



## CRS Report for Congress

# Extending Trade Adjustment Assistance (TAA) to Service Workers: How Many Workers Could Potentially Be Covered?

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### Summary

Trade Adjustment Assistance (TAA) provides income support and training assistance to workers who become unemployed for certain trade-related reasons. Only workers who make an article (i.e., manufacturing workers) are eligible for TAA. Under current law, service workers who become unemployed for a trade-related reason (e.g., outsourcing) are ineligible for TAA. Several bills in the 110<sup>th</sup> Congress (S. 1848, H.R. 910, H.R. 3589, H.R. 3920) would expand TAA to include service workers and public sector employees. The available data indicates that the number of displaced *manufacturing* workers in offshorable occupations from 2003 to 2005 (489,000) roughly equals the number of TAA-certified manufacturing workers over the same period (450,000). There were 840,000 workers displaced from offshorable *nonmanufacturing* occupations from 2003 to 2005, suggesting that the pool of TAA-eligible workers could have increased by over 170% if service workers had been eligible for TAA. In January 2006, nearly three times as many employed nonmanufacturing workers were in offshorable occupations (20.7 million) than employed manufacturing workers in offshorable occupations (7.7 million), suggesting a large increase in the pool of potentially eligible TAA workers. This report will be updated as circumstances warrant.

### TAA Background

TAA provides income support and training assistance to certain workers who lose their jobs for a trade-related reason. For example, manufacturing workers who are laid off either due to a company shifting production to a country with which the United States has a free trade agreement or a manufacturing company switching to a supplier in any foreign country would be eligible for TAA. Manufacturing workers who lose their jobs due to a general economic decline are not eligible for TAA. TAA was most recently reauthorized by the Trade Act of 2002 (P.L. 107-210) and was set to expire on September 30, 2007. P.L. 110-89 extended TAA until December 31, 2007. P.L. 110-161, signed on

December 26, 2007, fully funds TAA through September 30, 2008. The Department of Labor has indicated that this is sufficient to continue the program, including issuing new certifications of eligible workers.<sup>1</sup>

Currently, TAA eligibility is generally limited to workers in firms that make an article, which excludes most nonmanufacturing workers in the United States. In the 110<sup>th</sup> Congress, several bills (S. 1848, H.R. 910, H.R. 3589, H.R. 3920) would expand TAA eligibility. For example, S. 1848 and H.R. 3920 would extend TAA to workers in service sector firms or public agencies. The bills also eliminate the requirement that the shift in production be to a country with which the United States has a free-trade agreement. So, for example, workers whose jobs are “offshored” to any country regardless of whether they produce a product or a service would be eligible for TAA under S. 1848 and H.R. 3920.<sup>2</sup>

## **TAA Benefits and Financing**

TAA has two primary benefits: Trade Readjustment Allowances (TRA) and training, job search, and relocation benefits.

TRA provides up to 130 weeks of income support if a TAA-eligible worker is participating in an approved training program. TRA is a mandatory spending program. Because TRA benefits are provided to all who meet the eligibility requirements, under current financing provisions, no workers would lose TRA income support benefits if there were an increase in the pool of TAA eligible workers. An increase in TRA expenditures would be paid for — like all mandatory funding — through some combination of borrowing, increased revenues, or spending cuts.

In contrast to TRA, the training, job search, and relocation assistance aspect of TAA is a capped entitlement. The Trade Act of 2002 specifically limits training expenditures to \$220 million per fiscal year. In FY2007, an additional \$39 million was appropriated for job search and relocation expenses. S. 1848 would increase the amount of training funds to \$440 million in FY2008 and increase the annual appropriation by 10% if states had obligated or expended 90% of the previous year’s authorization. H.R. 3920 would increase training funds to \$440 million in FY2008 and FY2009 and \$660 million in each fiscal year thereafter. An expansion of TAA to include service workers might present additional challenges to the management of training funds. TAA funds are allocated to states on the basis of worker participation and expenditures for the prior two and a half years. However, a state that experiences unexpectedly large layoffs might find training funds insufficient to meet the demand and so have to ration the available training funds. Both S. 1848 and H.R. 3920 adjust the funding formula used to allocate training funds to address these funding concerns.

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<sup>1</sup> For more information see CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Alternative Trade Adjustment Assistance for Older Workers (ATAA)*, by John J. Topoleski.

<sup>2</sup> For more information on offshoring see CRS Report RL32292, *Offshoring (a.k.a. Offshore Outsourcing) and Job Insecurity Among U.S. Workers*, by Linda Levine.

## Impact

To examine the impact of offshoring on the number of potential TAA-eligible workers, this report examines workers in occupations that have the potential to be offshored. The report examines the offshorability of displaced or employed workers' occupations and categorizes the number of workers, first, by the offshorable potential of their occupations and, second, by whether the workers are employed in the manufacturing, nonmanufacturing, or government sectors. The report analyzes two sets of data: (1) long-tenured displaced workers from January 2003 to December 2005 and (2) workers who were employed in January 2006.

