

## **Trade Adjustment Assistance**

### **What is Trade Adjustment Assistance?**

International trade, like any economic relationship, creates “winners” and “losers”. Trade Adjustment Assistance (TAA), first authorized in the Trade Expansion Act of 1962, was designed to compensate individual workers who lost their employment due to foreign competition, off-shoring, and globalization. Aid could take many forms, including re-training services, job search programs, a supplement to standard unemployment benefits, wage insurance, and healthcare tax credits (CRS).

Trade liberalization and support for TAA had historically gone hand-in-hand. Policymakers believed TAA would ensure that any individual losses from trade were offset, thus paving the way for continued pro-trade policies. However, in recent decades, this linkage faltered, and the program is no longer active as of July 1, 2022 (CRS).

### **Qualification Requirements**

To receive benefits, groups of eligible workers were required to submit documentation proving their collective unemployment was a result of globalization. All petitions were then reviewed by the Department of Labor in a lengthy process that did not provide applicants with any short-term support (IISD).

Even if the application was certified, further steps had to be taken before individuals could begin receiving assistance from state agencies (CRS). This strict process may have contributed to a striking lack of coverage for workers affected by the China Shock or other severe displacements to the labor market (IISD).

### **Program Implementation**

For workers that met the strict eligibility requirements and received benefits, the effects were generally positive. Various studies demonstrate that a majority of program “graduates” found new, lasting employment within six months (PIIE), were able to recoup

most of their previous wages after twelve months (IISD), and had greater cumulative earnings than non-participants ten years after completing the program (Hyman).

However, beneficiaries were not made immune from further adjustments to the labor market. After about a decade, annual returns aligned for participants and non-participants, suggesting a lack of long-term relevance for newfound skills (Hyman). Furthermore, some purportedly available benefits were woefully underfunded, leading many participants to forego these aspects of the program altogether (IISD).

### **Reform & Renewal**

Proponents of TAA argue that simple changes can be made to the program to improve its effectiveness. These include expanding eligibility to additional affected industries, developing new public outreach partnerships to connect with eligible dislocated workers, and creating additional upskilling pathways for future-focused, high-demand jobs (PPI).

However, none of these recommendations can be implemented without renewed congressional authorization accompanied by greater federal funding. Neither of these prerequisites have wide-ranging support, and despite limited attempts, no legislation was enacted in the 117th or 118th Congress to reauthorize TAA (CRS). Future renewal prospects are decisively dim.

### **Alternatives to Trade Adjustment Assistance**

Given the unlikelihood of TAA renewal, some proposals seek to combine it with other federal programs in order to provide increased benefits to all displaced workers, regardless of the cause of their dislocation (PPI). Others suggest that policymakers should instead focus on pre-distributive steps that improve labor mobility, protect emerging domestic industries, and erase subsidies for foreign investors (CFR).