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Worker Adjustment Assistance under the Trade Act of 1974 to New England Workers Has Been Primarily Income Maintenance.
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In passing the Trade Act of 1974, the Congress recognized that increased imports resulting from expanding international trade could adversely affect certain firms and workers in the United States. Therefore, the Congress directed that those segments of the economy affected by increased import competition receive various forms of assistance.

Findings/Conclusions: The trade adjustment assistance program for workers in trade-impacted New England industries has not particularly helped workers adjust to the problems caused by increased imports. Weekly trade readjustment allowance payments were usually late and often were inaccurate. Employment services were rarely used because most of the affected workers eventually returned to their original import-impacted employers. State employment security officials indicated that the amount of the trade adjustment allowance reduced workers' incentive to seek employment. Only about 24% of those who applied for trade readjustment allowances took advantage of the program's other benefits, including training, job search allowances, and job relocation allowances. Recommendations: The Secretary of Labor should provide enough staff to monitor the New England States' delivery of benefits to: encourage States to prepare for processing applications from potential recipients as soon as the Department has an indication that a group of workers might be certified; and ensure, to the extent practicable, that future payments are accurate and timely. (RRS)

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Worker Adjustment Assistance Under The Trade Act Of 1974 To New England Workers Has Been Primarily Income Maintenance

The worker adjustment assistance program is designed to provide benefits to help workers adjust to job loss or reduced income because of import competition.

GAO's review of adjustment assistance to New England workers showed that the program had provided primarily cash benefits, with few workers taking advantage of training and employment services. Furthermore, the usefulness of the cash benefits was lessened because many payments were inaccurate and untimely, with many workers receiving them after returning to work.

GAO recommends that the Department of Labor better monitor the program and ensure, to the extent practicable, that future payments are accurate and timely.





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

B-152183

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

This report discusses the impact of the worker adjustment assistance program on workers separated from jobs because of import competition in the New England States of Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island. It is one of several reports which will be issued by the General Accounting Office in fulfilling our legislative requirements to assess the effectiveness of adjustment assistance programs and to report our findings no later than January 31, 1980.

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

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

A handwritten signature in black ink, appearing to read "James B. Stucke".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

WORKER ADJUSTMENT ASSISTANCE
UNDER THE TRADE ACT OF
1974 TO NEW ENGLAND WORKERS
HAS BEEN PRIMARILY INCOME
MAINTENANCE

D I G E S T

The trade act adjustment assistance program for workers in trade-impacted New England industries has not particularly helped workers adjust to the problems caused by imports. The weekly trade readjustment allowance payments were usually late and many were inaccurate. Employment services were rarely used because most affected workers returned to work for their original import-impacted employers. Furthermore, most State employment security officials indicated that the amount of the trade adjustment allowance payments reduced workers' incentive to seek employment. GAO recommends that the Secretary of Labor provide Labor's Region I enough staff to monitor the New England States' delivery of benefits to (1) encourage States to prepare for processing applications from potential recipients as soon as the Department has an indication that a group of workers may be certified and (2) ensure, to the extent practicable, that future trade readjustment allowance payments are accurate and timely. (See p. 13.) Labor did not take exception to the report findings but pointed out that the New England States and Labor have taken action which they believe has improved the timeliness and accuracy of trade readjustment allowance payments. (See p. 13.)

Under the Trade Act of 1974, the worker adjustment assistance program is designed to help workers, firms, and communities in adjusting to the effects of imports. This report discusses such assistance to workers in the New England States of Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island.

The program is administered by the Department of Labor through State employment security agencies. Workers certified as eligible by Labor to apply to State employment security agencies for benefits because their jobs were affected by imports can receive

--weekly cash trade readjustment allowances;

--employment services, including counseling, testing, training, and placement; and

--job search and relocation allowances.
(See pp. 2 and 4.)

Nationwide, as of November 30, 1977, Labor had certified as eligible to apply for benefits an estimated 275,908 workers from 22 industries; about 21,590 of these workers were from New England. From April 1975 through November 1977, the latter received, in addition to unemployment compensation, trade readjustment allowances of about \$20 million. Few of them received other types of allowances or took advantage of employment services. (See p. 4.)

UNTIMELY DELIVERY OF BENEFITS

Labor's guidelines require that the initial readjustment allowance payment be made within 21 days after the worker files an application for assistance with the State employment security office. GAO's review of a sample of applicant records showed that these payments were usually late (77 percent of the sample) and often inaccurate (over 40 percent). The sample showed that an average of 7 weeks elapsed between filing and collecting and that an average of over 51 weeks elapsed between the time workers were separated or put on a reduced work schedule and the time that they filed. (Trade readjustment allowances averaged about \$39 a week, in addition to regular unemployment insurance benefits.)

A major reason the 21-day criterion was not met is some States failed to prepare for processing applications prior to Labor's certification. To improve the timeliness of payments, the New England States, as recommended by Labor, have increased their efforts to identify potential recipients and prepare for taking applications as soon as the Department has an indication that a group of workers may be certified. (See p. 8.)

INCORRECT PAYMENT CALCULATIONS

GAO's sample also showed that over 40 percent of applicant records had one or more errors. Payments to the sample applicants totaled about \$257,000; overpayments totaled \$3,632 (and ranged from \$1 to \$516) while underpayments totaled \$2,723 (and ranged from \$1 to \$425). The projected amount of overpayments and underpayments for New England workers was about \$118,864 and \$89,070, respectively. (See p. 9.)

The State employment security agencies and Labor have agreed to correct the payment errors found in GAO's sample. However, Labor has not provided its Region I office sufficient staff to effectively monitor the States' delivery of program benefits. (See p. 10.)

LITTLE USE OF OTHER BENEFITS

Although workers certified under the trade act are eligible to apply for training, job search allowances, and job relocation allowances, GAO's sample showed that only 24 percent of those who applied for trade readjustment allowances took advantage of these other benefits. (See p. 18.) These results are similar to reported nationwide data. (See p. 19.) Most of the affected workers in GAO's sample had been recalled by their original import-affected employers and apparently did not want these benefits.

State employment security officials also believed that the amount of the trade readjustment allowances reduced and, in some cases, eliminated the incentive to actively seek alternative employment or use available employment services while payments are being received. (See p. 21.)

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ABBREVIATIONS

GAO	General Accounting Office
TRA	trade readjustment allowance
UI	unemployment insurance

CHAPTER 1

INTRODUCTION

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

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

Under section 280 of the 1974 act, the Congress directed us to review adjustment assistance programs and to report by January 31, 1980, on how effectively the programs are helping workers, firms, and communities. Because of the programs' complex structure, we are issuing several reports on various aspects of trade adjustment assistance. So far we have issued four other reports on the Trade Act of 1974. (See app. I.)

This report evaluates adjustment assistance benefits the Department of Labor provided to laid-off workers in the New England States of Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island. (When our review was initiated, Vermont had no workers certified by Labor.)

PROGRAM OPERATION

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

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

- a significant number of workers in a firm or an appropriate subdivision of the firm have become or are threatened with becoming totally or partially separated,
- the sales and/or production of such firm or subdivision have decreased absolutely, and
- increased imports of like or directly competitive articles contributed importantly to such separations and such declines in sales or production.

