

Evaluations of the Trade Adjustment Assistance Program for Workers: A Literature Review

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Evaluations of the effectiveness of the U.S. Trade Adjustment Assistance (TAA) for workers program are limited and have generally focused on three different areas: (1) the extent to which the program reaches its intended beneficiaries (“targeting”); (2) the effectiveness of TAA in spurring reemployment and raising incomes of displaced workers; and (3) the effectiveness of the associated training. Overall, the evaluations reviewed in this briefing find that targeting of the program has improved over time, that TAA has had neutral to slightly positive effects on employment, and that TAA has had mixed effects on wages (depending upon which assumptions and methodologies were employed and which version of the program was evaluated). TAA training was generally beneficial for workers.

Identifying TAA Beneficiaries: The objective of TAA is to identify workers who have permanently lost jobs due to trade and provide appropriate benefits for those displaced workers. Two early evaluations of TAA addressed how well the program targeted such permanently displaced workers. Corson and Nicholson (1981) found that in the early years of the program (the 1970s), TAA targeting was not as effective as it could have been, as beneficiaries primarily returned to their original firms. This meant that TAA was not generally used to help targeted workers find alternative employment opportunities. In contrast, Decker and Corson (1995) found that workers aided by TAA in later years of the program (the 1980s) found work in other firms, so the targeting of the program appeared to have ultimately improved. In particular, the authors found that the shift in emphasis of the TAA program from compensation to training in the 1980s helped workers who were permanently displaced to find jobs in new industries.

An earlier Executive Briefing on Trade (“A Brief History of the Trade Adjustment Assistance Program for Workers”) reviews the history of the program, which began in 1962.

Does TAA Spur Reemployment and Raise Incomes of Displaced Workers? The literature does not provide clear evidence in this regard. The overall effectiveness of TAA was first evaluated by Mathematica Policy Research, which compared the outcomes of those displaced workers who benefited from TAA with demographically similar unemployment insurance (UI) recipients who did not receive TAA benefits (Corson, Decker, Gleason, and Nicholson, 1993; Decker and Corson, 1995). These studies found that workers under TAA experienced lower reemployment rates and greater earnings losses 36 months after they lost their jobs. Similarly, in a newer study, Marcal (2001) found that after addressing some of the biases in the older studies, there was still little evidence that the TAA program improved the earnings of displaced workers after 3 years of separation.

This finding was supported by Reynolds and Palatucci (2008), who applied similar methods to administrative data on TAA beneficiaries combined with survey data on displaced workers not eligible for TAA benefits. One to three years following separation, they found that TAA workers had lower

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wages compared with workers with similar demographic characteristics who did not receive TAA benefits. However, they found that TAA recipients were significantly more likely to find reemployment.

Unlike previous findings, in the most recent comprehensive evaluation of TAA, Mathematica Policy Research with Social Policy Research Associates found that the program had largely neutral effects on labor force participation, employment, and earnings at four years (D'Amico and Schochet, 2012). They suggested possible reasons for the lack of clearly positive outcomes, including that a longer time period was needed for the analysis to better account for the time workers spent in training, and that TAA trainees—who spent more time in training than the comparison group—would have entered the labor market during the economic recession beginning in 2008. Similar to the earlier studies conducted by Mathematica Policy Research, this study also relied on a matching methodology to compare TAA recipients to recipients of traditional UI benefits who do not receive TAA benefits.

Effectiveness of Training: In general, studies using different methodologies also suggested a positive relationship between reemployment prospects and worker training. For example, Marcal (2001) and Reynolds and Palatucci (2008) found that training benefited TAA recipients, as it increased their reemployment probabilities. D'Amico and Schochet (2012) found that relative to a comparison group of UI recipients who exhausted their benefits, TAA trainees had significantly higher employment rates after benefitting from TAA for four or more years. Specifically, in the evaluation's 16th quarter, TAA trainees had employment rates that were 11.3 percentage points higher than those of the comparison group.

Limitations of the Evaluations: A major issue in these evaluations is the way that they compared TAA recipients to non-recipients, as these two categories of displaced workers were associated with different characteristics, including demographic and other personal characteristics (e.g., age), as well as features of the jobs from which they were displaced (e.g., job tenure). For example, in evaluating the effects on worker outcomes, D'Amico and Schochet (2012) found that displaced workers eligible for TAA tended to be long-term, full-time workers with relatively high pay and generous benefits. Moreover, they were typically older and less educated than non-TAA workers seeking employment. Matching methods can account for some of these differences between the treatment and control groups, but are known to perform poorly in cases where the overlap in characteristics is small. Furthermore, even if matching was exhaustive for observable characteristics, there may be differences between the treatment and control groups on some unobservable characteristics, such as worker motivation.

Sources: Decker, P. and W. Corson (1995). "International Trade and Worker Displacement: Evaluation of the Trade Adjustment Assistance Program." *Industrial and Labor Relations Review*, 48(4): 758-774; Corson, W. and W. Nicholson (1981). "Trade Adjustment Assistance for Workers: Results of a Survey of Recipients Under the Trade Act of 1974." *Research in Labor Economics*, 4: 417-69; Corson, W., P. Decker, P. Gleason and W. Nicholson (1993). "International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program." Princeton, N.J.: Mathematica Policy Research; Marcal, L. (2001). "Does Trade Adjustment Assistance Help Trade-Displaced Workers?" *Contemporary Economic Policy*, 19(1): 59-72; Reynolds, K. and J. Palatucci (2008). "Does Trade Adjustment Assistance Make a Difference?" Washington, D.C.: American University; D'Amico, R. and P. Schochet (2012). "The Evaluation of the Trade Adjustment Assistance Program: A Synthesis of Major Findings." Princeton, N.J.: Mathematica Policy Research.

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