

Chapter 5

Worker adjustment assistance

Since 1991, twenty-two million U.S. jobs have been created, while the unemployment rate has dropped to about 4 percent. American economic growth is the envy of other nations. This strong economic growth has been accompanied by rapid changes in the U.S. economy. Just as the assembly line virtually eliminated the small, independent, skilled craftsman, and industrial America outpaced agricultural America, America's dynamic economy is again undergoing profound changes.

The past few years have demonstrated time and again that good jobs one year can be obsolete the next year and that new jobs, often requiring different skills, replace old ones. There are few guarantees in today's economy other than that this transformation will continue and will be swift and powerful. According to the U.S. Department of Labor, eight million workers, one in sixteen working Americans, were "displaced" between January 1995 and December 1997. Of those, 3.6 million workers had been with their employers three or more years.¹

Lifetime, fulltime, year-round work arrangements, where an employer provides workers with benefits, training, and a pension upon retirement, are on the decline. Alternate forms of work, including outsourcing and use of part-time and contingent workers, are on the rise.² Roughly one in ten workers already fits into this alternate arrangement, and nearly four of five employers use some form of nontraditional staffing arrangement.³ In the process, job tenure has declined for many workers (see Table 5.1). While job stability declined modestly in the first half of the 1990s, it decreased more sharply for those workers who had already accumulated a fair amount of job tenure.

Table 5.1:

Median years with same employer, by age, 1963-96

	1963	1981	1987	1996	Change	
					1963-96	1987-96
Age 35-44						
All	6.0	5.1	5.5	5.3	-0.7	-0.2
Men	7.6	7.1	7.0	6.1	-1.5	-0.9
Age 45-54						
All	9.0	9.1	8.8	8.3	-0.7	-0.5
Men	11.4	1.1	11.8	10.3	-1.3	-1.7

Source: *The State of Working America, 2000-01*, p. 232

¹ United States Department of Labor, *Futurework: Trends and Challenges for Work in the 21st Century*, Labor Day, 1999, (Washington, D.C.: U.S. Department of Labor, 1999).

² Lawrence Mishel, Jared Bernstein, and John Schmitt, *State of Working America, 2000-01* (Cornell University Press, Ithaca, N.Y.; Forthcoming, January 2001) pp. 244-256.

³ Jerry Jasinowski, "Improving the Condition of the American Worker," *Central New York Business Journal* (10 June 1996), p. B-1.

As a result, despite America's booming economy, many workers feel insecure. Rightly or wrongly, many blame globalization and the increase in imports that has resulted from the reduction of trade barriers.

- More than half (51 percent) of the American people believe "America's integration into global markets ... benefits multinational corporations at the expense of working families."⁴
- Nearly half of the American people would "restrict or ban foreign-made goods in order to protect American jobs."⁵

The impact of trade on job loss is lower than the perception. Most job displacements are a result of domestic, not foreign, competition. However, trade tends to create new jobs in export industries that are growing and put at risk jobs in import-competing industries that are experiencing increased competitive pressures. The individuals who benefit from the job creation are often different from those who bear the cost of a lost job. Consequently, there is a need to help communities and workers adjust to these changes and to ease and reduce the pain of the adjustment.

Many factors lead to job loss in a dynamic economy. This chapter reviews some of the existing efforts to assist workers displaced by trade and discusses ways to strengthen these efforts. The chapter also discusses broader-based options for improving labor market flexibility and mitigating the costs of job dislocation. We believe that responding to job dislocation should be more broadly based, that is, not limited to job losses caused by trade, and should include consideration of such innovations as examining how to close the gaps created when new jobs pay lower wages than previous jobs, expanding access to education and retraining, reducing obstacles for licensed and certified workers, and improving access to health insurance.

Improving the effectiveness of trade adjustment assistance (TAA)

Concerned about the adverse impact of a reduction in American trade barriers on American workers and society's reaction to this reduction, President John F. Kennedy proposed and Congress passed Trade Adjustment Assistance in the Trade Expansion Act of 1962:

Those injured by that trade competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the federal government.... [T]here is an obligation to render assistance [T]o those who suffer as a result of national trade policy.⁶

⁴ Polling data by Penn, Schoen, and Berland, Associates, Inc., for Democratic Leadership Council, "New Democratic Electorate Survey," (November 1999) (material from Roper Center for Public Opinion Research's Data Base, hereafter cited as Roper Center's Poll Data Base).