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

Upon reaching a determination on a petition, the Secretary must publish a summary of the decision in the Federal Register, together with the reasons for making such determination. Petitioners aggrieved by the Secretary's determination may (1) within 30 days of the notice of determination, file a written application with the Office of Trade Adjustment Assistance for reconsideration of the determination or (2) within 60 days of the notice of determination, file a petition for review of the decision with the U.S. Court of Appeals.

The second step of the eligibility process occurs when certified workers individually submit applications for benefits to the local offices of their respective State employment security agencies responsible for delivering

benefits. General supervision of the trade adjustment assistance program in these State agencies is the responsibility of Labor's Employment and Training Administration. Labor's Regional Trade Act Coordinators monitor the States' delivery of benefits under the act and provide training and technical assistance to the States regarding program benefits.

Workers may apply for the following types of trade adjustment assistance:

--Weekly cash trade readjustment allowances (TRA).

--Employment services, including counseling, testing, training, and placement.

--Job search and relocation allowances.

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

Workers are eligible for weekly TRA equal to 70 percent of their average weekly wage ¹/ less any UI benefits that they are entitled to, but not to exceed the national average weekly manufacturing wage for all industries as compiled by Labor. TRA is also reduced by 50 percent of any wages earned during each week that TRA is claimed. However, in these cases, the weekly TRA in combination with such earnings and UI cannot exceed the lesser of either 80 percent of the average weekly wages earned during the period on which TRA was based or 130 percent of the national average weekly manufacturing wage as compiled by Labor. Generally, TRA may be received for up to 52 weeks of total or partial unemployment. However, an additional 26 weeks of TRA is available for those in approved training programs and those age 60 or over on the date of separation.

In addition to TRA, those in training may receive an allowance of up to \$15 a day for subsistence and 12 cents a mile for transportation expenses. Up to 80 percent of job search expenses (not to exceed \$500) may be paid to workers totally separated from their trade-impacted employer and looking for work outside the commuting area.

¹/The average weekly wage is based on an individual's wages earned during the first four of the last five completed calendar quarters prior to separation.

Totally separated workers moving to a new job outside the commuting area may also receive 80 percent of their moving expenses plus a lump sum payment equivalent to three times their average weekly wage (not to exceed \$500).

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

PETITION CERTIFICATIONS IN NEW ENGLAND

From April 1975 through November 30, 1977, Labor had certified nationwide 929 petitions that covered an estimated 275,908 workers representing 22 industries. During that period, Labor estimated that these workers received about \$343 million in TRA benefits. For the same period, Labor certified 107 petitions, covering an estimated 21,590 workers, in the New England States. As of November 30, 1977, eligible New England workers had received about \$20 million in TRA benefits.

The certified workers in the New England States we reviewed were from various industries, including the footwear, garment, loom and knitting machinery, steel, steel fastener, fuel injection system, plywood door skin, electronic component, bicycle tire and tube, granite, and dye industries. Several firms within these industries closed and one changed ownership, but most remained in operation either with the same or a reduced work force.

SCOPE OF REVIEW

To evaluate the delivery of trade adjustment assistance to workers in the New England States, we reviewed records of 239 randomly selected individuals from a population of 7,820 applicants who had received benefits at some time from April 3, 1975, through December 31, 1976. While the sample was based on TRA applicants who had received payments through December 31, 1976, we accumulated and verified applicant payment data during our fieldwork, which ended November 30, 1977. Sample applicants were located in five of the six New England States (Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island) and represented 31 of the 45 petitions certified as of December 31, 1976,

in those States. Vermont was not included in our sample because no petitions had been certified as of that date.

To determine whether the characteristics of TRA applicants differed from other unemployed workers in the same geographic area, we reviewed 250 UI claimant records that we randomly selected from a population of about 47,000 at six local employment offices in three New England States (Connecticut, Massachusetts, and Rhode Island). While the UI sample cannot be projected, these local offices handled most (70 percent) of the TRA applications in our sample.

Our work was done at each of the five State employment security agencies' central headquarters and at various local employment agency offices in each State. Further, we discussed various aspects of program operations with officials from: Labor's Region I; 15 of the 31 certified firms in our sample; local and national unions, including the United Steel Workers, Amalgamated Clothing Workers, and International Ladies Garment Workers Union; and a training and employment program funded under the Comprehensive Employment and Training Act (29 U.S.C. 801). We also reviewed legislation, regulations, and procedures relating to the program.

CHAPTER 2

UNTIMELY AND INACCURATE PAYMENTS AFFECTED

PROGRAM'S IMPACT

TRA payments to New England workers were generally untimely and, in many instances, inaccurate. Seventy-seven percent of the initial payments were not made within Labor's 3-week processing time criterion. Also, our sample of applicant records showed that over 40 percent of these records had one or more inaccurate payments. The projected overpayments and underpayments for all New England TRA workers were about \$118,864 and \$89,070, respectively. Furthermore, Labor's inattention to program monitoring in the New England States prolonged the payment problems.

EXTENT OF TRA PAYMENTS

Based on our sample, the average weekly wage of New England TRA workers before total or partial separation was \$171.19. After separation the State employment security agencies provided these workers an average weekly UI payment of \$71.68. In addition to UI, these workers received an average weekly TRA payment of \$38.67. (See app. II.)

However, for those industries with applicants appearing most frequently in our sample there was a wide variation in the average weekly TRA payment received. Although our sample should not be considered statistically representative of these industries, average weekly TRA payments to garment workers in our sample were about \$28 while weekly payments to steel workers averaged about \$37 and weekly payments to loom workers averaged \$55. (See app. III.)

Although TRA permits a benefit payment of up to 70 percent of the worker's average weekly wage, the benefit is limited by the national average weekly manufacturing wage. 1/ Our sample of 239 applicants showed that the TRA payments for 15 applicants had been so limited at the time of their application. The average weekly TRA payment to applicants in our sample was \$39.14 for totally unemployed and \$30.82 for partially unemployed workers. About 90 percent of these applicants were totally unemployed and 10 percent were partially unemployed.

1/National average weekly manufacturing wages applicable to our sample applicants were \$190 as of March 1976 and \$209 as of March 1977.

MOST TRA PAYMENTS UNTIMELY

An average of about 58 weeks elapsed between the date a worker was laid off or put on a reduced work schedule and the date of the first TRA payment. Of the 58 weeks about 31 weeks expired between the time of separation or reduction in work hours and filing of a petition, about 11 weeks elapsed between filing and petition certification, about 9 weeks expired between certification and application for benefits, and about 7 weeks expired between application and receipt of first payment. (Labor guidelines require the first TRA payment to be made within 3 weeks of filing the initial application.) Elapsed time from application to first payment for our sample of 239 TRA applicants ranged from 1 day to 28 weeks. Overall, 77 percent of all TRA initial payments in our sample were made after the 3-week time criterion. (See appendix IV for TRA time-lapse statistics for our sample of 239 TRA applicants.)

The following table shows the average amount of time it took the five States' employment security agencies to process the 239 TRA applications in our sample:

<u>TRA application to first payment (weeks)</u>	<u>Number of applicants</u>	<u>Percentage</u>
0-3 (Labor criterion)	54	22.6
4-6	63	26.4
7-9	64	26.8
10-12	26	10.9
13-15	22	9.2
16-18	5	2.1
19-21	3	1.2
22-24	1	0.4
25-28	1	0.4
	<u>239</u>	<u>100.0</u>

As shown in the table, only 54 applicants (23 percent) received their TRA payment within the 3-week Labor criterion. Many of the applicants who received timely first payments were from New Hampshire and Rhode Island, two States that began preparing for processing applications prior to Labor's certification--a process referred to as precertification activity.

