US Trade Adjustment Assistance: Overview & Policy Recommendations for Wage Insurance

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"Abstract"

The United States has sought to realize benefits for its citizens through freer trade with the world. The economic principle of comparative advantage suggests that, for the entire economy, the benefits from freer trade will outweigh the losses, both in the US and in partnering countries. However, economic theory also suggests that some workers could face displacement from their current jobs, as local producers lose out to foreign competition.

Trade Adjustment Assistance (TAA) was proposed under President John F. Kennedy's administration as way to offset harm of freer trade policies on domestic US workers through remedial unemployment programs. TAA has helped millions of displaced workers through various services and benefits. Yet, substantial gaps in coverage persist. Wage insurance, or Alternative Trade Adjustment Assistance (ATAA) as it is known under TAA, is one of the components of the program that could be improved. Currently, eligibility for the benefit is restricted by age, even though tenure at the time of job loss has a more substantial effect on future earnings. Moreover, TAA only serves workers proven to be displaced by trade. One attempt to simplify TAA is the White House's Universal Displaced Workers Program (UDWP). This program has been proposed recently by the US Department of Labor to cover all displaced workers, regardless of the reason for displacement. However, the UDWP's proposed version of wage insurance suffers many of the same drawbacks found in the current TAA program.

In order to assist the workers exhibiting the greatest need, this paper proposes US wage insurance be refined in the following ways: Remove age-based requirements and establish tenure-based requirements as the basis for benefit allocation; instead of quick reemployment requirements, allow workers who participate in extended training programs to receive wage insurance; and increase the maximum allotment of wage insurance payments to $25,000 to adequately reflect earnings loss. Lastly, we recommend removing the training stipulation from Trade Readjustment Assistance benefits. Moreover, we advocate that TAA be incorporated into a larger umbrella program like the UDWP. Thus, by following these recommendations, TAA will better serve workers with the most need and steepest loss in earnings potential.

Freer trade policies can benefit exporters, consumers, and the economy as a whole. However, opening trade can be burdensome on some industries that face more competition from imports necessitating the need for Trade Adjustment Assistance (TAA). David Ricardo's theory of comparative advantage and the Heckscher-Ohlin model argue freer trade policies as a method to improve economic development for a country as a whole, and the vast majority of economists endorse a move toward freer trade as an appropriate policy goal. However, it is equally clear that free trade creates "winners and losers" - even if the greater society is made better off, individual workers, regions, and industries can be made worse off. This served as the inspiration for TAA, as an effort to ease the burdens born by displaced workers. Yet although the US has generated several formal government programs to ease the transitions faced by workers negatively impacted by trade liberalization, these programs have long been criticized as inadequate and ineffective. This paper proposes improving America's system for dealing with displaced workers.

Trans-Pacific-Partnership Agreement

The Trans-Pacific Partnership (TPP) is a major prospective free trade agreement currently under negotiation by 12 nations bordering the Pacific, including the United States. Details of ongoing negotiations have been kept private pending finalization of the agreement. This makes it difficult to definitively assess the impact of proposed policies on the United States. TPP would reduce tariffs and other barriers to open markets, as well as establish standards on a range of issues affecting trade and international competition. TPP also plans to establish guidelines and formalize regulations on intellectual property rights, government procurement and the role of the state in private enterprise. The 12 countries that would fall under TPP jurisdiction, the US, Japan, Canada, Mexico, Malaysia, Vietnam, Chile, Brunei, Singapore, New Zealand, Peru and Australia, compose almost 40 percent of global trade (The White House: Office of the Press Secretary 2011).

The Peterson Institute for International Economics estimates that TPP may yield annual global income gains of $295 billion and gains of $78 billion for the United States (Petri and Plummer 2012). Quantifying an estimate of displaced workers is difficult, however. Peter Petri et al. forecast that there will be 1-2 job shifts caused by TPP for every 10,000 workers (Petri, Plummer and Zhai 2011). With the current labor force consisting of nearly 146 million workers as of March 2014 (Petri, Plummer and Zhai 2011), between 14,600 to 29,200 of these workers are likely to be displaced as a result of TPP. During this time, Petri and his colleagues argue the economy would benefit $300,000 for every job that is lost; though there will be job shifts, there is an overall gain in welfare. However, the Center for Economic and Policy Research recently published an article that estimates the US gains from TPP will be quite low. They stipulate the median wage earner would end up losing out, and wage inequality will increase (Rosnick 2013).