⁵ Polling data by EPIC-MIRA, for Women in International Trade, May 1998 (Roper Center's Poll Data Base). Likewise, nearly one-third (32 percent) of the American people believe that American companies "should never be allowed to build new plants and have new workers outside the United States ... regardless of how desperate the U.S. company is to be globally competitive." Polling data by Wirthlin Worldwide (Wirth), "Wirthlin Quorum Survey" (July 1998)(Roper Center's Poll Data Base). Seventy-four percent believe that the global market place is intended to benefit business, while only 8 percent said it is to benefit workers. Polling data by Gallup Organization, for Americans at Work, "State of Small Business Survey" (January 1997) (Roper Center's Poll Data Base).

⁶ Special Message to the Congress on Foreign Trade Policy, January 25, 1962.

Services that TAA offers to workers who lose jobs due to increased imports affecting their company include

- income support, called Trade Readjustment Allowance (TRA), in the form of extended unemployment insurance payments for up to an additional fifty-two weeks after the twenty-six weeks of regular unemployment insurance payments have been exhausted, for up to a total of seventy-eight weeks of income support;
- job search assistance (a job search allowance provides reimbursement for 90 percent of necessary job search expenses);
- relocation expenses (a relocation allowance pays for 90 percent of "reasonable and necessary" expenses for moving the worker, the family, and the household effects); and
- training support (which includes tuition, related expenses, such as books, tools, and academic fees); travel or transportation expenses; and subsistence expenses.

In 1993, with passage of the North American Free Trade Agreement, Congress approved a special program, NAFTA-TAA, to provide benefits not only to unemployed workers who had worked in companies that had been affected by imports, but also to those who had worked in plants that relocated to Mexico or Canada. TAA only covers workers making finished products; it excludes workers in supplier industries. Under NAFTA-TAA, workers in supplier industries are also covered.

Under both programs, training is an integral part of the benefit structure, in recognition of the fact that dislocated workers today are often unlikely to be able to return to their previous occupations and will need upgraded or new skills.

In fiscal year 1998, thirty-six thousand workers received a total of \$230 million in Trade Readjustment Allowance benefits from the two programs. Weekly TRA benefits averaged \$207, and the average duration of TRA receipt was twenty-nine weeks.⁷ In fiscal year 1998, an estimated 1,500 workers received job search and job relocation allowances from TAA, and another three hundred received them from NAFTA-TAA.⁸

The Department of Labor's Office of Trade Adjustment, in cooperation with the North Carolina Employment Security Commission and the Center for Employment Security Education and Research, recently surveyed some participants about TAA's effectiveness. In general, the study found that the program is a much-appreciated source of help and hope for trade-impacted workers.⁹

Others, however, have not been as complimentary. The Labor Department's Inspector General has criticized TAA's management for unclear objectives, inadequate attention to performance measures, and failure to perform follow-up analysis on participant outcomes.¹⁰ Furthermore,

⁷ Congressional Research Service, "Trade Adjustment Assistance Programs for Dislocated Workers," Report 94-801 EPW (Washington, D.C.: CRS, Feb. 11, 1999), p. 2.

⁸ Ibid.

⁹ U.S. Department of Labor, Office of Trade Adjustment, North Carolina Employment Security Commission, and Center for Employment Security Education and Research (CESER), NAFTA/TAA Customer Satisfaction Measurement and Training Project, (Washington, D.C.: CESER, 2000), pp. 95 -132.

the program has been criticized for paying people not to work, as it extends unemployment compensation up to eighteen months and thus creates an incentive to delay finding a job.¹¹ A 1995 study concluded that TAA-financed training fails to produce a positive impact on earnings, at least during the first three years after displacement.¹²

The Commission, with the assistance of the Interstate Conference of Employment Security Agencies, surveyed state workforce agencies about the effectiveness of TAA and NAFTA-TAA. Forty-six state agencies responded, of which nineteen considered TAA and NAFTA-TAA programs "inadequate." Of the twenty-three that considered the programs "adequate," nineteen said there was a need for "improvement."