Precertification work improved timeliness of payments

To help assure prompt and effective delivery of worker benefits, Labor guidelines have suggested since program inception that States prepare for the processing of workers' applications before petitions are certified or denied by the Department. However, because many States were reluctant to spend their funds preparing to process applications for petitions that might not be approved, in July 1976 Labor informed each State that it could receive up to \$750 for each petition to conduct precertification activity. Labor's guidelines suggest that prior to certification, States should

- establish program coordination with Labor's regional staff,
- develop a program to train staff in the eligibility determination and benefit delivery process, and
- coordinate with employers to identify potential applicants and ensure that wage information is available to establish TRA entitlement.

We found that two of the five New England State employment security agencies complied with the above guidelines and generally made payments within Labor's 3-week criterion. The two States' (New Hampshire and Rhode Island) precertification work resulted in timely first payments to 86 percent (25 of 29) of the individuals in our sample from these States.

State employment security officials in the other three States told us they hesitated to do precertification work because they had no assurance that a particular petition would, in fact, be approved. Also, some of them did not consider the funding adequate. Nevertheless, these three States usually failed to meet Labor's 3-week criterion: only 14 percent of their applicants (29 of 210) in our sample were paid on time. However, Labor headquarters and Region I officials told us that, since completion of our fieldwork, these States had increased their precertification work, and their payments have been timelier.

Other causes for delayed first payments

According to most State employment security officials, other causes for delayed first payments were (!) slow employer

response to State requests for wage and employment information on workers applying for benefits and (2) inexperienced staff to process TRA applications. In response to these problems, Labor Region I recommended that the States (1) subsequent to later verification, make TRA first payments based on information on affidavits that workers filed with their applications and (2) further train their personnel in the eligibility determination process. According to Region I officials, the New England States have begun to implement these recommendations.

The reasons for the delays in submitting petitions and in Labor's certifying or denying petitions are discussed in detail in our report, "Certifying Workers for Adjustment Assistance-- The First Year Under the Trade Act" (ID-77-28, May 31, 1977).

As far as the primary cause for delays in workers filing applications, we believe that, because most of the individuals sampled were back to work when the petition was certified, there was apparently no urgent need to file an application for benefits. About 62 percent of the workers in our sample were back to work when they filed their applications.

PAYMENT ERRORS

We found one or more payment errors in 97 (40.6 percent) of the applicant records in our sample covering the period April 3, 1975, through November 30, 1977. Of the 239 records sampled, 22.6 percent had overpayments and 26.4 percent had underpayments. ^{1/} At the time of our review, total payments to the 239 applicants in our sample were about \$257,000, while total overpayments and underpayments to those applicants were \$3,632 and \$2,723, respectively. Overpayments ranged from \$1 to \$425, while underpayments ranged from \$1 to \$516. The projected total dollar amount of overpayments for the New England population of 7,820 workers who applied for TRA is about \$118,864 but could range from \$76,402 to about \$161,325. The projected total amount of underpayments is about \$89,070 but could range from \$48,250 to \$129,890. (See app. V for TRA population projection and payment error statistics for our sample of 239 TRA applicants.)

^{1/}Overpayment and underpayment percentages do not equal the overall payment error percent because some sample applicants had both overpayment and underpayment errors.

We determined that the payment errors made by State employment security offices were primarily related to miscalculations when handling partial earnings and to misinterpretation of Labor guidelines on such matters as handling vacation pay. State employment security officials told us that the errors were due to a lack of experience and training of local office personnel and also to the complexity of the program.

Labor's Region I and State employment security officials told us that they would correct the payment errors we found and that actions have been taken to expedite and improve the accuracy of payments. Labor has prepared a training package for State employment security personnel in the hopes it would lessen TRA payment errors and make payments more timely. A Region I official told us that he met with State employment security officials to discuss including the new training package in the States' training program for local office personnel and that these officials are preparing action plans.

LABOR'S ADMINISTRATION OF THE PROGRAM NEEDS IMPROVEMENT

During the first 16 months of program operation, Labor's process for handling funding requests from States for employment services staff positions (counseling, testing, etc.) was cumbersome and resulted in delays in getting funds to the States. Further, Labor's Region I had too small a staff to adequately monitor the States' delivery of benefits and to provide technical assistance.

Delayed funding affected States' program operations

From April 1975 through July 1976, requests for funding employment service staffing were sent by the State employment security agencies through the Labor regional office to the national office for approval. The process was slow and resulted in delayed funding for the States, requiring them in many instances to use their regular unemployment insurance and employment service personnel to help trade-impacted workers. As a result, the worker adjustment assistance program received a low priority, with applications being processed and individuals being provided employment services only as time permitted.

In July 1976 the responsibility for approving funding requests from the States for employment service staffing was given to the Labor regional offices, and additional funds were allocated to each regional office.

At that time Labor distributed \$120,000 for the quarter ended September 30, 1976, among the six New England States for program staffing. Labor subsequently provided these States \$500,000 for fiscal year 1977 and \$1,305,000 for fiscal year 1978. The resulting increased staffing should help to improve the delivery of benefits.

Lack of staff affected program monitoring

The Labor Regional Trade Act Coordinator is responsible for monitoring the six States' delivery of benefits and for providing training and technical assistance to the States regarding program operations. At the time of our fieldwork, the coordinator was also responsible for monitoring the UI program in three of the New England States.

From program inception through June 1976, the coordinator did not have any staff. In July 1976 Region I assigned him three staff, on loan from two New England State employment security agencies, for 90 days. Two of these individuals returned to their respective State jobs after completing their 90-day assignments; the third received an extension and, at the time of our fieldwork, was still assisting the coordinator.

The trade act coordinator told us that Region I staffing was not sufficient to effectively monitor the States' program operations and provide technical assistance. The coordinator told us that at least five full-time staff should be assigned to the program in Region I.

According to Labor headquarters officials, overall staff ceilings imposed by the Office of Management and Budget for the Department's Employment and Training Administration have prevented sufficient Department staffing for the program. However, at the time of our fieldwork, the Employment and Training Administration had begun a comprehensive study of staffing needs for all activities in its national and regional offices to determine whether additional program positions should be requested, or allocated from other activities, to ensure adequate delivery of benefits under the trade act.

While the coordinator has made every effort to train and provide technical assistance to State personnel, his efforts have been limited by the extent of his duties and the lack of support staff. He has helped the States conduct 1- and 2-day training sessions and has periodically visited some local employment offices having considerable

trade act activity. However, most State personnel we interviewed who had attended the training courses considered them too general. Regarding technical assistance, several State employment security officials also commented that in some cases Labor took several months to answer technical questions on the program.

Labor's Region I office has also been unable to sufficiently monitor the States' local employment security office delivery of benefits. From program inception through November 1977, there were only 7 formal evaluative reports covering 6 of the States' 119 offices (many of which had trade act activity); 3 of the 6 were located in one State (Massachusetts). (These reports were usually prepared jointly with staff from Labor's headquarters.) This lack of monitoring is understandable since it is almost impossible for the Region I coordinator--even with the assistance of three temporary staff--to evaluate and report on the performance of State employment security offices in six New England States.