Conclusions about the likely future effects of TPP are therefore somewhat inconsistent. Despite this, it is generally accepted that TPP will benefit the US in the long run even when accounting for job displacement. Essentially, if TPP is enacted there will be a stronger need to continue and potentially expand the TAA program to offset losses displaced workers experience as a result.

Trade Adjustment Assistance (TAA)

Congress implemented the Trade Adjustment Assistance (TAA) program with the Trade Expansion Act of 1962. The TAA for Workers program originally was very small in focus and limited in ability. It provided no assistance in acquiring training or reemployment, and thus rarely received claims. From 1963-1969, zero out of 18 petitions filed resulted in assistance. This era has colloquially been termed the "Era of Failure" for TAA. However, the Trade Act of 1974 expanded this program to include worker training, and the number of claims steadily rose over time. TAA then experienced sweeping regulatory changes in the year 2002. TAA expanded under NAFTA to include wage insurance for workers over 50 years of age who make less than $50,000 a year in their new positions. This wage insurance program compensates workers for 50% of the earnings difference between their old job and their new, lower paying job.

TAA experienced its biggest transformation to date with the passage of the 2009 American Recovery and Reinvestment Act (ARRA), where it was included as part of a stimulus package with the Trade and Globalization Adjustment Assistance Act (TGAAA). Most notable of the new provisions were that service and public sector workers became eligible for TAA coverage, and claims could be filed for trade with any country, not just those with which the US has free trade agreements (Collins 2014). After this program expired in 2011 however, TAA returned to levels previously established in 2002. These 2002 provisions were then extended with the passage of the Trade Adjustment Assistance Extension Act of 2011 and the number of petitions filed for TAA coverage soared (admittedly partially due to the Great Recession of 2008). However, this bill expired on December 31st, 2013, and TAA provisions reverted back to

2002 levels, effectively eliminating these improvements. Moreover, this limited version of TAA will expire on December 31st, 2014, and thus a new agreement must be made in the near future (Collins 2012).

On July 24th, 2013, President Obama proposed linking the next TAA reauthorization with Trade Promotion Authority (TPA) in the Trade Adjustment Assistance Extension Act of 2013. This bill would extend TAA programs through 2020, effectively the longest reauthorization in TAA history. Many previous administrations have suggested similar linkages and received support despite the contentious nature of the program. Details of the provisions held within this bill are yet to be disclosed (Hornbeck 2013).

Currently, the goal of the TAA for Workers program is to provide training, wage benefits and employment search assistance to workers displaced by trade liberalization. To this end, TAA subsidizes the cost of worker training programs for up to two years and provides job search, relocation and transportation allowances. A Health Coverage Tax Credit is also available to cover up to 65% of the cost of health coverage for an individual or family, although this benefit is not widely utilized and is facing elimination from the program in the near future given recent healthcare reform measures. Wage insurance is also available to workers who meet the aforementioned requirements and find a job within 26 weeks of unemployment (Hornbeck 2013).

Problem Definition

Certainly, no policy is implemented without challenges, and TAA is no exception. The biggest and most recurring problem in TAA's history is proving eligibility. Workers first must file a petition as a group of three or more to prove that their jobs were lost or wages cut because of trade-related circumstances, such as increased import competition, offshoring, or shifts in production and purchasing from abroad (Collins 2014). Employees displaced from firms identified as "trade injured" by the United States International Trade Commission (ITC) are also eligible, as well as those firms who have suffered a loss of business from customers with TAA-certified workers. These stringent eligibility requirements are pointed to as the cause of the "Era of Failure" for TAA. Since 1974, these requirements have been relaxed and amended, but many plaintiffs still complain that "proving" such a tenuous cause-and-effect relationship is impractical and in some cases, impossible. For example, while offshoring can typically be clearly identified as a cause of displacement, identifying if a plant closure is due to a recently passed trade policy, mismanagement or a general economic downturn can be almost impossible. It is also very rare that workers file TAA petitions themselves. More often than not, a firm or labor union will file on behalf of the affected group of workers, compounding the problem of inadequate transparency.