The state agencies' complaints about TAA and NAFTA-TAA focused on their operations, saying that training timetables needed to be more flexible, that TRA payments failed to cover the full period of eligibility for training, and that the rules and regulations for both programs were too complicated and strict. The complaints were implicit in the state agencies' recommendations to improve the programs. Half of the respondents (twenty-three of forty-six) did not consider federal funding sufficient for current program needs, while thirty-four of forty-four said funding did not support their administrative needs.

The Trade Deficit Review Commission-Interstate Conference of Employment Security Agencies, survey of state workforce agencies suggested a number ways to improve TAA programs.

- Thirty-nine of the forty-six states that responded to the survey recommended that income assistance be provided for two years if workers need remedial education as well as training.
- Thirty-seven states recommended that TAA and NAFTA-TAA be mandatory "partners" in "one-stop" delivery systems (one access point for employment-related and training services in which all core job search and assistance services are available as called for by the Workforce Investment Act of 1998).
- Thirty-four states recommended more federal funding to support the administration of TAA and NAFTA-TAA and recommended more federal money to support programmatic needs.

State workforce agencies also listed other ways to improve the programs, including the following:

- Payment of TRA for the full period of eligibility for training (104 weeks), regardless of whether remedial education was needed. "We can authorize up to 104 weeks of training," one pointed out, "but just 78 weeks of regular unemployment and TRA benefits."

¹⁰ U.S. Department of Labor, Office of Inspector General, "Trade Adjustment Assistance (TAA) Program," Public Law 93-618, as amended: Audit of Program Outcome in Nine Selected States, Fiscal Years 1991/1992, Report No. 05-93-008-03-330, September 1993, cited in CRS, "Trade Adjustment Assistance Programs," p. 20.

¹¹ Gary Burtless, Robert Z. Lawrence, Robert E. Litan, and Robert J. Shapiro, *Globalphobia* (The Brookings Institution, Washington, D.C.; 1998) pp. 141-42.

¹² Paul T. Decker and Walter Corson, "International Trade and Worker Displacement: Evaluation of the Trade Adjustment Assistance Program," *Industrial and Labor Relations Review* (July 1995), 758-774, cited in *Globalphobia*, p. 143.

- Extending the period of TAA and NAFTA-TAA benefit eligibility by the number of scheduled, approved breaks in workers' training. Currently, scheduled breaks in classes count as weeks of eligibility, and breaks longer than fourteen days render the worker ineligible to receive allowances for any portion of the scheduled break. Because breaks between semesters are typically longer than fourteen days, workers are sometimes subjected to interruptions in benefits.
- Offering local control and flexibility in enrollment timetables, basing them on an assessment of worker needs and local school schedules.
- Consolidating TAA and NAFTA-TAA and unifying TAA and NAFTA-TAA rules and regulations.
- Making more and better use of computers in the administration of the program and in distance learning and retraining.

Several states stressed the need to "overhaul the administrative requirements" of the two programs. The Trade Program Director for the state of Texas stated that administrative requirements for TAA and NAFTA-TAA are so complex that "they hinder the smooth and efficient operation of the program and training of new staff."

A few states, including South Carolina and Connecticut, suggested imposing a time limit for applying for workers' benefits. Workers are able to return years later to make a claim for training, even though other companies have successfully reemployed them in the interim.

The most important factor in a successful worker adjustment program -- whether training, job placement, or wage insurance -- is the speed of the assistance. Minimizing the length of time between being laid off and providing assistance to the worker can be crucial. The longer workers have been unemployed, the more likely possible employers will discount their qualifications. However, the current system operates against speed. TAA benefits do not begin until the displaced worker has exhausted the unemployment benefits that are available for twenty-six weeks.

