

# CRS Report for Congress

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## Unemployment Related to Terrorist Attacks: Proposals To Assist Affected Workers in the Airlines and Related Industries

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### Summary

Since Congress passed the Air Transportation Safety and System Stabilization Act (P.L. 107-42) to provide \$15 billion in relief to the airline industry, some Members of Congress have called for a relief package for the workers who lost their jobs. Four bills (S. 1454, H.R. 2946, H.R. 2955, and H.R. 3405) have been introduced to provide assistance for workers who have been laid off in the airline and related industries. All four bills base their proposed benefits and administrative procedures on the design of the Trade Adjustment Assistance (TAA) program. They would extend cash benefits for unemployed workers in these industries up to a total of 78 weeks and provide training, health care coverage, and job search allowances – all with federal funds. (This report tracks the consideration of legislative issues and will be updated as action occurs.)

### Background

In the aftermath of the attacks on the World Trade Center and the Pentagon that shut down the nation's air transport system temporarily, Congress passed the Air Transportation Safety and System Stabilization Act (P.L. 107-42) to provide \$15 billion in relief to the airline industry. During that debate and since passage of the relief bill, some Members of Congress have called for a relief package for the workers who lost their jobs as a result of the attacks. Four bills have been introduced to provide assistance for workers who have been laid off in the airline and related industries. S. 1454 (Carnahan) and H.R. 2955 (Gephardt) are identical bills, while H.R. 2946 (Hastings of Florida) is similar and H.R. 3405 (Tiahrt) is more narrowly aimed at workers in the aircraft manufacturing industry. All four bills base their proposed benefits and administrative procedures on the design of the Trade Adjustment Assistance (TAA) program established by the Trade Act of 1974 to assist workers who have lost their jobs in large part for trade-related reasons. Senator Daschle introduced for Senator Carnahan an amendment to the airport security bill (S. 1447) that was based on S. 1454, but it was withdrawn after the

Senate failed to invoke cloture for its consideration on October 11, 2001. Some Members of Congress have suggested attaching worker assistance to the economic stimulus bill.

## Description of Proposals

**Who Would Be Helped.** These four bills are aimed at workers who are at least “partially separated”<sup>1</sup> from employment with an airline or one of its suppliers, with a facility at an airport, or with a provider of transportation to or from an airport (except that H.R. 3405 is restricted to the aircraft manufacturing industry). The Secretary of Labor would be responsible for determining that the job loss or layoff is a consequence of reductions in service by an air carrier or closure of an airport in the United States as a result of the terrorist attack of September 11, 2001, or of a security measure taken in response to that attack. Although H.R. 2946 and H.R. 3405 would follow TAA procedures in giving the Secretary 60 days to respond to a petition from a group of employees, S. 1454 and H.R. 2955 would require the Secretary to certify within 30 days of enactment *all* employees of air carriers and any other groups of workers where a *significant number or proportion* of employees would presumptively be eligible under the program even if they did not file a petition. To further speed up the certification process, all three bills follow the TAA law by including in their definition of an eligible employee anyone who is “threatened to become totally or partially separated” from employment. In addition to certifying eligible employees, the Secretary would be required to determine an individual’s likelihood of returning to the same job or industry.

**Benefits.** The benefits available under these bills would be readjustment allowances (cash payments that would be paid after exhaustion of the regular state UC benefits), training, job search allowances, health insurance, and employment services.

**Readjustment allowances.** Job training is required under TAA unless waived by the Department of Labor (DoL) because training is unavailable or is judged unsuitable. In general, states pay UC for up to 26 weeks although some pay up to 30 weeks. After a claimant exhausts or uses up the state-paid weekly unemployment compensation (UC) benefits, TAA pays the same amount from federal funds as a readjustment allowance until 52 weeks of benefits are paid, plus an additional 26 weeks if the claimant is still in approved job training. These bills would allow the unemployed to receive the weekly UC benefit amount for 78 weeks without the training requirement. If an eligible employee is totally separated from employment and does not qualify for the state UC benefits, these bills would provide 26 weeks of benefits in the amount of the average weekly UC benefit in that state for the most recent 52-week reporting period. Under current law, Disaster Unemployment Assistance (DUA) provides assistance to previously employed or self-employed individuals who are rendered unemployed as a direct result of a major disaster and who are not eligible for regular federal/state UC benefits.<sup>2</sup>

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<sup>1</sup> TAA regulations define partial separation as earning 80% or less of an individual’s average weekly hours and wage.

<sup>2</sup> For more information on DUA, see CRS Report RS21023, *Disaster Unemployment Assistance (DUA)*, by Jennifer Lake.