The coordinator's available time for administration was further limited in July 1977 when Region I assumed total responsibility for operating the worker adjustment assistance program in New Hampshire for 6 months. This occurred because difficulties in the New Hampshire legislative process precluded New Hampshire from executing an agreement with the Secretary of Labor to operate the program. Legislation was subsequently enacted, and New Hampshire resumed operating the program after signing the agreement.

CONCLUSIONS

The cash benefits (TRA) provided by the worker adjustment assistance program had a limited impact on New England workers because most of the payments were received too late. With the exception of payments made by the States that did precertification work, Labor's requirement that the first TRA payment be made within 3 weeks of the worker's filing applications for benefits was generally not met. Furthermore, many payments were inaccurate. Effective monitoring by Labor might have alleviated these problems, which continued for quite a while.

The New England States and Labor's Region I have begun to take actions which should reduce delays in and improve the accuracy of future payments.

RECOMMENDATION TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor provide Labor's Region I enough staff to monitor the New England States' delivery of benefits to (1) encourage States to prepare for processing applications from potential recipients as soon as the Department has an indication that a group of workers might be certified and (2) ensure, to the extent practicable, that future TRA payments are accurate and timely.

AGENCY COMMENTS AND OUR EVALUATION

In an August 30, 1978, letter (see app. VI), Labor took no exception to the report's general findings that the program has provided primarily cash benefits (TRA) and that few workers have obtained training or other employment services. However, Labor indicated that, subsequent to the period covered by our review, significant improvements in benefit delivery have resulted in more timely and accurate cash benefits and in increased employment service activity. Some improvements noted by Labor, and our evaluation of Labor's comments, follow:

Timeliness of cash benefits--Labor stated that during April and May 1978, only 24 percent of first payments in the New England States were untimely (not made within 21 days of the worker's application). This is an improvement since our fieldwork. However, our examination of the same statistics shows that untimely payments ranged from 10 to 50 percent. More recent Labor statistics show that in June 1978, in one New England State, 92.3 percent of the first payments were untimely.

Labor stated that, as further evidence of improvement, in the quarter ended in June 1978 in over 70 percent of the cases included under new certifications in five New England States, local offices began taking applications within 10 days of Labor's notification of the certification. However, this statistic is based on an analysis of States' reports advising Labor whether each State has started taking applications on a particular petition. Consequently, Labor's comments on this point only indicated improvements, and we cannot evaluate, nor in our opinion can Labor, the extent of any improvement in the timeliness of benefit payments without examining worker records (as we did during this review).

Precertification activity--Labor said the States now recognize the need for precertification activity, and, currently, every State in New England is requesting and receiving precertification funds. As we noted, precertification activity has improved the timeliness of payments.

Accuracy of payments--Labor stated that, since the period covered by our review, a simpler method of computing reduced payments has significantly improved payment accuracy nationwide. Labor said it based this statement largely on observation and discussions during monitoring visits, whereas the error rate cited in our report was based on our examination of specific payment records. Since we know of no Labor unit which has audited the accuracy of trade act benefit payments, we cannot evaluate this claim.

Staffing--Labor recognized that staffing problems had occurred during the period covered by our review and has increased its staff. Labor said that three persons are currently assigned to the trade act program in Region I and that it will monitor this situation for performance problems.

Monitoring--Labor said that it monitors each State's payment unit every 2 years and that it has sent its regional offices guidelines to assist them in monitoring and improving payment activity at the State and local level. Labor believes these actions provide reasonable program overview on a national basis. Given the problems identified in our report, we do not agree that monitoring in the New England States every 2 years will ensure effective administration of the trade act program.

Increased employment service activity in New England--Labor recognized that most TRA applicants were already back to work when they applied for benefits and that employment services were not extensively used. Labor hopes that a more timely filing of petitions by separated workers and a shortened time frame for making determinations on petitions will soon increase applicants' use of employment services. Labor pointed out that, in fact, substantial employment service activity is currently underway. It said that, from program inception (April 1975) through May 1978, 1,453 workers have been placed in new jobs, 1,942 have been provided training opportunities, 30 have been relocated, 11 have been given job search allowances, and 1,756 have received supportive services. However, a worker can be counted in more than one of these categories; for example,

a worker could be designated as receiving supportive services, as receiving training, and as being placed. In our opinion, given the large number of workers that Labor estimates are covered in New England (over 29,000 as of May 1978), the number of workers using these services may still be low. Furthermore, recent petition certifications by Labor are still taking much longer than the 60 days required by the Trade Act of 1974.

As Labor noted, we are currently assessing the act's worker adjustment assistance program nationwide and will determine whether, in fact, some of the improvements cited by Labor are occurring.

STATE COMMENTS

None of the four States which commented on our report took any exception to the general findings, but three States had some noteworthy comments. Rhode Island's Department of Employment Security stated that the report is a fair appraisal of the program as implemented in Rhode Island and that it had no comments for inclusion in the report. The following summarizes the important comments submitted by the other three States; our comments appear where we believe clarification is needed.

Connecticut

The Connecticut Employment Security Division said the major active certifications at the time of our audit largely covered workers who were on temporary layoffs and partial work weeks. Almost all these workers had returned to their original employers during the processing of their applications. Because of the original heavy load of retroactive payments, efforts to meet Federal time-lapse standards were diminished. However, the payment unit workload now represents a much higher percentage of workers unemployed. This has significantly reduced difficulties in obtaining information on workers, and Connecticut's time-lapse performance has improved considerably. The division also noted that increased precertification activities have helped it meet time-lapse standards.

The division further noted that almost all the payment errors we identified also related to the handling of payments to partially employed workers and that the errors have been corrected. (Our report recognizes that the New England States have acted to correct payment errors and expedite future TRA payments.)

Regarding employability services, the division stated that certifications of two major Connecticut firms have resulted in over 2,600 permanently laid-off workers receiving eligibility for adjustment assistance in the past year. As a result of these certifications, the trade program in Connecticut has changed from a program of mostly retroactive monetary benefits to a program providing a full range of employability services to affected workers.

Maine

The Maine Employment Security Commission explained some of the problems which have affected Maine's administration of the trade act program. The commission said our report shows that about 11 weeks elapsed between the date the petition was filed and the date the petition was certified, while Maine's experience has been that more than 25 weeks have been required to certify most petitions. However, our report shows this figure as an average for the New England States and that this timeframe ranged from about 5 to over 20 weeks for the cases in our sample. (See p. 29.) (Labor recognizes that the timeframe for making determinations on petitions needs to be shortened and it hopes to alleviate this problem.)

The commission also pointed out that more intensive precertification work is a solution in pre-processing the applications of workers who have been totally separated from adversely affected employment but noted that it is more difficult to process partial separations because considerable data on the applicant is needed before processing a first payment. The commission stated that Maine had experienced problems in (1) determining the period to use in computing the applicant's weekly benefit amount without knowing the impact date of the petition (date on which imports began contributing to layoffs), (2) getting accurate information from workers when affidavits are used, and (3) obtaining the required data on applicants separated from adversely affected employers who may not have the financial resources to prepare this information.