Another significant challenge is defining an acceptable distance between the affected worker and the "trade-related circumstance". Workers have been broken into three subsets, the first being workers directly affected by the opening of the economy (currently the most well-served and easily identified subset). The second and third subsets are referred to as "downstream workers" who retain jobs in affected industries but may receive reduced wages or hours as a result of trade liberalization, or workers that are indirectly affected by working in a related industry or community. Downstream workers can be found eligible in special cases, but the eligibility requirements can be confusing and subjective. There is currently much debate about whether to expand or contract benefits for downstream workers. Major concerns include the cost of covering these additional workers and the difficulty in identifying these different types of workers in real life situations; it's also difficult to determine exactly how much they should be compensated for their losses (Collins 2014).

The bill's repetitive reauthorization approximately every three years creates an additional logistical problem. The bill itself is often subject to general politicking, and thus its passage can be held up for years, depriving displaced workers of the coverage they seek. Moreover, as the bill is amended and changed throughout its frequent reviews, it becomes very difficult to track which TAA participants are eligible for which services and assistance. The participants themselves feel uneasy as they do not understand why other participants receive different benefits merely due to a change in enrollment time. This also makes administering the program more challenging and potentially costly than it needs to be.

There are also several more specific criticisms that arise across a wide breadth of sources. Many argue that TRA and other monetary benefits are too low, replacing only a small fraction of lost income. Others argue that downstream workers should be included to cover workers not currently being served under Unemployment Insurance or TAA. Some reports, including a comprehensive study by Mathematica Policy Research Inc., conclude that TAA enrollment does not have a statistically significant impact on reemployability (D'Amico and Schochet 2012).

Certainly there is a net positive effect on reemployment for TAA participants, but this was not significant in comparison to non-participants.

Additionally, wage insurance enrollment is very low, hovering around 5 percent or less of TAA participants. The cause most often cited is that eligibility requirements are too stringent: applicants must be 50 years of age or older at the time of job loss, be reemployed within 26 weeks of job loss (enrollment in a training program is not sufficient for deferment) and be paid less than $50,000 per year in their new position. Furthermore, wage insurance can only be claimed for two years, with a limit of $10,000 over a two year period per worker. Contrasted with an average annual income loss of $20,575 for long tenured workers (Jacobson, Lalonde and Sullivan 2011) this coverage is insufficient ("long tenured" is defined by the Bureau of Labor Statistics as three years or more of employment with the same firm (Bureau of Labor Statistics 2012).

There also seems to be a problem with the information flow to displaced workers who could be assisted through TAA. Many workers are simply unaware of TAA, and thus do not seek information or services when in need. Firms or state departments bear the primary responsibility of notifying affected workers of their eligibility and availability of services, but if these agents fail to perform their duty, workers are effectively left in the dark. Of those that do obtain the information and enroll, a 2010 Mathematica Policy Research (MPR) study found that only 53 percent of TAA participants were aware of relocation allowances, and only 54 percent were aware of job search allowances (Dolfin and Berk 2010). This seems to allow ample room for TAA to capture more eligible participants in individual programs. Furthermore, studies show that overall program participation rates substantially increased when Rapid Response services were available or the worker was notified of eligibility directly by the state. Almost a third of non-participants cited “not having enough information” as their reason for not applying for coverage in the same study (Dolfin and Berk 2010). Low wage insurance enrollment rates may also be caused by similar problems. No governmental departments have made any efforts to date in terms of outreach or raising awareness. This minimal publicity is presumed to be partially responsible for the negligible participation rate in wage insurance.

Moreover, it is arduous to effectively gauge the current standing of the TAA program. Given the constantly shifting provisions and repetitive reauthorizations of TAA, a clearly detailed outline of available benefits and services are necessary for affected workers and the public alike. However, this information is very difficult to find, even for researchers focusing on this topic. More clarity and elucidation is recommended to partially solve the problem of poor information flow.

