. The Automotive Projects Trade Act of 1965 provided for free trade in automotive products between the United States and Canada. While the agreement received widespread support from U.S. automobile producers, the support of the United Automobile Workers was conditioned on more liberal eligibility criteria for adjustment assistance than those of the Trade Expansion Act and on bypassing the Tariff Commission in the determination of eligibility.

The reason the UAW sought and obtained more liberal eligibility criteria was that the criteria in the Trade Expansion Act proved in practice to be impossible to meet. The 1962 legislation applied criteria for access to escape clause relief which were much more difficult to satisfy and

prescribed equally rigorous standards for eligibility for adjustment assistance. The result proved to be a cumbersome and ineffectual form of adjustment assistance. When a group of workers applied for TAA they had to show (1) that trade concessions had caused increased imports; (2) that increased imports had caused unemployment or underemployment; and (3) that increased imports were the "major" cause of such dislocation. Until November 1969, no group of workers was certified. From then on, during the last five years of the Act's existence after the criteria were somewhat relaxed by administrative interpretation, only 47,000 workers received benefits. Thus the trade adjustment assistance program of the 1962 Trade Expansion Act, to which the labor movement had assigned so much importance, turned out to be an abysmal failure.

In the meantime imports increased dramatically in the latter half of the 1960s because of an overvalued dollar and strong competition from new sources of supply. The rapid growth of imports, along with the lack of delivery of TAA benefits, resulted in increasing resistance to trade liberalization by the labor movement, culminating in efforts to pass first the Mills bill in 1970 and then the Burke-Hartke bill in 1972. While organized labor was unsuccessful in getting trade restrictive legislation passed, many members of Congress were sensitized to the costs of trade-induced

economic dislocation and this played an important part in causing the adjustment assistance program to be improved substantially in the Trade Reform Act of 1974.

While the trade reform bill presented by the Nixon Administration to Congress in early 1973 proposed a curtailment of the adjustment assistance program by eliminating adjustment assistance for firms and limiting benefits for most workers, this position was rejected by the Congress. The House Ways and Means Committee and the Senate Finance Committee rewrote the adjustment assistance provisions of the Act. The criteria for adjustment assistance were liberalized and responsibility for determining eligibility for assistance was assigned to the Department of Labor (for workers) and the Department of Commerce (for firms). In addition the level of benefits was substantially raised and a program of adjustment assistance to communities was established.

Organized labor was not entirely pleased with the changes made concerning adjustment assistance in the Trade Reform Act of 1974, but it did view the bill as a substantial improvement over the provisions in the Trade Expansion Act of 1962. Again, it is important to emphasize the role of trade adjustment assistance in ameliorating the effects of trade liberalization in this country. The Congress, in passing the Trade Reform Act of 1974, clearly recognized

that trade liberalization indeed imposed costs in terms of the movement of labor and capital out of affected import-competing industries and that the economy as a whole should bear some of the costs involved. The labor movement, for its part, viewed the provision of trade adjustment assistance as a vital component of U.S. trade legislation to relieve the human costs of trade liberalization as a matter of fairness.

After 1974, the number of workers assisted by trade adjustment assistance grew due to the changes in the eligibility criteria made in the 1974 Act. Through July, 1979, the new program had assisted 481,476 workers and the cumulative cost of the program reached $765.4 million. This was at a time when U.S. trade was rapidly expanding and negotiations were proceeding for a new round of trade liberalizing measures in the Multilateral Trade Negotiations (MTN). From 1974 to 1979 U.S. exports increased in value at an annual average rate of 21% a year while imports expanded by almost 27% a year, largely due to the rapid increase in the cost of oil imports. Labor's concerns about the economic dislocation and job loss from imports continued, but there also developed on labor's part a new awareness with respect to the job opportunities provided by increased exports. This was especially evident in labor's participation in the MTN private sector advisory process and the strong support

of many unions for the codes on non-tariff barriers which would help open up overseas markets for U.S. exports.

While no changes were made in the trade adjustment assistance program with the passage of the Trade Agreements Act of 1979, I do not think that it is an exaggeration to state that the labor movement's tacit acceptance of further trade liberalizing legislation was founded in part on the assumption that the trade adjustment assistance program would continue. The remarkable thing about the Trade Agreements Act of 1979 is that the Congress accepted by an overwhelming majority the results of a major trade negotiation. Even if one does not view labor as being a dominant force in deciding the fate of trade legislation, a 395 - 7 House vote and a 91 - 4 Senate vote would be inconceivable had labor actually opposed the legislation.

Budget pressures have now resulted in drastic cut-backs in the Trade Adjustment Assistance program. The program had by FY 1980 reached an annual level of expenditure of $1.5 billion. Changes were made this year (in the Budget Reconciliation Act of 1981) to reduce outlays primarily by reducing the benefit levels and the length of time during which individual workers could receive benefits. Perhaps the most significant change, according to many observers, is the amendment to section 222(3) which replaces the causal criterion that imports "contributed importantly to" with

imports being "a substantial cause of" unemployment. The term "substantial cause" means a cause which is important and not less than any other cause. This change represents a substantial tightening of the eligibility criteria for trade adjustment assistance. The Administration expects that the changes will result in a significantly smaller number of workers being certified under the program. This expectation is reflected in the Administration's budget request of only $238 million for adjustment assistance payments and $98.6 million for the funding of training, job search and relocation efforts for FY 1982.

The labor movement perceives that the Government, in making these changes in TAA, reneged on its commitment to provide assistance for those workers and firms who experience trade-induced economic dislocation. Wilber Daniels, Executive Vice President of the International Ladies' Garment Workers Union, in his testimony before the House Ways and Means Committee, stated that:

> "...the trade adjustment assistance programs were initiated over fifteen years ago to assure that no one segment of our society should suffer an unfair burden for the general benefit we all derive from a liberal and open trade policy.
>
> .../I/t is inconceivable that the federal government should now renege on its obligation to give special protection to those whose import-caused unemployment is the result of government trade policies. The government was able, in part, to win Congressional and public acceptance of its policies to promote freer international trade by

> agreeing to protection of domestic industries and workers through the program of special assistance provided by the Trade Acts of 1962 and 1974."

The Government needs to give serious consideration to the political implications of substantially withdrawing trade adjustment assistance. Historically the government has offered domestic workers two means of addressing the adjustment costs of increased imports. One is relief under the escape clause and the other is trade adjustment assistance. The granting of import relief is limited. There is almost an institutional presumption in the Government against such action. That means that trade adjustment assistance may often be the only program available to workers to help bear the economic costs associated with a liberal trading system.

In a time of accelerating international economic change, due to both a liberal trading system and the pace of technological innovation, it is short-sighted and counterproductive to try to do away with trade adjustment assistance. Government policies should help encourage the mobility of resources, not discourage them by doing away with this program. The lack of an effective adjustment program will build pressures opposing economic change rather than facilitate such change--with some human compassion.

I do not believe that anyone in Congress or the labor movement or the business community thinks that the TAA

program contained in the Trade Reform Act of 1974 is perfect. There is much room for improvement so that the program can more effectively realize its purpose of promoting economic adjustment while making sure the adjustment costs do not fall solely on the workers adversely affected by imports. Rather than sharply curtailing the program for short term budget goals, the Congress and the Administration should work with labor, the academic community and business in a cooperative effort to improve the program. In all of this, the labor movement has an obligation to respond to the challenge and necessity of helping to improve the adjustment assistance program from which their members benefit.

The value of trade to U.S. political and economic interests is clear. The depression of the 1930s showed the serious harm inflicted by an attempt at economic isolationism. While perhaps not causing the great depression, the Smoot-Hawley tariffs certainly contributed to its depth and duration as well as ensuring that it was international in nature. The U.S. tariffs of over 50% were matched by trade restrictions in other countries and by 1932 world trade had fallen to only one-third of its 1929 level and U.S. exports were a meager $2 billion. Today, with industrial tariffs averaging only about 5%, our exports exceed $200 billion and more than 5 million U.S. workers' jobs depend on those exports. I am not suggesting that we are in immediate

danger of reverting to the economic isolationism of the 1930s, but pressures are building to turn away from trade liberalization. Clearly restrictive policies were a mistake a half century ago and would wreak even more economic damage today at a time when we have a much greater stake in the international economy.

I believe the U.S. pursuit of trade liberalization over the last 20 years has been in the economic and political interests of the United States. Trade liberalization is still a deserving objective, provided that such liberalization is a reciprocal process in which our trading partners fully participate.

However, the process of trade liberalization entails economic costs as well as benefits. The costs of international trade are felt most directly by those who lose their jobs or businesses to import competition, while the benefits accrue to those who gain employment and business expansion through increased exports. This is why domestic trade policy controversies are generally concerned with questions of equity, not efficiency. Most economists and policy makers would agree that the process of trade liberalization is likely to move our economy in the direction of greater economic efficiency. This means that, in an economic sense, society as a whole is better off. But "society as a whole" is an abstraction. In the real political and social world, society is composed of individuals and groups

of individuals. Questions of trade policy then ultimately become questions of social equity. Who within a society gains and who loses from government actions to liberalize trade?

Trade adjustment assistance is meant to assist those who suffer losses so that society as a whole can benefit from an open international trading system. Such assistance has become an important aspect of maintaining the domestic political consensus for trade liberalization and an open international economy. The potential economic costs which may result from undermining this consensus will dwarf any short-term budgetary savings which were initially sought.

To sum up:

I was asked here today primarily to address the question of the importance of adjustment assistance (TAA) to U.S. trade policy. I regard it as vital.

TAA was promised to labor as part of the price for the U.S. reducing its trade barriers on a reciprocal basis. For that reason alone, a meaningful program should be retained.

TAA is a significant factor in retaining labor's support of or acquiescence in the basic thrust of opening markets that is at the heart of U.S. trade policy. A view that labor is opposed to this U.S. objective is a misleading oversimplification. Labor's active support for trade

liberalization could still be regained if reciprocity abroad could be assured.

To regard labor's position on trade to be of no consequence would be an error. For example, in 1978, labor successfully obtained overwhelming passage of legislation to remove textiles from trade negotiations, forcing an accomodation to be reached. And, as noted earlier, passage by substantial margins of the Trade Agreements Act of 1979 required some support, and some neutrality, by organized labor.

Equity argues strongly for a trade adjustment assistance program--to help alleviate the burden from a few, for the benefit of the many. Some things should be done because they are right. (This was the secret of Bob Strauss' success in obtaining passage of the Trade Agreements Act of 1979.) And even if labor were temporarily powerless to affect trade policy (which I do not believe to be the case), what would be gained by permanently alienating an entire segment of our economy. That is not the way our democracy is designed to function, nor is it a way to preserve a domestic political foundation for an enlightened foreign economic policy.

Finally, enlightened national self-interest dictates the same course of action as it did in 1962, only the circumstances of the world economy today make that course far more important: It is essential that adjustment to change be facilitated and that the existing openness and

fairness of trade be increased, not diminished. Any other course would be suicidal. The sharp curtailment, rather than improvement, of the adjustment assistance program embarks on the wrong course. It increases the pressures to turn inward, depriving the Government of a vitally important tool to deal with the costs attendant to having an open economy. In these times, we can ill-afford this decision.

Acknowledgements

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I am also indebted to William A. Noellert, of this firm, formerly International Economist at the U.S. Department of Labor, for a major role in preparing this testimony and Elaine Frangedakis of the firm, for her assistance in researching the legislative history of the TAA program.

Senator DANFORTH. Mr. Wolff, it is my understanding of your testimony that the business of getting a trade bill such as the 1979 Trade Agreements Act through the Congress is not an easy undertaking.

Mr. WOLFF. Not at all.

Chairman DANFORTH. That it takes consummate political skill by consummate politicians such as Bob Strauss to work out the variety of interests that emerge when trade policy is before the Congress.

Mr. WOLFF. Exactly.

Senator DANFORTH. And that one of those interests is labor; and that it is important, in getting Congress to pass a trade bill, to get labor on board and supportive; and that the way we did that in 1974 and 1979 was through a trade adjustment assistance program on which labor was counting.

Mr. WOLFF. I think that had we said in 1979 that the program would be cut back like it has this year, we would not have had that trade bill.

Senator DANFORTH. Now, we've already cut it back substantially through linking trade adjustment assistance and unemployment insurance. Now, if we were to go beyond that, if we were to say, "All right, not only are we doing that but we are going to do a couple of other things as well. First of all, we are going to change the definition of who is eligible. We are going to change that definition so that auto workers would not be eligible. Then we are going to do another thing. We have told you that we are going to have a substantial training program as a quid pro quo for the old trade adjustment assistance program and that that's going to be a $112 million program. Well, we had our finger crossed when we said that, and we are now going to cut the cost, of the training program down from 112 to 98; no, 50; no, 25. In fact, if you read the paper, yesterday's front page, you will note that apparently there is a dispute between OMB and the Labor Department on all these training programs. So maybe it's going from 112 to zero, for all we know."

Now, do you think that if we were to take that position, as a Government, we would be leading with our chin as far as getting labor on board for any future trade legislation?

Mr. WOLFF. I don't see that there is any reason that the labor movement would have any reason to believe any administration with respect to future trade liberalization if we don't deliver the programs that were put in place as part of the basic package of trade laws in this county. And one of those programs was trade adjustment assistance.

In 1973, the Nixon administration came up here with no program of assistance to firms, and they made worker assistance into a very minor supplement to unemployment benefits, evening out the State payments. And both trade committees of the Congress immediately revised that proposal to put into effect the current trade adjustment assistance program.

I don't have a great deal of faith in the current training system. I think it needs vast improvement. I think the idea of postponing for 6 months the effective date of the eligibility criteria makes a lot

of sense, while people think about exactly what kind of program, an effective program, can be designed.

Senator DANFORTH. Senator Long.

Senator LONG. You are now here as a private citizen, as I understand it. And you are expressing to us your own thoughts, about the situation, not positions on behalf of your clients. Is that correct?

Mr. WOLFF. That is correct.

Senator LONG. Well, let me ask you something which is not necessarily related here. It is my understanding that the Europeans are dumping about 5 million tons of sugar on the world market, that they are selling at just about 23 cents, and that they are making up about 12 cents of that out of their treasury. Are you aware of that type of thing going on?

Mr. WOLFF. It has been a problem, a continuing problem, and it's getting worse over time.

Senator LONG. Now, the same type thing exists in rice, but I'm concerned at the moment about sugar. We can defend our sugar industry to some extent, but it outrages me to have people talk about the consumer over here. What we are talking about is the European Community dumping 5 million tons of sugar on the world market where half of the price of it is paid by taxes. Now, even the Caribbean countries can't very well compete against that.

You are here now in a position to talk as a private citizen. What do you think we ought to do about that type of thing? It's destroying republics who are on our side in the Caribbean. It's hurting our own industry here, but I'm concerned about the worldwide impact. I can see the prospect that the Communists could take over some of those countries because of what the Europeans are doing to dump that sugar on the world market.

Now, what would you suggest that we do about that type of thing?

Mr. WOLFF. Well, there's a pattern of lack of concern, I think increasingly, both in Japan and Europe as to the effects of their trade policies on others. I know that Bill Brock and Secretary of Agriculture Block are over this week in the Community, presumably trying to talk some sense to them. We are losing our poultry markets in the Middle East; world sugar markets are being disrupted; there is a fear that the Community is turning toward a policy of creating surpluses in order to dump them rather than merely dumping surpluses inadvertently created by their ineffective agricultural policies.

I think that, in the first instance, one has to try to talk sense to them. There is no easy answer. We have, of course, our own sugar fee program which tends to insulate our market a bit; but there is an enormous cost for some of the developing countries.

Senator LONG. I don't understand those complexities as well as you do, but now here we are in this nation, trying to firm up and sustain governments that are friendly to the United States. And those governments, to a large extent, rely upon a world market price of sugar to make a profit. They can't make a profit because our so-called friends over there in Europe are paying 50 percent of the cost to dump sugar on the world market.

It seems to me, just thinking of what little bit I know about world trade, that we ought to tell our European friends that that's how it's going to be. We are not going to buy the products they are selling with a subsidy. If they want to go ahead and sell articles at a loss, and they think they can better themselves by doing that, well, fine. To the extent that they do that, we just won't drink French wine, and we won't buy their automobiles. The policy would be that the things that they want to ship in that they are making money on, we won't buy if they are going to insist on engaging in trade practices that destroy our friends around the world who also must trade in order to survive, who need it even worse than they do.

I just want to get your thoughts about what we can do about this type of thing. This policy may be bad for us, but we can survive it. We will just have fewer sugar producers in my part of the country for what they are doing to us. But how about the rest of the world? What about people who look to us for leadership? What do you think we ought to do about them? Could you give me a general suggestion on what we might do about it?

Mr. WOLFF. Well, you know, this is not unrelated to trade adjustment assistance. Trade adjustment assistance helps people find new jobs and tides them over, rather than what other countries often do, which is keep the people employed where there is no market for their product. And if you keep producing product that has no natural market, you end up dumping that product. You dump sugar because you keep too many people producing sugar on the farms in Europe, and you dump steel because you keep those mills working when there is no market for the steel on a competitive basis.

We are running into tough times with the European Community. There is a worldwide recession. We understand they have difficulties; we have difficulties. In the first instance, we have got to work to talk with them in greater detail and consult with them more often. I think the atmosphere that came about in the multilateral trade negotiations when Bob Strauss was over there, and before his time with Bill Eberle, was constructive. We were working together toward common goals. That common feeling of working with each other to solve problems is deteriorating. I hope that Bill Brock and his colleagues this week can help reestablish a bit of that and talk through the problems so that the common agricultural policy, for one thing, is not so disruptive to world markets.

Senator LONG. It seems to me that a great deal of what we want to do we will never achieve by negotiation. We are going to have to act unilaterally. Of course, I have been saying that for years. You are somewhat familiar with my thought around here. You have heard me say it before the committee enough, Mr. Wolff, to know that that's my thought. There's a lot of this stuff that we can just do unilaterally, that we are a big enough nation and a strong enough nation to say to some of these countries that we are just not going to do business that way anymore, that most of what we are buying on the world market, especially from the guys who are creating most of the problems, we don't have to buy. The stuff they are shipping us we don't have to have.

There is precious little that they are shipping in here that we have to have. Is that correct, or not? Most of it we could produce here very easily.

Mr. WOLFF. In terms of necessity, that's right. But we have a problem with the Europeans, and that is they buy more from us than we buy from them. So they are pretty good customers—it's tough to retaliate.

Senator LONG. Even so. Even so, they have a great deal higher degree of need of what we are shipping them. It's much more difficult for them to do without what we are shipping them than what they are shipping us. For example, you take Japan. All these things they are shipping us are things that we were producing here before we permitted them to take our market over: electronics, television sets, radio, and automobiles. And what are we shipping them? Saw logs. The Canadians have been begging us not to ship them saw logs, to insist on making them buy it as cut timber or as plywood or as a product. But, no sirree, we ship it out as a raw material to them. They can't get it elsewhere.

Now, we are just giving them all the best of it in case after case and failing to use our power to make those people work out something that is fair for the rest of the world. I'm just looking for some kind of advice and help as to how we solve these problems, now, knowing that we have the power to do something about it.

Mr. WOLFF. You know, sugar is probably one of the most difficult of the problems, because it's not our export markets that are affected directly. Were it something like poultry or rice, where we are losing a traditional market share, those trade agreements do have some rights for us.

Senator LONG. Can you give me some indication, for example, on rice, as to how much subsidy the Europeans have in the rice, like that rice the Italians are shipping, what the subsidy is? My impression is that the subsidy they are putting into it is more than we are paying to produce it, more than we are selling it for.

Mr. WOLFF. I wouldn't be surprised. I don't know the figure exactly. Certainly, on sugar, there has been a subsidy of almost 200 percent on cost, on many occasions in recent times.

Senator LONG. Well, getting back to the point that you came to testify specifically on, this bill. I can recall very well, there is no doubt whatever in my mind, I remember it said repeatedly all through both this bill and the previous trade acts—for the last two trade acts, all the way through—it was testified that we are going to take care of labor. Sure, they are going to lose some jobs, but to the overall national interest it will be a good thing, and that we are going to get them adjustment assistance. Now to tell them that they are not going to get it just doesn't seem right to me. I appreciate you testifying to that effect, Mr. Wolff.

Mr. WOLFF. Thank you. I think that if we welch on this deal then we are taking the first step toward closing our market, because we won't have Americans supporting an open trading system.

Senator LONG. I think you're right. Well, as you know, labor is not very receptive to freer trade anymore because of that very thing. I think that's one reason.

Thank you so much.

Mr. WOLFF. Thank you.

Senator DANFORTH. Thank you, gentlemen.
Senator Levin.

STATEMENT OF HON. CARL LEVIN, U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator LEVIN. Thank you, Mr. Chairman, Senator Danforth, and Senator Long. First of all, I want to thank you for offering me the opportunity to express a few thoughts on the recent restrictive changes in the trade adjustment assistance program. These changes were wrong when they were approved by the Congress. We should have kept our promise to the working men and women of this country which we made in the Trade Reform Act of 1974, a promise that when Federal trade policy did harm to a domestic industry, the workers in that industry would be protected. Without that promise this act never would have been passed back in 1974, a specific promise to protect the working men and women.

Ironically, the President called for this promise to be broken at the same time that the present economic program calls for a tight money policy and huge tax cuts. This program will produce enormous Government borrowing in the face of a restricted money supply, thereby driving up interest rates. These high interest rates will depress the economy and create additional problems for the automobile industry and workers who have already been hard hit by the inroads made by foreign automakers.

Instead of protecting the social safety net, this program is pushing workers off the roof and letting them free-fall to the pavement below.

Recently the President offered an unacceptable alternative solution to people like my constituents in Michigan who are surrounded by unemployment. The President said, "They can vote with their feet." Mr. Chairman, I remember a time when voting with your feet was a phrase used to refer to refugees from Communist countries.

On February 18 the President gave his rationale for proposing cutting back on trade adjustment assistance. At that time he said,

> Because these benefits are paid out on top of normal unemployment benefits, we wind up paying greater benefits to those who lose their jobs because of foreign competition than we do to their families and neighbors who are laid off due to domestic competition. Anyone must agree this is unfair.

In other words, the President of the United States says that this act is unfair and that anyone must agree that it is unfair. As a matter of fact, he's plain wrong in his criticism. He ignores the history of this act. Congress clearly intended to provide more for workers who lost their jobs through foreign competition. It did so because it recognized that fairness required such individual assistance and because it recognized that compelling economic conditions required such assistance.

I want to read just a portion from the Senate Finance Committee on the Trade Reform Act of 1974. This committee report, when the Trade Reform Act was adopted in 1974, laid out a clear and compelling rationale for additional assistance to the import-affected workers. The report stated, and this is a Senate Finance Committee report:

Congress established a special program of worker assistance in the belief that the special nature of unemployment dislocation resulting from changes in trade policy necessitated a level of worker protection somewhat beyond what is available through regular State unemployment insurance programs.