## Data

This report uses employment data from the Current Population Survey (CPS). The CPS is a monthly survey of about 50,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics (BLS) and is the primary source of information on the labor force characteristics of the U.S. population. We use the January 2006 CPS to examine the number of workers employed in January 2006. In addition, this report also uses the Displaced Workers Survey (DWS), a supplement to the January CPS in even years. The January 2006 DWS provides information on workers who were displaced from their jobs between January 2003 and December 2005. This report does not include agriculture workers and members of the armed forces.

## Variable Definitions

To determine which occupations were potentially offshorable, this report uses a list created by Princeton University economist and former Vice Chairman of the Board of Governors of the Federal Reserve System Alan S. Blinder.<sup>3</sup> Blinder classifies occupations as "highly offshorable," "offshorable," "non-offshorable," or "highly non-offshorable" on the basis of the occupation's description in the Department of Labor's O\*NET database. By offshoring, Blinder means "the migration of employment from the U.S. and other rich countries to other (mostly poorer) countries."

Conforming to the BLS definition of manufacturing occupations, this report uses occupations listed as Production Occupations by the Census Bureau. Government workers may be from any occupation but are employed by a local, state, or federal government.

Displaced workers are persons 20 years of age and older who lost or left jobs because their plants or companies closed or moved, there was insufficient work for them to do, or their positions or shifts were abolished. This report uses the BLS definition of "long-tenured" displaced workers. These are workers who had worked for their employers for three or more years at the time of displacement. Whereas TAA eligibility only requires that a worker be employed at the firm for 26 of the 52 weeks preceding the layoff, using long-tenured workers may better approximate the number of TAA-eligible workers. Although this likely slightly underestimates the number of TAA-eligible workers, using

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<sup>3</sup> See Alan S. Blinder, *How Many U.S. Jobs Might Be Offshorable?*, CEPS Working Paper No. 142, March 2007, available at [<http://www.princeton.edu/~blinder/papers/07ceps142.pdf>].

all displaced workers, including “short-tenured” would likely greatly overestimate TAA-eligible workers. Support for using “long-tenured” displaced workers can be found in a recent Government Accountability Office (GAO) report that found 91.7% of TAA-eligible workers from five plant closings had been at their place of employment for at least five years.<sup>4</sup>

## Caveats

This methodology may overestimate or underestimate the number of workers whose jobs are outsourced and who would potentially be eligible for TAA. Unfortunately, neither the Census Bureau nor BLS collects data on the number of jobs that have been offshored. Some important caveats include the following.

- Not all job losses in the “highly offshorable” or “offshorable” categories would be eligible for TAA as it currently exists or as it might be expanded to service workers. For example, it is entirely possible for workers in a manufacturing plant in an “offshorable” occupation to lose their jobs because of a plant fire or a general downturn in the economy. Such workers would not be eligible for TAA.
- The estimates in this report represent a sort of upper limit on the number of workers potentially eligible for TAA. An assumption is that workers in non-offshorable or highly non-offshorable occupations will not lose their jobs to offshoring. A worker in a non-offshorable occupation may be offshored in the future, particularly if technology changes the nature of work in an occupation.
- Blinder’s list is of “potentially offshorable occupations.” It makes no prediction as to the actual number of jobs that will be offshored. Blinder rates the ease with which a job could be offshored on the basis of the job description. For example, the physical presence required by janitorial staff suggests a lower probability of being offshored than call-center workers who could perform their jobs from any location.
- It would be very difficult to predict the number of nonmanufacturing job losses that would be eligible for TAA. Although it appears that the number of displaced manufacturing workers in highly-offshorable and offshorable categories closely matches the number of workers on petitions that were TAA certified, this may or may not be the case with nonmanufacturing and government workers. Therefore, extrapolating to the nonmanufacturing sector is difficult.
- This report does not calculate standard errors. Therefore, the difference between manufacturing and nonmanufacturing workers may or may not be statistically significant (i.e., the results could be due to chance).

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<sup>4</sup> GAO-06-43, *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*, available at [<http://www.gao.gov/new.items/d0643.pdf>].

## Results

Generally, the results show manufacturing occupations have a much greater *percentage* of offshorable employed and displaced workers than private non-manufacturing occupations but that the *number* of private nonmanufacturing offshorable employed and displaced workers is considerably higher than manufacturing workers. As a group, manufacturing occupations are more likely to be (or to have been) offshored, but there are many more nonmanufacturing employed and displaced workers in offshorable occupations. If proposed legislation were enacted, the pool of potentially TAA-eligible workers could increase anywhere from two to four times the current number.

**Table 1** indicates the number of potentially offshorable, long-tenured displaced workers within three major categories of occupations: Private Nonmanufacturing, Government, and Production.