Possible Solutions and Options for Exploration

Maintain the Status Quo

The simplest alternative is to leave TAA in its current state. TAA does offer some benefits, such as training programs whose participants have about a 10 percentage point higher reemployment rate than nonparticipants (Park 2011). Whether or not these training programs are the cause of this discrepancy, however, is highly contentious (D’Amico and Schochet 2011).

TAA also provides extended unemployment coverage for the hardest hit workers in the form of Trade Readjustment Assistance (TRA). By using TRA, displaced workers can effectively extend their unemployment benefits from six months to one year. As previously mentioned, TAA also provides reemployment incentives to about 5 percent of TAA participants in the form of limited wage insurance. However, maintaining the status quo has serious drawbacks outlined in the Problem Definition.

Expand TAA to Cover All Workers Affected by Trade

Another option is to cover all workers who are negatively impacted by trade policy. Downstream workers often do not receive any compensation for their losses in wages or hours. This leads to a broader criticism that TAA does not cover all workers affected by trade. For example, when large numbers of workers are displaced in an industry, not only workers who lose jobs are affected. Workers who remain in the industry see a decline in wages as the labor supply pool increases. Not only same-industry workers, but workers in other industries are also affected as displaced workers compete for jobs that they previously would never have considered. Expanding TAA to cover all of these groups is appealing in that it would result in more equitable coverage for all types of "losers" of free trade. However, expanding TAA to the point where all workers who suffer earnings loss or reduced working hours are covered would increase the overall cost of the program and make administration more complicated. Evaluating the details of feasibility for this idea is outside the scope of this report, but is certainly an area of worthwhile future research.

Combine TAA with the Universal Displaced Workers Program

Another option to improve TAA is to incorporate it into a larger program that assists all displaced workers, regardless of the cause of displacement. In fact, this is exactly what the US Department of Labor is considering with the Universal Displaced Workers Program (UDWP) (U.S. Department of Labor 2014). This has the major advantage of reducing confusion over who qualifies for TAA. The UDWP would create an umbrella program that provides identical coverage for displaced workers, allowing petitions to be processed in a streamlined manner. Additionally, workers displaced for reasons other than trade would have access to the relatively generous TAA benefits and training programs, essentially building upon TAA's mission to aid displaced workers. There is currently a great need for this expanded coverage as the ubiquitous presence and rapid development of technology continues to improve the output of countless industries. As productivity increases through technology, numerous jobs disappear as technology takes over. The United States is currently not giving special assistance to workers displaced by new technology. The Department of Labor's "Universal Displaced Workers Program (UDWP)" will assist not only these workers, but also workers harmed by general or acute economic downturns. According to a brief released by the White House, UDWP will assist workers who lose their job due when their employer closes down, moves, or eliminates their position for reasons including offshoring or a lack of business (The White House: Office of the Press Secretary 2012).

The major drawback to this proposal is the expanded cost and size of the program. Whereas in 2012 there were 132,011 TAA participants, long-tenured displaced workers totaled

6,121,000 over the a three year period from 2009 to 2011 (U.S. Department of Labor 2012). Of those 6.1 million, approximately 1,038,000 workers would qualify for wage insurance as their new full-time job earnings were less than their old job earnings. Figure 1 displays a 15 year record of long-tenured displaced workers, and Figure 2 displays a record of those workers who would qualify for wage insurance. Due to this large difference, any expansion of benefits to cover all displaced workers would result in expenditures far exceeding the current TAA budget.

Figure 1: Long Tenured Worker Displacement Trends 1997 – 2011: Bureau of Labor Statitics. "Archived News Releases – Worker Displacement." 1997 – 2011. US Deparment of Labor.