Increases in imports of a given type of product can simultaneously and abruptly produce a combination of situations which have a particularly severe effect on unemployment. Because entire industries and not only individual firms may be adversely affected, workers may not have a realistic opportunity to find new employment which is at all related to the skills and training they may have accumulated over the years.

The committee report went on to say,

Moreover, it can happen that the affected industry is one which is concentrated in a particular region with the result that the possibility of quickly absorbing displaced workers into other types of employment available in the area would be minimal.

And how much foresight the Senate Finance Committee had when it wrote that.

"Thus," the committee report continues,

Because trade-related unemployment may differ somewhat in nature from unemployment arising from other causes and because such trade-caused unemployment is a result of a Federal policy of encouraging increased foreign trade, worker adjustment assistance was provided for.

Mr. Chairman and Senator Long, the rationale provided by the Senate Finance Committee in November of 1974 is still valid and directly contradicts the reasons that the President gave for proposing his cutback. Again, the President wrote, "Anyone must agree that this is unfair." As a matter of fact, the Congress specifically guaranteed the workers of this country in 1974 that this kind of adjustment assistance would be available. And looking through the history of this act, I can say with some confidence that this act would not have been passed, the freer trade provisions back in the early 1970's would not have been passed, but for the adoption of this guarantee and this promise to the working people.

I would ask, Mr. Chairman, that the balance of my statement be printed in full in the record.

I can simply say, in closing, I have just come from the ceremony where a Christmas tree was placed on the Capitol lawn. This tree came from the Hiawatha National Forest in the upper peninsula of Michigan. The unemployment in the upper peninsula of Michigan is about 25 percent because of the slowdown in housing construction. Nonetheless, that tree symbolizes a determination that the people of the upper peninsula, like the people of this country, are going to prevail and overcome this economic circumstance. There is a lot of symbolism in that tree; it's a lot more than just hope. It comes from an area where there is a great deal of despair and which relied on this Congress in 1974, when it gave its commitment to the working people of this country. And this committee now has the opportunity to maintain and preserve that commitment. And I commend you on the work that you are about and on the position that you are taking to insist that the prior standards remain in this law.

Thank you, Mr. Chairman.

[The prepared statement follows:]

TESTIMONY OF SENATOR CARL LEVIN

Mr. Chairman, I want to thank you for offering me this opportunity to express my thoughts on the recent restrictive changes in the Trade Adjustment Assistance (TAA) program.

I opposed these changes when they were approved by the Congress. We should have kept our promise to the working men and women of this country which we made in the Trade Reform Act of 1974—a promise that when Federal trade policy did harm to a domestic industry, the workers in that industry would be protected. Indeed, without that promise, the Act would have never passed.

Ironically, the President called for this promise to be broken at the same time his economic program called for a tight money policy and huge tax cuts. This program will produce enormous government borrowing in the face of a restricted money supply, thereby driving up interest rates. These high interest rates will depress the economy and create additional problems for the automobile industry and workers, who have already been hard hit by the inroads made for foreign automakers. Instead of protecting the social safety net, the administration's program pushed workers off the roof and let them free fall to pavement below. Recently, the President offered an unacceptable alternate solution to people like my constitutents in Michigan who are surrounded by unemployment. Says the President, "They can vote with their feet." Mr. Chairman, I remember a time when "voting with your feet" was a phrase used to refer to the refugees from Communist countries.

On February 18, the President gave his rationale for proposing cutting back on Trade Adjustment Assistance. At that time, he said:

"Because these benefits are paid out on top of normal unemployment benefits, we wind up paying greater benefits to those who lose their jobs because of foreign competition than we do to their families and neighbors who are laid off due to domestic competition. Anyone must agree that this is unfair."

In fact, however, the President was just plan wrong in this basic criticism of the program. The Congress very clearly intended to provide more for workers who lost their jobs through foreign competition. It did so because it recognized that fairness required such additional assistance and because it recognized that compelling economic conditions required such additional assistance.

Let me read from the report of the Senate Finance Committee on the Trade Reform Act of 1974. On page 131 of that report, the Committee laid out a clear and compelling rationale for additional assistance to import affected workers. The report stated:

"Congress established a special program of worker assistance in the belief that the special nature of unemployment dislocation resulting from changes in trade policy necessitated a level of worker protection *somewhat beyond what is available through regular State unemployment insurance programs.* Increases in imports of a given type of product can simultaneously and abruptly produce a combination of situations which have a particularly severe effect on unemployment. Because entire industries and not only individual firms may be adversely affected, workers may not have a realistic opportunity to find new employment which is at all related to the skills and training they may have accumulated over the years. *Moreoever, it can happen that the affected industry is one which is concentrated in a particular region with the result that the possibility of quickly absorbing displaced workers into other types of employment available in the area would be minimal.* Thus, because trade-related unemployment may differ somewhat in nature from unemployment arising from other causes and because such trade-caused unemployment is a result of a Federal policy of encouraging increased foreign trade, worker adjustment assistance was provided for." [Emphasis added]

Mr. Chairman, the rationale provided by the Senate Finance Committee in November of 1974 is still valid, and directly contradicts the reasons the President gave for proposing his cutbacks of Trade Adjustment Assistance.

Additionally, I remain deeply concerned by the regional imbalance contained in the President's budget proposals and this is particularly true of the reductions made in Trade Adjustment Assistance. My own state of Michigan leads the country in the rate of unemployment, and leads the country in dollars per capita sent to Washington. And what does this Administration offer in return? A shredded social safety net and a truncated Trade Adjustment Assistance program. Oh, and, yes, the offer to move to a place in the sun. I know that the President ran on a platform boasting of his concern with the stability of the family. I find it hard to believe that he is now seriously advocating social dislocation and the straining of family ties that such uprooting causes.

I urge the committee to study the consequences of these changes in Trade Adjustment Assistance and to question the Administration closely on how it proposes to implement them. Further, I urge the committee to give serious consideration to S. 1865, introduced by Senator Danforth and Moynihan, which would in effect repeal that portion of the Reconciliation bill which changed the requirement for triggering Trade Adjustment Assistance from the "contributed importantly" to unemployment standard to the more restrictive "substantially caused" standard. Serious consideration should also be given to S. 1868, introduced by Senator Moynihan, which, in addition to doing what S. 1865 would do, would also increase the program's emphasis on retraining and extend assistance to suppliers of independent parts and services.

To sum up, then, Mr. Chairman, I believe that Trade Adjustment Assistance was basically a good program when enacted, and now, when it is most needed is not the time to cut back.

Senator DANFORTH. Senator Levin, I just have one question. You are a politician and you keep careful track of the feelings of your constituents. Last summer we had hearings in this subcommittee on the general question of U.S. trade policy. The administration testified at that time and took a position which was characterized in the press as "survival of the fittest," an absolute, purist approach to free trade. Let anything in. If industry can't make it, too bad.

If this sort of policy were before the people of Michigan, could you give the subcommittee your views as to the degree of support in Michigan today for such a free trade policy?

Senator LEVIN. Well, the circumstances in Michigan are that we are the highest unemployment State in the country. And we are unemployed for lots of reasons, but we usually get it first. When the national economy goes bad, we are the first to be hit and the last to come out of a recession or a depression. We have had a recession and depression in Michigan for many years. The rest of the country is now catching up to us.

In terms of attitudes toward free trade, I think most people in Michigan would say they are for it, providing it is a two-way street. In the depths of their despair in their unemployment they would say, "Yes, but don't be taking advantage of it," as is now happening. And they know what's going on. They know that not only are they unemployed, but they are being unemployed because Japan, mainly, in terms of automobiles, insists on a protectionist policy including toward American automobiles being exported to Japan, if you can believe that. And they are absolutely incensed, furious, despondent, discouraged. And then they are told by the President of the United States, to vote with their feet if they don't like this policy, which is unfair to American manufacturers, whether it is automobiles, tobacco, lumber out West, beef—this isn't just automobiles where we are taken advantage of; this is right across the board. And they know that we are being taken advantage of. They think we are being made fools of. They are out on the streets. Then they are told that TAA benefits are being cut back, when they know darn well there are representatives here who were assured in 1974 that if we accepted a freer trade in this world that we would protect the people who were affected by that free trade, and that's why we have the act that you are discussing today. They know those commitments were made and now they are in a state of despair as to what to do next.

And then the President says, if you don't like it, "vote with your feet. Move south; go west." As I said in my statement, this is what

we used to talk about in Communist countries, people voting with their feet, people moving from East Germany, crossing the wall in Berlin. This isn't America, "If you don't like dog-eat-dog, go find somewhere else where you can be a top dog"; not when commitments of the kind that were made in 1974 were made by this Congress. It's offensive. You know, I don't like to talk about a President that way, but it's offensive for a President to say, "Anyone must agree that it is unfair to give this additional benefit to people who are laid off as a result of a trade policy." He's wrong. The representatives of the people of this country in 1974 said it is exactly fair to deal specially with people who are hurt because the whole country is helped by a freer trade process.

Open up trade, free trade, but don't let it impact just on a few people. And if it does impact on a few people, try to spread that impact, soften that blow, so we all pay the price. We shouldn't just have a few of us paying the price for free trade. They believe that, and they don't believe there is free trade. And they are right; there isn't.

Senator DANFORTH. Senator Long.

Senator LONG. Well, all I can say is that you're right. I agree with you. The commitment was made. I admit that it wasn't made by President Reagan, but it was made by this Government, and I was here to vote for it. I think that most members of this committee were here to vote for it. The Senate voted for it. And I agree with you that that bill wouldn't have gone through with only a whisper of opposition, only about four votes against it, if these assurances hadn't been made, that in the national interest we were going to displace some workers, but that we were going to give them a training adjustment and we were going to give them special assistance because they were displaced, to help them find a job somewhere else.

It was not supposed to be a sacrifice imposed on the few at the benefit of the many; it was supposed to be a sacrifice for which they were to be compensated, if not in whole at least in major part.

Senator LEVIN. Sure. Just share the burden. It's like eminent domain: sometimes you have to take from a few to help the many. And that's what was decided in 1974: we are going to take from the few to help the many. But we also said we were going to soften that blow. And now we are saying, "Forget all that. We are not going to soften the blow."

And I happen to agree with you. I've read the history. You were here, so you know the history firsthand, but I've read that history, and that freer trade never would have passed this Congress without that promise.

Senator LONG. Well, that's a very good illustration. You know that if you want to build a highway somewhere, you take somebody's property. But you pay him for it. You pay him what it's worth. We weren't planning to do quite that well by these employees, but we were planning to do better by them than just Unemployment Insurance programs.

Thank you.

Senator DANFORTH. Senator Bentsen.

Senator BENTSEN. Thank you very much, Mr. Chairman. And let me congratulate the Senator on his comments. I was in Detroit recently, and the attitude of gloom really was pervasive.

I also noted that the Houston Chronicle was the third largest-selling newspaper in Detroit, and that they fly it in every day because it has the biggest classified section on jobs. We have a paradox in this country in that there are millions of people unemployed, and the classified sections are filled with want ads. But what is seldom said is that the skills and available positions don't match up.

I was looking at the Washington Post on Sunday, and it tells an important story. It was reported that the OMB wants to cut funding for job training from $3.4 billion to 1.56 billion. And of the remaining total, $1 billion, instead of the $2.2 billion Secretary Donovan wanted, would be for the new private sector BLT program.

Senator, we are always delighted to see some of you folks from Michigan down in Texas, but, in all candor, we don't want you to all move down there. Come down and visit your friends and your relatives, but don't add to our mass transit problems and the schools we have to build.

I want you to be happy right where you are, and I want you to be able to find jobs there. And I think part of the answer is job training. We have an unusual situation in this country. With all the unemployed, one of the most severe problems we will face in the coming decade is that we will have jobs that can't be filled because of a shortage of skills. Demographics are changing. We are going to have to do much more than we've ever done before in skill training.

This committee went to great lengths to try to do something about capital formation, and did. But something has got to be done about the human side and the capital that you have in people.

I read a report recently that 42 percent of teenage blacks are unemployed. That's a travesty. You just can't put those people on the shelf and say we'll get around to them 5 or 6 years from now when we work out some of the other economic problems in this country. I think one of the most denigrating things you can do to a person is to say they have no productive role to fill in society. So I am deeply concerned, particularly about skill training.

I have made a series of about six speeches on the floor of the Senate concerning that particular problem. I share your concern; I share your frustrations; and I am going to do everything I can to try to get to this question of skill training and see that the people whom you represent have the kinds of skills needed so they can be productively employed.

Senator LEVIN. Thank you.

Senator DANFORTH. Senator Moynihan.

Senator MOYNIHAN. I would like to repeat what other members of the committee have said to thank you, Senator, for speaking to the experience that we are going through.

You would want to know quite explicitly, as I believe Mr. Wolff stated earlier, that the Tokyo round could never have been adopted, would not have gone to the floor, wouldn't have left this committee, save by a clear commitment from the administration on trade adjustment assistance.

What is behind trade adjustment program is the fact that persons who lose their jobs in the aftermath of trade agreements have been put out of work as a policy decision by the executive branch. A policy decision is made to have these people lose their work. And that entails an obligation to them much stronger than to people who come and go in the work force and who experience the normal ups and downs of the economy.

The Federal Government decided that these garment workers or those automobile workers should not have work. And that being the case, those garment workers and those automobile workers said, "Well, now, why should we give you the power to make this decision about us?" The Federal Government said, "We will see that it doesn't permanently affect your lives."

Now we have gone and broken that agreement. If there is a scandal in this room it is that there's no policy representative of the administration here to even speak to the issue. They obviously don't care, and they aren't going to be here.

It's incredible. At issue here is a commitment of the executive branch, and it passes from one administration to the other, just like the laws do. It was the law. But those who propose to break the agreement and change the law are not here.

Senator DANFORTH. Yes, they are.

Senator MOYNIHAN. At the policy level, sir?

Senator DANFORTH. Well, I don't know about at the policy level.

Senator MOYNIHAN. Sir, I have been the Assistant Secretary of Labor, and Mr. Lewis has been a distinguished administrator, but he can't speak to the policy of the administration.

Senator BENTSEN. Mr. Chairman, if the Senator is through, I would like to comment further that all of the publicity that you see now, insofar as a revolution in manufacturing talks about robotics and suggests that the Japanese are leading, but that same revolution is exploding here. There's no question but that this problem is going to accelerate in the short term. In the long term it will be beneficial to us. But if you want to avoid a Luddite reaction on the part of the people who are becoming unemployed, then we have to find a way to transfer those skills.

I would like, Mr. Chairman, to—I regret I was not here for the testimony of the administration's witnesses, but I would like to ask them to answer questions for me.

Senator DANFORTH. Well, Mr. Lewis was good enough to come back. He was in the hallway.

Senator BENTSEN. Good.

Senator DANFORTH. You and Senator Moynihan weren't present when Mr. Lewis appeared.

Mr. Lewis, if you could come back.

Senator Levin, thank you very much.

Senator LEVIN. Thank you, Mr. Chairman. Thank all of you for what you are doing.

Senator DANFORTH. Senator Bentsen.

Senator BENTSEN. Mr. Lewis, I have here a letter from one of my constituents, a Helen Vance of Richardson, Tex. Now, she's a laid off auto worker. She's over 60 years of age. Her trade benefits ceased on October 1, 1981, supposedly because of changes in this program enacted in the Budget Reconciliation Act earlier this year.

But I thought such persons were not cut off under the transitional provisions of the new law.

Could you tell me, are people losing their benefits? Would you please examine Mrs. Vance's situation and tell me if she is still entitled to benefits, and if not, what provisions of law resulted in her cutoff? I would be pleased to give you that letter, and if you would, give me that answer in detail later, but if you would answer me the initial question, first.

Mr. LEWIS. Senator, we would be happy to examine that letter for you. And our general response would be, based on conversations we have had with some of our field offices, it would appear that there is a substantial decrease in the number of trade claimants for the last week of September, as opposed to, say, the last week of October.

Senator BENTSEN. Would that mean people under this transitional program are cut off?

Mr. LEWIS. Individuals, yes.

Most of the provisions of the new legislation went into effect on October 1, and there was no transitional provision, per se, that would have carried over the duration requirements and the like.

Mr. VAN ERDEN. Senator Bentsen, under the previous law in effect before the enactment of the new Reconciliation Act, individuals were eligible to get additional benefits under the trade program if they were over 60 years of age. That particular provision was not carried over under the new act. So the individual you spoke about would have been drawing the extra benefits above the initial 52 weeks under the old program, if she were cut off.

Senator BENTSEN. She was?

Mr. VAN ERDEN. Yes, sir. Under the prior law it was possible to get an additional 26 weeks of benefits if you were over 60 years of age. That particular provision was not carried forward in the reconciliation bill. So, if she were in the additional 26 weeks, she was cut off on October 1. But if she had not drawn 52 weeks, then she would not have been cut off.

Senator BENTSEN. Well, I will provide you with the letter, and if you will give me an explanation I would like something in writing on that from you, specifically on her letter.

[The letter follows:]

November 2, 1981
Richardson, Texas

Senator Lloyd M. Bentsen
1100 Commerce
Dallas, Texas

Subject: TRA #12506 - Helen I. Vance - Soc. Sec. No. 461-46-7108

Dear Senator Bentsen:

As a recipient of benefits under the Trade Readjustment Act of 1974, a laid-off salaried worker of Ford Motor Company as of December 23, 1980, I cannot believe the postcard I received from the State Employment Commission in Austin, Texas which states our weekly benefits may revert back to the same amount as Unemployment Benefits, effective Oct. 1, 1981, and, if age 60 or older when laid off will no longer be entitled to the additional weeks of benefits. Since I was age 60 at time of layoff, it affects me a great deal. I received this notice on October 1, 1981; there has been no determination of my case; and benefits ceased at that date.

When I received notice I was approved for TRA benefits, I also was notified my benefits would be extended (copy attached). and, going on this belief and trust in my Federal government, I enrolled at the University of Texas at Dallas this summer and fall with the intent of getting a degree in accounting or management information systems within the next 18 months and being able to provide myself with a livable income after that rather than take early retirement.

Not only did the Federal government administrators go back on their word - they gave no advance notice of these changes. I certainly would not have spent over $700 for tuition and books plus expense of gasoline driving back and forth to classes if I had known my income was being drastically reduced immediately and possibly terminated.

My faith has been destroyed in our system, and since this Title XXV of the Omnibus Budget Reconciliation Act of 1981 was enacted into Law, why was the public not notified of such intentions and of the proposed amendment to the Trade Act of 1974. I could understand future cases not even being accepted; but to stop a program already in effect is really a breach of contract and there may be no alternative for me except to seek legal counsel and recourse.

An immediate response to this letter would be appreciated. This is the first time I've written our government concerning the enactment of laws, but I feel very strongly that my taxes paid all these years have gone for nothing when the law can be changed on a moment's notice without regard to legal and moral obligations to the people. I contracted for obligations, or debts, on the reliability of the government's actions; I am still responsible for those obligations. Isn't the government responsible for their obligations?

Very truly yours,

Helen I. Vance
444 Pittman
Richardson, Texas 75081

Attachments

28 DEC 1981

Honorable Lloyd Bentsen
United States Senate
Washington, D.C. 20510

Dear Senator Bentsen:

Thank you for your December 7, 1981, inquiry made at hearings of the Subcommittee on International Trade, Senate Committee on Finance concerning Ms. Helen I. Vance of Richardson, Texas. Ms. Vance's letter concerns the payment of trade readjustment allowances (TRA) authorized under provisions of the Trade Act of 1974.

Ms. Vance states in her letter that she was informed by the Texas Employment Commission in early 1981 that she was entitled to 26 additional weeks of TRA because she was 60 years of age at the time of her last TRA qualifying separation. However, on October 1, 1981, she received a notice from the Texas State agency informing her that she would not be entitled to receive the 26 additional weeks of TRA because of the amendments to Trade Act of 1974 contained in the Omnibus Budget Reconciliation Act of 1981. Ms. Vance further states that she had counted on these additional weeks of TRA to enable her to complete her education at the University of Texas. She believes the Federal Government has gone back on a commitment previously made to her.

Title XXV of the Omnibus Budget Reconciliation Act of 1981 contains amendments to the Trade Act of 1974 which affect the payment of TRA to qualified workers. Section 2514(a)(2)(B) of the Omnibus Budget Reconciliation Act of 1981 states that the amendments concerning TRA payments become effective with the first beginning after September 30, 1981, and this section also states that these amendments affect all TRA recipients, including recipients who had established TRA entitlement before October 1, 1981. One of these amendments provides that no TRA additional weeks solely for workers age 60 or older will be provided for weeks beginning after September 30, 1981.

From the facts contained in Ms. Vance's letter, it appears that the Texas State agency properly informed her of the effects of these amendments on her TRA claim. If Ms. Vance disagrees the State agency determination in this regard, she should follow the procedures applicable to State unemployment insurance appeals in the State of Texas.

We will be pleased to provide any additional assistance in this matter.

Sincerely,

BERT LEWIS
Administrator
Unemployment Insurance Service

Senator BENTSEN. Now the other thing was, last spring the Department promised to spend some $112 million on training. As I understood it, that money was partially restored in the continuing resolution. That was vetoed by the President on November 23. Now I have a Washington Post article that says, "OMB seeks new cuts at the Labor Department. Proposal slashes training for jobs. Donovan to appeal." What is the situation? Is the money in there for 1982? 1983? What are we talking about?

Mr. LEWIS. The history, Senator, goes like this: When we originally introduced the legislation, we requested $112 million for training, job search and relocation. Subsequently, when the President announced 12-percent across-the-board reductions, that figure was reduced by 12 percent to $98.56 million, and that is the figure that we used in our request by letter to the Senate Appropriations Committee.

My recollection is that in the continuing resolution the Senate approved $50 million. That, subsequently, was reduced in conference to $25 million, and that was the vetoed version of the continuing resolution. There are no training funds currently in the continuing resolution.

Senator BENTSEN. Say that again in a loud, clear voice, so I can be sure to hear it.

Mr. LEWIS. There is no money in the current continuing resolution, but the administration has continued to support $98.6 million.

Senator BENTSEN. Well, if you get that, what are you going to do to try to see that that money is well spent? Can you give me a brief overview of what you have in mind?

Mr. LEWIS. Very, very briefly, the State employment security agencies, acting on behalf of the Secretary, would consult at the local level with employer representatives and union representatives and would enter into joint planning with private industry councils under the Comprehensive Employment and Training Act and with employer committees that the State employment security agencies are affiliated with, and also would consult with area vocational education schools and private training deliverers.

Senator BENTSEN. Is that the so-called BLT?

Mr. LEWIS. No. The BLT was alluded to in the press, associated, apparently, with the President's 1983 budget. And, frankly, I have not read the document that was alluded to in the press, if it in fact exists.

No. I'm describing a system that is currently in place.

Senator BENTSEN. You are telling me you are not conversant with this newspaper article's description? It states here that:

> Donovan wanted and thought he had $2.2 billion for this particular program that was new, a new and smaller private-sector business/labor training program, BLT, under which a consortia of private-sector employers and organized labor would provide job training to targeted groups.

Are you saying you are not familiar with that?

