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ACRONYMS

BRS	Basic Readjustment Services
CFR	Code of Federal Regulations
DOL	U.S. Department of Labor
DOT	Dictionary of Occupational Titles
DTAA	Division of Trade Adjustment Assistance
ES	Employment Service
ESL	English as a Second Language
ETA	Employment and Training Administration
FY	Fiscal Year
GAL	General Administration Letter
GPRA	Government Performance and Results Act
JTPA	Job Training Partnership Act
MIS	Management Information Systems
NAFTA-TAA	North American Free Trade Agreement - Transitional Adjustment Assistance
OIG	Office of Inspector General
OJT	On-the-Job Training
P.L.	Public Law
SESA	State Employment Security Agency
SIC	Standard Industrial Classification
SOF	Statement of Facts
SPIR	Standardized Program Information Report
SSN	Social Security Number
SUDAAN	Survey Data Analysis Software
TAPR	Trade Act Participant Report
TEGL	Training and Employment Guidance Letter
TAA	Trade Adjustment Assistance
TEIN	Training and Employment Information Notice
TRA	Trade Readjustment Allowance
UI	Unemployment Insurance
US	United States
WIA	Workforce Investment Act

EXECUTIVE SUMMARY

The Trade Adjustment Assistance (TAA) program was established in 1974 to “assist individuals, who became unemployed [or earnings were reduced] as a result of increased imports, return to suitable employment.” A companion program, the North American Free Trade Agreement - Transitional Adjustment Assistance (NAFTA-TAA) program, followed in 1993, to help those who had lost their jobs, or whose wages were reduced as a result of trade with Canada or Mexico.

We reviewed the TAA and NAFTA-TAA programs’ (hereafter, collectively referred to as the Trade programs) Fiscal Year (FY) 1999 activities and evaluated the programs’ performance by examining some 724 program participants’ experiences in 16 states.

While Most Program Participants Found Jobs, Fewer Obtained Suitable Employment

We estimate that 72¹ percent of program participants found jobs when they left the Trade programs, while 34 percent found jobs that paid enough to satisfy the Trade programs’ objective of helping participants find “suitable employment.”

Less Than One in Four Participants Obtained Program-Assisted Suitable Employment

About 22 percent of participants found suitable jobs in which participants either credited the Trade programs with helping them find work or we determined the participants found training-related jobs.

Participants did not find suitable employment for a variety of reasons, and many were outside of the service providers’ control. However, we believe greater emphasis on employment outcomes, post-program followup, and program evaluation could have produced better program results.

Front-End Program Activities Were Emphasized, Not Program Outcomes

Suitable employment has long been a goal of the Trade programs. However, participant outcomes have received inadequate emphasis,

¹Unless otherwise indicated, the percentages discussed in this report are point estimates resulting from our sample of participants.

for a variety of reasons. There is no relationship between participants' employment outcomes and the Trade programs' funding. The legislation bases allocations on workload -- petitions for trade assistance and workers affected by the events -- not outcomes.

For many years, other DOL employment and training programs have required post-program followup and have integrated performance measures into the programs' design. In contrast, the Trade programs only recently established participant followup requirements and a system to capture post-program participant outcomes.

Program managers had little familiarity with measuring program outcomes or appreciation for using them as tools to gauge the programs' effectiveness. Efforts spent in identifying and reporting participant outcomes were often viewed as bothersome accommodations to Federal program requirements. Information that was entered into reporting systems was often inaccurate, little energy was used in determining the status of participants, and local Trade programs' activities were seldom monitored.

Training Was Moderately Successful

Overall, 9 of 10 participants received training through the Trade programs. This is a sharp increase compared to information in a past OIG program audit that indicated nearly one-half of program participants received no training.²

Generally, participants' training needs were assessed; however, participants who completed training enjoyed moderately better success in finding employment than their peers. We found 77 percent of participants who completed their training found jobs, compared to 68 percent of participants who received some training, but did not complete their curriculums. We also found that 37 percent of participants who completed training obtained suitable employment, compared to 29 percent who did not.

A past OIG concern has been the indiscriminate use of waivers that excused participants from training. We found the training waivers were appropriately granted and sustained during FY 1999. The absence of waiver provisions in the NAFTA-TAA program, coupled with better oversight of TAA program waivers, have greatly reduced this once troublesome concern. We also found coordination between the Trade programs and other training programs was generally effective and benefited participants.