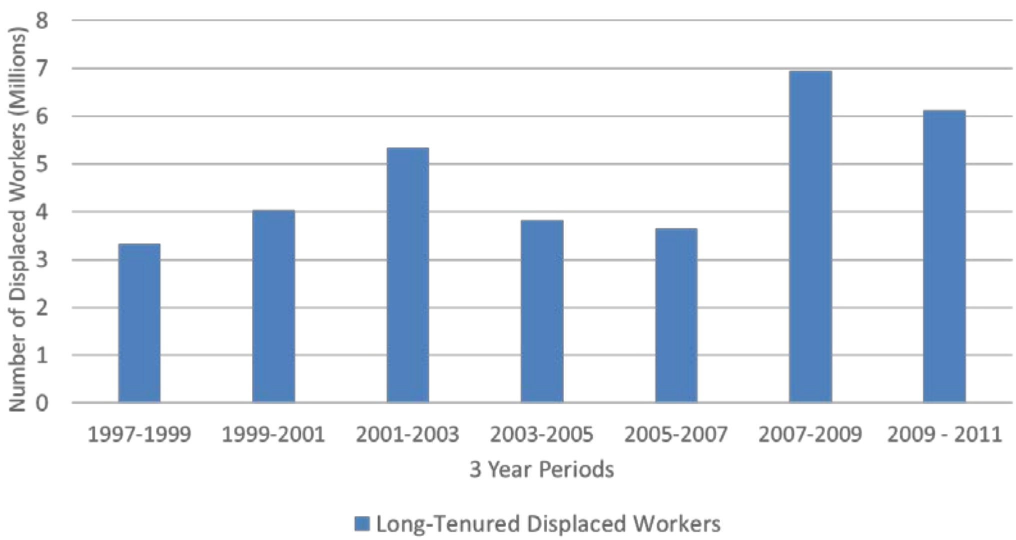


Figure 2: Long-Tenured Workers who would Qualify for Wage Insurance 1997-2011: Bureau of Labor Statitics. "Archived News Releases – Worker Displacement." 1997 – 2011. US Deparment of Labor.

Remove TRA Training Requirement

Removing the training requirement from TRA would ensure that only motivated workers enter training. TAA training participants are hired into jobs that match their training only 37.5 percent of the time (Park 2011). One reason that this percentage is so low could be that workers sometimes enter training for the sole reason of obtaining TRA funds. Tying TRA to training was a well-intentioned attempt by policymakers to encourage TAA participants the skills to compete in a world where their jobs no longer exist. However, displaced workers hold out hope that their jobs will reshore and suddenly become available again; thus, many defer seeking employment outside of their industry (Annaguey 2014). If these workers are enrolling in training programs simply to extend their benefits rather than to engage in meaningful training, then valuable resources are being wasted. Removing the training requirement from TRA could potentially lead to a short-term spike in cost as more people enroll, but it would also prevent the waste of training sources and remove a confounding variable (unmotivated workers) from training program assessment.

Replace Age Requirements for Wage Insurance with a Tenure (+3 years) Requirement

Currently, TAA based wage insurance covers only 5 percent of TAA participants. This is presumably in part due to the restrictive age requirement of 50 years of age or older upon date of application, especially since many workers in this age group choose to retire early rather than seek reemployment. Since its inception, wage insurance has been restricted to those 50 years and older, and it is difficult to find justification for this stipulation in the literature. This requirement simply prevents wage insurance from benefitting the group of displaced workers who experience the steepest decrease in wage earnings: long-tenured workers.

There is a significant correlation between the length of tenure on a job and the amount of earnings lost after job displacement. Henry Farber takes on a meta-analysis of job loss and displacement in the United States from 2007 to 2011 in his research: “Job Loss in the Great Recession: Historical Perspective from the Displaced Workers Survey, 1984-2010”. His analysis shows that the longer the length of tenure is for a given worker, the more pronounced his or her potential for wage loss becomes. It is estimated that “workers who lose a job with 15 or more years of job tenure have an average earnings loss 27 percentage points larger than that of workers with less than one year of tenure on the lost job” (Farber 2011). Thus these long-tenured workers of three or more years should be the intended target of the wage insurance program.

Furthermore, for workers with less than 3 years of tenure, their earnings potential actually increases following displacement (LaLonde 2007). This is due to the nature of their positions as entry-level workers. Their temporary employment gives them valuable work experience that helps them in their search for their next job. Often, they are able to negotiate similar or better wages due to their increase in experience and skill accumulation. Thus, these workers are not likely to experience the need for wage insurance coverage. With this in mind, a three year tenure requirement for eligibility seems suitable to create a wage insurance program that serves workers most in need.