Regardless of the causes for delayed first payments, precertification activities generally improve the timeliness of TRA payments. Also, the problems Maine cited relate primarily to determining the payment amount. When these problems occur, other precertification activities could be conducted. (See p. 8.)

New Hampshire

The New Hampshire Department of Employment Security agreed that TRA applicants generally did not receive employment services but explained further the major causes for this situation in New Hampshire. The department reiterated Maine's concerns regarding the considerable time Labor takes to make a determination on a petition, and it said many people return to work and receive employment services before the petition is certified. The department also said that the funding problems we noted during the period covered by our review affected the State's ability to provide employment services, but recent increases in funds and staff have enabled the department to expand employment services.

CHAPTER 3

FEW WORKERS USED EMPLOYMENT SERVICES

FOR READJUSTING TO JOBS IN

NONIMPORT-AFFECTED FIRMS

In addition to TRA benefits, the act includes provisions for employment services to help workers adjust from a job in an import-threatened or -affected firm to a job in a firm which is not import affected. However, only 24 percent of the individuals in our sample used any employment services. Apparently workers did not want or use employment services because (1) they were either back to work or expected to return to work for their former employer, (2) employment opportunities were limited, or (3) their skills and education were not readily transferable to other occupations. The initial delays (discussed in chapter 2) in funding States' requests for employment service staffing might have also affected the use of employment services.

Most State employment security officials viewed the worker adjustment assistance program as primarily income maintenance and not as facilitating readjustment of import-affected workers into new employment. Union officials also viewed the purpose of the program as providing only cash benefits (TRA) and felt it was only a temporary solution.

EMPLOYMENT SERVICES GENERALLY NOT USED

The act encourages Labor to provide affected workers with a wide range of employment services. The services include testing, counseling, training, job referral, and supportive services. Supportive services include work orientation, basic education, communication skills, and other services necessary to prepare a worker for full employment. The act also provides for payment of job search and job relocation expenses for workers totally separated from their trade-impacted employer.

Of the 239 TRA recipients in our sample, 57 (24 percent) received an employment service and 20 (8 percent) of these received more than one service. Furthermore, only four received counseling and training and also obtained new employment. The following shows the extent of use of the employment services available under the act.

<u>Service</u>	<u>Number of applicants using service</u>	<u>Percent of sample</u>
Counseling	34	14.2
Job referral	32	13.4
Training	10	4.2
Job relocation	1	0.4
Job search	0	0.0
Testing and support services	0	0.0

Of the 34 individuals counseled, 32 were from one State (Massachusetts). Of the 32 that received job referral services, 19 obtained new employment. They were placed in various jobs: 2 in federally funded public service employment and 17 in manufacturing and maintenance positions which generally paid less than the individuals had earned at the trade-impacted firms.

None of the individuals in our sample received a job search allowance to seek new employment. However, one did receive a relocation allowance to cover moving expenses after finding new employment. In this instance, a 54-year-old male, married with one dependent, received \$738.74 in August 1975 to relocate. At the time of our fieldwork, he was still employed by his new firm.

Under the Trade Act, the Secretary of Labor may place workers who have been displaced by imports into appropriate training programs, including such Federal programs as those authorized by the Comprehensive Employment and Training Act. On-the-job training--vocational, technical, or professional--is emphasized, but classroom training is also available.

Only 10 individuals, all of whom were from Connecticut and Massachusetts and had received counseling, enrolled in training programs. At the time of our fieldwork, 4 of these 10 were still in training and 6 had completed training (2 completed on-the-job training and 4 completed vocational courses). Five of the six were placed in training-related jobs and the other got a nontraining-related, part-time job.

Employment service usage by New England workers in our sample was similar to recent nationwide statistics reported by Labor. In January 1978 Labor reported that it had certified 1,021 petitions from a variety of industries and that about 372,000 workers had applied for TRA benefits. Labor reported that about 270,000 of these had received TRA payments and, of this number, the following received employment services:

- 39,528 received counseling, testing, or other supportive services,
- 7,245 received training,
- 5,646 were placed into some type of employment,
- 617 received job search allowances, and
- 360 received relocation allowances.

Labor also reported that about 75 percent of the 372,000 workers had returned to work before they filed their applications for benefits. Those workers who had returned to work were possibly not interested in employment services.

REASONS FOR LIMITED USE OF SERVICES

The limited use of employment services was possibly due to the fact that most individuals in our sample were still job attached to their import-affected employer and apparently saw no need for seeking other employment. In fact, 175 (73 percent) of them had returned to work with their import-affected employer prior to receipt of their first TRA payments. Also, State employment security officials told us that many others were expecting to be recalled and had indicated that they saw no need for employment services. Other factors which affect the use of employment services were limited employment opportunities and the education and skill levels of the individuals.

Limited acceptable employment opportunities

While we are not sure how actively TRA recipients sought alternative employment, discussions with State employment security officials, along with a review of labor market studies and newspaper job advertisements, indicated that the likelihood of unemployed individuals obtaining a comparably paying job near their community was remote. For example, an import-impacted firm, located in a town with a high rate of unemployment, was forced to close. Since there were few, if any, job openings available in town, State employment security officials sought to refer the displaced individuals to a plant, manufacturing a different product, located 20 miles away. The individuals, however, were unwilling to accept such employment primarily because of the travel involved.

Another example involved an import-impacted firm located in a large community that had previously lost four major

employers. At the time of our fieldwork, the average pay for available jobs in the community was \$2.75 an hour, compared to the \$4.00 an hour the workers received before they were laid off. A demonstration was conducted outside the local employment office where the impacted workers feared they might lose their TRA benefits should they refuse to accept referrals to lower paying jobs.

Workers' skills and education limited

State and local employment security officials told us that many TRA applicants were difficult to place in new employment because their skills were not transferable-- i.e., not readily usable or easily adaptable to other types of employment--or they had a limited education or lacked proficiency in the English language.

Our sample corroborated these statements. TRA applicants in our sample had completed an average of 9 years of education, about 24 percent had obtained their education outside the United States, and many were not proficient in English.

PROGRAM IMPACT--COMMENTS OF STATE AND UNION OFFICIALS

State employment security officials in the five New England States as well as many union officials indicated general dissatisfaction with the worker adjustment assistance program. The State officials generally did not support the concepts of (1) distinguishing between regular unemployed workers and those unemployed because of trade and (2) providing trade-impacted workers greater cash benefits. They questioned the need for a program in addition to UI to assist a selected group of workers. In fact, the officials told us that many trade-impacted workers had been recalled by their former employers and, consequently, could be considered better off than others out of work.

State employment security officials also believed that the amount of TRA benefits (70 percent of average weekly wage) reduced and, in some cases, eliminated any incentive for those persons who were not recalled to actively seek new employment or to use available employment services while receiving payments. This was especially evident where unemployment was high or where wages for available job openings were considerably lower than what the workers were previously paid. In the latter case, TRA payments were usually more than what individuals would receive from a full-time job.

Accordingly, State officials told us that many workers had exhausted their TRA benefits before seeking employment. (Fifty-five of 239 individuals, or 23 percent of our sample, exhausted benefits.) As one State employment security official stated:

"The program sure does not provide the affected workers any incentive to actively seek employment. Once these workers adjust to receiving somewhat lower payments than they did if they were working, they just do not actively seek employment until they are forced to.