There were 3.8 million displaced workers from 2003 to 2005, of which 1.4 million (36%) were in potentially offshorable positions.

- Nearly all (93%) displaced production workers were in offshorable occupations. In contrast, only 28% of private, nonmanufacturing displaced workers were in offshorable occupations. Finally, only 12% of displaced government workers were in offshorable occupations.
- Nearly two-thirds of displaced workers in offshorable occupations were from nonmanufacturing and government occupations. These displaced workers would not have been eligible for TAA under current law, but might be under proposed legislation.
- There were 489,000 displaced production workers in offshorable occupations. For comparison, there were 446,000 workers certified for TAA from 2003 to 2005.

**Table 1. Number of Long-Tenured Displaced Workers by Potential Offshorability of Occupation**

Occupation Category	Highly Offshorable	Offshorable	Total of Both Highly Offshorable and Offshorable	Non-Offshorable	Highly Non-Offshorable	Total
Total Private Nonmanufacturing	385,042 (12.6%)	452,689 (14.9%)	<b>837,736</b> <b>(27.5%)</b>	504,954 (16.6%)	1,704,175 (55.9%)	3,046,861 (100.0%)
Government	11,594 (5.7%)	13,736 (6.7%)	<b>25,330</b> <b>(12.4%)</b>	21,446 (10.5%)	158,269 (77.2%)	205,045 (100.0%)
Production (Manufacturing)	60,749 (11.6%)	428,238 (81.7%)	<b>488,986</b> <b>(93.3%)</b>	23,579 (4.5%)	11,379 (2.2%)	523,944 (100.0%)
Total	457,385 (12.1%)	894,663 (23.7%)	<b>1,352,048</b> <b>(35.8%)</b>	549,979 (14.6%)	1,873,823 (49.6%)	3,775,850 (100.0%)

**Source:** CRS calculations from the January 2006 Displaced Workers Survey refer to workers who were displaced from their jobs between January 2003 and December 2005. We use Alan Blinder's definitions of offshorability.

**Note:** For emphasis, the bolded column combines the workers in the highly offshorable and offshorable categories. The four categories of offshorability sum to 100% (shown in the last column).

- Most nonmanufacturing occupations are non-offshorable, although within private, nonmanufacturing occupation categories there is considerable variation in offshorable potential. For example, although 100% of legal occupations are considered offshorable, only 7% of information occupations are potentially offshorable.
- Had displaced nonmanufacturing workers been eligible for TAA from 2003 to 2005, the number of TAA-eligible workers potentially could have more than doubled from 490,000 to 1.4 million.

**Table 2** contains data on the number of workers employed in January 2006.

- There were 32 million (24.5%) workers employed in offshorable occupations.
- For most employment categories, the percentage of potentially offshorable current workers is less than the percentage of displaced workers in offshorable occupations. For example, 20.5% of *employed* nonmanufacturing workers are in potentially offshorable occupations (from **Table 2**) compared with 27.5% of *displaced* nonmanufacturing workers (from **Table 1**).
- Although there were 1.7 times as many displaced private, *nonmanufacturing* workers as displaced *manufacturing* workers (from **Table 1**), there were 2.7 times as many private, nonmanufacturing workers employed in offshorable occupations in January 2006. If government sector workers are included, this suggests that the pool of potentially TAA-eligible workers could more than quadruple from 7.7 million to 31.7 million in the future if TAA is expanded to include service and government sector employees.

**Table 2. Number of Employed Persons in the United States as of January 2006 by Potential Offshorability of Occupation**

Occupation Category	Highly Offshorable	Offshorable	Total of Both Highly Offshorable and Offshorable	Non-Offshorable	Highly Non-Offshorable	Total
Total Private Nonmanufacturing	9,047,153 (8.9%)	11,663,215 (11.5%)	<b>20,710,368</b> <b>(20.5%)</b>	12,329,994 (12.2%)	68,103,345 (67.3%)	101,143,707 (100.0%)
Government	1,146,632 (5.7%)	2,163,486 (10.8%)	<b>3,310,118</b> <b>(16.6%)</b>	2,060,678 (10.3%)	14,599,462 (73.1%)	19,970,259 (100.0%)
Production (Manufacturing)	508,106 (5.8%)	7,212,651 (81.9%)	<b>7,720,757</b> <b>(87.7%)</b>	287,952 (337%)	795,611 (9.0%)	8,804,319 (100.0%)
Total	10,701,892 (5.2%)	21,039,352 (16.2%)	<b>31,741,244</b> <b>(24.5%)</b>	14,678,624 (11.3%)	85,353,928 (64.2%)	129,918,285 (100.0%)

**Source:** CRS calculations from the January 2006 Current Population Survey. We use Alan Blinder's definitions of offshorability.

**Note:** For emphasis, the bolded column combines the workers in the highly offshorable and offshorable categories. The four categories of offshorability sum to 100% (shown in the last column).