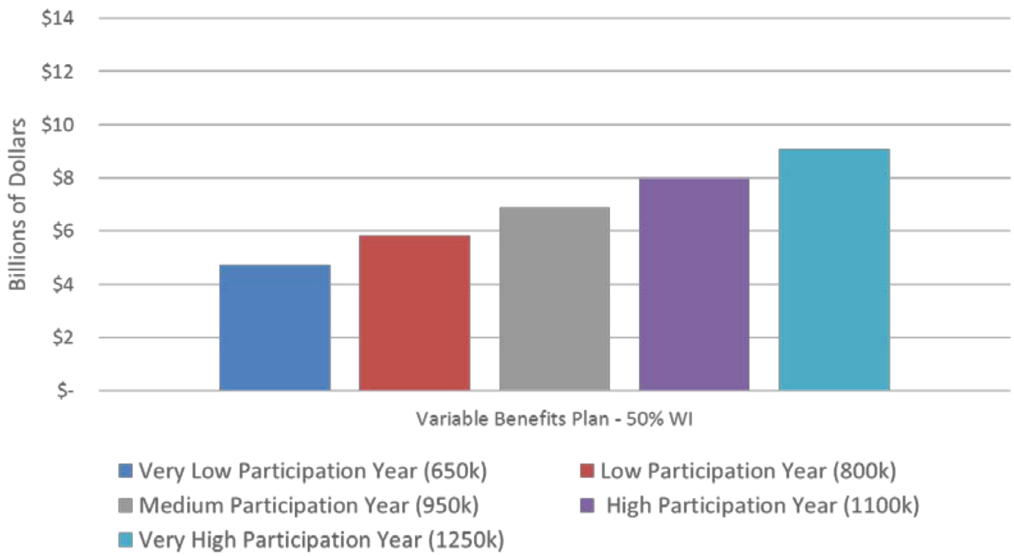
Removing the age requirement would also provide an incentive for displaced workers to seek employment outside of their industry as it would open wage insurance to a much broader range of workers. This is vital for labor reallocation in the US economy as by definition, displaced workers exist since their industry no longer needs them. By providing wage insurance to this wider group of long-tenured displaced workers, the US would not only increase equity, it would also encourage displaced workers to reallocate to industries that actually need them. Of course, by allowing all long-tenured displaced workers access to wage insurance irrespective of age, the cost of the wage insurance portion of the program will rise.

Create a Variable Wage Insurance System Based on Tenure

Creating a variable wage insurance system based on tenure would be one solution to assist displaced workers who have been hardest hit by earnings loss. Displaced workers with 0-3 years of tenure actually tend to see an increase in wages following displacement. Workers with 3-10 years of tenure tend to see average wage loss of over 5 percent upon reemployment while workers with 10-20 years see an average loss of over 15 percent. Workers with more than 20 years of tenure are the most affected and suffer an average loss of over 30 percent (LaLonde 2007). In order to ensure that funds are directed to adequately compensate workers that need it most, a program where workers with 3-10 years of tenure receive 2 years of benefits, workers with 10-20 years of tenure receive 3 years of benefits, and workers with more than 20 years of tenure receive 4 wage years of benefits could be constructed.

This program could be quite costly compared to the current TAA budget. Using data from the Center for Economic and Policy Research Uniform Extracts of the CPS 2010 Displaced Worker Survey, we estimate that, with a wage insurance program covering 50% of lost wages with an annual cap of $25,000 per worker, such a program would cost between $4.7 billion and $9.1 billion annually, depending on the condition of the economy (Center for Economic and Policy Research 2012). According to historical Displaced Worker Survey data from 1997 to 2011, the range of workers who qualify for range insurance varies from 650,000 over a 3 year period (1997-1999) to 1,250,000 over a 3 year period (2001-2003) (Bureau of Labor Statistics 2012). In years where unemployment is low and growth is high, $4.7 billion would cover the program, as shown in Figure 3. In times of recovery following a severe recession, up to $9.1 billion would be required to adequately fund wage insurance under this new structure. Careful rebudgeting would thus be necessary to cover this expanded program, but funds would flow to workers most in need.