Mr. LEWIS. I'm familiar with the newspaper article. I am not conversant with a BLT document; nor, if I were, would I be in a position to discuss it, since it apparently is part of the President's 1983 budget considerations.

Senator BENTSEN. You're not conversant with it?

Mr. LEWIS. I've heard it discussed, but I've never reviewed that document.

Senator BENTSEN. What is your official position?

Mr. LEWIS. Administrator of unemployment insurance. The system I described to you is one that is now in place; it is not a prospective system, it's now in place.

Senator BENTSEN. But they haven't really brought you in to trying to formulate this? This new system?

Mr. LEWIS. It's not a matter of bringing in or not bringing in. We all have plenty to do, and we all have our own specialty.

Senator BENTSEN. Oh, I understand. But we are talking about planning for the future, and we've got ourselves a critical problem here. Perhaps the Senator is right, in that you are not at a policy level to discuss this.

Mr. LEWIS. I'm authorized by the administration to state its position on these matters that we were told are before you, and that's what I've been attempting to do.

Senator BENTSEN. Well, Mr. Chairman, I have no further questions of this witness.

Senator DANFORTH. Senator Moynihan.

Senator MOYNIHAN. Mr. Lewis, you would know the high respect with which anyone who has served in the Department of Labor at the political level, such as I, hold the career officers of that body, and particularly the great institutions such as USES. You are a career officer, are you not?

Mr. LEWIS. That is correct.

Senator MOYNIHAN. Senator Bentsen, Mr. Lewis is a career officer of the U.S. Employment Service, and a very distinguished one. He is not in the happiest situation that he has ever been in, at this point. And the significant fact is that in the face of this serious policy question in which the Finance Committee is clearly disturbed at what we feel to be, at some levels, a breach of faith with respect to trade policy, the administration has not sent a person who can speak to the policy. Now Mr. Lewis, in the highest tradition of an absolutely indispensable public service, the U.S. Employment Services, will carry out the policies of the President and not seek to make them.

But, could I ask you one question sir. There is a disturbing fact here that cannot just be accident. We have had 3 quarters or 2½ quarters of recession, already this year. Surely this has been a recession year, while 1980 by and large was a year of economic expansion. However, in 1980 you certified 538,000 workers for trade adjustment assistance, and this year under the same standards, only 17,700. Could you help explain that to us?

Mr. LEWIS. Mr. Fooks can help more than I can. But I think, Senator, a lot of the petitions we have been deciding upon over the past 6 months have been in supplier industries and have been autorelated type cases which would not be approvable.

Please go ahead, Marvin.

Mr. FOOKS. That's basically the situation. As you know, we have been working off a backlog that built up to 2,500 cases during the first shock that hit the auto industry.

Senator MOYNIHAN. Yes.

Mr. FOOKS. And we had the petitions flowing from the secondary suppliers as well as the service sector that was dependent on the industry. We are still working those off, and a lot of those petitions just do not meet the standards of the present law.

Senator MOYNIHAN. The bill I introduced that we have before us would include suppliers.

Are you saying that the primary producers were taken up previously, and the cases that you have had before you have been on that margin that you can't improve under present law?

Mr. FOOKS. That's correct. And also, we are covering a period of time which——

Senator MOYNIHAN. I want you to say to me that you are doing it exactly as the law provides, and you are not making decisions from the consequence of any pressures to approve a lesser rate, a dramatic lesser rate.

Mr. FOOKS. That is correct.

Senator MOYNIHAN. What is correct? Which?

Mr. FOOKS. We are doing it exactly as we've always done it.

Senator MOYNIHAN. That's all I need to know, that it is not the reputation of your service to do otherwise. I'd think you would do otherwise, but I thought it would be useful to put in the record that this is the way you are doing it, just as you would be required to.

Mr. FOOKS. That's exactly what we are doing, sir.

Senator MOYNIHAN. I'm very proud to see such a person as you here.

But, Mr. Chairman, somebody from OMB should have been here, too.

SENATOR DANFORTH. Well, Senator Moynihan, we asked the administration to send somebody here who was conversant with the program, and I think Mr. Lewis is. It seems to me that we pretty well know what the administration's position is on trade adjustment assistance; at least, I think we do. There are a couple of bills that have been introduced that take a contrary position. You have one; I have one. And I think that the thing to do is to just proceed to markup and see what the will of the Congress is in legislation. And I think that this does constitute a hearing on the question of

trade adjustment assistance and that we are now in a position to mark up some legislation.

Senator MOYNIHAN. I am sure you agree with me, that it is not possible to ask Mr. Lewis or his colleagues to respond to a certain kind of question.

SENATOR DANFORTH. Well, I think Mr. Lewis is familiar with the administration's policy, and I was impressed by his knowledge of the administration's policy. I didn't entirely agree with it, but I think that he was quite clear in stating what the policy is.

Mr. Lewis, thank you very much for coming back.

The next witnesses are, and I would hope that they will all appear as a panel: Evelyn Dubrow, Leonard Page, Stephen Koplan, Elizabeth Smith, John Powderly, representing, in turn, International Ladies Garment Workers, UAW, AFL–CIO, Amalgamated Clothing and Textile Workers, and the United Steelworkers.

Ms. Dubrow, would you like to begin?

STATEMENT OF EVELYN DUBROW, VICE PRESIDENT AND LEGISLATIVE DIRECTOR, INTERNATIONAL LADIES' GARMENT WORKERS' UNION, WASHINGTON, D.C.

Ms. DUBROW. Thank you, Mr. Chairman. I appreciate the opportunity to speak for the International Ladies' Garment Workers' Union on S. 1868 and S. 1865, and I would like to say that I'm Evelyn Dubrow, the vice president of the Ladies' Garment Workers' Union and its legislative director.

I would like to say that I am presuming that Mr. Koplan, who speaks for the AFL–CIO will be saying the things that we agree with, and so I am going to keep my remarks fairly brief in terms of what the effect of the trade adjustment assistance program's being eliminated has done in terms of my own industry and my own union.

I would like to say we appreciate very much the fact that you and Senator Moynihan and others have agreed to introduce S. 1868 and 1865, because we consider that the Omnibus Budget Act of 1981, which absolutely decimated the Trade Adjustment Act, requires some kind of program that at least we can salvage something from it. And I must say that we welcome even this small effort to try to do something for victims of the recession and of the import policy of the United States.

I would like to point out, of course, that Senator Moynihan has a long history in this problem, not only because he represents a State that has more garment workers than any other State in the Union but because his own background in trade and imports is a very impressive one.

I would like to also point out that I represent part of an industry that is the most labor-intensive industry in this country, employing more than 2.1 million workers over the country, many of them women, most of them women, many of them in the minorities: blacks, Hispanics, now the Orientals, the Vietnamese, the Cambodians, the Chinese, the Japanese. And so we find that we are particularly hurt not only in the recession but by the import policies of this country which have been going on a very long time.

There are some people who are in the labor movement who have just lately come to recognize that there is no such thing as a free trade policy, and we welcome them to the club, Mr. Chairman.

I would like to say that, while we were never enamored of the trade adjustment assistance program, because we felt it was not really addressing the problem of imports in the textile and garment industry, we were thankful for small favors.

In 1947, when the GATT was introduced, and I just want to take a minute to review the trade policies that affected my workers and the workers of the garment and textile industry, it was established in order to recognize there had to be something done about imports around the world.

When, under GATT, the multifiber arrangement was adopted, orderly marketing procedures were set up to cover the textile and apparel industry.

There have been a number of other negotiations going on. In 1973, the multifiber arrangements permitted bilateral agreements to be adopted by countries that were producing textiles and garments. The Carter administration became concerned with the increase of imports, reducing the American work force. We worked very hard to prevent the Congress and Government from lowering the tariffs on textiles and imports. Now, we did pass the bill, but the President vetoed it. But President Carter, in vetoing it, made a promise that he was going to protect the industry that was so labor intensive.

In this regard, therefore, the U.S. Special Trade Representative, who was then Robert Strauss, and labor and industry got together and worked out a white paper issued on March 21, 1979. Among other things, it called for the United States to do an analysis of the global problem on imports; to work out bilateral agreements with major exporting companies, and to do other things that were going to help stop this terrible decimation of our jobs because of imports.

I just want to point out, incidentally, that President Reagan, during his campaign, in a letter to Senator Strom Thurmond, promised to do exactly what President Carter had done, and that was to protect the jobs of textile and garment workers in this country from the terrible increase on imports.

Now the MFA is presently under discussion in Geneva. We have no way of knowing whether MFA will be extended, will be strengthened, or anything will happen to it. But in the meantime, while all of this was going on, we had the assurance of the Government that our people could be certified for trade adjustment assistance if it could be proved that imports were the basic reason for their losing their jobs.

We weren't very happy in 1974, incidentally, when that Adjustment Assistance Act was changed to say that people could only be certified, that plants could only be certified, that industry could only be certified if the rising imports contributed importantly to the job loss or the threat thereof and to a decline in sales or production.

Now we find, in the Omnibus Budget Reconciliation Act of 1981, that this has been changed now, this language which we thought weakened the act anyway, has been changed to "substantial cause." And since we can find no standard that would make sub-

stantial cause a way to meet the demand for trade adjustment assistance, we consider that you are practically saying when you adopt this language: "Forget about trade adjustment assistance for workers in the textile and garment industry." Therefore, of course, we are very pleased that you, Senator Danforth, and other Senators, have proposed that you at least restore the language that talks about contributing importantly. And we hope that Congress will accept that.

The other section of S. 1868 which is of essential importance to the ILG is the treatment of workers compensation and backpay time for the purposes of workers qualification.

The Moynihan recommendation on S. 1868 would amend the law to take care of the abuse in present requirements that a worker who is certified to apply for adjustment assistance must also have had 26 weeks of employment in the last year prior to the layoff because of import injury, in order to qualify for adjustment assistance. This requirement originally was put in the law so workers wouldn't take advantage if they worked just for a short time. But now we find that workers who have been working a very long time are suddenly cut off when they are either laid off or on sick leave or under workmens compensation.

Now, I have mentioned these two particular areas.

I would like to say, Mr. Chairman, in concluding, that we support the AFL-CIO position on all five points made under S. 1868 and S. 1865; that we consider training very important, and that we consider trade adjustment assistance for workers that are in industries which impinge on the major industries important; that we are concerned with all of the other areas, on the basis, generally, that the International Ladies' Garment Workers' Union recognized that one job loss can affect our industry and can affect our workers.

So I want to make sure that because I have not emphasized these other parts, you do not think we are not interested. We really urge this subcommittee and the Finance Committee and, hopefully, Congress to at least adopt S. 1868 and S. 1865.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF EVELYN DUBROW, VICE PRESIDENT AND LEGISLATIVE DIRECTOR OF THE INTERNATIONAL LADIES' GARMENT WORKERS' UNION, AFL-CIO BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE, SENATE FINANCE COMMITTEE ON S.1865 AND S. 1868, AMENDMENTS TO THE TRADE ADJUSTMENT ASSISTANCE ACT.

The International Ladies' Garment Workers' Union is pleased to have this opportunity to join the AFL-CIO in support of S. 1868 introduced by the Senior Senator from New York and of S. 1865, whose chief sponsor is Chairman of this Subcommittee.

The ILGWU appreciates the efforts by Senator Moynihan, Senator Danforth and other Senators who, by the introduction of these amendments, are trying to ease, at least in part, the devastating affect of the Omnibus Budget Reconciliation Act of 1981 on the Trade Adjustment Assistant program. In the wake of this disaster, even modest steps to repair the damage must be welcomed.

Senator Moynihan, because he is senior Senator from the state where the garment industry is the employer of hundreds of thousands of workers in the mens, womens and childrens apparel plants is and has been well aware of what affect the growth of imports has had on American apparel manufacturing.

His introduction of S. 1868 is another effort on his part to protect the economic welfare of garment workers whose jobs have been lost temporarily or permanently because of United States trade policies.

I would like to review briefly some of these policies to indicate why the virtual dismemberment of the Trade Adjustment Assistance program does great injustice to garment workers among others.

In 1947, the General Agreement on Tariffs and Trade (GATT) was established. When, under GATT, the Multi-Fiber Arrangement was adopted, orderly marketing procedures were set up to cover the textile and apparel industry.

Since that time there have been a number of other negotiations addressed to textile and apparel imports. The Multi-Fiber Arrangements in 1973 permitted bi-lateral agreements to be negotiated geared to limiting or establishing trade guidelines covering cotton, wool and man-made fibers. This arrangement was renewed for four years in 1977. The present MFA expires on December 31, 1981 and is, at this writing, the subject of negotiations in Geneva.

During the Carter Administration, the textile and apparel industry and unions became concerned with the increase of imports reducing their American work force.

To prevent the government from trying to lower tariffs, which would exacerbate the situation, industry and union representatives working with concerned members of Congress, urged the passage of a bill to prohibit lowering of tariffs.

The bill passed on October 15, 1978, but subsequently was vetoed by President Carter.

However, in his veto message the President assured the industry and the unions that steps would be taken to help protect the jobs of the more than 2 million workers.

Following these assurances, innumerable conferences and negotiations took place with the U.S. Special Trade Representative, Robert Strauss. As a result, a white paper on this import problem was issued by the White House on March 21, 1979.

Among other things, it called for the United States to do a

global import evaluation from all countries, category by category and to renegotiate bi-lateral agreements with the major exporting countries.

In the meantime, the Trade Adjustment Assistance program was to be in place to alleviate some of the hardship caused by loss of jobs due to imports.

It should be noted here, that President Reagan, during his 1980 campaign in a letter to Senator Thurmond of South Carolina promised to address the problem and take steps to protect textile and apparel jobs from the threat of rising imports.

With no guarantee of how the present MFA negotiation will emerge and with the almost complete elimination of Trade Adjustment Assistance under the Omnibus Budget Act of 1981, many textile and apparel workers have become the victims of joblessness because of the government's failure to meet its obligations.

In urging this Committee to make even some token effort to meet its obligations to workers laid off or permanently dismissed because of rising imports, the ILGWU would like to emphasize two sections in S. 1868.

One deals with the test for eligibility.

The Trade Act of 1974 states that applications for adjustment assistance can only be certified if the rising imports "contributed importantly: to job loss or the threat thereof and to a decline in sales or production.

The Omnibus Budget Reconciliation Act of 1981 changed this language to "substantial cause". There is no standard to define what "substantial cause" means making the requirement almost impossible to meet.

Unless the original language of the Trade Act of 1974 is restored to read "contributed importantly" there will not be trade adjustment assistance for workers because it will be virtually impossible for them to prove their eligibility.

The other section of S. 1868 which is essential to the ILGWU has to do with "Treatment of Workers Compensation and Back Pay Time for Purposes of Workers Qualification".

The Moynihan recommendation on S. 1868 would amend the law to take care of the abuse in present requirements that a worker who is certified to apply for adjustment assistance must also have had 26 weeks of employment in the last year prior to the lay-off because if import injury in order to qualify for adjustment assistance.

The requirement was included in the law so that workers who were on the job for only several weeks could not qualify for 52 weeks of benefits.

But we find that the requirement of 26 week employment has been used to deny benefits to workers on the job for many years but who suffered injuries at work or were on sick-leave or unjustifiably laid off during the last year of service.

Examples cited in the AFL-CIO testimony makes it imperative that this Section of S. 1868 become part of the Trade Adjustment Assistance Act.

While the aforementioned sections are of particular importance to the ILGWU, I wish to make it clear that we also believe that the S. 1868 amendments dealing with training funds; TAA coverage for workers employed by independent suppliers of parts and services and changes in the "suitable work" standard in the current law must be

adopted if workers affected by rising imports are to be able to be certified for trade adjustment assistance even within the very limited program authorized in the Omnibus Budget Reconciliation Act of 1981.

ADDENDA

From April 1975 through September 30, 1981, 1,179 petitions for trade adjustment assistance in the mens, womens and childrens apparel industry were approved. These petitions covered 138,459 workers.

The number of petitions for TAA which were denied totaled 1,261. The number of workers denied TAA under these petitions came to 67,672.

STATEMENT OF LEONARD PAGE, ASSISTANT GENERAL COUNSEL, UAW, WASHINGTON, D.C.

Mr. PAGE. Thank you, Senator.

With me today is Gene Casrais from our legislative department in Washington. I have a written statement for the record, but I would like to just quickly summarize that.

We all recognize that the effect of the changes has made TRA a negligible part of the program, and the big change has been brought about by the reduction of the benefit periods. Under the prior law you had a 2-year benefit period to draw 52 weeks of benefits. As of October 1, you now have a 1-year benefit period to draw 52 weeks of benefits.

Just to show you what that means, we have about 200,000 auto workers laid off, and 170,000 are indefinite or permanent layoffs. And yet, better than 95 percent of them, from certified plants, are not eligible for TRA now because the benefit period under the new law has expired. So that has been a substantial cutback in the program. Now, I am not talking about the amounts and the integration with the State system benefits, but just the slashing of the benefit period has been the big reason for most existing certified workers being cut from the program on October 1.

Now with that cut, the administration told us they wanted to reemphasize training. And we can understand that. We have got 9 million people unemployed right now; we have about 1 million skilled jobs going begging. So the obvious answer is to train some of these unskilled workers for these skilled-job openings.

But let's look at the administration record on training. It has been negligible. There has been virtually no training under the prior trade adjustment assistance program, and I don't think we

can expect this to be improved. Let's look at what the administration has done by virtue of the October 1 changes in the training program. We had about 25,000 of our members in self-financed training programs prior to October 1. Now we have none. Virtually none. The slashing in the benefit period means that workers are no longer eligible for the 26-week extension of TRA for workers in approved training.

In addition, in the October 1 changes Congress saw fit to say that where the Secretary approves training, the Secretary must pay these costs. Well, the Secretary, as he has been wont to do with this program, has said, "Well, since the Secretary must pay training costs under the new bill, that must mean that the workers can't pay their own tuition costs anymore. So all of you workers who have been out there in self-financed training, you can't continue in that. We are kicking you out of the program." And that's exactly what has happened.

So, here we were told that we were going to have this reemphasis, redirection into training, and I'm telling you that about 25,000 workers in self-financed training programs have been kicked out by the Secretary's implementation of the supposed reform package.

Let's look at the impact of the change in the test. We all know the Secretary has admitted it's a more rigorous test. And yet under the old test, the contributed importantly test, we have gone from a 50-percent approval rate of petitions down to about 9 percent. Now, the administration witnesses testified today that a substantial part of that was due to the fact that a lot of these petitions were independent part suppliers and therefore not covered. Well, that has historically been true. A large amount of the denials were always for independent parts suppliers. I don't have data on how many of those 91 percent of the petitions denied were independent parts suppliers, but there must be something more going on. You don't go from a 50-percent approval rate for 2 years down to 9 percent. And over the same time period we have had a doubling in the value of manufactured imports coming into the country. A doubling. You would expect the rate to go up, and yet it's gone down to 9 percent.

Now, conceptually, what have you done? If TRA is no longer a major cost generator, you have really restricted your pool of workers available for training.

So far, in 1981, we have certified under total certification through October about 20,000 workers. That's what this program has come down to. We have got a group of about 20,000 workers so far that are going to be eligible for these benefits. And yet the Secretary wants to tighten that test. What is he going to be satisfied with? A 3-percent approval rate? A 2-percent approval rate? Then what are we doing? Are we just misrepresenting to not only our members, but you to your constituents, that there really is an adjustment assistance program? Or is it just a paper program going back to the days of 1962-69 when nobody got a benefit? That's our fear as to where this program is going.

If we can't at least implement the bills currently before you, that's what we are going to end up with—a paper program.

Thank you.

[The prepared statement follows:]

Statement
of
Leonard R. Page
United Automobile, Aerospace and Agricultural Implement
Workers of America (UAW)
before the
Senate Finance Committee
Subcommittee on International Trade

December 7, 1981

Mr. Chairman, my name is Leonard R. Page. I am an Associate General Counsel in the UAW Legal Department. The International Union, UAW, represents approximately 1,300,000 workers and their families in North America. I appreciate this opportunity to testify before your Subcommittee on the trade adjustment assistance program, or rather what is left of that program. I have been coordinating the UAW's trade adjustment assistance program for the past 11 years. The UAW strongly supports both trade reform bills, S. 1865 & S. 1868, being considered by this subcommittee.

In the last session of Congress, the 20 year old "fair trade" covenant with labor was unnecessarily broken. This Spring, we testified, that the bulge in 1980 and 1981 trade readjustment allowance (TRA) costs was only a temporary abberation caused by the huge increase in Japanese automobile imports. The UAW claimed that costs would be returning to normal in fiscal 1982 and argued, therefore, that structural changes and cutbacks in the program were unnecessary. We projected that 1981 TRA costs would be only 55% of the $2.7 billion allocated in the 1981 budget.

We were correct; but most of Congress was not listening to our appeal. Total fiscal 1981 costs were $1.5 rather than $2.7 billion. The following table shows the steady decline in monthly costs and new claims for fiscal 1981.

Table 1 — Adjustment Assistance, Monthly TRA Costs and New Claims

	Costs (Millions)	New Claims
October, 1980	$ 320.8	90,000
November	198.0	60,000
December	161.6	43,000
January, 1981	139.1	46,000
February	113.2	29,900
March	113.3	18,300
April	95.4	17,700
May	67.9	14,300
June	59.2	10,900
July	67.6	7,117
August	84.4	9,000 (est.)
September	80.4	9,000 (est.)
TOTAL (Fiscal 1981)	$1,500.9	
October (new fiscal year)	60.5	----- (n.a.)

Source — U.S. Department of Labor

This downward spiral would have continued into fiscal 1982 as indicated by the new claims column in Table 1. The new claims figures demonstrate the rapid decline in the number of participants under existing certifications who would have been eligible for TRA benefits in fiscal 1982.

In addition, given the 9% approval rate of current petitions, (see Table II attached) it is clear that few groups of workers would or are becoming eligible for benefits. Thus, we believe that Table I confirms the UAW position against making radical structural program changes.

Unfortunately, however, adjustment assistance was slashed along with the other social welfare programs in the Administration's spring offensive against workers and the poor. Congress seized the opportunity to make unnecessary and regressive program changes in the name of cutting costs.

The effect of these October 1, 1981 changes have been drastic and dramatic. Almost all autoworkers who have not already exhausted their 52 weeks of benefits have been dropped from the program because their benefit year (now one year rather than two) has prematurely come to an end.

The so-called "safety net" of existing state and federal social welfare programs will not hold the thousands of families who have lost TRA as of October 1, 1981. Moreover, the permanent damage being done to the domestic auto industry by increased Japanese imports has now continued for two and one-half years. Congress has not yet taken action on S. 396 to correct the import problem. Yet, the October 1 changes virtually ended the adjustment assistance program for the victims of our federal trade policy. Let's be blunt: the Administration's "reform" package was never intended to improve the adjustment assistance program; the only purpose of the October 1 changes was to cut federal expenditures being made to the victims of trade policies. Any claims that the adjustment assistance program has been strengthened or helped are pure hypocrisy.

The October Cuts Have Virtually Ended The Program

Let's look at the real impact of the program changes.

