AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

JOHN J. SWEENEY
PRESIDENT

RICHARD L. TRUMKA
SECRETARY-TREASURER

LINDA CHAVEZ-THOMPSON
EXECUTIVE VICE-PRESIDENT

LEGISLATIVE ALERT!

(202) 637-5090

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Dear Representative:

We understand that the Committee on Ways and Means is scheduled to mark up Chairman Rangel's bill to reauthorize Trade Adjustment Assistance (TAA) this week. The AFL-CIO urges you to support the Chairman's bill, called the "The Trade and Globalization Assistance Act of 2007" (H.R. 3920), and to oppose any weakening amendments.

The Trade and Globalization Assistance Act (TGA) would make critical improvements to the TAA program. By doubling the current funding level from $220 million to $440 million, with additional increases available in future years, the Chairman's bill would help keep workers who deserve TAA training from being denied access to the program due to funding shortfalls. In the past, thousands of TAA-eligible workers have been denied TAA training because of insufficient funding.

H.R. 3920 would also improve and streamline TAA eligibility requirements by extending eligibility when jobs are off-shored, without the need for workers to demonstrate an increase in imports. The Chairman's bill would also expand TAA eligibility to public and service sector workers who lose their jobs to trade or off-shoring.

The TGA also provides for industry-wide certification in certain circumstances, which would eliminate the delays and inconsistent results that characterize the current firm-by-firm certification process. The Chairman's bill would extend the deadline for trade-impacted workers to enroll in training, and establish requirements for the type of employment services and case management that the Labor Department and states must provide to TAA enrollees. These changes would improve the process by which workers obtain training.

In addition, H.R. 3920 would clarify that the determination of TAA eligibility and the distribution of TAA benefits cannot be contracted out to private entities. This "merit staffing" requirement would ensure that vital TAA functions continue to be subject to public accountability and transparency, not subject to political pressures and manipulation. This provision would also help ensure that TAA is not turned over to the states and block granted in combination with the dislocated worker programs of the Workforce Investment Act (WIA). Combining TAA and WIA training would be harmful to workers because the WIA program steers workers away from training and provides shorter-term, less costly, and less effective training.

Other important improvements in the Chairman's bill include elimination of the requirement that secondary worker dislocation be related to trade with Canada or Mexico, and improvements in outreach to trade-affected workers.

H.R. 3920 would also make improvements to the Health Coverage Tax Credit (HCTC), which provides a 65 percent refundable, advanceable tax credit to eligible individuals, including certain retirees, for the purchase of health coverage. The current HCTC program has largely failed to provide effective relief to laid-off workers and retirees who have lost their employer-sponsored health care, reaching only about 10 percent of those eligible for the credit. The Chairman's bill would address some of the shortcomings of the HCTC program by increasing the credit to 85 percent, addressing gaps in coverage that wipe out needed consumer protections, and putting some restrictions on the premiums insurers can charge.

Nevertheless, we are concerned that elimination of the HCTC after two years would leave vulnerable those workers fortunate enough to clear the many enrollment hurdles and gain coverage with the tax credit. We look forward to working with the committee to achieve the substantial improvements necessary to maintain coverage for those already enrolled and extend coverage to all other eligible individuals for the balance of the five-year reauthorization of TAA.

We applaud the Chairman for including in H.R. 3920 provisions that would modernize the federal-state unemployment insurance (UI) system. The Chairman's bill would provide a total of $100 million annually for all 50 states to improve administration of the UI and employment service system. In addition, it would allow states to draw down up to $7 billion from the federal unemployment trust funds to fund improvements to their state UI programs. No state would be required to do anything, however. These reforms would be funded by extension of the existing 0.2 percent UI payroll surtax, which the Bush administration supports. The UI payroll tax is supposed to be dedicated to the UI system, and we strongly believe this revenue should be used to help repair a UI system that is now in a state of disrepair.

We are very concerned about several potential amendments to H.R. 3920 that may be offered at markup relating to "wage insurance" – that is, wage subsidies for dislocated workers who take lower-paying jobs. Under existing law, wage insurance is a small pilot program within TAA (called "Alternative Trade Adjustment Assistance"). There is very little empirical evidence regarding the effectiveness and unintended consequences of wage insurance. However, the available evidence does show that wage insurance induces workers to take lower-paying jobs that they would not otherwise want, in the process displacing lower-skilled workers who would otherwise take those jobs. We believe scarce budgetary resources should be directed on a priority basis to helping dislocated workers find good jobs with good wages, and should not be diverted to programs designed to convince dislocated workers to take lower-paying jobs at low-wage employers such as Wal-Mart.

A discussion draft circulated by Ranking Minority Member McCrery, which could be offered as an amendment to H.R. 3920, would allow state UI trust funds to be diverted to wage insurance. Under current law, state UI trust funds must be used for UI benefits, and the McCrery draft would eliminate that requirement. The UI system is in need of much higher levels of funding, and scarce UI funding sources should not be diverted to wage insurance. The AFL-CIO would strongly oppose any amendment to allow UI trust funds to be used for wage insurance.

The McCrery draft would also eliminate the current minimum age eligibility requirement for the existing wage insurance pilot program, which is 50 years. This would represent a massive expansion of the existing pilot program. In fact, any lowering of the eligibility age would divert funding that could be put to better use providing quality and effective TAA training, which is currently under-funded. Eligible workers who want quality, effective training should not be turned away due to lack of funding, yet even the Chairman's bill does not guarantee funding to achieve this goal.

The McCrery draft also reflects an intention to delete the merit staffing provisions of the TGA, and to merge TAA with WIA. The merit staffing provisions of the Chairman's bill would protect the integrity and structure of the TAA delivery system and ensure that trade-impacted workers have the full advantage of the benefits and training under the law. In many locations, the WIA program is administered by private contractors who are not familiar with TAA. Merging or "integrating" TAA and WIA would facilitate efforts to block grant the programs, to the detriment of workers, their families, and their communities. This would mean less assistance for other dislocated workers through the WIA dislocated worker program. The AFL-CIO strongly opposes any amendments that would weaken the merit staffing provisions of TGA or integrate TAA and WIA.

Finally, the McCrery draft proposes a "New Economy Scholarship" program that would cap TAA training at $8,000 per individual. Many states currently allow some workers to enroll in training that costs in excess of $8000. We would oppose any amendment that establishes a cap on training, unnecessarily limiting the range of training options for dislocated workers.

For these reasons, the AFL-CIO strongly urges you to support Chairman Rangel's bill and to oppose any weakening amendments.

Sincerely,

William Samuel, Director
DEPARTMENT OF LEGISLATION