Recommendations to improve worker adjustment programs

To improve the operation of U.S. worker adjustment programs, a substantial majority of the Commissioners recommends that

- TAA and NAFTA-TAA be consolidated into a single program, unifying and simplifying the programs' rules and regulations and providing coverage both to workers making finished products as well as to workers in supplier industries;
- a principal objective of the consolidated worker adjustment program be to enhance the skill-set of displaced U.S. workers;
- the consolidated programs provide for more local control and flexibility to improve the coordination of workers' needs and local educational and training course schedules;

- the federal government provide adequate funding for benefits and administration of this newly consolidated worker adjustment program;
- the program make more and better use of computers in the administration of the program and in distance learning and retraining; and
- income support be available for a longer period than currently, if more time is required for training. When considering lengthening the benefit period, careful attention needs to be given to the incentive effects such a change might have.

Facing a loss in wages

The problems faced by dislocated workers go beyond just the period of unemployment between an old job and a new one. For many workers, the wage loss they suffer when they are laid off is not only the temporary loss of income while they look for a new job but also the erosion in earnings for a period after they land new employment as well. Workers develop what economists call "firm-specific" human capital in the jobs they currently hold -- a set of skills and relationships that makes them more valuable to their existing employers than to their new ones, especially in a different industry. As a result, new workers often are less valuable to new employers than they were to their previous employers for a period and are paid less.

The weekly earnings of all reemployed workers fell 5.7 percent on average in 1995-97. Also, workers displaced from high-tenure jobs showed an average drop in earnings of over 20 percent after they found new, full-time jobs. In addition, 17 percent of the previously fulltime wage and salary workers were reemployed in part-time or self-employed jobs. Their earnings losses were more than those reemployed on a fulltime basis. Table 5.4 depicts the effects of job loss on workers' wages from 1993 to 1996.¹³

**Table 5.4:
Earnings Loss Among Reemployed Displaced Workers, by Years
of Tenure on Old Jobs, 1993-96**

All reemployed workers	Years of tenure on old job				Average	
	0-5	6-10	11-15	16+	All tenures	6 years or more
Percent wage loss in new job	8	18	29	39	14	27
Percent of displaced workers	71	15	6	8	100	29
Percent due to plant closing	39	46	49	51	42	48
Workers reemployed in fulltime wage and salary jobs						
Percent wage loss in new job	2	8	21	28	6	17

Source: Charles I. Schultze, "Downsized and Out: Job Security and American Workers," Brookings Review (Fall 1999), p. 12

¹³ U.S. Census Bureau, "Dislocated Worker Survey" (November 1994), cited in U.S. Department of Labor, "What's Working and What's Not: A Summary of Research on the Economic Impacts of Employment and Training Programs" (Washington, D.C.: U.S. Department of Labor, Office of the Chief Economist, January 1995), p. 47. Also see Charles I. Schultze, "Downsized and Out: Job Security and American Workers," *Brookings Review* (Fall 1999), p. 12.

Lower wages offered for a new job can be a hardship on workers and their families and serve as an incentive to keep looking for a better-paying job for at least as long as unemployment benefits are available. To reduce the incentive of unemployed workers to remain unemployed, some economists have proposed the concept of wage insurance. Wage insurance would provide earnings supplements, for a set period, to displaced workers who return to work at a wage lower than their previous wage. Such insurance would supply a payment equal to some percentage of the wage losses they suffered as a result of their displacement. For example, if the program insured the workers for 50 percent of their earnings loss, a displaced worker, whose previous monthly wage was \$2,000, who accepted a new job that paid only \$1,000 a month, would receive a monthly check of \$500. Wage insurance would make that worker economically better off than if he stayed out of the workforce relying on unemployment insurance. The payments of wage insurance could be limited to a fixed period.

Proponents of wage insurance contend that it encourages workers to find a new job quickly, as contrasted with unemployment insurance, which some suggest creates an incentive to delay looking for work. They also contend that wage insurance yields benefits for both younger workers and older workers. For younger workers, it makes it easier for them to acquire training and the new skills that will make them more employable over the course of their working lives. When a displaced worker takes an entry-level job in a new sector, the worker often obtains valuable on-the-job training that over the longer term leads to higher wages.¹⁴ Wage insurance can also help address problems specific to older workers. Such workers, especially those over fifty-five, get hurt more from job dislocation than younger workers because they may not have enough years of work left in their careers to benefit from retraining in terms of regaining their prior wage level. Hence, retraining is less helpful for older workers. In such circumstances, wage insurance can enable older workers to reach retirement without having to sharply lower their standard of living or dip into retirement savings after a job loss.