**Training.** For workers that the Secretary of Labor determines to be unlikely to return to their previous occupation or industry, these bills provide access to appropriate training in the expectation of employment after the completion of the training. As with TAA, trainees may receive supplemental assistance to pay for reasonable transportation and subsistence expenses when the training facilities are not within commuting distance of the worker's home.

**Job search allowances.** These bills would follow the TAA law in providing a one-time allowance of up to \$800 for the expenses of eligible claimants who must search for work outside their regular commuting areas. (While under TAA another \$800 allowance is available to apply toward the moving costs of claimants who must relocate to find work, this relocation allowance is not included in these proposals.)

**Health insurance.** Under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA, P.L. 99-272), an employer with 20 or more employees must provide those employees and their families the option of continuing their coverage under the employer's group health insurance plan in the case of certain events, including layoffs. The coverage generally lasts up to 18 months, but the employer may charge the employee for the full cost of the premiums plus a 2% administration fee. The individuals covered by these bills who are eligible for COBRA continuation coverage and UC benefits (either from the regular state or federal readjustment allowances) would have their health insurance premiums paid by DoL. States would be authorized to provide up to 18 months of Medicaid coverage for uninsured individuals who are eligible for UC benefits. They would also be able to extend this coverage to a dependent spouse and children. The federal share of medical assistance in such cases would be 100%. There is no provision in these bills for health insurance for those not eligible for state UC benefits. Under current law, those who have received unemployment benefits for at least 12 weeks may make penalty-free early withdrawals from an individual retirement account (IRA) to pay health insurance premiums, but there is no health insurance provision under TAA.

**Employment services.** These bills explicitly mention the availability of employment services that each state already provides to its unemployed workers. The Workforce Investment Act of 1998 amended the Wagner-Peyser Act of 1933 to require states to deliver employment services through One-Stop delivery systems. The local offices offer an array of services including career counseling, job search workshops, labor market information, job listings, applicant screening, and referrals to job openings.

**Funding.** Three of these bills authorize and appropriate a total of \$3.75 billion for fiscal years 2002 and 2003, but H.R. 3405 makes no mention of funding. The other bills would also authorize and appropriate such sums as may be necessary for the administration of the Act, but S. 1454 and H.R. 2955 would put a \$37.5 million limit on this amount. The entire amounts would be designated as emergency requirements under the Balanced Budget and Emergency Deficit Control Act of 1985, thereby eliminating the need for offsetting revenues or expenditure reductions.

## Policy Considerations

While virtually everyone will recognize the need to assist workers who have lost their jobs as a result of the terrorist attacks on September 11, 2001, some will resist the idea

that it requires a new program to do so. Some will see the need for a new program but see the approach taken by these three bills as too narrow in scope or too generous in its benefits. Others believe the time has come for a more fundamental reform of the UC system.<sup>3</sup> As the nation's economy slows and the budget surplus shrinks, some will say that the cost of these proposals is prohibitive. Others will point to the stimulative effect on the economy of the UC program and insist that the greater stimulus of this program expansion is needed now.

Among the arguments in favor of the approach taken by these bills is the fact that they would provide cash benefits for those who are not currently eligible for UC. For those who are eligible, they would provide extra protection against a long downturn in the economy by extending the benefits for a longer period and paying for health insurance. The bills would also increase the federal money available for worker training programs. Many who do not agree with all the details of these proposals will see them as at least a first step in showing solidarity with and support for those who have lost their jobs as a result of a national crisis.

Criticisms of these bills are likely to include the difficulties the Secretary of Labor may have in determining which workers have lost their jobs as a consequence of the terrorist attacks and which layoffs are attributable to other factors that were slowing the economy prior to September 11, 2001. It may be even more difficult to categorize laid-off workers with regard to their reemployment prospects in the same occupation or the same industry. There is also the problem of not yet knowing how many workers will even exhaust their UC benefits. Some may object to the policy of targeting specific industries for these programs, while others may object to the selection of the targets. These bills are aimed at the airlines and their "upstream" suppliers, but many jobs are being lost "downstream" as well – in hotels, restaurants, and other parts of the tourism industry. At least one Member of Congress has expressed the opinion that training should be required for those receiving the readjustment allowances as it is under TAA. Some may also fear that the provision of health insurance would be a precedent-setting expansion of entitlements that would prove to be far too expensive, while others might feel that it is even more needed by those who do not qualify for UC benefits.

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<sup>3</sup> For a broader discussion of legislative proposals on UC, see CRS Report 95-742, *Unemployment Benefits: Legislative Issues in the 107<sup>th</sup> Congress*, by Celinda Franco.