²"Trade Adjustment Assistance Program, Audit of Program Outcomes in Nine Selected States," DOL, OIG, Report Number 05-93-008-03-330, dated September 30, 1993

Program Data Were Unreliable

ETA first attempted to capture participant outcomes and measure program success against a performance goal in FY 1999. The reporting system used by the states to capture data on participants that had terminated from the program was unreliable. The system was often ignored or neglected by the states.

One in five participants in our sample was not reported in the correct period. Data reported in the system were often incomplete or inaccurate. For example, less than 4 of 10 participants in our sample found employment according to the reporting system. However, we found 7 of 10 sampled participants had obtained jobs. Consequently, the reporting system was not a useful tool in managing or evaluating the Trade programs.

Causes for the ineffective reporting included implementation problems at both the system contractor and the state levels, lack of emphasis on participant outcomes, and inconsistencies in how and when data should be entered into the system.

In FY 2000, ETA expanded performance goals to include measurement of participants' employment earnings after program completion. In March 2001, ETA also implemented a new reporting system that includes participant placement and wage replacement goals. The new reporting system, which uses Unemployment Insurance (UI) wage data to confirm participants' employment and earnings, should reduce past difficulties in obtaining participant data.

Conclusion

Some 27 years after TAA's enactment, improved reporting systems offer the promise of accurate data on how participants fared, with which the Trade programs' effectiveness can be measured and used to oversee program operations. However, ETA's success will depend upon whether accurate data can be gathered by the programs' reporting system with which to measure performance. Success will also require ETA's and the states' commitment to recognize performance measurement as a management tool, and use outcome measures to help direct the program activities.

Recommendations

To improve the Trade programs' effectiveness, we recommend the Assistant Secretary for Employment and Training ensure:

- ! Employment goals are passed to the local levels where training and services are actually provided, so that suitable outcomes are understood and pursued.

- ! Clear, uniform procedures are applied that allow consistent determinations of participants' program termination dates and are linked to cessation of services or to known participant outcomes.
- ! States' trade adjustment activities are an integral part of their program evaluation and monitoring systems.
- ! Participant data in the new TAA reporting system are adequately monitored by ETA and the states to ensure it is accurate and complete.

ETA's Response

The response indicates ETA is encouraged with many of this audit's findings, particularly improvements in program performance that have occurred since our 1993 audit. However, ETA disagreed with our application of an 80 percent wage replacement standard in determining the programs' success in helping participants find reemployment.

ETA indicates the wage replacement goal is only one of several factors used to determine if a participant's training should be approved and is not a goal of the Trade Act programs that is anticipated for each participant. ETA's recently adopted 80 percent wage replacement goal is calculated by using an average of program participants' earnings, which the response credits as being a better measure of the programs' performance.

Concerning monitoring and the accuracy of program data, ETA reports it will implement a newly developed Trade Act program review guide in 2002, which will include collection of data on the degree to which the Trade Act programs are monitored. ETA also indicated it is bringing data storage in-house to its national office and implementing a new initiative to evaluate reporting inaccuracies.

Our Evaluation

ETA voiced nearly identical objections to our use of an 80 percent wage standard in its response to our 1993 audit report. However, we believe ETA's arguments are inconsistent with its having recently established wage replacement standards. We continue to believe helping participants obtain suitable employment is an appropriate expectation in serving an individual participant's needs as well as measuring the Trade programs' success.

We are encouraged by ETA's initiative to improve the accuracy of program data. However, many of the inaccuracies we identified were caused by omission of data, which are less susceptible to being discovered through edit checks of information that has been entered into a database. Ensuring data are complete will require much improved monitoring of activities at local points of entry.

BACKGROUND

Programs to assist workers harmed by foreign trade policies have been components of social assistance initiatives for the past 40 years. The first program was established by the Trade Expansion Act of 1962 (P.L. 87-794) and was designed to provide cash assistance, in addition to regular unemployment benefits, to individuals affected by international trade negotiations. The program was not widely used because of the difficulty in demonstrating cause-and-effect relationships between specific trade negotiations and job losses.

Purpose of the Trade Assistance Programs

The TAA program was established under the Trade Act of 1974 (P.L. 93-618). Regulations governing the TAA program are found at 20 CFR, Chapter V, Part 617. TAA's purpose is "to assist individuals, who became unemployed as a result of increased imports,

return to suitable employment." The program also provides assistance to workers whose hours of work have been reduced as a result of increased imports.

The program is administered by the ETA, and each state designates a state agency, usually the state employment security agency (SESA), to serve as DOL's agent in administering the program.

The NAFTA-TAA program was established under the North American Free Trade Agreement Implementation Act of 1993 (P.L. 103-182), which amended the Trade Act of 1974 by adding Subchapter D to Chapter 2 of Title II.