Figure 3: Estimated Cost of a Variable Benefits Wage Insurance Proposal: Calculated by the Author using data from the Center for Economic and Policy Research's CPS Displaced Worker Survey Uniform Extract for 2010.



Increase Spending Cap on Wage Insurance

Increasing the cap on wage insurance from $10,000 over a two year period to something substantially higher is necessary to make wage insurance meaningful. According to data compiled from the Center for Economic and Policy Research Uniform Extracts of the CPS 2010 Displaced Worker Survey, median annual earnings loss for long-tenured displaced workers who are reemployed in full time jobs is about $13,000 and mean annual earnings loss is about $22,000. This is illustrated in Figure 4 (Center for Economic and Policy Research 2012). Raising the cap would greatly increase social equity. A cap of $25,000 seems reasonable; it corresponds to the 75th percentile of earnings loss among long-tenured workers in 2010. This would also give workers a much higher monetary incentive to seek reemployment. Of course, this would come at a significantly higher cost than the current program.

Figure 4: Statistics for 2010 Earnings Loss for Reemployed Long-Tenured Displaced Workers Who Earn Less: Calculated by the Author using data from the Center for Economic and Policy Research's CPS Displaced Worker Survey Uniform Extract for 2010.

Summary Statistics	U.S. Dollars
Mean Earnings Loss	$22,027
90th Percentile	$48,400
75th Percentile	$25,000
50th Percentile (Median)	$13,000
25th Percentile	$5,200
10th Percentile	$2,210

Remove the $50,000 Wage Cap

Removing the wage limit of $50,000 from wage insurance requirements is necessary if long-tenure is going to be adopted as the main eligibility requirement for wage insurance. The longest tenured, those with more than 20 years employment with the same firm, experience the greatest earnings loss as they very rarely find new positions that offer comparable salaries. But, as they often take new positions offering more than the existing wage limit, they are generally ineligible for wage insurance benefits. Even though their salaries may exceed $50,000 a year, they still experience wage loss of upwards of 30% (LaLonde 2007). Additionally, the longer the tenure of a displaced worker, the more significant their potential lifetime earnings loss becomes. According to calculations performed by Jacobson, Lalonde and Sullivan, high-tenured displaced workers suffer average lifetime earnings loss of $220,000 (Jacobson, LaLonde and Sullivan 2011). Wage insurance should be restructured to reflect this reality and removing the wage cap would greatly help.

This alteration would expand the program to cover significantly more workers in need, resulting in substantial increases to the cost of the program. This alteration may also draw criticism that benefits are being given to people who are objectively well-off. But wage insurance is, first and foremost, an insurance program. Wage insurance is not a policy aimed at helping a specific social class, but rather assisting workers who are negatively impacted through no fault of their own. By opening wage insurance to all displaced workers rather than only workers who make less than $50,000, more robust support for wage insurance will be created across social classes.

Solutions and Recommendations

The following recommendations reflect the notion that TAA eligibility requirements should be restructured in order to adequately provide assistance to all displaced workers - regardless of the reason they are displaced - according to long-tenure status, not age. The recommendations outlined in this proposal should be considered as a model for future policy exploration. In summation, the most prominent recommendation herein is to incorporate TAA into a more comprehensive program that covers all displaced workers, not limited to those just impacted by trade policy liberalization. Furthermore, wage insurance is the facet of TAA's existing incarnation that could be reformed with the biggest payoff to displaced workers. To restructure wage insurance, the 50 year age eligibility requirement should be eliminated and replaced with a requirement for long-tenure (+3 years) standing, and duration of tenure should be used as the basis for variable wage insurance allocation. Wage insurance should also be able to be granted to workers who enroll in extended skill or academic training programs and the overall cap for individuals should be raised to $25,000. The wage cap of $50,000 should also be abolished. Lastly, the training requirement for TRA should be removed. The endorsements for each recommendation are as follows:

1. Restructure TAA into a Program to Cover All Displaced Workers

In 1962, TAA was implemented as policy that would assist workers displaced by trade. However, with the advent of automation and technology, and with broad-based globalization, more and more workers are feeling acute contractions in small sectors of the economy. However, as these workers are not displaced as the direct result of US free trade agreements and trade policy, they are denied assistance. By incorporating TAA into a larger program, such as the Universal Displaced Worker Program, resources will be used more efficiently and reach more workers in need. This will help bolster the strength of the US economy and its core competencies of productivity and innovation for generations to come.