Both national and local union officials told us that trade adjustment assistance is only a temporary remedy and does nothing to solve the complex problem of job loss due to imports. They said the program's cash benefits (TRA) help workers meet family expenses for a limited period but, generally, workers are not placed in new employment and ultimately might be unemployed. Union officials believed that the only way to protect domestic jobs is to increase tariffs and/or impose quotas on imported products with which American firms cannot compete.

CONCLUSIONS

While the trade adjustment assistance program is designed to provide many types of employment services--as well as job search and job relocation allowances--few applicants in our New England sample requested or received benefits other than TRA benefits. Furthermore, according to Labor Department statistics, this situation appears to exist nationwide.

CHAPTER 4

PROFILE AND COMPARISON OF

NEW ENGLAND TRA APPLICANTS AND UI CLAIMANTS

In its report on the 1974 Trade Act, the Senate Committee on Finance requested that we identify characteristics of individuals benefiting from the adjustment assistance program and determine whether they differ from others unemployed in the same geographical area.

In response to this request, we compared the characteristics--age, sex, etc.--of a random sample of 239 TRA applicants with the characteristics of a random sample of 250 individuals who had applied for UI. We selected the UI sample from about 47,000 claimants at six local employment security offices in the three New England States which handled most (70 percent) of the TRA applications in our sample. While the UI sample cannot be projected, it does provide some indication of the characteristics of UI claimants.

We also compared the characteristics of the 55 TRA applicants in our sample who had exhausted their TRA benefits ("exhaustees") with the remainder of the sample of TRA applicants (184 "nonexhaustees"). Finally, we compared the characteristics of individuals from the industries having applicants appearing most frequently in our sample--steel, footwear, garment, steel fastener, and loom.

UI/TRA CHARACTERISTICS COMPARISON

The details of our comparison of the characteristics of TRA applicants in our sample and UI claimants are shown in appendix VII. Based on a detailed analysis, following are some of the differences between these two groups.

--31 percent of the TRA applicants graduated from high school, compared to 67 percent of the UI claimants.

--20 percent of the TRA applicants were not citizens, compared to 6 percent of the UI claimants.

--41 percent of the TRA applicants were over 50 years old when separated or put on reduced work schedules, compared to only 15 percent of the UI claimants.

--28 percent of the TRA applicants were 30 years old or younger when separated or put on reduced work schedules, compared to 60 percent of the UI claimants.

--57 percent of the TRA applicants had been employed at the same firm for over 5 years, compared to 14 percent of the UI claimants.

--73 percent of the TRA applicants were reemployed by their former employers, compared to only 23 percent of the UI claimants.

--66 percent of the TRA applicants were union members, compared to 8 percent of the UI claimants.

Apparently, workers receiving TRA in the New England States are generally older and less educated and had been employed at the same firm significantly longer than individuals receiving UI benefits. Further, more TRA applicants are not citizens of the U.S. All these factors could possibly make readjustment to new employment more difficult for TRA applicants.

TRA EXHAUSTEES/NONEXHAUSTEES COMPARISON

The characteristics of TRA applicants in our sample, regardless of whether they had exhausted their benefits, were somewhat similar. However, a comparison of the two groups did show the following differences. (App. VIII shows additional details.)

--47 percent of the exhaustees were over 50 years old, compared to 39 percent of the nonexhaustees, when separated or put on reduced work schedules.

--22 percent of the exhaustees were 30 years old or younger, compared to 30 percent of the nonexhaustees, when separated or put on reduced work schedules.

--58 percent of the exhaustees had 5 years or less employment with their import-affected employers, compared to 39 percent of the nonexhaustees.

In addition, we determined whether the program helped exhaustees find new employment. Only 15 (27 percent) of the 55 individuals were placed, through job referrals or completion of a training course, in new employment. The employment status for the remaining 40 follows:

--11 found a job without assistance from the State employment security office,

--7 returned to their former employers, and

--22 did not request any services from the State employment security offices after exhausting their benefits; therefore there was no indication as to whether they found a job on their own or dropped out of the labor market.

TRA APPLICANT CHARACTERISTICS BY INDUSTRY

We determined and compared characteristics of TRA applicants from those industries having applicants who appeared most frequently in our sample. These industries included steel, footwear, garment, steel fastener, and loom manufacturing. (See app. IX.) While our sample should not be considered statistically representative of these industries, it did show the following differences:

- females were predominant in the footwear and garment industries while males were predominant in the steel, steel fastener, and loom industries,
- average education ranged from about 8 years for garment workers to 10.5 years for steelworkers, and
- 44 percent of garment workers were noncitizens, while 18 percent of the workers in the steel fastener industry were noncitizens.

GAG REPORTS ON THETRADE ACT OF 1974

1. "Assistance to Nonrubber Shoe Firms" (CED-77-51, Mar. 4, 1977).
2. "Certifying Workers for Adjustment Assistance--The First Year Under the Trade Act" (ID-77-28, May 31, 1977).
3. "Worker Adjustment Assistance Under the Trade Act of 1974--Problems in Assisting Auto Workers" (HRD-77-152, Jan. 11, 1978).
4. "Adjustment Assistance Under the Trade Act of 1974 to Pennsylvania Apparel Workers Often Has Been Untimely and Inaccurate" (HRD-78-53, May 9, 1978).

WEEKLY WAGE ANDTRA PAYMENTS

Our review of a random sample of 239 TRA applicant records from a universe of 7,820 New England applicants who had received TRA payments at some time between April 3, 1975, and December 31, 1976, showed the following:

	<u>Average</u>	<u>Range</u>	
		<u>Minimum</u>	<u>Maximum</u>
Weekly wage	\$171.19	\$40.87	\$693.11
Weekly TRA payment	<u>a/38.67</u>	<u>b/0</u>	207.00

a/Individuals in our sample also received an average UI payment of \$71.68.

b/The weekly TRA payment of zero indicates that the worker received no TRA payment because his/her combined UI payment and partial earnings exceeded the maximum payment allowance. (See p. 3.)

The schedule below shows projections for all TRA workers in New England based on the sample data. The expected ranges for all TRA workers were computed at the 90-percent level of confidence; i.e., a 90-percent chance that the average for all TRA applicants in New England would fall within these ranges.

	<u>Projections</u>	
	<u>Minimum</u>	<u>Maximum</u>
Average weekly wage	\$162.96	\$179.42
Average weekly TRA payment	38.01	39.33

AVERAGE WEEKLY TRA PAYMENT AND WEEKLY WAGE BY
INDUSTRY HAVING APPLICANTS APPEARING MOST
FREQUENTLY IN OUR SAMPLE

Average weekly TRA payments and weekly wages were computed for individuals from the industries having applicants who appeared most frequently in our sample. These industries included steel, footwear, garment, steel fastener, and loom and included 224 (94 percent) of the 239 individuals in our sample who had applied for and received a TRA payment at some time from April 3, 1975, through December 31, 1976. The remaining 15 individuals were from a variety of industries, such as plywood door skin manufacturers.