First, by imposing the tougher "substantial cause" test, fewer petitions will be granted. The present approval rate under the "contribute importantly" standard is an unbelievably low 9%.

Second, benefits are payable not from the date that imports cause the unemployment, but only for that portion of the unemployment occuring 60 days after the petition is filed.

Third, the income maintenance benefit — TRA — is slashed from up to 70% of the workers average weekly wage to the 50 different state unemployment insurance maximums. The weekly maximum benefit is thus reduced from a $289 maximum to an average $150, depending on the state of residence.

Fourth, the duration of benefits is cut to 52 weeks of any combination of state basic benefits, extended benefits or TRA; TRA is payable only after state benefits are exhausted. For most states TRA is therefore a second, 13 week extended benefit program, payable only after 39 weeks of unemployment. At present, only 30% of certified workers collect benefits after the 39th week. The average TRA recipient collected only 30 weeks of unemployment benefits in 1981.

Fifth, the period of potential benefits is slashed in half from two years to one year so that, as a practical matter, workers who experience temporary layoffs before a permanent separation, exhaust their benefit period before drawing all 52 weeks of TRA eligibility.

Sixth, workers who refuse a "suitable work" or minimum wage job can be denied any TRA.

Seventh, after eight weeks of payments, TRA can be denied any worker who (a) refused to enter training or (b) refused to extend his or her job search beyond the labor market area.

In hearings before the House Subcommittee on Trade, an administration witness estimated that for fiscal 1982, TRA will be paid to approximately 68,000 workers at an average benefit of $150 a week for an estimated 13 weeks. This would produce a fiscal 1982 TRA cost of approximately $133 million.

We believe that this forecast is a gross exaggeration. If the present petition success rate is reduced under 9% by the change in the certification test; 40,000 TRA recipients would be a high side figure. Table II (attached) shows program activity in 1981. The figures show a dismal program payout for 1982.

From January through October 1981, 20,984 workers have been covered under 178 certifications. Another 18,423 have possible eligibility under 39 partial certifications. From July 1 to November 1, 1981 a total of 4,400 workers over 48 separate certifications have been deemed eligible to apply for adjustment assistance.

It is rather obvious that someone at the Department of Labor has issued instructions to shut the program down, regardless of whether the "contribute importantly" test is really satisfied. Workers have gotten the message. The petition filing rate has plummeted. More than 5,000 petitions were filed in 1980. This year's figure should be about 1,200. Since May, 1981 no more than 75 petitions have been filed in any month.

The "Contribute Importantly" Test Should Be Retained And Improved

Section 222 of the Trade Act of 1974 originally required that certifications for adjustment assistance be issued when the Secretary determined that increased imports "contributed importantly" to layoffs. The new law provides for replacement of the "contribute importantly" test with the standard used by the International Trade Commission (ITC) on petitions for import relief. This "substantial cause" test was used in the November 1980 decision of the ITC to deny relief to the domestic auto industry. A tougher test had been required for import relief petitions, because that type of relief — quotas, tariffs, marketing agreements — necessarily involves significant international trade repurcussions. Since adjustment assistance cannot spark a trade war, the test for certification should not be as strict as for import relief.

There are sound reasons of trade policy why the test for trade adjustment assistance should be more flexible than that for import restraint. Individual groups of workers should be assisted when they are injured by import competition, even when barriers to all imports in the competitive import category should not be erected. Why should anyone pursue trade adjustment assitance if the same standard will apply for getting import barriers as for trade adjustment assistance?

If the test remains the same, we predict a decline in adjustment assistance petitions matched by an equal increase in import relief petitions. This will necessarily increase tensions in our trade relations with other countries. Since this change has no conceptual justification, we must assume it is another cost containment device. But we submit, it is an unnecessary and self-defeating cost device.

In slashing the TRA income supplement, Congress promised to improve the training element of the adjustment assistance program. The argument was that TRA never really helped unemployed workers adjust and that the key to real adjustment is retraining and job relocation.

Given this training redirection, the proposed change in the test for certification makes absolutely no sense. TRA costs under the new program are obviously going to be negligible. In most states, it is really only another 13-week extended benefit program.

Since training is now advertised to be the major program benefit, we should be expanding the pool of possible training recipients, not restricting it. Yet, the necessary result of imposing a stricter test for certification is to reduce the pool of potential trainees. Once TRA is removed as a cost generator, there is no logical reason for tightening the certification test. The Secretary's discretion to approve training as to its appropriateness for each individual applicant, can be used as a cost control mechanism.

The Administration's explanations for imposing the tougher test cannot withstand analysis. In the earlier hearings, an administration witness also claimed that a stricter test was necessary in order to better target permanently displaced workers. This is an absolute non-sequitur. The strength of the import causation factor has nothing to do with whether the resulting unemployment will be permanent or temporary. How can a causation test segregate temporary from permanent displacement?

Another administration witness testified that the "contribute importantly" test provided only a "very tenuous relation" between imports and unemployment. However, Table III (attached) shows that only 9% of the petitions currently being processed can satisfy that test. How can a test which denies 91% of petitions filed, be fairly characterized as "tenuous."

Still another administration witness acknowledged that the new "substantial cause" test will require more investigation by the Department of Labor. The previous test required only a finding that imports were an important cause. The new test will require an examination of all of the factors causing unemployment, to determine if imports were more important than any other cause. This extended investigation can only add to the current ten month delay for petition-filing to decision. In addition, the Office of Trade Adjustment Assistance is scheduled for a 30% cutback in personnel by the end of this year. A more complex test and 30% cutback of the staff threaten to make processing within the 60-day standard (set forth in Section 223 of the Trade Act) an absolute impossibility.

Finally, we submit that the "contribute importantly" test already gives the Secretary more than adequate discretion. Indeed it gives him too much. How else can he explain the fact that the petition success ratio has nosedived from 50% in 1975 to 9% this year? (See Table II attached)

If the four month (July-October, 1981) pattern continues through 1982, less than 13,000 workers will be found eligible for adjustment assistance in this fiscal year. Assuming 30% actually draw benefits from the 39th through the 52nd week of their unemployment, 4,000 workers will draw a total of $8.8 million in TRA benefits in fiscal 1982.

In 1975 & 1976 when a former Republican Secretary of Labor maintained a 50% success rate for this program, the total value of manufactured imports in those years was $70.7 billion and 77.1 billion respectively. In 1981 the total value of manufactured imports should be approximately $140 billion. (See Table II attached) Something is obviously

wrong. Manufactured imports have doubled, unemployment remains high, but the success rate for Trade Act petitions has not gone up, indeed it has, as noted, declined to 9%. (See Table II attached.)

In today's international economy we all know that many factors contribute to unemployment. The causes of unemployment are so complex that their study becomes somewhat subjective. Until now, we have never been too distrubed by this wide discretion for certification since every prior Secretary of Labor was generally faithful to his legal mandate of protecting and promoting worker interests. The fact that the current success rate is only 9% is proof that the current Secretary has no intention of letting the worker adjustment assistance program work. He has obviously put his heavy thumb on the scale to tip the balance against certification in any close case.

If the worker adjustment assistance program has come to this, then some real questions of principle and integrity must be raised. The annual budget for the office of trade adjustment assistance may surpass the total amount of benefits to be paid out.

The Secretary's current application of the "contribute importantly" standard is, in our judgment, a flagrant abuse of discretion. If you tighten the test now by going to "substantial cause" the Secretary may be able to achieve his obvious objective of turning back the clock to the years of 1962 - 1969, when the adjustment assistance program provided no benefits to any workers. Instead, Congress should be seeking to improve the "contribute importantly" test by requiring an annual success rate target of at least 50%.

Training Must Be Part Of The Entitlement

Recent oversight hearings of the joint Economic Subcommittee on Economic Goals conducted by Senator Lloyd Bentsen (D-Texas) underscored the critical shortage of skilled and technical workers. Senator Bentsen cites Labor Dept. projections of a yearly shortage of 57,500 industrial machinery repairpersons, 28,000 computer operators and 21,300 machinists.

The United States is the only industrialized country without a national employment and training program. The June, 1981 NBC White Paper "America Works When America Works" compares this country's lack of a national manpower and retraining policy with that of Western Europe and Japan and also points out the growing need for skilled workers in many occupations. The NBC Paper states while there are 9 million Americans out of work, there are also 1 million skilled jobs going begging for lack of qualified applicants. The training of unskilled workers is the obvious answer.

In cutting the program funding by 76% we were told that the emphasis had to be changed from income maintenance to training. However, despite Administration promises to increase training funding tenfold to $112 million in fiscal 1982, not one dime has yet been appropriated. The current training program is a totally hollow shell. To our knowledge, not a single worker has been approved for funded training since October 1.

Indeed, the new "improved" training program is actually worse than its predecessor. Under the prior program, a worker could self-finance his or her training program so as to take advantage of the 26-week TRA extension for workers in approved training. TRA payments could therefore be used to defray self-financed training costs.

But the October 1 changes cut the three-year benefit period for the TRA training extension in half. Thus most workers are effectively prevented from using the 26-week TRA extension as a training aid. Moreover, the new legislation also provided that a "worker shall be entitled to have payment of the costs of such training paid on his behalf by the Secretary." At first blush, we thought Congress intended to do something beneficial for the training program. But the Department of Labor has now interpreted this beneficial provision in its published guidelines so as to preclude self-financed training. According to the Secretary, since the new law requires the Secretary to pay training costs, then it necessarily implies that the worker cannot. Since the Secretary cannot pay training costs without an appropriation, there is simply no training now available.

The net effect of both changes has been to remove more than 25,000 workers from training programs. Since they cannot self-finance their training or continue on the 26-week TRA extension, thousands of workers in training on October 1 have been forced out. Moreover, the Secretary has adopted guidelines, conditioning the approval of individual training on the availability of training funds. This is clearly contrary to the statute. Training is to be approved where it will lead to a reasonable expectation of employment.

Thus, Congress' recent attempts to improve training have been used as an excuse to eliminate most existing training.

Perhaps one more example of training program mishandling is in order. The training funds appropriated for fiscal 1980 ($72 million) ran dry in March 1980. Thousands of workers interested in training were left in a bind. A January 1980 survey of program participants by the Michigan

Employment Security Commission indicated 78% were interested in training. But when these thousands asked for training they were told:

(a) forget it, there is no money,

(b) there is no training available,

(c) come back later,

(d) that program has been discontinued.

Given these responses, few if any workers requested a training application form. Most people have enough common sense not to perform a useless act.

In 1981, however, we learned that workers could self-finance approved training programs. The UAW then advised its members of this right. Thousands sought self-financial training at their local employment office. But the Secretary was ready for them. He rolled out a perfect "Catch-22." The state offices were instructed to deny all these requests where the formal application form was not completed and filed within 180 days of the certification or the first week of a TRA covered layoff.

We wrote the Secretary asking him to waive the 180 day time limit because of the initial run-around problem. He refused to waive it and even denied that any worker had been given the fast shuffle. Well, I have over 700 letters from UAW members in 15 different states all repeating the same theme: When they made timely inquiries about training, the state offices treated them like the plague. Any Congressmen with TRA constitutents has also heard these stories.

To correct this terrible inequity, we believe Congress should grant a one time, new training application deadline (perhaps by July 30, 1982) for all workers covered by certifications in fiscal 1980 and 1981.

The 20 year failure of training under the Trade Act is no accident or oversight. It has been a deliberate sabotage by the agency entrusted with its administration.

This massacre of the training program underscores the absolute need to make it part of the entitlement package. The current law provides under Section 236 that the Secretary may approve training where —

(a) there is no other suitable employment;

(b) the worker would benefit from the training;

(c) there is a reasonable expectation of employment following training;

(d) such training is available.

Where all these criteria exist, we see no valid reason why training should ever be withheld. The underscored word "may" must be changed to "shall." Unless this change is made, we see no reason to believe that the 20 year record of non-training under the worker adjustment assistance program will be improved.

The Assistant Secretary in charge of training has repeatedly stated that he does not believe government should be a sponsor or provider of training. The Secretary of Labor's handling of the October 1 changes shows that if Congress is serious about converting adjustment assistance into a training program, then training must be part of the entitlement.

The Benefit Periods Must Be Improved

The October 1 changes also slashed the two-year period for benefit eligibility down to one year. Thus in order to draw all 52 weeks of TRA, a worker must, as a practical matter be permanently laid off. This

reduction of the benefit period was the principle factor eliminating from the TRA program more than 95% of TRA participants on October 1. Under the two-year benefit period, only 30% of the workers drew benefits beyond the 39th week of unemployment.

The net effect of this change will mean that very few workers will actually draw TRA. In the real world unemployment tends to be temporary before it becomes permanent. While more auto plants and parts suppliers plants are closing this year than we'd care to count, in almost all closing cases, there have been heavy periods of temporary unemployment preceding such closings. Despite the fact that 170,000 Big Three auto workers covered by certification are indefinitely or permanently laid off this month, more than 95% are beyond the one-year benefit period and therefore are ineligible for TRA.

The benefit period change is simply an unfair and unreasonable restriction. The benefit period should be wider than the total weeks of benefit payments available. Rather than restore the 2 year benefit period we propose a compromise. There should be a 78 week benefit period to draw the basic 52 weeks of benefits and a 104 week benefit period to draw the 26 week extension for approved training.

The "Suitable Work" Test And Eight Week Penalties Must Be Removed

The new changes also impose a "suitable work" test for all TRA benefits. If a TRA participant refuses a minimum wage job, his or her TRA can be cancelled. In addition, after eight weeks of TRA, a participant can be cut off if he or she refuses training or does not extend job search beyond

the local job market. All of these penalty provisions are contrary to principles on which TRA is based. TRA was never intended to be unemployment insurance, rather its purpose was to partially reimburse workers who are the direct victims of federal trade policy and have thereby permanently lost a career opportunity.

Moreover, the fact that benefit levels have been slashed so drastically and the program has really been reduced to 13 weeks of extended benefits, make these punitive provisions doubly unnecessary.

The Program Must Finally Be Extended To Independent Parts Suppliers

The 96th Congress failed to pass the bill to extend coverage to independent parts suppliers. No one can justify the fact that workers making the same identical parts are eligible for benefits only if their employer also ultimately assembles that part into the import-impacted product. G.M. workers making spark plugs received adjustment assistance prior to the 1981 cuts; Champion workers whose spark plugs went into the same import-impacted automobiles did not.

The only reason given by the 96th Congress for not extending coverage to parts suppliers was costs. However, now that costs are negligible, the least Congress could do now is to eliminate this arbitrary and unfair loophole.

Congress should also be reminded of one more broken promise. In 1979, when the multi-lateral trade agreements were being considered, representatives of the prospective victims of that round of trade negotiations, expressed some concern. In approving those agreements, a promise was made to improve the adjustment assistance program by, among other things,

including coverage for parts workers. The 96th Congress reneged on that commitment. Fulfilling that promise now won't help the thousands of parts workers who have already fallen victim to U.S. trade policies, but it is one trade promise that would not cost very much to keep.

All Non-Regular Weeks Of Employment Should Be Counted Under The 26-Week Test For TRA

Since 1962, the worker adjustment assistance program has required that a TRA applicant must work 26 weeks in the preceding 52-week period in employment at specified wages. The purpose of this requirement, as explained in the original committee reports, was to make sure the TRA recipient had a sufficient attachment to the workforce. A new employee laid off due to imports should not get TRA.

Prior to the recent changes, the Secretary improperly refused to count any non-regular weeks of employment as satisfying this test. Thus, long term employees who, in the year preceding their layoff, had sick leaves due to workplace injuries, maternity leaves, long vacations, military leaves or even discharges or suspensions which were reversed by the grievance procedure, found that none of these weeks of employment counted. The Secretary's position cannot be justified in light of the purpose of the 26 week test.

Moreover, the Supreme Court has previously ruled in Social Security Board v. Nierotko, 327 U.S. 358 (1946) that employment must be defined to include all types of service time to the employer, not just time spent actively at work.

The October 1 changes permit a worker to count up to seven weeks of sick leave, vacation, maternity, union or military leave time. This is both arbitrary and insufficient. How can you deny benefits to a 20-year employee who was off the job for a work-related injury most of the year preceding his import-caused layoff?

Whether you count seven or all 26 weeks, you still have a long-service employee laid off due to imports who has lost a job opportunity. What is the possible justification for denying benefits to such a worker? Regardless of any injury or illness in the preceding year, the long-service employee's job loss from imports is just as devasting. All weeks of employment must be counted for the 26 week test.

Conclusion

The Omnibus Budget Reconciliation Act gutted an already inadequate program. These changes violated a 20-year covenant with labor to provide meaningful adjustment assistance in exchange for liberalized trade policies. The promised redirection from income maintenance to training has not occurred. Unless the changes we have requested today are implemented, the new worker adjustment assistance program will be a hollow shell — promising aid to the victims of trade but delivering only paperwork and denials. We cannot and will not support such a program.

Table II
Adjustment Assistance Petition Success Rate

	Petitions Instituted	Completed Cases	Certifications	Partial Certifications	Success Rate %	Total Value of Manufactured Imports (Billion)
1975	528	241	121	1	50	$ 70.7
1976	1,014	933	426	4	50	77.1
1977	1,289	1,060	407	4	42	76.4
1978	1,732	2,008	806	47	42	100.2
1979	2,119	2,075	780	64	41	112.0
1980	5,345	3,204	897	33	29	124.8
1981 (thru Oct.)	1,041	2,300	178	39	9	139.8*

Source: U.S. Department of Labor

* Annual rate based on seasonally adjusted figures through August, 1981.

Source: Highlights of U.S. Export & Import Trade, U.S. Dept. of Commerce

Table III
Adjustment Assistance Case Handling — 1981

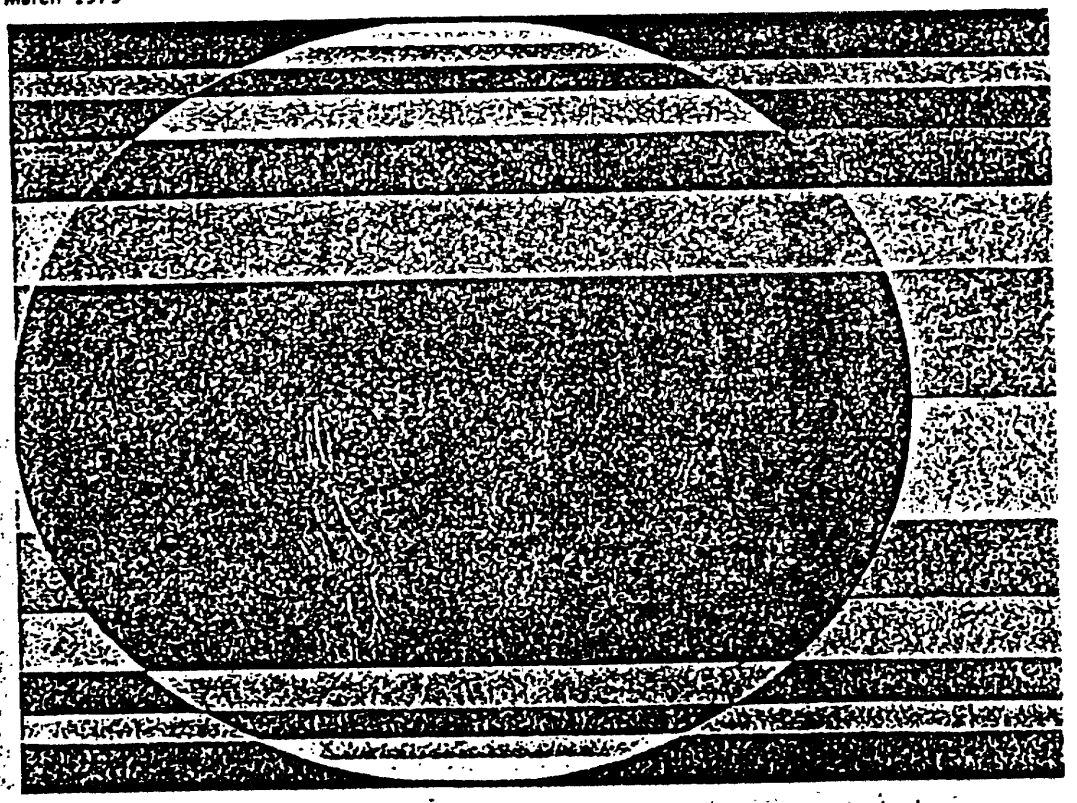
Month	Petitions Instituted	Completed Cases	Certifications		Partial Certifications		Success Ratio
			Petitions	Workers	Petitions	Workers	
January	177	284	9	689	1	47	5%
February	166	241	17	2,189	1	47	8%
March	183	254	25	4,494	14	806	16%
April	121	271	29	2,908	6	1,149	12%
May	55	289	28	2,479	5	1,448	12%
June	75	309	24	3,825	9	14,881	10%
July	73	125	3	256	1	15	3%
August	70	175	6	258	0	0	3%
September	72	162	11	616	1	13	8%
October	59	190	26	3,270	1	17	14%
Total 1981	1,041	2,300	178	20,984	39	18,423	9%

Source: U.S. Department of Labor

BACKGROUND PAPER

U.S. Trade Policy and the Tokyo Round of Multilateral Trade Negotiations

March 1979



Congress of the United States
Congressional Budget Office

volumes. 2/ A similar study, based on 1971 prices and trade flows and assuming a 50 percent multilateral tariff reduction, also shows significant gains for the United States as a whole. 3/ Not included in these estimates are additional benefits of liberalized trade arising from a variety of sources such as increased efficiency due to a larger scale of production, increased investment, increased stimulus to technical change, and more stimulative macroeconomic policies made possible by reductions in inflationary pressures. Further, these figures exclude the gains that could be realized through the reduction of nontariff barriers and most of the gains that would result from liberalized agricultural trade. One would expect, therefore, that these figures underestimate the total benefits of trade liberalization.

Offsetting these benefits to a degree are the one-time costs of moving workers and capital from one industry to another in response to changed patterns of economic activity. Both studies estimate these one-time costs to be small in comparison with total benefits--in one case, the costs are estimated to be fully recovered in the first year's benefits of reduced tariffs, and in the other case, in less than two years. 4/ These estimates leave little doubt that, on balance, the United States would reap significant rewards from tariff reductions of the sort being considered in Geneva.

GAINERS AND LOSERS AS A RESULT OF TRADE LIBERALIZATION

The problem with such figures for the net gains of liberalized trade policies is that they can hide the fact that these gains are not evenly distributed. While consumers and producers

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2/ William R. Cline, Naboro Kawanabe, T.O.M. Kronsjo, and Thomas Williams, Trade Negotiations in the Tokyo Round: A Quantitative Assessment (Washington, D.C.: The Brookings Institution, 1978), p. 86.

3/ Robert E. Baldwin, John H. Mutti, and J. David Richardson, Welfare Effects on the United States of a Significant Multilateral Tariff Reduction (University of Wisconsin-Madison: April 1978; processed), p. 21.