Guidelines that have been suggested for implementation of wage insurance include the following:

- Insurance could only be available to workers who have reached a minimum job tenure (say two years) with their last employer.
- Total wage insurance benefits provided to a worker could be capped to prevent highly compensated workers from receiving high insurance payments; highly paid workers typically have more savings to draw upon than average or below-average paid workers.
- Earnings supplements could not be payable until a worker becomes reemployed and would cease within a specified period after displacement occurs. In other words, the clock would begin ticking for the benefit period on the day the worker is laid off. Workers who found new jobs early in the two-year period would be eligible for larger total payments than workers who delayed in accepting a new job. This is intended to provide workers with an incentive to search energetically and accept a

¹⁴ One author points out that a wage insurance program would likely be very expensive and would need to be carefully targeted. Gregory K. Schoepfle, "U.S. Trade Adjustment Assistance Policies for Workers," in *Social Dimensions of U.S. Trade Policies*, Alan V. Deardorff and Robert M. Stern, eds. (Ann Arbor, Michigan: University of Michigan Press, 2000), p.117.

new job promptly.

- The extent of wage insurance benefits should depend on the age of the worker. For younger workers, wage insurance should be available for a limited time period. For older workers, wage insurance may enable them to reach retirement while maintaining their standard of living and retirement savings.

Recommendation regarding loss of wages

We recommend that Congress consider new ways to address the broader costs of job displacement. Such consideration should include assessing ways of filling in the earnings gaps created when new jobs initially pay less than previous jobs. As discussed, wage insurance is one such option. It has the advantage of encouraging displaced workers to accept new jobs as quickly as possible and removes some of the reluctance to accepting new jobs that initially pay workers lower wages than their former jobs. Further, wage insurance that is age dependent provides different benefits to workers at different stages of their careers. Younger workers who have been displaced from jobs, for whatever reason, are provided an incentive to return promptly to employment with the prospect of benefiting over the longer run from associated training. Older workers may be provided a less difficult transition to retirement.

In considering such options, Congress will need to give careful attention to the costs of any such programs. Any program initiatives in this area would need to give attention to the budgetary impact, the availability of funding, and possible adverse behavioral incentives that the Commission has not examined.

Education and retraining

General observations

Old training and old skills no longer suffice in the new economy. More specialized training is needed for many workers in this fast-moving environment. A Department of Commerce study in 1999 provided the following supporting data:

- In 1950, there were three unskilled jobs for every skilled position; today, jobs requiring skills are four times more prevalent than those for which manual labor suffices.
- By 2006, nearly half of all U.S. workers will be employed in industries that produce or intensely use information technology products and services.
- Since 1990, 43 percent of employment growth has been in high-knowledge occupations.

The impact of technology on revenues and wages has also been significant. For example, real

wages in high-technology industries increased 19 percent from 1990 to 1997 compared with a 5 percent average increase across the private sector. Also, the average high-tech job paid 78 percent more than the average non-high-tech job in 1999 (\$53,000 compared to \$30,000).

Primary and secondary education

The recent Third International Math and Science Study (TIMSS) assessed the achievement levels of students in twenty-one essentially developed countries. U.S. twelfth graders lagged far behind students in most of the other countries, placing nineteenth in math and sixteenth in science. The promotion and improvement of courses in sciences and math and the integration of technology into the curriculum is a highly desirable objective worthy of more attention than it has received.

Advanced education

Our workforce, particularly displaced workers, needs increased access to advanced education and retraining programs. One available resource is America's large community college system. There are 1,132 community colleges across the United States, and they are accessible to nearly every county. Furthermore, community colleges offer both academic knowledge and occupational skill training.¹⁵ They are already involved in retraining displaced and older workers.

Older students, including displaced workers, tend to do well in community colleges. For example, veteran steelworkers in their thirties who lost their jobs in the mid-1980s and participated in a program for dislocated workers at the Community College of Allegheny County ended up making almost 10 percent more a year than those who did not enter the program.¹⁶ Other studies show workers with community college degrees earning 20 percent more than workers with only a high school diploma.