The following table shows the average weekly TRA payments and range of average weekly wages before job separation for the applicants from the five industries. It should be noted that our sample was based on a random selection of New England workers who had received a TRA payment through December 31, 1976, without regard to industry. Accordingly, these results provide only an indication of average TRA payments received and average weekly wages of New England workers before job separation; the results should not be considered representative of each industry.

	Industry				
	<u>Steel</u>	<u>Footwear</u>	<u>Garment</u>	<u>Steel Fastener</u>	<u>Loom</u>
Number from sample (224)	29	89	54	11	41
Average TRA payment	\$36.78	\$32.13	\$28.28	\$49.08	\$54.97
Range of average weekly wage					
\$ 0 - \$ 75	-0-	5	6	-0-	-0-
76 - 100	1	10	12	-0-	-0-
101 - 150	3	37	26	4	2
151 - 200	-0-	22	7	2	20
201 - 250	9	11	1	1	13
251 and over	16	4	2	4	6

TRA TIME-LAPSE STATISTICSSAMPLE OF 239

Time-lapse statistics were computed for each of the processing steps listed below for a random sample of 239, from a universe of 7,820, TRA applicant records obtained from five State employment security agencies in New England. The universe included applicants who had received benefits at some time from April 3, 1975, through December 31, 1976. The table shows the minimum, maximum, and average number of days elapsed. The projection for all TRA workers in New England is given by an expected range, in days, computed at the 90-percent level of confidence--i.e., a 90-percent chance that the average for all TRA New England workers would fall within this range.

<u>Period</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>	<u>Projection</u>
	----- (days) -----			
Separation to petition (note a)	2.0	378.0	219.5	209 to 230
Petition to certification	36.0	141.0	75.9	74 to 78
Certification to application	2.0	378.0	64.1	57 to 71
Application to first payment	1.0	196	<u>47.7</u>	45 to 50
Total average time-lapse (separation to payment) (note a)			<u>407.2</u>	

a/Also includes applicants with reduced work schedules.

TRA PAYMENT ERRORS--SAMPLE OF 239METHODOLOGY

Projections based on our sample of 239, from the universe of 7,820, TRA applicants were computed at the 90-percent level of confidence.

	<u>Errors</u>	<u>Overpayment</u>	<u>Underpayment</u>
Applicants (percent)	a/40.6	22.6	26.4
Population projection (percent):			
Minimum	35.4	18.2	21.7
Maximum	45.7	27.0	31.1
Population projection (number of applicants):			
Minimum	2,768	1,423	1,697
Maximum	3,574	2,111	2,432
Amount of error:			
Average		\$67.26	\$43.22
Range			
Minimum		\$ 1.00	\$ 1.00
Maximum		425.00	516.00
Population projection:			
Total		\$118,864	\$ 89,070
Minimum		76,402	48,250
Maximum		161,325	129,890

a/Overpayment and underpayment percentages do not equal the overall error percentage because some applicants' records in our sample had both overpayment and underpayment errors.

U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
OFFICE OF SPECIAL INVESTIGATIONS
WASHINGTON, D.C. 20210



AUG 30 1978

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

Dear Mr. Ahart:

The Department of Labor appreciates the opportunity to review and comment on the draft General Accounting Office report to the Congress, "Worker Adjustment Assistance Under the Trade Act of 1974 to New England Workers Has Been Primarily Income Maintenance."

While the Department does not take exception to the report's general findings that the program has provided primarily cash benefits to workers with few workers obtaining training and other employment services under the Act, it believes the report should more clearly recognize the significant improvements which have been made in benefit delivery subsequent to the basic period under review in the report, namely, April, 1975, through December, 1976. It is the Department's hope that in its future evaluation of benefit delivery in other regions of the country the GAO will focus its assessment on current program difficulties rather than difficulties encountered in the early months of the program which may now be largely overcome.

For example, on pages 9 and 10, the report speaks of delays in the payment of trade readjustment allowances and finds, based on its sample of 239 applicants, that it took on the average seven weeks to make first payment after the initial application for TRA and that only 23 percent of the payments were timely, i.e., made within 21 days of the application date. For April and May, 1978, the two most recent months for which statistics are available in the New England Region, out of 3,300 first payments 2,514 were made timely. The report indicates only 23 percent of the payments were timely. In fact the current situation is the reverse; only 24 percent of first payments are not timely.

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

Further evidence of improvement in the processing of TRA applications is the fact that in the quarter ending in June, 1978, there were new certifications applicable to workers in five New England Region states and in over 70 percent of the cases, local offices began taking claims within 10 days of notification of the certifications to the states.

As for preliminary work to prepare for likely case-load resulting from the certification of workers within their jurisdiction, the states now recognize the need for precertification activity. At the outset of the program, funds to conduct precertification work were not available to the regional offices. Even after supplemental budget authority had been obtained, delays were encountered in the states' requests and justification for funding. The Department is pleased to report that currently every state in the New England Region is requesting and receiving precertification funding.

As the report recognizes on page 12, the states have taken corrective steps to overcome the two problems of slow employer response to state requests for wage and employment information and staff inexperience. That these steps have been effective is evidenced by the current high percentage of timely first payments in the region.

On pages 13 and 14 of its report, the GAO observes that 23 percent of its sample had overpayments and 26 percent underpayments. The Department does not know what methodology was employed by GAO in determining the accuracy of TRA payments. TRA payment computations, where partial employment weeks and vacation and other forms of deductible pay may be involved, are complex. About one and one-half years ago, the Department developed a simplified methodology, which it transmitted to all the regions, for computing reduced TRA payments. Significant improvements in the accuracy of TRA payments nationwide have resulted from this methodology.

On page 16 of its report, the GAO states that lack of staff has affected program monitoring and reports that the Region I trade act coordinator estimated that at least five full-time staff were needed. On page 19,

the report recommends that the Secretary provide adequate staff resources for Region I. The Department of Labor is interested more in performance than in specified numbers of staff positions. Performance over the last six months has shown a clear improvement over the period covered by the study. At the present time, there are three persons in the Boston Regional Office assigned to the trade program, all of whom are federal staff, and the office is recruiting for another person, a state detailee, to replace an individual who has left. We will continue to review the situation to determine if any performance problems develop and will make adjustments in staffing as necessary. In summary, we recognized the staffing problems that existed during the study period and made additions to the staff. The Department will continue to monitor the situation.

As for the reported delays by the Department in responding to questions by the states on technical aspects of the program and failure by Department officials to visit every local office having adjustment assistance activity (pages 17 and 18) the Department would make the following observation. Many of the cases involving technical questions in fact required careful legal interpretation. Given the potential for their having broader applicability than the specific case at issue, some of these interpretations were necessarily time-consuming. The Department does not consider it feasible for a Departmental official to visit every local office having Trade Act activity. There is a schedule whereby the Department once every two years monitors each state's payment unit, generally at state agency headquarters. The Department has made available to the region two tools to assist them in monitoring and improving TRA payment activity at the state and local level. One is a guideline to monitor local office performance in processing claims under certifications in its area; the other is a format for state or local office personnel to use which tracks TRA processing procedures to identify problems and the timing of delivery, step-by-step. The Department believes these tools coupled with its monitoring at the state level constitute a reasonable response to the need for program overview on a national basis.