4/ See Cline and others, Trade Negotiations in the Tokyo Round, p. 130; and Ibid., pp. 21-22.

of some products may benefit greatly from freer trade, some businesses will be forced to close and some workers will lose their jobs because of increased foreign competition. It will, of course, be of small comfort to these businesses and workers to learn that the gains accruing to others are much greater than the losses they themselves are suffering.

There is no way to predict with any accuracy exactly how much particular sectors of the U.S. economy will gain or lose as a result of agreements reached in Geneva to liberalize trade policies. The distribution of such gains and losses will be highly dependent on the details of the tariff reduction formulas and on the nontariff barrier reductions that finally emerge from the negotiations, and as yet all of these details have not been worked out. The average tariff reductions of 30 percent to 40 percent that are expected will result from a wide range of reductions for specific products. A number of particular products will be accorded special treatment or excluded entirely from tariff reductions. Needless to say, each nation has its own set of products for which it seeks special treatment, and in the closing phases of the negotiations there could be important changes in the treatment of particular products.

Even if it is impossible to estimate accurately the impact of trade liberalization on particular industries, it is possible from such studies as the two cited above to get some indication of which types of industries will gain and which will lose as a result of trade liberalization. In general, the industries that will suffer as a result of trade liberalization are those that are relatively labor intensive or that make use of simple, well-known technologies. Among the industries that could potentially suffer the most as a result of tariff reductions are those producing footwear, leather products other than shoes, pottery food utensils, steel products, radios and television sets, and jewelry. 5/

5/ Robert E. Baldwin and Wayne S. Lewis, "U.S. Tariff Effects on Trade and Employment in Detailed SIC Industries," U.S. Department of Labor (1978), p. 255. This list includes industries that would suffer if tariffs were reduced. As a practical matter, producers of nonrubber footwear and television sets face no such potential injury, since these products have been excluded from any tariff reductions agreed to in Geneva.

In addition to those industries, the textile industry is often cited as the U.S. industry likely to suffer most severely as a result of trade liberalization. 6/ According to one estimate, job losses in the textile industry could account for nearly 43 percent of all jobs lost in the United States as a result of tariff reductions if tariffs on textiles were reduced by the same proportion as tariffs on other commodities. 7/ Estimates of the effect of tariff reductions on the textile industry are particularly unreliable, however. Most observers expect tariff reductions on textiles to be significantly smaller than reductions in other tariffs. Further, imports of textiles are limited by a series of bilateral agreements negotiated within the general framework of the international Multi-Fiber Agreement, and nothing that is being negotiated in Geneva will alter the terms of these agreements. To estimate how large an increase in U.S. textile imports might result from textile tariff reductions, it would be necessary to do a careful analysis of the many categories of textiles covered by each bilateral textile trade agreement, an undertaking that is beyond the scope of this paper.

Trade liberalization will have the reverse effect on a number of industries whose exports have been restricted by high tariffs abroad. Lower duties on the products of these industries will bring about increased demand and eventually will result in higher employment. By and large, the beneficiaries of freer trade will be those industries that exploit highly sophisticated or recently developed technology or that process U.S. agricultural commodities. Among those likely to benefit most are industries producing tobacco products, semiconductors, computing machines, office machines, mechanized measuring devices, electronic components, aircraft, and aircraft equipment. 8/ Also making important gains

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6/ The textile industry includes producers both of woven cloth and of apparel. The United States is a net exporter of woven cloth and would presumably remain so after tariff reductions. The portion of the U.S. textile industry that is threatened by trade liberalization is, more accurately, the apparel industry.

7/ See Cline and others, Trade Negotiations in the Tokyo Round, p. 136.

8/ Baldwin and others, Welfare Effects on the United States of a Significant Multilateral Tariff Reduction, p. 24.

will be the U.S. agricultural sector, particularly if liberalization includes not only tariff reductions but also a lowering of agricultural nontariff barriers by the European Community and by Japan.

The brunt of job layoffs in the United States resulting from trade liberalization will be borne disproportionately by semiskilled workers--primarily machine operators, assembly line workers, and nonfarm laborers. Highly skilled workers will be more in demand as a result of general trade liberalization, with the need for research and development workers and production-related technical workers growing most rapidly. Demand will also increase for all types of agricultural workers. 9/

Geographically, most of the net job losses resulting from trade liberalization will take place in the urban areas of the North and East, particularly in Illinois, Massachusetts, Michigan, New York, Ohio, and Pennsylvania. Relative to their populations, the four New England states of Maine, New Hampshire, Vermont, and Massachusetts will suffer the largest displacement of workers. Newly created jobs would be concentrated in the southern, midwestern, and western areas of the United States, with especially large increases in the agricultural regions of Kansas, Minnesota, and the Dakotas. 10/

The distribution of jobs lost and gained throughout the United States could have some important social consequences. Because those losing jobs will be predominantly semiskilled production workers, the burden of adjusting to a regime of freer trade will fall more heavily on lower-income and minority workers than on the higher-income, mostly white male workers in highly technical jobs. Often it will be those workers hardest to place in new occupations who will be thrown out of work by trade liberalization. This is particularly the case in the textile industry, in which 23 percent of the workers are minorities and 65

9/ Baldwin and Lewis, "U.S. Trade and Tariff Effects on Trade and Employment in Detailed SIC Industries," p. 253.

10/ Ibid., p. 254. These estimates of the geographical distribution of job losses and gains do not include the jobs lost by textile workers, located primarily in the southern United States.

percent are women. 11/ Many jobs in the textile industry are located in rural and economically stagnant areas where opportunities for alternate employment are few, and many textile workers possess few work skills of use in other occupations.

Among the beneficiaries of lowered trade barriers would be consumers in the United States. In many cases, trade barriers have been erected specifically to protect particular domestic industries from lower-priced foreign competition. One would expect, therefore, that the removal or reduction of such trade barriers would result in increased availability of lower-priced goods in the U.S. market. Estimates of the effects of tariff reductions consistently show such price decreases. In general, the sectors in which these price reductions are estimated to be most significant are the same sectors in which job losses resulting from liberalization would be the largest. This is not surprising, since it is exactly those domestic industries in which prices are much higher than those of foreign producers that are most dependent on trade restrictions for their continued survival. 12/ Further, it is widely believed--although difficult to prove--that increased foreign access to U.S. markets will aid U.S. consumers by bringing additional competitive pressure to bear on U.S. producers, thus restraining domestic price increases.

The nature and distribution of gains and losses due to liberalized trade are such that one might expect opposition to less

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11/ Joint Statement of Fifteen Fiber, Textile, and Apparel Industry Associations and Labor Unions to the Subcommittee on International Trade, Senate Committee on Finance (August 15, 1978; processed), p. 4.

12/ The areas in which the potential consumer gains from freer trade are estimated to be greatest--veneer and plywood, nonrubber footwear, leather products other than shoes, pottery food utensils, cutlery, radios and television sets, motorcycles and bicycles, and sports and athletic goods--are among those areas in which employment losses are likely to be greatest. Net welfare gains (the benefit to consumers minus the costs of adjustment for idled workers and capital) are summarized succinctly in Cline and others, Trade Negotiations in the Tokyo Round, p. 130, Table 3-15. Specific changes by industry are found in Baldwin and others, Welfare Effects on the United States of a Significant Multilateral Tariff Reduction, p. 26.

restrictive policies to be better organized and more vocal than support will be. The negative effects of trade liberalization will fall heavily on a relatively small group of industries and workers. But because the losses suffered by this group would be severe--plant closings and the loss of jobs--and because the adversely affected groups would be concentrated in a few locations and would in general be relatively well organized, strong opposition to trade liberalization is likely to develop. The beneficiaries of trade liberalization, on the other hand, will be many and generally unorganized. The benefits accruing to each consumer will be only marginal--perhaps not even easily discernible--and the workers finding new jobs are likely to be widely scattered and often without organized unions. Support for liberalized trade policies by these groups will, therefore, be relatively muted. The relative organization of opposition to trade liberalization should not obscure the fact that trade liberalization could lead to significant net gains for the United States. Neither should it be forgotten, though, that some groups will pay heavily for these overall gains.

Some mechanisms exist in the United States to redistribute the gains of freer trade and to mitigate the injury suffered by displaced workers. These mechanisms--unemployment compensation and trade adjustment assistance are the most obvious examples--are far from adequate, however, to compensate fully those who suffer as a result of action that will bring a larger gain to the rest of the economy. Inevitably, a decision to approve any agreement calling for liberalized trade must hurt some workers and help others. The Congress cannot avoid this dilemma, and the best it can do is consider carefully which groups will be aided and which injured. If it chooses to approve a trade liberalization agreement, it may wish to consider expanded or restructured programs providing relief to the losers.

THE MACROECONOMIC EFFECTS OF TRADE LIBERALIZATION

Trade liberalization could bring important benefits to particular industries and groups of workers. It could also result in marginal gains for consumers and, as the figures noted earlier suggest, in net gains for the whole United States economy. It is important, however, to keep these gains in perspective. Many other influences both in the United States and abroad also affect employment, income, and economic growth in the United States. In many cases, these other influences

STATEMENT OF STEPHEN KOPLAN, LEGISLATIVE REPRESENTATIVE, AFL-CIO, WASHINGTON, D.C.

Mr. KOPLAN. Thank you, Mr. Chairman. I would ask that my full statement appear in the record. I will just summarize it at this time.

The AFL-CIO supports S. 1868, introduced by Senator Moynihan to moderate five of the destructive and heartless injustices in the new trade adjustment assistance law, and S. 1865, introduced by you, Mr. Chairman, and other Senators, which is basically incorporated in the Moynihan bill.

At the outset let me say, Mr. Chairman, before getting into the specific provisions of the bill, that we do not view trade adjustment assistance as a substitute for a fair trade policy. Trade adjustment assistance is simply providing some compassion for people who are unemployed as a result of our U.S. trade policy. It is not a substitute for attacking the root of the evil, the problems that caused that unemployment. I want to make that very clear today.

S. 1868, first, would restore the language in the test for eligibility to apply for adjustment assistance to "contributed importantly" as it was in the Trade Act of 1974. "Contributed importantly" means that a group of workers must prove that rising imports contributed importantly to their job loss, or a threat thereof, and to a decline in sales or production. These tests must be met before workers can be certified as eligible to apply for adjustment assistance. However, the Omnibus Budget Reconciliation Act of 1981 had changed this test to "substantial cause," without justification even in budget terms. There are no guidelines to define what "substantial cause" means. Elimination of the "substantial cause" test contained in both the bills before this subcommittee is a necessary first step to maintaining even the skeletal remains of a trade adjustment assistance program.

And I would note, Mr. Chairman, just as we noted when we testified last March before the House Trade Subcommittee, the Administration has yet to put a figure on what "substantial cause" means in budget terms. No figure is included in Mr. Lewis' statement today, nor was any such figure included in the testimony that the Department of Labor gave on that provision before the House Trade Subcommittee last March.

Second, S. 1868 entitles workers to training assistance which the Trade Act of 1974 promises. The administration performed massive radical surgery on the cash benefit side of trade adjustment assistance based on the argument that any future program must emphasize training, job search, and relocation.

Just in terms of, as I recall, your own State of Missouri, Mr. Chairman, before this act was modified, the bill was modified in the Omnibus Budget Reconciliation Act last August, the maximum amount of trade adjustment Assistance—the maximum amount—available to workers was $289 a week. Now, because the national program has been eliminated, in the State of Missouri, if I recall the figures correctly, the maximum amount would be $105 a week, because that's the level of unemployment compensation in the State of Missouri. Correct me if I am wrong on that figure. If I recall, that is the figure, Mr. Chairman.

However, absent the proposal contained in S. 1868, workers may find there either insufficient or no funds available to carry out the training side of this program. I would say to you, Mr. Chairman, that when we testified, and I again refer to last March, there were no specifics of exactly how this money would be spent; but yet, we were told that the emphasis was going to be shifted from the cash benefit side to training, job search, and relocation. Today, in response to questions that you asked, Senator Long, I still don't understand how this money is planned to be spent by the administration. I thought, Senator Long, you asked very specific questions as to how that money would be utilized, whether the administration has made an effort to locate jobs at the end of the training program, and I thought the answer to your questions was no. And that's astounding, because that was the basis for cutting this program by 80 percent earlier this year. And we still don't know how the administration plans to spend this training money.

Third, S. 1868 extends coverage of trade adjustment assistance to workers who work for independent suppliers of parts and services. As of now, the people who are unemployed because imports cost their jobs are generally not covered unless they are employed by a firm which makes an import-impacted end product. Thus, the worker who is displaced, for example, by imported television sets, can be eligible if his firm makes television parts and television sets. But if the firm for which he works only makes parts for television sets, the worker is not covered, or an auto worker who makes auto parts for an auto firm such as Ford, GM, or Chrysler, with necessary parts or not.

Even worse, a cafeteria worker employed by an independent food-service firm in an auto plant cannot get certified under current law even though every other worker in the firm is covered. And workers who drive the trucks that deliver cars are ineligible unless they work for the firm which is the producer of the cars.

S. 1868 would address this problem. Coverage should not depend on what the worker does now, today—this is the situation—but on who owns the plant. But the AFL-CIO has long urged that all parts and service workers impacted by imports should be eligible for trade adjustment assistance coverage.

S. 1868 appropriately exempts from the calculation of the 26-week-work-eligibility requirement the weeks a worker has been on workers compensation and from the weeks a worker has been unjustifiably laid off but for which the worker is later compensated.

And finally, S. 1868 would change the "suitable work" standard in the current law so that workers who have received their initial unemployment compensation will not be cut off from trade adjustment assistance benefits or training if they do not accept any job at the minimum wage. This proposal is essential if the job skills of American workers are to be maintained.

I note that this morning the administration put a $10 million figure on that particular provision.

Mr. Chairman, the AFL-CIO urges adoption of S. 1868 as a first step to assist workers who have lost their jobs through no fault of their own but because of U.S. trade policy.

[The prepared statement follows:]

SUMMARY

STATEMENT OF STEPHEN KOPLAN, LEGISLATIVE REPRESENTATIVE
DEPARTMENT OF LEGISLATION
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE, SENATE FINANCE COMMITTEE
ON S. 1865 and S. 1868 - AMENDMENTS TO TRADE ADJUSTMENT ASSISTANCE

December 7, 1981

The AFL-CIO supports S. 1868, introduced by Senator Moynihan to moderate five of the disastrous, destructive and heartless injustices in the new trade adjustment assistance law, and S. 1865, introduced by Chairman Danforth and other Senators, which is basically incorporated in the Moynihan bill.

1. S. 1868 restores the language in the test for eligibility to apply for adjustment assistance to "contributed importantly," as it was in the Trade Act of 1974. "Contributed importantly" means that a group of workers must prove that rising imports contributed importantly to their job loss or the threat thereof and to a decline in sales or production. These tests must be met before workers can be certified as eligible to apply for adjustment assistance. However, the Omnibus Budget Reconciliation Act of 1981 had changed this test to "substantial cause," without justification even in budget terms. There are no guidelines to define what "substantial cause" means. Elimination of the "substantial cause" test is a necessary first step to maintaining even the skeletal remains of a trade adjustment assistance program.

2. S. 1868 entitles workers to training assistance which the Trade Act of 1974 promises. The Administration performed massive radical surgery on the cash benefit side of TAA based on the argument that any future program must emphasize training, job search and relocation. However, absent the proposal contained in S. 1868, workers may find there are either insufficient or no funds available to carry out this side of the program.

3. S. 1868 extends coverage of trade adjustment assistance to workers who work for independent suppliers of parts and services. As of now, the people who are unemployed because imports cost their jobs are generally not covered unless they are employed by a firm which makes an import-impacted end product. Thus coverage depends not on what the worker does but on who owns the plant. The AFL-CIO has long urged that all parts and service workers impacted by imports should be eligible for trade adjustment assistance coverage.

4. S. 1868 appropriately exempts from the calculation of the 26-week-work eligibility requirement the weeks a worker has been on workers' compensation and from the requirement the weeks a worker has been unjustifiably laid off but for which the worker is later compensated.

5. S. 1868 changes the "suitable work" standard in the current law so that workers who have received their initial unemployment compensation will not be cut off from trade adjustment assistance benefits or training if they do not accept any job at the minimum wage. This proposal is essential if the job skills of American workers are to be maintained.

Therefore, the AFL-CIO urges adoption of S. 1868 as a first step to assist workers who have lost their jobs through no fault of their own, rather because of U.S. trade policy.

STATEMENT OF STEPHEN KOPLAN, LEGISLATIVE REPRESENTATIVE,
DEPARTMENT OF LEGISLATION
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE, SENATE FINANCE COMMITTEE
ON S. 1865 and S. 1868 - AMENDMENTS TO TRADE ADJUSTMENT ASSISTANCE

December 7, 1981

The AFL-CIO appreciates the opportunity to appear in support of S. 1868, introduced by Senator Moynihan, to moderate five of the disastrous, destructive and heartless injustices in the new trade adjustment assistance law and on S. 1865, introduced by Chairman Danforth, and other Senators, which is basically incorporated in the Moynihan bill.

The Trade Adjustment Assistance program was virtually abolished in the Omnibus Budget Reconciliation Act of 1981. The program was cut from $1.5 billion to $317 million, with extensive legislative changes that removed all of the best features in trade adjustment assistance. Included in the $317 million figure was $112 million for training, job search and relocation. That $112 million was subsequently reduced to $25 million in the Continuing Resolution and ultimately vetoed by the President.

We want to compliment the Chairman for his efforts to put into the recent Continuing Resolution on the Budget additional funds for training. We regret that the President's veto stymied this effort.

The five parts of S. 1868 are merely modest steps to partially redress gross injustice. As Senator Moynihan pointed out in introducing S. 1868, "the most egregious but seemingly unnoticed changes to the TAA program that were recently adopted will be addressed."

Group Eligibility Requirements

First, S. 1868 restores the language in the test for eligibility to apply for adjustment assistance to "contributed importantly," as it was in the Trade Act of 1974. That means that a group of workers must prove that rising imports "contributed importantly" to their job loss, or the threat thereof, and to a decline in sales or production. These tests must be met before any group of workers can be certified to apply for adjustment assistance.

The AFL-CIO has historically protested the complicated bureaucratic procedures that have been used to deny workers adjustment assistance. The tests under "contributed importantly" had been interpreted to make it arbitrarily difficult for workers to qualify.

But the Omnibus Budget Reconciliation Act of 1981 changed even this test to a stricter requirement that was even more bureaucratically complicated and subjective: A group of workers must prove that rising imports "were a substantial cause of" their job loss and the decline in sales or production in order to be certified.

Senators Danforth and Moynihan got a six-month delay in the effective date of this prohibitive change. And S. 1865 sponsored by Senators Danforth, Moynihan, Roth, Heinz and Mitchell, would make that delay permanent -- until October 1983 when trade adjustment assistance is to be renewed. S. 1868 effects a similar result.

There was never any justification for this "substantial cause" test in budget terms. The phrase "contributed importantly"

had been put in the law in 1974 because most import-affected workers had been unable to get any of the promised trade adjustment assistance between 1962 and 1969. Only a marginal number had been able to qualify by 1974. The "substantial cause" test is therefore a throwback to make it possible to deny virtually all workers any promised relief under trade adjustment assistance while the program remains a part of the law.

"Substantial cause" is defined as "a cause which is important and not less than any other cause," as used in Section 201 of the Trade Act of 1974.

There are no guidelines in any body of law that defines what this means. There are not even any guidelines to guide the Congress on what it means.

But American auto workers know what it has meant in Section 201 of the Trade Act of 1974: Despite the fact that the entire International Trade Commission found the auto industry had been injured, the members of the ITC decided in a 3-2 vote that imports were not greater than any other cause of the injury. Thus the auto industry and workers got no relief from imports now costing the United States' jobs and production in towns and cities across the nation.

Those who are affected by import losses will therefore be unable to prove a case unless S. 1868 and S. 1865 are passed. In short, there will not be adjustment assistance for workers, because it will be almost impossible to prove eligibility, unless S. 1868 and S. 1865 are passed.

The Congressional Budget Office reported to the Finance Committee that this change to "substantial cause" presumes a

level of sophisticated economic analysis that may not have been developed yet. Currently the Secretary only must determine if imports are an important cause of layoffs, without examining other causes."

As the Chairman of this Subcommittee has stated, it is "unnecessary if not counterproductive, to retain this additional cumbersome criterion."

The CBO also stated that the test in the Omnibus Bill would "reduce TAA participation."

As Senator Moynihan has stated, the Administration's plans to have this more restrictive test "would only limit the pool of experienced workers who could take advantage of the opportunities for adjustment under the TAA program."

For these reasons, we believe that elimination of the "substantial cause" test is a necessary first step to maintaining even the skeletal remains of a trade adjustment assistance program.

Entitlement to Training

Second, S. 1868 entitles workers to training assistance which the Trade Act of 1974 promises. The amendment merely changes the current provisions of the Trade Act of 1974 to state that the "Secretary shall approve such training" instead of "the Secretary may approve such training."

One purpose of trade adjustment assistance is to help workers adjust to new jobs and to be able to get new jobs.

The Administration performed massive radical surgery on the cash benefit side of TAA based on the argument that any future program must emphasize training, job search and relocation. The

AFL-CIO opposed the decimation of the cash benefit program but certainly supports training, job search and relocation funds as preferable to long-term increases in unemployment lines.

It is senseless to require that unemployed workers prove that they have been injured, gain access to the program and then, after all the qualifications have been met, to find there are either insufficient or no training funds available to carry out that side of the program.

This provision of S. 1868 is long overdue.

Coverage for Suppliers of Essential Parts or Services

The third provision of S. 1868 would extend the coverage of the trade adjustment assistance program to workers who work for independent suppliers of parts and services.

This has long been a goal of those who are interested in having an effective, nondiscriminatory adjustment assistance program. This concept was passed by the House of Representatives in the last Congress, and has become an ever more important need as the inequities of the current law are becoming more evident.

The basic inequity under the law is that those who are now unemployed because imports have cost them their jobs are generally not covered by trade adjustment assistance unless they are employed by a firm which makes an import-impacted end product. Thus the worker who is displaced by imported television sets can be eligible if his firm makes television parts and television sets. But if the firm for which he works only makes parts for television sets, the worker is not covered. Or an auto worker, who makes auto parts for an auto firm such as Ford, GM or Chrysler with necessary parts

are not. Even worse, a cafeteria worker employed by an independent food service firm in an auto plant, cannot get certified under current law even though every other worker in the plant is covered. And workers who drive the trucks to deliver cars are ineligible unless they work for the firm which is the producer of the cars.

Thus coverage has depended not on what the worker does, but on who owns the plant. Parts and service workers should be covered under the same standards that are used for workers who are employed to make the final product.

This is a minimal change, Mr. Chairman. A change that is long overdue and which is essential to remove some of the most glaring inequities in the trade adjustment assistance program. The AFL-CIO has long urged the extension of benefits to such workers. In sum, all parts and service workers should be eligible for trade adjustment assistance coverage.

Treatment of Workers' Compensation and Back Pay-Time for Purposes of Worker Qualification

Fourth, S. 1868 would amend the law to address the abuse in the current requirements that the worker who is certified as eligible to apply for adjustment assistance must also have had 26 weeks of employment in the last year prior to the lay-off because of import injury in order to qualify for adjustment assistance.