2. Remove the Training Requirement from TRA

By removing the training requirement from TRA, only workers motivated to retrain will actually do so, allowing other workers to receive the benefits they need while searching for reemployment. This will increase the effectiveness of TAA funded training programs and more efficiently assist those in need. This alteration may lead to a small rise in program cost, but it will also ensure that training resources are not wasted on people not fully committed to seeking reemployment.

3. Allow Wage Insurance to be Granted Upon Reemployment After Completion of Training or Educational Programs

Currently, wage insurance can only be granted to workers who have found employment within six months of job loss. This discourages workers from seeking training or education that would help them transition to a new industry; this is especially important in a country with a comparative advantage in high skilled labor such as the United States. If a worker lacks those skills, that worker is unlikely to earn higher wages. By allowing participants to apply for wage insurance upon reemployment after completion of training programs, TAA could achieve two goals at once: compensate displaced workers for earnings loss and encourage workers to develop new skill sets that match the needs of the US labor market.

4. Replace Age 50 Requirement with a Long-Tenure (3+ Years) Standing Requirement for Wage Insurance

Eliminating the age requirement for TAA wage insurance would greatly help displaced workers. By removing this requirement, wage insurance programs would assist a much wider base of affected workers. Data from the Displaced Worker Survey show that tenure, not age, is the most important factor for determining both annual and lifetime wage loss (LaLonde 2007). Because the amount of potential earning loss varies dramatically with tenure, not age, basing wage insurance allocation on the duration of tenure would provide assistance to workers in a way that justly compensates the most affected workers for their loss.

5. Endorse a Variable Wage Insurance System Based on Tenure

As age has been shown to be a faulty metric for evaluating need, tenure stands as a reliable alternative that more accurately reflects loss in earnings. Three or more years of tenure should be instituted as the main eligibility requirement for a reformed wage insurance program. However, the duration of benefits should also be restructured to be reflective of length of tenure. Instead of a hard maximum of 2 years for all recipients, those with longer tenure should be able to receive assistance for longer. By extending benefits over varying 2, 3, and 4 year periods, wage insurance will more fully serve displaced workers who experience the greatest loss in lifetime earning potential. We recommend a wage insurance program that covers 50% of the earnings difference between a displaced worker's new job and old as per the current program. We also recommend that workers with 3-10 years of tenure on their old job receive 2 years of wage insurance, workers with 10-20 years of tenure receive 3 years of wage insurance, and workers with over 20 years of tenure receive 4 years of wage insurance. While such a design will not fully compensate highly tenured worker's earnings loss, it will greatly assist them during their most difficult transition years.

6. Increase Wage Insurance Maximum to $25,000 and Eliminate Wage Cap

The current $10,000 cap allotted for wage insurance benefits adequately serves only a small portion of recipients; for the majority of displaced workers, this is a paltry sum, especially compared to lifetime earnings loss. We recommend the maximum payout for wage insurance be raised to $25,000 per recipient per year to more substantially assist workers most negatively impacted by displacement by reflecting the 75^{th} percentile of earnings loss. Additionally, the wage cap of $50,000 a year needs to be eliminated to assist highly tenured workers who suffer the greatest earnings losses.

Conclusion

TAA is a promising program that has significant potential to expand its reach among displaced workers who experience job or earnings loss. This reports proposes one sweeping change in incorporating TAA into a larger umbrella program to serve all displace workers, and several smaller recommendations specifically targeting the best way to restructure the existing wage insurance program. In summary, these changes are allowing wage insurance to be granted after the completion of extended training programs, replacing the age eligibility requirement with a 3+ year long-tenure requirement, creating a variable wage insurance distribution plan that varies by tenure, increasing the overall spending cap on wage insurance to $25,000 and eliminating the wage cap. By instituting these changes, TAA will continue to serve its original purpose of assisting displaced workers in a much stronger way and create a more just, equitable

US economy.

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