The GAO report found that some seventy-five percent of the TRA applicants were back to work at the time they applied for benefits and that employment services available under the Act were not extensively used. The Department recognizes this problem and hopes that a more timely filing of petitions by separated workers and a shorter time for petition determination by the Department will soon lead to an improvement in TRA applicants' use of employment services. In that regard, substantial employment service activity is currently underway in Region I. Since the inception of the program in April, 1975, through May, 1978, 1,453 workers have been placed in new jobs, 1,942 have been provided training opportunities, 30 have been relocated and 11 have been given job search allowances. Supportive services have been provided to 1,756 workers.

The Department found the information in the report on worker characteristics in the New England Region of interest and considers that such information will be useful to the Department in evaluating the program and considering what ways it might be improved. Whether such characteristics pertain to workers in other parts of the country, will need to await additional GAO studies currently underway which, hopefully, will incorporate information on trade-impacted workers separated in 1977 and 1978.

On behalf of the Department of Labor, I want to express appreciation for the GAO review and for its recommendation. I hope that our comments will be useful in the preparation of the final report.

Sincerely,



R.C. DeMarco
Director

SAMPLE RESULTS AND METHODOLOGYUSED IN COMPARISONS BETWEENTRA APPLICANTS AND UI CLAIMANTS

The objective of the analysis was to identify and compare characteristics between TRA applicants and UI claimants. We analyzed characteristics of the 239 TRA applicants from our statistically projectable sample drawn from a universe of 7,820 TRA applicants. We also randomly selected 250 UI claimants, from a universe of about 47,000, from six local employment security offices in three States (Connecticut, Massachusetts, and Rhode Island) which handled most (70 percent) of the TRA applications in our sample. While the UI sample cannot be projected, it does provide an indication of the characteristics of UI claimants in those areas which had large numbers of TRA applicants. The following table compares some characteristics of persons in the UI and TRA samples. These characteristics are shown either as an average for each sample or as a percent of the sampled people having a particular characteristic.

<u>Characteristic</u>	<u>TRA applicant</u>	<u>UI claimant</u>
Age (years)	42.9	32.0
Education (years completed)	9.0	11.5
Sex (percent):		
Male	52.7	61.2
Female	47.3	38.8
Race (percent):		
White	95.0	93.2
Black	2.9	6.8
Other	.4	0.0
No information	1.7	0.0
Dependents (average number of household members supported) (note a) (percent):		
0	68.2	74.4
1	13.0	8.4
2	11.3	12.0
3	4.6	3.2
4	1.2	1.2
5+	1.7	0.8
Marital status (percent):		
Married	74.9	59.6
Single	22.2	37.2
Other	0.0	3.2
No information	2.9	0.0
Length of employment with previous employer (percent):		
0 - 12 months	13.4	46.4
13 - 60 months	29.7	39.6
61 - 120 months	15.1	8.4
121 - 180 months	13.4	0.8
181 - 240 months	8.4	3.2
241 months and more	20.0	1.6
Average weekly wage before layoff	\$171.19	\$153.52

a/Does not include spouse.

The apparent differences between the two groups may be the result of variations in the specific industries from which the samples were drawn. The TRA sample was drawn from trade-impacted industries throughout five New England States whereas the UI sample was randomly selected from three New England States without regard to industry or occupation.

COMPARISON OF CHARACTERISTICS BETWEEN
INDIVIDUALS IN OUR SAMPLE WHO EXHAUSTED THEIR TRA
BENEFITS AND THOSE WHO DID NOT

The objective of the analysis was to identify and compare characteristics between exhaustees and nonexhaustees. In our sample of 239 TRA applicants, 55 individuals exhausted their TRA benefits while 184 did not. The following table compares the two groups and indicates the percent of each group having a certain characteristic.

<u>Characteristic</u>	<u>Exhaustee</u>	<u>Nonexhaustee</u>
Sex (percent):		
Male	60.0	50.5
Female	40.0	49.5
Race (percent):		
White	92.8	95.7
Black	1.8	3.3
Other	1.8	0.0
No information	3.6	1.0
Marital status (percent):		
Married	70.9	76.1
Single	23.6	21.7
Other	0.0	0.0
No information	5.5	2.2
Age at separation/reduction in work schedule (percent):		
25 years and under	12.7	19.6
26-30 years	9.1	10.3
31-40 years	10.9	14.1
41-50 years	20.0	17.4
51-60 years	34.6	28.8
Over 60 years	12.7	9.8
Education (years completed, percent):		
0-8 grade	45.4	37.5
9-11 grade	16.4	27.7
12 grade	27.3	25.6
More than 12 grades	3.6	5.4
No information	7.3	3.8
Length of employment with trade- impacted employer (percent):		
0-12 months	20.0	11.4
13-60 months	38.2	27.2
61-120 months	9.1	15.9
121-180 months	12.7	13.6
181-240 months	5.5	9.2
241 months +	14.5	21.7

COMPARISON OF CHARACTERISTICS OF TRA APPLICANTS
FROM INDUSTRIES WHICH HAD APPLICANTS APPEARING
MOST FREQUENTLY IN OUR TRA SAMPLE

The objective of the analysis was to identify and compare characteristics between TRA applicants from the industries having the most applicants in our sample. The industries included steel, footwear, garment, steel fasteners, and loom. From our sample of 239, there were 224 (94 percent) individuals from these industries.

The table below shows the percentage of workers by industry with various characteristics. It should be noted that our sample was taken from workers who had been paid TRA benefits by December 31, 1976, and was not based on representation from various industries. Accordingly, these results provide only an indication of the characteristics of TRA applicants and should not be considered representative of each industry.

	<u>Industry</u>				
	<u>Steel</u>	<u>Footwear</u>	<u>Garment</u>	<u>Fastener</u>	<u>Loom</u>
Number from sample	29	89	54	11	41
<u>Characteristic</u>					
(note a)					
Sex:					
Male	72	42	19	100	90
Female	28	58	81	00	10
Race:					
White	83	98	98	82	96
Black	14	00	00	18	02
Oriental	00	01	00	00	00
No information	03	01	02	00	02
Education:					
0-8 grade	10	41	53	18	44
9-11 grade	55	28	15	18	17
12 grade	32	24	15	55	30
More than 12 grades	03	05	04	00	07
No information	00	02	13	09	02

a/Does not include spouse.

<u>Characteristic</u>	<u>Industry</u>				
	<u>Steel</u>	<u>Footwear</u>	<u>Garment</u>	<u>Fastener</u>	<u>Loom</u>
Marital status:					
Married	76	74	76	100	78
Single	17	25	22	00	20
No information	07	01	02	00	02
Number of dependents: (note a)					
0	59	74	84	37	51
1	14	10	06	27	27
2	14	10	06	27	15
3	10	03	02	09	05
4	00	02	02	00	00
5+	03	01	00	00	02
Age:					
25 years and under	10	21	24	18	07
26-30 years	10	07	13	00	12
31-40 years	14	11	15	18	15
41-50 years	14	15	20	27	27
51-60 years	52	28	19	28	32
Over 60 years	00	18	09	09	07
Length of employment with trade-impacted employer					
0-12 months	00	13	09	18	20
13-60 months	17	31	41	37	30
61-120 months	14	15	26	09	02
121-180 months	07	19	11	09	12
181-240 months	07	12	07	18	02
241 months and over	55	10	06	09	34

a/Does not include spouse.