This requirement was originally put into the law so that there would not be an abuse of the trade adjustment program by qualifying for 52 weeks of benefits, workers who had only worked a few weeks.

Instead, the requirement of 26 weeks employment has been used to deny benefits to workers who had worked for many years but were injured on the job or on sick-leave or unjustifiably laid off during the last year of service.

For example, an employee with 20 years service who was injured on the job and out of work for much of the last year before the plant was shut down now receives no trade adjustment assistance benefit because of the 26-week requirement.

The same is true of an employee with high seniority who was unjustifiably laid-off for a long period during the year prior to the date of import injury and has received back pay.

S. 1868 appropriately exempts from the calculation of the 26-week-work eligibility requirement the weeks a worker has been on workers' compensation and from the requirement the weeks a worker has been unjustifiably laid off but for which the worker is later compensated.

Suitable Work Standard for TRA Eligible Workers Receiving Extended Benefits or TRA

Fifth, S. 1868 would change the "suitable work" standard for workers who have lost their jobs because of imports, so that they will not be forced to take jobs at the minimum wage or lose their right to trade adjustment assistance benefits or training at the end of the first 26 weeks of unemployment compensation. That is the current state of the law.

Thus a trade adjustment assistance program no longer guarantees a 52 week program.

S. 1868 amends the Federal-State Extended Unemployment Compensation Act of 1970 again by adding a new clause -- a new improved definition of "suitable work" for trade adjustment assistance purposes. The new test would be "work of a substantially equal or higher skill level than the workers' past adversely affected employment" and "wages for such work at not less than 80 percent of the individual's average weekly wage for his most recent base period."

This amendment should at least help to create adjustment assistance for workers rather than to create a new group of the working poor whose jobs were lost because of the federal government's trade policy.

The AFL-CIO urges adoption of S. 1868 as a first step to assist workers who have lost their jobs through no fault of their own rather because of U.S. trade policy.

STATEMENT OF ELIZABETH SMITH, LEGISLATIVE AND POLITICAL EDUCATION DIRECTOR, AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, WASHINGTON, D.C.

Ms. SMITH. Mr. Chairman, members of the subcommittee, I am Elizabeth Smith, legislative and political education director of the Amalgamated Clothing and Textile Workers Union. Our union represents 465,000 workers who make textile fabrics, mens' apparel, shoes, leather apparel, automobile interior components, and photocopying machines. All of these products have been hit by devastating import penetration.

The import problems in the area where our membership is concentrated, the textile and apparel industry, is well known to this subcommittee. Our members' job security still relies greatly on international agreements restraining import growth, which Senator Moynihan can take great pride in as the originator of the short-term cotton arrangement in 1961.

But in spite of these international import agreements, hundreds of thousands of our workers have lost their jobs, and over 55,000 of our members who lost employment qualified for trade adjustment assistance. But many, many more of our members in textile mills, in auto component plants, did not qualify because, due to the restrictive language of eligibility and the legislative history accompanying the enactment of the Trade Adjustment Act, they were not covered.

Mr. Chairman, the tariff cuts and the other trade liberalization agreements of the Tokyo round negotiations are being felt by our economy, and right now in our industry, unemployment is over 12 percent, which is much higher than the national average, and many, many more of our workers, well over 12 percent, are now on a 30-hour week.

The current administration and its supporters in Congress decided to compound the damage of greater import-created job loss by gutting TAA and its income maintenance protections.

We would like to commend the members of this subcommittee for introducing S. 1865 and 1868 which, if enacted, would help mitigate the damage done to the trade adjustment assistance program by passage of the Omnibus Budget Reconciliation Act. We would also like to thank you, Mr. Chairman, Senator Roth, Senator Moynihan, and Senator Dole, for your help in adding training funds to the continuing resolution, which unfortunately was vetoed.

Our reasons for support can be quickly cited. As a matter of fact, I won't cite them, because my colleagues here have already covered most of it; however, there are two things that I would like to note. The change in standards from "substantial cause" to "contributed importantly," covered by Senator Danforth's bill, may not produce a substantially greater increase in TAA certifications from the miniscule number of this year, because under the current administration of this program if 10 facts support certification and one fact does not, the Labor Department seems to be using that one fact as the basis for denying the workers' position for benefit eligibility. One must assume that this is being done with the presumption that the union or the affected workers will not pursue the legal remedies of appeal since the costs of legal challenge far outweigh any potential amount of trade adjustment benefits that may result. Thus, we would ask that the sponsors of these bills might also consider a simplified appeal procedure in addition to the other proposed changes.

In a similar manner, let me point out a contradiction which is not resolved by this legislation. Certification of trade adjustment assistance eligibility is made for a 2-year period, but under the Budget Reconciliation Act, a maximum time period of 52 weeks from the date of exhaustion of unemployment compensation eligibility is set for reception of trade adjustment assistance benefits. It is not just conceivable, but fairly likely, that many workers will be certified eligible for trade adjustment assistance but will be unable to collect due to the 52-week limitation. This is especially true now that the Labor Department is taking 8-9-10 months, almost the entire 52 weeks, to render a decision on eligibility in the first place. This unconscionable and illegal delay in decisionmaking will undoubtedly get longer with the planned reduction in Labor Department personnel made necessary by further budget cutting.

The two bills before this subcommittee thus make some essential changes and prevent one crucial change in the trade adjustment assistance program as created by the Reagan administration. The fact that the entire trade adjustment assistance program is nowhere near being adequate to meet the needs of workers unemployed by excessive imports probably must await correction until another day.

But until such time, until the possible realization of a fair trade policy and a full-employment domestic economy which would make trade adjustment assistance programs less important, we support these modest but necessary betterments to the current program.

Thank you.

[The prepared statement follows:]

Amalgamated Clothing and Textile Workers Union

Murray H. Finley, President
Jacob Sheinkman, Secretary-Treasurer

Testimony on S. 1865 and S. 1868
Proposed changes in the trade adjustment assistance program for workers.

Before the

Subcommittee on International Trade

Committee on Finance

U.S. Senate

Presented by:

Elizabeth M. Smith
ACTWU Legislative and Political Education Director

December 7, 1981

STATEMENT OF ELIZABETH M. SMITH, LEGISLATIVE AND POLITICAL EDUCATION DIRECTOR, AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO,CLC, BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE, SENATE FINANCE COMMITTEE, ON S. 1865 and S. 1868, AMENDMENTS TO THE TRADE ADJUSTMENT ASSISTANCE ACT.

Mr. Chairman and Members of the Subcommittee:

The Amalgamated Clothing and Textile Workers Union (ACTWU) is pleased to appear here today in support of S. 1868, Senator Moynihan's bill, and S. 1865, introduced by Chairman Danforth, Senator Moynihan, Senator Roth, Senator Heinz, and Senator Mitchell. Our union represents 465,000 workers who make, among other things, textile fabrics, men's apparel, shoes, leather apparel, automobile interior components and photocopying machines. All these products have been hit by devastating import penetration, resulting in loss of employment for thousands of our members all across the country.

The import problems in the area where our membership is concentrated -- the textile and apparel industry -- is well known to this subcommittee. Our members' job security still relies greatly on international agreements restraining import growth, which Senator Moynihan can take great pride in as an originator of the Short-term Cotton Arrangement in 1961.

In spite of the existence of these import agreements, over 55,000 ACTWU members who lost employment qualified for trade adjustment assistance (TAA). This is a statistic of shame for this nation, not one of pride. Why should the workers in this

vital industry be made to pay the costs of import penetration with blindly accepted theoretical mythology? Trade Adjustment Assistance was one small, inadequate means of sharing these costs on a more equitable basis with the rest of society.

The TAA provisions of the Trade Act of 1974 were put into effect to ameliorate the impact of the Kennedy Round of tariff cuts. Even under the law, many of our members were denied TAA benefits due to the restrictive definition of eligibility and legislative history accompanying its enactment. Our members in textile mills, our members in the auto component plants did not understand why imports were not considered the direct cause of their unemployment. Other workers did not understand why they were denied TAA certification when their company went out of business due to dumped or subsidized imports selling at unfairly low prices.

Now the tariff cuts and other trade liberalization agreements of the Tokyo Round negotiations are being felt by our economy. The currect Administration and its supporters in Congress decided to compound this damage of greater import-created job loss by gutting TAA and its income-maintenance protections.

We commend Senators Moynihan, Danforth, Heinz, Mitchell, Roth and the others who are attempting to mitigate some of the damage done to the trade adjustment assistance program by passage of the Omnibus Budget Reconciliation Act of 1981. We endorse the two bills, S. 1865 and S. 1868, being considered today, and urge quick enactment of this legislation.

Our reasons for support can be quickly cited. I have already mentioned the inequity of supplier industries being denied TAA eligibility. S. 1868 would rectify this injustice.

The change in standards for determining trade impact as the reason for unemployment from "substantial cause" to the original "contributed importantly" will make a necessary difference in establishing TAA eligibility. The world is not one of simplistic distinctions and to insist on such an arbitrary assessment on what caused a worker's unemployment as "substantial cause" is completely unrealistic. This wording would be an unmeetable test, both on a logical and economic basis.

Not that this change in standards would produce a substantially greater increase in TAA certifications from the miniscule number of this year. Under the current administration of this program, if 10 facts support certification and one fact does not, the Labor Department will use the one fact as the basis for denying the workers' position for benefit eligibility. One must assume this is being done with the presumption that the union or affected workers will not pursue the legal remedies of appeal since the costs of legal challenge far outweigh any potention amount of TAA benefits that may result. Thus we would ask that the sponsors of these bills also consider a simplified appeal procedure in addition to the other proposed changes.

The other essential change provided for in S. 1868 is to get rid of the Catch 22 situation of mandating acceptance of any minimum wage job offer by an unemployed worker after exhausting unemployment compensation, which thereby negates all TAA benefits. If this change is not enacted, we will be back to the same situation prior to 1974 whereby a TAA program existed but virtually no one qualified for benefits.

In a similar manner, let me point out a contradiction which is not resolved by this legislation. Certification of eligibility is made for a two-year period. But under the Budget Reconciliation Act a maximum time period of 52 weeks from the date of exhaustion of unemployment compensation eligibility is set for reception of TAA benefits. It is not just conceivable, but fairly likely, that many workers will be certified eligible for TAA but unable to collect due to the 52-week limitation. This is especially true now when the Labor Department is taking from 8 months to 9 and 10 months -- almost the entire 52 weeks -- to render a decision on eligibility in the first place. This unconscionable and illegal delay in decision making will undoubtedly get longer with the planned reduction in Labor Department personnel made necessary by further budget cutting.

The two bills before this subcommittee thus make some essential changes -- and prevent one crucial change -- in the trade adjustment assistance program as created by the Reagan Administration. The fact that the entire TAA program is nowhere near being adequate to meet the needs of workers unemployed by excessive imports probably must await correction until another day.

But until such time, until the possible realization of a fair trade policy and a full-employment domestic economy which would make TAA programs less important, we are willing to support these modest, but necessary, betterments to the current program which these bills provide.

STATEMENT OF JOHN POWDERLY, LEGISLATIVE REPRESENTATIVE, UNITED STEELWORKERS OF AMERICA, WASHINGTON, D.C.

Mr. POWDERLY. Thank you, Mr. Chairman. My name is John Powderly. I am with the legislative department of the United Steelworkers of America, and I have testimony by John Sheehan, who is the legislative director of the Steelworkers Union, that I would like to have submitted into the record.

[The statement follows:]

TESTIMONY

of

JOHN J. SHEEHAN
LEGISLATIVE DIRECTOR
UNITED STEELWORKERS OF AMERICA

on

TRADE READJUSTMENT ASSISTANCE

Early this year during the blitzkrieg on the budget, we testified before the House Subcommittee on Trade in behalf of maintaining the trade readjustment program as it was incorporated in the 1974 Trade Act.

The main thrust of our argument was that the Administration's $2.7 billion projected cost of the program for FY 1981 was not in line with reality. Our own estimates were not the result of crystal ball gazing -- we, along with other unions, simply surveyed the eight state employment services which accounted for 80% of the workers currently certified for TRA benefits at that time and found a 61 percent decrease in allowances were being paid as against the total being paid in October of 1980. The evidence was there for all to see: the great surge of workers who were laid off during the automobile import crisis were terminating their eligibility and new entries of certified workers were down dramatically.

Because the TRA benefit program would expire on September 30, 1982, we urged the Congress to await a more adequate reading of the costs instead of rushing through amendments which would gut the program. The figures for FY 1981 are now in and they are what we predicted they would be: the estimated cost of $2.7 billion is in reality about $1.5 billion. This $1.2 billion

savings was achieved not because of any changes in the benefit structure which only went into effect on October first of this year, but because of a bloated estimate of the benefit costs in the first place.

Mr. Chairman, we cautioned against having this program crushed under the Stockman stampede. Now would have been the more appropriate time to look at reauthorization of the TRA program under the light of full disclosure of facts.

The number of workers certified for TRA during the full years from 1976 through 1979 ranged from 140,000 to 200,000. In 1980, this figure soared to 540,000 workers who were certified as laid off because of imports; and there was another large number of independent parts suppliers who were adversely affected by imports, but who were ineligible because of the restrictive limitations on coverage.

In the twelve months from October 1980 through September 1981, the Department of Labor has certified 56,716 workers -- about one-third the number certified during the normalized 1975-1979 period.

Mr. Chairman, the organized labor movement in this country did not lobby for trade adjustment assistance in 1974. The TRA benefits were incorporated in the Trade Act as an acknowledgement by the federal government that changes in our trade relations with foreign countries would inevitably bring injury to American workers who lost employment and the readjustment benefits would serve to compensate for that injury. This entitlement commitment paved the way for the Trade Treaty of 1979.

Mr. Chairman, the Omnibus Reconciliation Act which amended the trade adjustment benefit program changed the group eligibility test from one that imports must "contribute importantly" to the decline of domestic production and the consequent unemployment, to one that declares that imports must be a "substantial cause" of the domestic decline. This new test would require the Labor Department to find that the impact of imports on domestic unemployment was no less than any other cause. We oppose the change from the "contribute importantly" test which itself is a tough test.

Beginning in August of 1980, our union filed petitions for unemployed Steelworkers at 86 steel properties. In that month, the number of industry employees engaged in the production and marketing of steel fell for the fourteenth consecutive month to 263,620 hourly employees compared to 350,000 in August 1979. The American Iron and Steel Institute reported that the August 1980 figure was the lowest since it began tracking employment in June 1933. In that same month, the industry's capability utilization rate sank to 54.8 percent while imports as a percentage of apparent supply had risen to 20.6%. But of the 86 petitions filed for TRA during this time period, the Department of Labor found only seven instances where imports were "contributing importantly" to the unemployment.

The Congress, however, decided to tighten the eligibility criteria further on the assumption that the previous test was too liberal. Application of the test belie that assumption. Nevertheless, injured workers, unemployed because of imports, will be subjected to an even more restrictive test. It is a test with which we have had previous experience. It was in the 1962 law and it was a provision which made a mockery out of the adjustment assistance provision of that legislation.

We have been testifying before Congress for improvements in the TRA system and in support of the retention of the less restrictive eligibility test. Not only did we not obtain any improvements in the program, but under the guise of a false saving and under the pressure of the reconciliation process we lost, for all practical purposes, the whole system of adjustment for trade impacted workers. These entitlements were sacrificed for very liberal tax reductions for the wealthy.

Now we are witnessing a sharp downturn in the economy. We are in a recession. Unemployment is 8.4 percent. During the period of slackening demand, imports have a particularly pernicious impact. Injury does occur. Yet the safety net has been withdrawn.

Congress was unwilling to listen to labor when we plead

that the program should be held in tact pending the time of need.

The time of need has now arrived. However, I doubt very much that an omnibus bill, like the one proposed today, will ever see the light of day, especially since the Congress seems to be more intent upon further reductions in safety net programs.

Yet the Administration has been pleading for moderation in the complaints which have been lodged against the surge in steel imports. We are advised that wider national and global considerations are involved. While such admonitions should no doubt play a role in final decisions made with regard to a steel import policy, certainly the withdrawal of the TRA as an import safety net makes such requests somewhat unreasonable.

Let me hasten to add that European steel workers are also undergoing extreme hardship, high unemployment and permanent layoffs. However, European governments had not withdrawn the assistance and adjustment programs. Indeed, as they feel more and more the pressure to restrain certain aggressive export policy, they have enhanced their worker adaptation programs. How ironic that this goverment, faced with difficult dillemas in the steel trade market, has eliminated its assistance programs which might have allowed some flexibility to apply optional trade responses.

To make matters even worse, the attack on TRA was recently continued. The Senate HHS-Labor Appropriations bill

has slashed the administrative budget for the implementation of the truncated TRA program by 80 percent. Currently, there are over 12,000 petitions backlogged in the Labor Department. There is a staff of approximately 146 persons working on them. However, the Senate is prepared to reduce this staff to only twenty-nine (29) positions. Mr. Chairman, this is a joke. We don't expect much out of the future TRA program, but workers are at least entitled to a prompt response to petitions pending under the current program. Even this will be denied to them.

Yes, we support the bill before this Committee. However, we appear before you not with any illusion that it will pass but rather to protest the shabby treatment which American workers, injured because of trade, have received from the Reagan Administration and the "budget conscious" Congress. These restrictive budgetary policies have not balanced the budget and, most assuredly, they will continue to prevent a balance of the human budget.

Mr. POWDERLY. I am just going to touch on some points, Mr. Chairman and members of the committee. We support the testimony that the federation presented to you in some detail.

I would like to go to the opposition that we have from changing the "contributed importantly" test and give you some evidence that that test, itself, is a tough test. Beginning in August 1980, the Steelworkers Union filed petitions for unemployed steelworkers at 86 steel properties. In that month, August 1980, the number of industry employees engaged in production and marketing of steel fell for the 14th consecutive month to 263,000 hourly employees compared to 350,000 employees in August of a year prior to that, in August 1979.

The American Iron & Steel Institute reported that the August 1980 figure was the lowest employment figure since it began tracking employment in June of 1933. In that same month, the steel industry's capability utilization rate sank to 54.8 percent—again, the lowest since the industry began tracking it—while imports as a percentage of apparent supply had risen to 20.6 percent. But of the 86 petitions filed for TRA during this time period, the Department of Labor found only 7 instances where imports were contributing importantly to that unemployment.

We are now witnessing a sharp downturn in the economy. We are in a recession. Unemployment is 8.4 percent. During the period of slackening demand, imports have a particularly pernicious impact. Injury does occur, yet the safety net has been withdrawn. The time of need has now arrived; however, I doubt very much that the proposals being proposed here today will ever see the light

of day, especially since the Congress seems to be more intent upon further reductions in the safety net program.

To make matters even worse, the attack on TRA was recently continued. The Senate, through Labor-HHS appropriations bill, has slashed the administration's budget for the implementation of the truncated TRA program by 80 percent. Currently there are over 12,000 petitions backlogged in the Labor Department. There is a staff of approximately 146 persons working on them. However, the Senate is prepared to reduce this staff to only 29 positions. Mr. Chairman, this is a joke. We don't expect much out of the future TRA program, but workers are at least entitled to a prompt response to petitions pending under the current program.

We support these two bills before the committee; however, we appear before you not with any illusion that it will pass but, rather, to protest the shabby treatment which American workers, injured because of trade, have received from the Reagan administration and the budget-conscious Congress. These restrictive budgetary policies have not balanced the budget, and, most assuredly, they will continue to prevent a balance of the human budget.

Thank you, Mr. Chairman.

Senator DANFORTH. We have heard testimony this morning to the effect that American trade policy has depended on a consensus of the American people, including labor, in favor of a free trade policy, and that, as part of that concensus, there was an understanding between various administrations and the labor movement to the effect that there would be an adequate trade adjustment assistance program in consideration for labor's support of free trade.

Do you believe that the labor movement has kept up its side of the bargain to date? Have you been supportive of the past efforts, such as in 1979, to liberalize international trade?

Mr. KOPLAN. I think, Mr. Chairman, that the labor movement has kept up its end of the bargain. I don't quarrel with your recitation of past history, but in terms of what we have now, as far as the trade adjustment assistance program is concerned, as you pointed out in your introductory remarks, I believe, it has been slashed by 80 percent. And the very basis for slashing it, training moneys, the administration is apparently lukewarm on.

Certainly, your efforts during the course of the debate on the continuing resolution, to put training funds into that bill, Senator Moynihan's efforts and Senator Roth's and all those people that worked with us, I'm sure that it was as frustrating for all of you as it was for us to see a start with $100 million for that side of the program, see it compromised to 50 and then slashed to 25 and out to zero. If anything, what happened then, coupled with what I read in the Washington Post yesterday—and I'm not going to recite that again, because it has been referred to by——

Senator MOYNIHAN. Mr. Chairman, may I put that in the record at this point?

Senator DANFORTH. Certainly.

[The information follows:]

OMB Seeks New Cuts at Labor Department

Proposal slashes training for jobs; Donovan to appeal

(By Spencer Rich, Washington Post Staff Writer)

The Office of Management and Budget has proposed new Labor Department cuts that would all but wipe out the federal government's manpower training programs for minorities, unskilled workers and welfare clients, sources said yesterday.

The OMB has decided to allow the department $1.56 billion in fiscal 1983 for a variety of job-training and manpower programs, according to department and congressional sources.

Federal obligations for these programs in fiscal 1981 totaled nearly $8 billion.

The training programs help Indians, migrant workers, older Americans, welfare clients, black and Hispanic youth and unskilled workers gain skills needed to compete for jobs in today's market.

Unemployment rates of many of these groups, especially minority youth, are far higher than for the general population, in part because many lack marketable labor skills; for black teen-agers last month it was 41.3 percent nationally, more than twice that for white teen-agers.

The OMB's $1.56 billion figure is less than half what the department itself, in a request that it considered austere, had asked OMB to allow it for fiscal 1983.

News of the OMB's proposed cut which Secretary of Labor Raymond J. Donovan is expected to appeal to the White House this week, came only one day after the department revealed that national unemployment had risen to 8.4 percent, the highest rate in six years. Sources said Donovan will probably ask the White House to overrule the OMB and allow him between $2.8 billion and $3.2 billion—not as much as he wanted but far more than the OMB proposal.

Manpower training programs and public service employment (PSE) have always been favorites of the Democrats, and in fiscal 1981, the last year in which the Democrats had budget control, total obligations for such programs reached $7.8 billion

That cut the proposed program level for fiscal 1982 to about $4.5 billion.

A few weeks ago, the Labor Department proposed that the level for fiscal 1983 be set at $3.433 billion, wiping out the summer youth job programs, the existing training programs under the Comprehensive Employment and Training Act, and squeezing back the Job Corps, the special training programs for Indians and migrants and the community service job program for older Americans.

While killing most of the CETA programs, the department did propose a new, smaller, private sector business-labor training program (BLT) under which "consortia of private sector employers and organized labor" would provide job training to targeted groups. This new BLT initiative accounted for $2.2 billion of the Labor Department's $3.433 billion request.

