

## Leading the Hemisphere: Existing Infrastructure and the Creation of a State-Level Trade Adjustment Assistance Policy

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The Free Trade Area of the Americas creates a need for state-level assistance programs in addition to federal assistance programs for workers suffering job displacement due to increased international trade. These programs may be implemented at a relatively low cost within existing infrastructure. Such policies would aid businesses and workers while making Georgia a model for the hemisphere to follow.

The need for state-based programs is supported by the following:

- Considerable variation in expected earnings losses exists across groups of workers (see Table 1).
- Federal programs for trade-displaced workers (i.e., Trade Adjustment Assistance and Alternative Trade Adjustment Assistance) provide limited benefits and have stringent eligibility requirements.
- Trade Adjustment Assistance (TAA) reduces earnings losses by 24.8 percent; Alternative Trade Adjustment Assistance (ATAA) reduces losses by 14.4 percent (White 2004).

Two existing programs could be used to address workers' needs:

- The HOPE Grant for use at a state technical college could supplement the existing federal programs.
- State-regulated wage insurance could provide an additional safety net.

Provision of state-level assistance for trade-displaced workers fills a void created by less-than-ideal federal programs. For workers, opportunities to reduce earnings losses—either by purchasing insurance or investing in job training—are beneficial. For businesses, increased job training opportunities may generate a more skilled labor force. The state of Georgia may benefit from reduced demands on state-funded social programs and from a potentially broader tax base.

**Table 1. Estimated Long-Run Earnings Losses for Worker Groups**

Worker Group	Estimated Earnings Losses (\$)
All workers	33,674
Workers with less than a high school diploma	3,294
Workers with a high school diploma	32,537
Workers with some college education	49,985
Workers with at least a four-year college education	20,413
Union workers	47,077
Nonunion workers	32,070
Male workers	56,505
Female workers	26,263
Workers 18 to 24 years of age	0
Workers 25 to 34 years of age	38,939
Workers 35 to 44 years of age	63,994

Source: White (2004).

### Federal Programs

Trade Adjustment Assistance provides workers with financial assistance to retrain and conduct job searches, a health care tax credit, and additional unemployment compensation beyond that received by other unemployed workers who do not qualify for TAA. Alternative Trade Adjustment Assistance provides compensation for workers for up to two years from the date of job separation for one-half the difference between pre- and post-displacement weekly earnings. These programs both assist trade-displaced workers and may result in reduced opposition to trade liberalization.

TAA eligibility requires certification, by the secretary of labor and the governor of the state in which the workers were employed, that increased trade contributed to job loss. For individuals to qualify for TAA benefits, a significant number or proportion of workers in their workplace must have lost their jobs because of increased trade. For TAA certification to be granted, three conditions must exist: (1) 5 percent of adversely affected workers in the workers' firm are at least 50 years of age, (2) affected workers possess skills not easily transferable to other employment, and (3) the competitive conditions within the affected workers' industry are adverse (DeRocco 2003).

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Additionally, individuals who are at least 50 years of age, are reemployed elsewhere full time within 26 weeks of the date of displacement, and expect to earn less than \$50,000 must opt for either TAA or ATAA benefits. If the worker selects ATAA, he or she is ineligible for TAA benefits, except for the relocation benefit and the health care tax credit. Likewise, if a worker opts for TAA, eligibility for ATAA benefits is forfeited.

## The State's Role

The stringent eligibility requirements of the TAA and ATAA programs provide the opportunity for Georgia to enact policies that supplement existing federal programs. A state-level assistance program could provide all TAA-eligible workers, regardless of individual eligibility for TAA, a HOPE Grant to be used at one of Georgia's 34 technical colleges. Jacobson, LaLonde, and Sullivan (1994) report long-run benefits for workers completing more quantitative or technical coursework. Many Department of Technical and Adult Education (DTAE) programs fit this description incredibly well. These programs may provide displaced workers with the training to gain the skills necessary to move into new employment.

The limitations of DTAE training are evident for relatively more-educated displaced workers. For all workers, and especially those who possess advanced skills in their field, a market for private wage insurance can be created. The Office of the Georgia Insurance and Fire Safety Commissioner is charged with the responsibility of regulating insurance providers. Passage of legislation that permits insurance companies to sell wage insurance and the associated regulation costs would be minimal. Firms would set premiums based on expectations of displacement and policy coverage amounts. Actuaries would effectively gauge displacement risk, and policies would be priced accordingly. As with auto or homeowners insurance,

workers would pay premiums and, if displaced, would collect an amount of money for a predetermined time period. Such a program likely would be attractive to more-educated workers who do not require further training because these workers would be expected to earn high incomes and thus have both the incentive and means to purchase such an insurance policy.

## Sources

- DeRocco, Emily Stover. 2003. Training and employment guidance letter no. 2-03: Interim operating instructions for implementing the Alternative Trade Adjustment Assistance (ATAA) for Older Workers Program established by the Trade Adjustment Assistance Reform Act of 2002. Memorandum. August 6. U.S. Department of Labor, Washington, DC.
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