Many community colleges are organized to meet the needs of displaced workers, including those who need to brush up on their basic academic skills.¹⁷ It is not uncommon for 50 to 60 percent of students at community colleges to be taking remedial programs.

A good illustration of how community colleges are geared to the needs of displaced workers is Allegheny Community College, which offered free tuition to approximately eight thousand displaced steelworkers in eastern Pennsylvania. The school set up placement centers, hired counselors, provided reference books, and offered career-planning advice. The school also developed a Workforce Training Team to work with the business community, industries, professional organizations, and government agencies to develop and deliver educational and training programs that the local economy needed. Some of the students obtained federal financial aid, such as Pell grants, while others obtained special state grants. As students, the displaced workers faced the loss of

¹⁵ Anthony Carnevale and Donna Desrochers, "The Role of Community Colleges in the New Economy," *Community College Journal* (April/May 1997), p.28.

¹⁶ Bob Davis and David Wessell, *Prosperity: The Coming Twenty-Year Boom and What It Means to You* (New York: Random House 1998) p. 156.

¹⁷ *Ibid.*, p. 153.

their unemployment insurance, so the governor of the state waived the provisions.

The director of the workforce program explained that retraining enabled the displaced steelworkers to obtain new employment. Several of the formerly displaced steelworkers set up businesses; one became a nurse.

Similarly, the Business and Industry Technical Assistance Center at Hazard Community College in Eastern Kentucky took on the mission of helping displaced coal miners start their own businesses. In its first four years, the eastern Kentucky community college helped launch 145 businesses in an eight county area. In the early 1990s, the center was helping to create sixty new businesses a year, providing an average of about four new jobs each. These businesses were filling a void left by declining manufacturing by helping to diversify what had been largely a one-industry economy.

Recommendations regarding education and training

Policymakers should focus on improving elementary and secondary education and ensuring that students receive training that will enable them to work in an increasingly technological environment.

Policymakers should explore how to make better use of the community college system to deliver job training, particularly to displaced workers, and needed academic courses, particularly in the sciences, mathematics, and technology.

Improving the flexibility of labor markets

Removing obstacles for licensed and certified workers

Displaced workers face many obstacles in finding new jobs. Occupational licensing restrictions and other certification barriers can restrict worker access to a variety of jobs for which they may be qualified by experience and/or other credentials. Licensing and certification requirements directly tied to the competency of the practitioner and health and safety matters are reasonable and necessary. However, when the licensing and certification requirements go beyond those reasonable standards, they become barriers to displaced workers finding good, well-paying jobs. When incumbent practitioners dominate state-level authorities that control the licensing and certification process, they have an incentive to restrict the supply of new entrants.

The ability of dislocated workers to move to where jobs are may be restricted by mortgage payments, family responsibilities, lack of finances, and the lack of information about where the jobs are. As the director of a Careers Assistance Placement Center for a tire company in the process of downsizing explained, the most difficult thing for those reentering the job market is

learning to sell themselves: "A majority of them have never mounted a job search. They got their jobs out of college or high school, or they got it through a friend or their father."¹⁸

Studies by the Congressional Budget Office (CBO) and Professor Bruce Meyer of Northwestern University show that dislocated workers who get job search assistance find new jobs more quickly than those left to cope on their own. According to the CBO, job search assistance is effective in shortening the length of time that participants receive benefits. The job search experiments, reported Professor Meyer, tried several different combinations of services to improve job search, and nearly all combinations reduced the need for unemployment insurance.

Recommendations to increase flexibility of labor markets

We recommend reforming state and local occupational licensing and certifications that limit or restrict the ability of workers to find new employment. The goal of such a review should be to require licenses only for those performance capabilities that are directly linked to competency and health and safety. Eliminating extraneous requirements will make it easier for job seekers to qualify for new careers.

We also recommend improvements in programs and policies that assist workers' mobility that would help displaced workers deal with the burdens of finding new employment and relocating. Some of the obstacles to job search and relocation, like family responsibilities, are beyond the reach of policymakers. Nevertheless, TAA, previously discussed, provides job search allowances that reimburse 90 percent of necessary job search expenses and relocation allowances to pay for 90 percent of "reasonable and necessary" costs for moving the worker, the family, and the household effects.