Now, according to sources, the OMB wants to cut the $3.433 billion to $1.56 billion. Of this, $1 billion (instead of the $2.2 billion Donovan wanted) would be for the new private-sector BLT program; $365 million for the Job Corps; and $200 million for all training under the Trade Adjustment Act (which helps retrain workers idled by imports), Indians, migrants and the older Americans program. OMB proposes no new authority for the Work Incentive Program, which helps train and place welfare clients (Donovan had proposed $320 million).

Donovan's appeal reportedly will seek $2.2 billion for BLT, $400 million for the Job Corps and $200 million for Trade Adjustment Act training, Indians, migrants and older Americans combined—$2.8 billion in all, plus several hundred million more for a welfare-related program similar to the Work Incentive Program.

A few years ago, the Labor Department training and PSE programs aided about 3 million people a year. Under the OMB plan, the number of people helped would probably be a tenth of that.

Mr. Koplan. Yes. That's exactly what I was referring to, Senator Moynihan.

Based on all of that, I think that those events of the last month up to the article that Senator Moynihan has just put into the record point to the urgent need for the provision for entitlement that is in S. 1868; because, without it, I don't think any of us, including those of you sitting on the dais, have any confidence that there is going to be a dime available for that.

Senator DANFORTH. Is it your view that labor has kept up its end of the bargain and that the Government has welched on their end?

Mr. KOPLAN. Yes.

Ms. DUBROW. Mr. Chairman, may I just say something? First of all, I must say for my union that we are not impressed with the phrase "free trade." We just don't think it exists. We would like to talk about "fair trade."

We feel that in the garment and textile industry we have done more than our share of going along with the Government policies. The very fact that we did not pursue our fight against lowering tariffs but agreed that the white paper would be helpful; the very fact that we have agreed to multifiber arrangements that we are not at all sure are going to be extended or strengthened; the very fact that we have been willing to understand that it has to be a two-way street and that underdeveloped countries and other countries need to be considered in the trade agreement, means that we at least in the textile and garment industry and unions have, I think, done more than our fair share to support trade policies, with the understanding by the Government that they were going to do something to protect the jobs of our domestic workers.

So I would say that the Government has not met its obligations, that it has reneged on these obligations, and that I trust the members of this subcommittee and the Congress of the United States will understand that the workers of this country have something coming to them as far as protection from rising imports.

Senator DANFORTH. Senator Long.

Senator LONG. I think that we should all be able to agree—I hope we can agree—that we ought to be using our best efforts to try to get the best productivity that we can. I have an article here from Forbes magazine indicating, for example, that in taking over a roller bearing plant in New Jersey, workers taking it over to try to save their jobs that they are going to produce with 800 workers the same number of bearings that were produced previously with 1,200 workers. Now, I think that that's one reason that they had to take the plant over to save their jobs.

I would think that we could agree that we all favor the best productivity we can get. You know, we are not in favor of slave labor or anything like that; I am not talking about that type, but I mean just good production practices comparable to what the Japanese are doing, just something that we are doing day-by-day, that is, to be more effective, more productive.

Can't we agree generally that we ought to all try to work together for better productivity?

Mr. KOPLAN. Well, we certainly don't quarrel with that, Senator Long.

Ms. DUBROW. We all agree.

Senator LONG. That, I think, is going to have to be one of the answers to our problem. But where these workers are displaced, I can understand that President Reagan didn't make the commitment, but the Congress made the commitment and the Government made the commitment, and it seems to me that he inherits that commitment.

I know I sat on the committee when we voted for this trade expansion program, and it was well understood that that was going

to displace a lot of workers; but we thought that it would be in the interest of the United States to do so, that we would wind up getting commodities at cheaper prices, and we felt that in areas where we were the most efficient we would be expanding our markets.

But now to be told that it's demanding too much to take care of the workers who were promised that they would be protected, at least with the trade adjustment system, really amounts to this Government reneging on a commitment given in good faith, or at least that you took to be a commitment in good faith. And I take it all of you agree on that.

Ms. DUBROW. Yes.

Senator LONG. That was a commitment that was made. I was here at the time it happened. I recall very well that labor wasn't all that enthusiastic about the bill, anyhow. But one of the things that made them more susceptible to it was that we told labor we were going to take care of their displaced workers. And it has not been done. I am in complete sympathy with you on that.

Mr. CASRAIS. May I comment on that, please?

Senator LONG. Surely.

Mr. CASRAIS. The UAW supported the Tokyo round, and we supported it with an understanding that the Government should not only continue the current trade adjustment assistance program but should improve on it and reform on it. In the 96th Congress H.R. 11711, the Roth bill, from Senator Roth, never made it through. In the 96th Congress H.R. 1543, which you passed out of your committee, never got through the Congress. In this Congress we were hopeful that the program would be improved. In fact, on March 11, 1981, we testified before the House Trade Subcommittee, and we said that if you leave this program alone, make no changes whatsoever, you can fund this program with $500 million—and that was even a high figure to us—and you would never have to change this program. And today we see, by dropping from a 50-percent rate to a 9-percent certification rate, that what we said has borne out. This program never needed to be changed.

But the interesting thing about it was, and I know that Congress puts a great deal in Congressional Budget Office reports, that in March of 1979, before the aberration occurred that caused the great payout of trade adjustment assistance to autoworkers and other workers, the Congressional Budget Office issued a background paper that was entitled "U.S. Trade Policy and the Tokyo Round of Multilateral Trade Negotiations." In that background paper they said to the Congress, "There are going to be winners and there are going to be losers." And they devoted a section of that paper, which I would only be glad, if you are interested, to have it submitted into the record; but if I may, there are just a few brief paragraphs in here that they said, and they said it very clear:

One is that—

> The brunt of job layoffs in the United States resulting from trade liberalization will be borne disproportionately by semiskilled workers, primarily machine operators, assemblyline workers and nonfarm laborers. Highly skilled workers will be more in demand as a result of general trade liberalization, with the need for research and development workers and production-related technical workers growing more rapidly. Demand will also increase for all types of agricultural workers.

And I think that's pretty much happened. Now, bear in mind this is March of 1979. "Geographically," they go on to say,

Most of the net job losses resulting from trade liberalization will take place in the urban areas of the North and East, particularly in Illinois, Massachusetts, Michigan, New York, Ohio, and Pennsylvania. Relative to their populations, the four New England States of Maine, New Hampshire, Vermont, and Massachusetts will suffer the largest displacement of workers. Newly created jobs would be concentrated in Southern, Midwestern, and Western areas of the United States with especially large increases in the agricultural regions of Kansas, Minnesota, and the Dakotas.

And finally, one of the cases we tried to make before the Trade Subcommittee on the House side was the final point that the CBO made in their report. And they said this:

Some mechanisms exist in the United States to redistribute the gains of freer trade and to mitigate the injuries suffered by displaced workers. These mechanisms, unemployment compensation and trade adjustment assistance are the most obvious examples, are far from adequate; however, to compensate fully those who suffer as a result of actions that will bring a larger gain to the rest of the economy, inevitably a decision to approve any agreement calling for liberalized trade must hurt some workers and help others. The Congress cannot avoid this dilemma, and the best they can do is consider carefully which groups will be aided and which injured. If it chooses to approve the trade liberalization agreement, it may wish to consider expanded and restructured programs providing relief to the losers.

Now, Mr. Chairman, what we have received is 180 degrees from that. And so how we can think any other way? As I believe Mr. Long stated or your question was asked, "Do we feel the Government welched?" We have to say, "Yes."

Senator DANFORTH. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I won't keep the committee. The automobile industry, is peculiarly dependent on the assembling of parts into the final product, I have some questions I would like Mr. Page to try to answer for you, if he would. I will give them to you in writing.

Mr. PAGE. Yes, sir.

[The questions follow:]

QUESTIONS PROVIDED BY THE UAW TO SENATOR MOYNIHAN

1. Training

Question. How has the reduction of the adjustment assistance program from income maintenance to training worked?

Answer. So far, it has been an absolute disaster. No funds for training in fiscal 1982 have been appropriated. About 25,000 workers in self-financed training prior to October 1 have been forced out of those training programs. But this is really typical of training under the Trade Act. The Secretary of Labor has historically never pushed the training portion of the program. The current Secretary is even philosophically opposed to government sponsored retraining. Yet we have 1 million job openings for skilled workers.

If Congress really wants this new training approach to work, then training must be made part of the entitlement package for a worker covered by a certification.

2. Benefit period

Question. What has been the impact of the reduction in the 2-year benefit period for drawing TRA?

Answer. The benefit period change from 2 year to 1 year means that few, if any, workers covered by a certification will ever draw a TRA benefit. Under the new program, TRA is really a second extended state benefit program payable after the regular 26 week state benefit and the 13 week extended benefit are exhausted. A worker has a right to 52 weeks of these benefits but must draw them over a 52 week period. Thus any worker experiencing a temporary recall loses those weeks of recall from the overall benefit period. The purpose of this change is presumably to target benefits to permanently laid off workers. But in the real world, even in a plant closing

situation there are periods of temporary layoff preceding permanent separation. Thus the benefit period change can even deny full TRA benefits to certified workers in a plant closing situation. In the auto industry, for example, we have 170,000 certified workers on indefinite layoff this month. We estimate that 95 percent of them cannot draw TRA because their 1 year benefit period has expired.

3. Training—(180 day rule)

Question. I'm getting calls from many certified workers who want training but are being denied because they supposedly filed late. What's that problem all about?

Answer. In March 1980, training funds ran dry. Certified workers who inquired about training were therefore given a run-around by the state agency since the state couldn't pay for training, workers were obviously discouraged from seeking it. Later, the Department of Labor agreed that workers could self finance their training. But when these workers returned to apply they're told it's too late. A worker must file an application for training within 180 days of certification or layoff. We asked the Secretary to waive the 180 day time limit. He refused. In all fairness, we think Congress should grant a one-time waiver to all workers covered by certification in 1980 and 1981.

4. Parts supplier coverage

Question. If we extend coverage now to parts suppliers, how many more workers will be certified and how much will it cost?

Answer. When this issue was originally considered by the 96th Congress, the Administration estimated that the ratio of end-product workers to parts workers was approximately 3 to 1. The Administration estimated that 68,000 workers will receive TRA in fiscal 1982. We think this is a high figure but if the 3 to 1 ratio is applied to it, you get a figure of 23,000 parts workers receiving TRA in fiscal 1982. The TRA cost for this number would be approximatly $45 million (13 weeks of TRA × $150 average benefit × 23,000). If the effective date was October 1, 1982 the cost in fiscal year 1983 would be even lower.

The Administration estimates the cost of this extended coverage at $150 million.

Senator MOYNIHAN. I would like to make one point which the historic defenses of people in office seems to me to be disastrously unconscious of, unaware of, seemingly:

For the past 30 years, the United States—our successes, our position in the world—has been singularly influenced by the fact that the American labor movement has, one, consistently supported a strong defense policy; and, two, has significantly supported a policy of lower tariffs and expanding trade.

Absent the labor movement, there does not exist in this country a coalition that confronts either of those questions. And we are going to lose the labor movement on both of those matters if we continue to break those promises on which we won their support. And then you will encounter a very different kind of country, much less successful, much more endangered. I feel that very strongly. We are breaking commitments that go back generations.

Senator LONG. Senator Moynihan, please don't say "we." I'm not breaking any commitment, and you're not breaking any commitment. Say "they," or "the Government," but there are some of us here who voted in good faith for the program and who will continue to support it.

Senator MOYNIHAN. "They."

Senator DANFORTH. Senator Roth.

Senator ROTH. Mr. Chairman, I have a couple of questions I would like to ask, but prior to that I would like to join in some of the sentiment that has been expressed.

I felt that in getting the trade legislation adopted in 1979 a commitment was made, and it was one that at least I intended to maintain. I would just like to say that I think it's extraordinarily important—some of you sitting on the other side have heard me say this

before—that if we are going to work our way out of these economic problems of joblessness and elsewhere, we are going to have to work together. I think that's critically important in the years ahead. So I hope that what Senator Moynihan has anticipated does not come about, because I think it would be the worse thing for all of us if somehow we can't get Government, labor and business working better together than we have in the past.

Let me ask you this question, if I could: Why is the approvement rate on petitions to be certified as eligible to receive Trade Adjustment Assistance so low? Is it your feeling that the Administration has implemented the more restrictive eligibility standards prior to those changes? Is that the reason?

Mr. KOPLAN. Senator Roth, I heard the response this morning of the Department of Labor to a question similar to that. I would hope that this subcommittee would ask for some additional detail with regard to their response this morning. Basically, as I recall, the response was that they are doing things exactly the same way now as they were before.

Senator MOYNIHAN. I think the committee should ask for more details from the Department of Labor, let's get the facts exactly. The change is just so dramatic.

Senator ROTH. I will ask the chairman to submit this statement, if he would, to the Department of Labor on behalf of the subcommittee.

[Questions submitted by Senator Moynihan and answers by Mr. Lewis follow:]

RESPONSE TO QUESTIONS SUBMITTED BY
SENATOR MOYNIHAN

1. Question

The present rate of TAA certifications is at an historical low, a mere 9 percent. In 1975, the rate was 50 percent. Just last year, it was 29 percent. What concerns me is that this drastic decline in certifications has occurred while the less restrictive "contributed importantly" certification standard has been in place. Could you explain to me how only some 17,000 workers have been certified for TAA this year (compared to 530,000 last year) under the contributed importantly standard? How much lower would you expect the number of certifications to drop if the more restrictive "substantial cause" standard goes into effect in February as the law now stands. Will this change in effect end TAA altogether since no workers will be certified?

Answer

In the first four years of the program over 40 percent of the case determinations were certifications. This rate fell to 29 percent in 1980 and to about 9 percent in 1981. The low rate of certifications in 1981 reflects a number of developments. First, many cases involve components or services provided by independent companies to the automobile industry. In the vast majority of cases these kinds of petitions cannot be certified because of the restrictive language of the law. Second, most of the auto assembly and related facilities owned by U.S. automakers are already covered by certifications. The impact of increased auto imports was largely felt in 1979 and 1980. Third, at least until recently, steel imports in most categories were not increasing. Last, in the areas of footwear and apparel, industries which featured numerous certifications in earlier years, where the investigation indicated decreased production the Department could not importantly associate it with increased imports. In many cases domestic shipments in the industry overall were up. It is impossible to predict whether this recent low rate of certifications will continue over the months ahead.

It is difficult to forecast what the new "substantial cause" standard will mean for the certification rate. Since it is a more restrictive test it will tend to hold down the rate of certifications to a level at or below what the present standard would yield. Basically, the rate of certification is a function of increased import competition and there is no reliable estimate of what that will be.

2. Question

Why did the Administration never request funds for TAA training in its original budget request? Indeed, this Committee understood the intention of the Administration in proposing changes to the TAA program to shift the emphasis of the program from cash benefits to a much stronger emphasis on training. The Administration is on record of having intended to spend $112 million on retraining TAA workers. It was not until after the Appropriations Subcommittee on Labor had already marked-up the Labor/HHS appropriations bill that this body received a request from the Administration for $98.6 million for training. When some of us tried to reinstate these monies on the Senate floor, Secretary Donovan sent a letter to Mark Hatfield requesting that this money be restored, but only if an offsetting budget reduction was included with the amendment. I ask you clearly, does this Administration support reinstating funds for TAA training assistance? Will it support the addition of these funds to the Labor/HHS appropriations bill without any conditions?

Answer

Funds to provide TAA training were not included in the Administration's original FY-82 budget request because the 1981 amendments had not been enacted at the time of the original budget submission. The Administration stands by its $98.6 million funding request to provide training, job search and relocation assistance to adversely affected workers. The Labor Department continues to support the appropriation of funds for these activities under the terms and conditions set forth in Secretary Donovan's letter of November 6, 1981.

3. Question

Does the Administration support the inclusion of independent suppliers of essential parts and services under coverage of the TAA program? If not, what is the justification for treating a parts worker differently from an end product worker. Do they both not lose their jobs from the same imports?

Answer

The Administration does not support coverage under the program for workers of independent firms providing essential parts and services to firms producing final articles which are injured by increased import competition from final articles. The issue is one of establishing limits to program coverage. For reasons of practicality and reasonable budgetary exposure, we believe the current law in this regard is workable and defensible since it directs program coverage to the area of immediate import impact. To expand coverage to independent suppliers of essential parts and services removed from the direct impact of imports just raises a new question of expanding coverage to another tier of suppliers earlier in the production process. For example, if coverage were extended to workers supplying batteries to the auto industry, why not extend it to workers of firms supplying lead to the battery manufacturers? In short, drawing the coverage line further from the point of import impact does not resolve the equity question as long as the coverage line stops short of total coverage.

4. Question

I understand that wnile only 17,000 workers have been certified this year for TAA, the Labor Department estimates that some 270,000 TAA workers are eligible for re-entering the program should they be laid off. But it is not true that if these workers re-entered the program (most of them probably already having had 26 weeks of unemployment compensation or TAA), it is very likely they could be offered minimum wage jobs and under the current law (as newly written by the Administration) these workers would lose their eligibility for TAA if they accepted this "suitable work" or if they refused it. How many workers do you suspect will be covered for the full 52 weeks

of TAA under the new Administration program? How many do you suspect will lose to the program because of the new requirement that they have to accept a suitable job if it is offered? Would it not be more economically advantageous to all were these experienced workers placed in comparable rather than just suitable jobs? Even CBO in April of this year reported that this change might "result in experienced workers displacing younger, low-income workers in the short-run rather than providing for long-term adjustment to jobs similar to those they originally held."

Answer

FY 82's budgetary projections were based upon an estimated 234,000 trade impacted workers being eligible for TAA benefits. It is true that all trade impacted workers are subject to the extended benefits (EB) work test requirements beginning with their first week of eligibility for TRA benefits on or after October 1, 1981. We point out that Report No. 97-103 of the Senate Committee on finance states that "... applying the EB work test to all TRA claimants would be an equitable extension of the test which is already applicable to those TRA claimants in States which have triggered "on" an extended benefit period." We agree with the Senate report on the issue of equity as it relates to this and all aspects of the new amendments.

Presently we cannot forecast how many workers will receive the full 52 week entitlement, nor can we project the number of workers who will be eligible for a lesser number as a result of application of the EB work test. However, the thrust and direction of the new amendments are geared more closely to providing reemployment assistance and training than to insuring the collection of 52 weeks of benefits by a worker.

As you may know, training is not currently being approved in the States because the necessary funds had not been appropriated. We understand that the recently enacted Continuing Resolution contains approximately $25 million for Trade Adjustment Assistance training, job search and relocation assistance. While funding at this level is less than the Administration requested, it should enable those workers who qualify to participate in meaningful training programs with a view toward employment.

Mr. KOPLAN. Senator Roth, can I just complete my statement on that, though? I mean it is our feeling that in fact the question you posed, have they tacitly gone ahead and implemented the changes in advance, we feel that they did; otherwise, how can you account for such a dramatic change in the number of petitions having been certified? But, before passing such a judgment in final form, I would like to see some additional material from the Labor Department on that point.

Senator ROTH. Let me just ask one further question. The Commerce Department International Trade Administration administered a $54 million program of adjustment assistance for trade-impacted firms. Is this program, to your knowledge, in any way coordinated with Labor Department-administered programs to insure that, if firms readjust, workers can readjust in tandem? Do you see a need for greater coordination?

Mr. KOPLAN. Let me have Elizabeth Jager, our trade economist, respond to that, Senator Roth.

Ms. JAGER. I think that in the past there was a big effort to get the two groups together, and they did have a combined interagency program. But, unfortunately, at this point, as I understand it, while there is still some interaction, the funding is so bleak that the possibility of the firms making the readjustment is really not all that much better than the possibility for worker readjustment.

I get calls from people around the country who work on the firm side of it who say, "Hey, we have something going here. What's going to happen now?" And they are very concerned that so little is happening to help industry readjust to the problem.

Senator ROTH. Thank you, Mr. Chairman.

[The prepared statement of Senator Roth follows:]

STATEMENT OF U.S. SENATOR WILLIAM V. ROTH, JR.

I wish to thank the Chairman, Senator Danforth, for convening this most important hearing on the operation of the Trade Adjustment Assistance (TAA) program.

The TAA plan was created by Congress in the Trade Expansion Act of 1962, in recognition that a liberal national trade policy—while providing important benefits to the country as a whole—also imposes disproportionate burdens on workers, firms and communities confronted by increased import competition. The program was originally targeted to provide financial and technical assistance enabling those adversely affected to adjust to such increased import competition. In this way, Congress reasoned, the country as a whole would benefit from more productive employment, greater overall job stability and more competitive businesses.

The reasons for Congress' original support for Trade Adjustment are still valid today. Past experience has shown us that much of labor's support for the trade-liberalizing acts of government has been based on the availability of a program that will give them a back-up when markets for their goods are temporarily or permanently taken over by increasing imports.

For example, we could not have achieved widespread domestic acceptance of the tariff and nontariff barrier-reducing agreements reached by U.S. officials in the 1975–1979 Multilateral Trade Negotiations had it not been for the existence of TAA. We will need that support throughout future trade discussions and negotiations, as well.

Trade-related unemployment problems do not promise to disappear over the near term. Our automotive industry, for example, is facing 30 percent domestic market penetration by Japanese producers this year, and further worker layoffs are projected due to necessary production cutbacks.

Last spring, during Senate consideration of President Reagan's recommended revisions in the TAA program, I argued strongly that the eligibility criteria included in those revisions were especially restrictive and would only serve to cut back substantially payment to those workers who rightly deserve compensation. Moreover,

workers who are deemed ineligible to receive TAA payments would also be denied the retraining opportunities for which many of us have fought long and hard during recent Senate deliberations on the Continuing Resolution.

Due to my efforts and those of many of my colleagues on the Finance Committee, Congress agreed to a six-month delay in enactment of changes in the eligibility criterion from the present "contribute importantly" to the Administration-proposed "substantial cause". I believe now is the time to cast in stone the concept that, in cases where increasing imports contribute importantly to total or partial separation from employment, displaced workers should be eligible to receive Trade Readjustment Allowances and any training money available.

For this reason, I was happy to support legislation introduced by the Chairman of this Subcommittee to allow eligibility standards included in the 1974 Trade Act to remain in effect for the duration of the present TAA program.

I hope today's hearing will help build a record of support for this legislation (S. 1865) and will reinforce in everyone's mind the importance of maintaining a viable, usable and forward looking adjustment assistance program.

Senator DANFORTH. Thank you. Thank you all.

Mr. KOPLAN. Mr. Chairman, could I just make one brief comment at the end? I'm thinking back to a question Senator Long asked on productivity. This came up last week when we were testifying on the automobile industry before this same subcommittee. I remember Ms. Jagar said that contrary—and I know this is not the case with any of the Senators present—but, contrary to what others would have people believe, that American workers don't get up every morning and say, "Now, how are we going to slow down productivity today?" That is not the attitude of the American worker.

Trade adjustment assistance is not a dollar-for-dollar substitute for wages. At best, before it was changed last August, it still represented at least a 30-percent cut. And at a time when the recession and inflation have reached these levels, that is one tremendous slash in take-home pay.

I just wanted to point out, and we testified on this last March and we pointed it out, last February, just as an example, there were 90 jobs available in an auto battery plant in Toledo, Ohio. Five thousand workers stood in line for 16 hours in the hopes of getting one of those 90 jobs. They didn't stay home and say, "Well, we'll wait the 8 to 10 months for some trade adjustment assistance to come our way"; they were down there and stayed there for 16 hours. And that was 5,000 people for 90 jobs.

Thank you, Mr. Chairman.

Senator LONG. Well, let me just say that I would be the first to agree that we are talking about apples and oranges. We are talking about two entirely different things. But I just don't feel that, responsibly, I should allow the opportunity of speaking to a labor panel to pass without pointing out that one of the problems that face this Nation, productivity, is a very big problem, and that we on this end ought to be helping you to solve your problems at the same time. It's a mutual thing. We ought to work together on this.

I was just looking, while you were testifying here, at an article in Forbes magazine, November 23, 1981, entitled "Go Forth and Compete." This article makes this point: that to save their jobs in this New Jersey plant, these workers are going to take a 25-percent pay cut, and they are going to take over the plant under an employee stockownership plan. I would like to read two very short paragraphs. It said:

What no one said was the reason the Clark Plant failed under GM's ownership. It was that the company gave in to the United Automobile Workers on so many points that the plant became hopelessly feather-bedded. Its new employee owners plan to make the plant profitable by using just 800 workers to turn out the same number of bearings that GM produced with 1,200.

That was one-third less.

"How can the workers be 50 percent more productive?" The article mentions that they were taking a 25-percent pay cut. That, plus using one-third of the workers; it amounts to a 50-percent cut in the labor cost of a unit. It said—

How can the workers be 50 percent more productive than they were under GM? "Easy," says Jim Cirello, chairman of the Clark UAW Local, "they will do a day's work for a day's pay."

"It's no secret," Cirello says, "that the union helped create the atmosphere where people who were in the plant eight hours did four hours work. That's appropriate when GM is making billions in profit. You make more jobs, and you make work easier for your men. But it's no longer appropriate."

This from a man who, even in UAW circles, is regarded as something of a militant.

Now, the point I have in mind is that to some degree our answer to foreign competition is just to be more productive. And I think that we ought to work together on that. I would be the first to agree that that still doesn't meet the problem of these poor souls who are out of a job. Even with this plant we are talking about here, how about when 400 of those workers are out of work? I think that is a responsibility that we ought to do something about.

For the overall national interest, or whatever interest, if we can produce cheaper automobiles, fine. I think that we ought to have a national policy, and I think that every one of you witnesses here agree with that. Our national policy should be so that anybody who is willing to work ought to have an opportunity to do so. And when this Nation fails to provide that opportunity, then those of us who are doing very well indeed in the United States ought to be willing to pick up the tab for those who are doing very poorly because of policies that this Government adopts.

And in your case, you are representing workers who are out of work because the Government adopted a trade policy that took their jobs. And the promise was made that they would be compensated, and I think they ought to be compensated. So I agree with you.

Mr. KOPLAN. Thank you.

Mr. PAGE. Senator Long, just to make a quick comment, there are three concrete examples in the United States right now of what American workers can do to compete with foreign competition. We have a number of VW plants—Volkswagen plants—and we have a Kawasaki motorcycle plant, and a Honda motorcycle plant. The employers at each of these locations have stated that the productivity and the quality of the American product meets and in some cases exceeds the quality of the home-built German and Japanese product.

So American workers are capable of competing and will compete.

Senator LONG. Great.

[Whereupon, at 12:12 p.m., the hearing was adjourned.]

[By direction of the chairman the following communications were made a part of the hearing record:]

Statement of Congressman Don. J. Pease (13th District, Ohio)
to the Subcommittee on International Trade
of the U. S. Senate Committee on Finance
December 7, 1981

Mr. Chairman:

There is an adage which states that one death is a tragedy, but one million deaths is a statistic. I want to cut through the blizzard of OMB statistics and to underscore the anguish and human suffering being caused by the wholesale, haphazard cuts in the TRA program made by this Congress. Specifically, I am concerned about the lack of any funds in FY'82 for TRA employment training.

President Reagan early this year promised that nearly $100 million would be available to retrain unemployed industrial workers for new jobs. This was a solemn assurance given unemployed Americans at the time their TRA weekly benefits were cut by $1.3 billion this fiscal year. Just three weeks ago, the President vetoed the reduced sum of $25 million in training funds. In so doing, he turned his back on thousands of American workers who are desperate to find new jobs and to provide for their families.

There is no doubt the TRA program has been mismanaged by Republican and Democratic Administrations alike. But at this late date, we still have a chance to help thousands of workers laid off from our auto, steel, and rubber industries to be retrained for new jobs and to regain their dignity. At just one local employment office in one county in my Congressional district, more than 1,000 unemployed auto workers remain on waiting lists for TRA training. We are their only hope for the time being.

Let me share with you excerpts of letters from a handful of these American workers.

"I worked for the Ford Motor Co. for 16 years and was laid off due to the increase of foreign imports. I have exhausted all of my benefits from unemployment and was told that since I didn't have a skill, I could go to a technical school to acquire one. The understanding was that if my application was approved and I attended school, I would receive TRA benefits. My application was approved and I have been attending school since September. In October I received a letter stating that my benefits have been discontinued.

When the call of help from our government came, the people came, but when the people call for help from the government, it let us down."

A man I met at a town meeting last Saturday in Sandusky, Ohio made the following statement:

"I have worked fifteen years with Ford Motor Company. The past two years I have only worked three months because of the increase in foreign imports.

I appreciate the fact of the TRA program if it had been managed the right way at the beginning it would have been a worth while program. People that had two years with Ford received $6 to $8,000 checks. That wasn't right at all! Two years later I was laid off and the two year people have already found most of the jobs in the area. So the people that have already worked half of their lives are left EMPTY. So I try to better myself and giving myself a chance to think about something besides not being able to support my family. No one knows the feeling of being jobless and broke unless you have lived it. It causes many problems for a provider.

I enrolled in school with a good outlook thinking something good was happening with my life. Having perfect attendance and scoring high in my classes, after six weeks, two days before midterms I received my letter stating that my TRA benefits were ending. It's very hard now, trying to study and concentrate, knowing that I want to finish school but can't afford it, because now I have the same problem back again. I have to have a job because all that money was given away at the beginning and the older people are the ones to suffer."

As if the cuts were not disruptive enough, it appears that TRA claimants cannot get reliable answers to their questions. Such confusion adds to the misery of unemployment. Witness the following personal account that is all too common from a constituent:

"When I started school Sept. 14, 1981 at Terra Tech. College in Fremont, O. I was given the impression that I would go under T.R.A. for 26 weeks. It lasted about 7 weeks. I wanted to learn a new skill so I would not have to depend on the auto industry alone for my livelyhood.

This so called budget cut has really been a nightmare for me and my family. It has really caused me and my family a lot of problems and hardships.

The way the government went about notifying me of the cutoff date, after they cut me off T.R.A., was very much unfair. I cannot see any justification in the way thei governemnt handled the whole situation."

The fact of the matter is that thousands of hardworking Americans have been laid off from our basic industries. These people built this country and paid their share of taxes, but now in mid-life they are without jobs, without any income, and without much hope. Again, they speak more eloquently of their plight:

"When I registered for classes at Terra Tech College in Fremont I was under the impression that I would be able to go to school for 26 weeks under the T.R.A. contract. Foremost I wanted to try to learn a new trade so that I could get gainful employment again and not rely on Ford Motor Co. for my livelyhood.

I am 47 years old and you and I both know at that age people are least hired in other employment fields. The budget cuts have really caused a hardship and problems for my family. I wasn't notified until Nov. 4 1981 that I wasn't eligible for T.R.A. benefits. And because of that I had to borrow money on my childrens ins. policies so that I could take care of my family and try to go to school too."

Too often well-intentioned government policies have very harmful effects on Americans already dealt a setback. Fine-tuning is impossible on occasion in a country as diverse and as expansive as America. But facilitating meaningful TRA training is certainly within our capabilities. The voices you hear in these letters are not asking for a handout. They are fine people who want to help themselves and to work.

When the U. S. auto industry began its plunge in 1979 and the ripple effects spread to the steel and rubber industries and parts suppliers, the TRA program stressed weekly benefits and training funds were an afterthought. Predictably it was the workers with the least seniority who were first laid off. They gobbled up the benefits that were available at the time.

Now the TRA program has been changed. Weekly benefits have been dramatically scaled back. Still nothing has been done to provide any funding for TRA employment training in FY'82. But the auto industry remains mired in its worst slump since the Great Depression. And the clientele for TRA training funds has changed. It is middle-aged industrial workers with 15-20 years of seniority on the job at Ford, General Motors, and U. S. Steel who are signing up to go back to school and learn new skills needed in today's job market.

To close I urge you to reflect on a personal testimonial and appeal from a proud American worker now out of work who knows much more than President Reagan, David Stockman, or any of us in Washington, D. C. about the consequences of our actions:

"I have been an employee of Ford Motor Company in Sandusky since 1967. I was laid off October 6, 1979 and have worked one month at Ford since that time.

In September of 1981 I enrolled at Terra Technical College in Fremont, Ohio taking industrial management courses. I was attending under the TRA program. Approximately the first week of November I was notified by the Ohio Bureau of Employment Services in Sandusky that my TRA benefits were severed completely. My first thoughts were ones of bewilderment. Here I had been going to school faithfully planning on learning something to better myself when the "rug is pulled out from under me." With this cut being made retro-active (Oct. 3), the four weeks benefits I thought I had coming were cancelled. This I could hardly believe. I asked how could anyone allow someone to spend gas money for one month plus as I did pay child care in order to go to school. No one was informed of this until four weeks after the retro-active date of October 3, 1981. These people were allowed to attend school thinking they would receive some sort of weekly benefits. I personally know a few people that borrowed money to live on until they received those "non-existent" checks. Not being informed plus the length of time for this legislation to be decifered is to blame.

It's hard to describe the depression and anxiety both my wife and I felt. She broke down and all we both could ask is why?

I have been out of school for 18 years and was very nervous upon attending college. Up till now I have an "A" average in all my courses and it makes me feel worthwhile again. I'm continuing under CETA which doesn't pay all that much but my education is very important to me as well as to most of the other people in my shoes.

If you take a man's job away, then take away his chance to learn something there isn't much left. I talk with many people about this and the general opinion is that nobody cares anymore.

I just hope I can continue school because with the job market the way it is, it's the only glimmer of light I have."

STATEMENT
on
TRADE ADJUSTMENT ASSISTANCE
UNEMPLOYMENT BENEFITS
for submission to the
TRADE SUBCOMMITTEE
of the
SENATE COMMITTEE ON FINANCE
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
Eric J. Oxfeld*
December 14, 1981

On behalf of our more than 200,000 members, the Chamber of Commerce of the United States is pleased to comment generally on the Trade Adjustment Assistance (TAA) program of unemployment benefits and specifically in opposition to S. 1865 and S. 1668, proposals that would repeal certain of the TAA reforms mandated by the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35.

The Chamber strongly supports our nationwide program of unemployment insurance but is highly critical of unemployment benefits provided by the federal TAA program. Moreover, we urge enactment of additional budget reductions in TAA rather than undoing the recently enacted reforms.

GENERAL OBSERVATIONS

A public system of insurance against the hazards of unemployment is a logical and necessary institution in any competitive enterprise economy. The federal-state system of unemployment compensation (UC) which was established in 1935 has served the nation well. The system has functioned to alleviate the economic hardship of temporarily jobless workers, as well as to stabilize the utilization and supply of labor and to cushion the impact of unemployment on the economy.

The basic objective of the UC system is to provide broad coverage of involuntarily jobless workers. Benefits should replace a sufficient percentage of prior earnings to ease economic hardship and yet not be a disincentive for a claimant to accept employment. Payments must be limited strictly to periods of temporary unemployment. Only individuals who have genuine attachment to the workforce, and who are actively seeking employment, should be eligible for benefits.

In addition to the regular UC program, however, the TAA program provides cash assistance and incentive payments to workers who are unemployed in import-affected industries. A TAA claimant can receive up to 52 weeks of combined UC and TAA benefits.

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Unlike the federal-state UC program, which is funded by employer-paid payroll taxes, TAA benefits are financed through federal revenues drawn from the general treasury of the United States. TAA, however, is administered by state unemployment agencies.

Briefly stated, we are critical of TAA unemployment benefits as a costly, unnecessary, and inequitable program that serves to delay adjustment to changes in employment.

TRADE ADJUSTMENT ASSISTANCE

Originally set up in 1962, TAA was expanded greatly pursuant to the Trade Act of 1974. TAA provides weekly cash benefits, job counseling, retraining, and relocation allowances for individuals who lose their jobs because their employers are unable to complete with imported products.

The Omnibus Budget Reconciliation Act of 1981 included a number of reforms in the TAA program (see summary of changes, attached), projected to save about $3 billion in the federal budget over the next 6 years. These reforms include the 52 week limit on combined duration of UC and TAA, reduction in weekly cash benefits to the amount payable as unemployment compensation under state law, and certification of TAA eligibility only upon a finding that imports were a "substantial cause" of unemployment.

TAA UNNECESSARY FOR FREE TRADE SUPPORT

Advocates of TAA unemployment benefits argue that TAA is essential to secure public support for free trade policies. That may have been true when TAA was first adopted because regular UC benefits were much more limited than today. Since the mid-60's, however, UC has become available for at least 6 months during periods of economic expansion, and is automatically extended to 9 months when unemployment levels go up. Benefits have been raised, and eligibility has been considerably loosened. Coverage has expanded to include 97% of the workforce. Clearly, there is less need than ever for extra benefits to compensate joblessness caused by foreign competition.

FLAWS IN TAA PROGRAM

We are critical of the TAA unemployment benefits program for the following reasons:

1. TAA unemployment benefits are not necessary because the regular UC program already covers 97% of the workforce and lasts for up to 39 weeks during periods of peak unemployment. A 1980 study by the General Accounting Office reported that most TAA claimants "did not experience substantial economic hardship as a result of their layoff" and that nearly 75% of TAA recipients return to work prior to receipt of benefits (usually for the same employer).

2. Payment of protracted TAA unemployment benefits to claimants who have exhausted their 26 to 39 weeks of UC is a strong incentive to delay effective job search. That merely postpones the adjustment for a worker who does not expect to be recalled, which is detrimental to the economy (as well as the budget).

3. It is inequitable to provide special benefits for TAA claimants. There is no reason that a claimant should be entitled to extra weeks of benefits or other services because a lay-off is caused by foreign competition rather than domestic economic problems.

EFFECT OF S. 1865 AND S. 1868

S. 1865 and S. 1868 would move TAA in the wrong direction. They would make it easier to collect TAA benefits and broaden their availability.

Both bills would reinstitute the "contributed importantly" test of whether job loss was caused by imports, a much weaker standard than under current law, which requires imports to be a "substantial cause."

In addition, S. 1868 would make training and relocation allowances an entitlement, expand coverage to include employees of suppliers, and repeal the disqualification for refusal to accept work. All three provisions are unwise. Money for training and relocation should not be an entitlement, and should be available on a case-by-case basis as needed. Expansion of coverage amounts to a federal take-over of the UC program (rejected by every Congress that has considered it) on the erroneous assumption that state laws are inadequate. Moreover, repeal of the disqualification for refusal to accept suitable work--a UC reform legislated by the 96th Congress--would expand the inequality of treatment for TAA claimants vis-a-vis UC claimants.

FURTHER TAA REFORMS

Instead of retrenchment on newly enacted TAA reforms, a preferable course of action would be to make additional reforms in TAA, with additional budget savings. These might include the following:

1. Disclosure of information. Application for TAA benefits should be deemed consent to disclose information about receipt of benefits from other sources (UC, private supplemental unemployment benefits, general earnings, Social Security, etc.) Under current law, TAA benefits are intended to be coordinated with other sources of benefits, but Privacy Act restrictions interfere with verification of benefit overlaps.

2. Combined duration. Under current law, a claimant can receive up to 52 weeks of combined UC and TAA benefits whether or not a state is in an extended benefit period for UC. UC benefits, normally available for 26 weeks, are extended to 39 weeks when the

job market is tight; the extension is triggered by an increase in statewide insured unemployment. Payment of 52 weeks of benefits when jobs are plentiful is a strong disincentive for a claimant to delay taking a new job, running up UC and TAA benefits and administration costs. That disincentive could be diminished by limiting combined duration of UC and TAA to 39 weeks except when a state is in an extended benefit period.

3. Eligibility. Another cost saving could be achieved by restricting TAA to claimants who are receiving UC. Current law permits TAA payments to claimants whose attachment to the labor force is insufficient under state law to qualify for UC.

4. Training and relocation. A more far-reaching improvement would be total elimination of TAA cash assistance payments, limiting the program to funds for training, job counseling, and relocation allowances. Such funds should be available only for individuals who do not expect to be recalled and who have little likelihood of obtaining comparable work in the area (as determined by the state unemployment agencies). A determination of eligibility for these benefits should be made as soon as possible after separation. Training should be in occupations offering a reasonable chance of new employment, and training grants should be contingent on successful completion by the claimant.

SUMMARY

Trade Adjustment Assistance unemployment benefits have proven to be unnecessary and counter-productive, as well as costly for the federal budget. Proposals to repeal recently mandated reforms would intensify the flaws in the program and would increase the federal deficit. The recommended reforms would remedy TAA's primary flaws.

PUBLIC LAW 97-35

Omnibus Budget Reconciliation Act of 1981
Summary of Trade Adjustment Assistance
Provisions

TITLE XXV--TRADE READJUSTMENT ASSISTANCE

1. Section 2501--SUBSTANTIAL CAUSE

Benefits are payable only if imports were a substantial cause of unemployment (formerly were payable if imports "contributed importantly"). Effective for petitions filed after 180 days from enactment.

2. Section 2502--BENEFIT INFORMATION

The Secretary of Labor must give workers full information about benefits and procedures for obtaining them.

3. Section 2503--QUALIFYING REQUIREMENTS

Benefits are payable only for weeks of unemployment occurring more than 60 days after the petition is filed (formerly were payable for any weeks after the date specified in the certification).

For purposes of the required 26 weeks' attachment to the workforce within the 52 weeks prior to separation, up to 7 weeks of workers' compensation, or up to 3 weeks of vacation/sick/maternity/military-leave or service as a labor representative (but no more than 7 weeks all together), are counted as weeks of employment.

To qualify, a claimant who is entitled to unemployment benefits must first exhaust all unemployment benefits.

No benefits are payable to a claimant who would be disqualified for refusing suitable work as required by the Federal-State Extended Benefits Act.

During peak unemployment, the Secretary of Labor may condition continuation of benefits after 8 weeks on acceptance of training or job search outside the labor market area.

Effective for weeks of unemployment beginning October 1, 1981.

4. Secton 2504--BENEFIT AMOUNT

Benefits are payable only for weeks of total unemployment, in amount equal to the last week of unemployment compensation, less any deductible training allowance. Formerly benefits were 70% of the claimant's average weekly wage, up to a maximum of the national average weekly manufacturing wage, less half of any remuneration for services.

Effective for weeks of unemployment beginning October 1, 1981.

5. Section 2505--TIME LIMITS

Trade benefits and unemployment compensation combined may not exceed 52 weeks, extendable by up to 26 weeks if in approved training. Formerly claimant could draw full unemployment compensation, then receive 52 weeks of trade benefits (78 weeks if in training or if age 60 or more at time of separation).

No trade benefits are payable more than 52 weeks after exhausting unemployment compensation (was 2 years after separation, 3 years if in training or age 60 at time of separation).

Claimant has 210 days (was 180 days) after certification or separation (whichever is later) to apply for training in order to receive the 26-week extension.

If a claimant's benefit year ends during an Extended Benefit period, the duration of Extended Benefits eligibility is reduced by the number of weeks of trade benefits during the benefit year; the 50% federal share of Extended Benefits is not payable for such weeks.

Effective for weeks of unemployment beginning October 1, 1981.

6. Section 2506--TRAINING

The Secretary of Labor may approve training if there is no suitable employment, the worker would benefit from training, there is a reasonable expectation of suitable employment after training, and training is available that the claimant can handle (formerly could approve only if there was no suitable employment and suitable employment would be available after training).

Prohibits denial of unemployment or trade benefits because a claimant is in approved training under the Trade Act, or has left unsuitable work to take approved training.

Defines suitable employment as employment at an equal or higher skill level paying at least 80% of average weekly wages prior to separation.

Links the supplemental allowance for transportation and maintenance maximum to the federal mileage and per diem maximums (was 12 cents a mile, $15 a day).

Effective for applications filed beginning October 1, 1981.

7. Section 2507--JOB SEARCH ALLOWANCES

Provides reimbursement of 90% (was 80%) of job search expenses, maximum $600 (was $500), for a worker who is totally separated. Reimbursement for subsistance and transportation expenses may not exceed the maximum in section 2506. A claimant must apply for a job search allowance within 182 days after completing training (was within a reasonable time).

Effective for applications filed beginning October 1, 1981.

8. Secion 2508--RELOCATION ALLOWANCES

Provides reimbursement of 90% of expenses (was 80%) for relocation, maximum $600 (was $500). Requires application within 425 days after separation/certification, or within 182 days after completing training. Actual relocation must occur within 182 days after application or completion of training.

Effective for applications filed beginning October 1, 1981.

9. Section 2509--FRAUD

Overpayments must be repaid unless made without fault on the part of the claimant and repayment would be inequitable. Repayment may be by deduction from future trade or other unemployment benefits. No future benefit may be reduced by more than half for this purpose.

Receipt of overpayments resulting from misrepresentation will disqualify claimant from under further trade payments.

10. Section 2510--APPROPRIATIONS

Authorizes appropriations for 1982 and 1983 of sums necessary to implement the Trade Act. Repeals authorization for an Adjustment Assistance Trust Fund.

11. Section 2511--DEFINITIONS

Substitutes state law for defining "week of unemployment" (formerly was a week in which earnings were down 20% or more).

Effective for weeks of unemployment beginning October 1, 1981.

12. Section 2512--SUNSET

Extends the expiration of provisions for worker adjustment asistance by 1 year to September 30, 1983.

13. Section 2513--CONFORMING AMENDMENTS

14. Section 2514--EFFECTIVE DATES

Effective on enactment, except as noted.

The states must amend their unemployment compensation laws to comform with requirements for coordination of Extended Unemployment Benefits and trade benefits and exemption from disqualification because a claimant is in approved training, by October 31, 1982 (1983 in Arkansas, Montana, Nevada, North Dakota, Oregon, and Texas).

Claimants whose trade entitlement period includes weeks before and after October 1, 1981, will receive benefits under prior law for weeks of unemployment through September 30. Thereafter any trade benefits are the new weekly benefit amount times a number derived by subtracting from 52 all weeks of unemployment and trade benefits prior to October 1.

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