Responding to the loss of health insurance

Generally, Americans receive health insurance as an employer-provided benefit. Thus, when workers lose their jobs, they and their families frequently lose affordable health insurance as well. Although specific numbers are not available, dislocated workers and their dependents contribute to the more than forty million Americans without health insurance.

Federal law requires employers who provide health insurance to offer laid-off workers a continuation of health coverage for at least eighteen months after the date of termination. These displaced workers have the right to maintain, at their own expense, coverage under the health plan at a cost comparable to what it would be if the laid-off workers were still members of the employer's group.

Furthermore, the Health Care Portability and Accountability Act of 1996 provides additional help. Under this law, a worker who obtains health insurance is able to use evidence of past insurance

¹⁸ Bruce Meyer, "Getting Help: Many Firms Offer Assistance to Employees Being Laid Off," *Rubber and Plastics* (Crain Communications, Inc: October 10, 1994), p. 47.

to reduce or eliminate any exclusion based on a preexisting medical condition that might otherwise be imposed on coverage when an individual moves to another group plan or, in certain circumstances, to an individual policy.

However, many dislocated workers cannot afford to pay for the post-layoff health benefits because employers do not subsidize the cost of the worker's participation after they leave the company. Under the 1996 federal law, the dislocated worker must pay that portion of the total premium that he previously paid when employed, plus the portion that had been paid by his employer, plus an additional 2 percent administrative fee.

Responding to our survey of state workforce agencies, the Trade Program Coordinator for Maine pointed out the high costs to the dislocated workers in his state: "The total cost to continue a family program for workers who left Northland Shoes in Fryburg, Maine, was around \$450 a month and could be maintained for up to 18 months. Workers receiving \$150 to \$200 a week of unemployment, with no other income, trying to support a family, and attend school to obtain suitable future employment, can't afford that."¹⁹ Some displaced workers do not get this option, as the federal law only covers workers who were separated from a company where there is an active group health policy.

There is a need to find ways to fill the gap in health insurance coverage between the time when a worker loses one job and starts another.

One approach is being tried in several states where private insurance companies are offering Dislocated Workers Health Insurance Plans. These insurance plans are available to dislocated workers for as low as \$60 a month (in Maine). They carry a high deductible (around \$5,000 a year) but enable workers and their families to maintain health care coverage for preexisting conditions and protect families from the financial burdens of catastrophic illness.²⁰

Recommendation regarding health insurance

Policymakers need to focus on ways to fill the gap in health insurance coverage between the time a worker loses one job and starts another, without creating incentives that discourage employers from offering health insurance or displaced workers from returning to the workforce as rapidly as possible.

Conclusions

Over the past two decades, the number of available jobs grew substantially. For much of this period, however, many workers did not see compensation (wages and fringe benefits) growing to match increased productivity. Further, workers today have far greater need for marketable skills than in the past. They change jobs more frequently, and the wage differential between the

¹⁹ Maine response to Trade Deficit Review Commission-Interstate Conference of Employment Security Agencies Questionnaire: Phone interview with Maine Trade Program Coordinator Ron Brodeur, May 30, 2000.

²⁰ See also the discussion in *Globophobia*, p.137.

most- and least- educated members of the workforce continues to grow. We need to find ways to help American workers adjust more rapidly to the inevitable changes they will face.

We recommend increasing private and public efforts to provide more effective worker adjustment assistance. Such efforts should extend to all workers bearing the costs of adjustment to economic change, irrespective of why they have lost their jobs or whether they are eligible for specific trade adjustment aid.

We recommend expanding the educational and training opportunities available to all Americans, because a more productive workforce is the key to our long-term international competitiveness. We recommend promoting labor mobility by reducing barriers to retraining and to taking new jobs. A majority of the Commission members urge giving serious consideration to providing wage insurance to temporarily fill some of the gap between a displaced worker's old wage and a lower wage in a new job, and addressing the problem of the loss of health insurance²¹ coverage during periods of sustained unemployment. Members of the Commission disagree on the nature and details of how to implement these changes in labor adjustment programs.

²¹ The Commission did not consider the broader issue of national health insurance.