Workers who have lost their jobs, been threatened with job loss, or whose hours of work have been reduced because of imports from, or shifts in production to, Mexico or Canada may petition the Division of Trade Adjustment Assistance (DTAA) for assistance under the NAFTA-TAA program. A statement of administrative action accompanying the NAFTA-TAA program implementation also provides coverage to workers who are indirectly affected by trade with Mexico or Canada. This would include persons such as employees of a producer of components for another company that has been adversely affected by Mexican or Canadian imports. Benefits for secondary workers come from Job Training Partnership Act (JTPA) Title III.

The Petition and Certification Processes

Before individuals can receive assistance under TAA, they must be certified as eligible to apply for program benefits and services. A company official, a group of three or more workers, their unions, or other workers'

representatives must petition the DTAA to determine whether increased imports of like or directly competitive products contributed importantly to decreased sales and production and to worker separations. Under the TAA program, DTAA has sole responsibility for conducting a fact-finding investigation and has 60 days to issue an official notice of its decision.

Under the NAFTA-TAA, a petition may also be filed by a company, workers, or their representatives. However, unlike TAA, the governor and DOL share responsibility for investigating the workers' eligibility. NAFTA-TAA petitions are filed with the governor, who must make a preliminary finding on the petition within 10 days of receipt. The preliminary finding is forwarded to DTAA, who must make a final determination within 30 days.

Participant Benefits, Services, and Training

Once a certification has been issued, eligible workers may apply for benefits directly with their nearest SESA office. There are some differences between the Trade programs' provisions regarding conditions participants must meet to receive benefits. However, benefits available to the

participants of both programs are identical. Once determined eligible under the appropriate certification, workers may receive one or all of the following:

Trade Readjustment Allowances (TRA). The Trade programs are more generous than other DOL employment and training programs because they offer income support payments to participants. Participants who are in training may receive weekly cash payments for up to 52 weeks after individuals' unemployment compensation benefits, or eligibility for such benefits, have been exhausted.

Among other requirements to receive TRA, a TAA participant must be enrolled in an approved training program or have completed such a program after a total or partial separation from the adversely affected employment; or the state agency must have provided written notification that the training requirement was waived. The agency may allow a waiver of the training requirement for an individual when training is determined infeasible or inappropriate. A notable difference between the Trade programs is that waivers are not granted under the NAFTA-TAA program.

Training. An individual may receive up to 104 weeks of approved training in occupational skills, both classroom and on-the-job training (OJT), basic or remedial education, or training in literacy or English as a second language (ESL). No individual is entitled to more than one training program per certification, and the training must be on a full-time basis. Individuals who obtain new employment that is not deemed suitable employment (of equal or higher skill level and wages at not less than 80 percent of the worker's previous average weekly wage) may terminate employment, enter training, and receive UI or Trade Readjustment Assistance (TRA).

Job Search Allowances. Participants may receive job search allowances to assist them in securing a job within the United States. The state agency approving the allowance must determine that the participant does not have a reasonable expectation of obtaining suitable employment within the commuting area, but has a reasonable expectation of finding employment in the area where the job search will be conducted. Job search allowances are infrequently used.

Relocation Allowances. Participants may receive relocation allowances to assist them in relocating within the United States. The state agency must determine that the participants have no reasonable expectation of obtaining employment in the commuting area, and that the participants have obtained suitable employment or received a bona fide job offer elsewhere. As with job search allowances, relocation allowances are seldom used.

Program Cost and Performance Data

In FY 1999, states were provided \$369 million for Trade training, job search, relocation, and TRA benefits. The amounts increased to \$415 million for FY 2000. In FY 2001, \$407 million was appropriated for the programs. In FY 1999, nearly \$236 million was spent on TRA benefits, or about 2 of every 3 program dollars. In FY 1999, ETA reported that 28,383 TAA participants and 4,462 NAFTA-TAA participants entered classroom training or OJT. Job search recipients totaled 313, and there were 772 relocation beneficiaries.

Also in FY 1999, a new participant outcomes and performance measure reporting system was instituted. Through this system, ETA hoped to accurately collect and analyze data on the participants, services provided to them, and related outcomes. For FY 2000, ETA developed specific numeric goals against which to judge the programs' performance. One performance goal was set in FY 1999, this being a goal to employ at least 72 percent of program trainees at program exit. In FY 2000, ETA established a goal of employing 72 percent with a wage replacement goal of 80 percent upon termination from the program.

Recent Program Initiatives

According to DOL's Annual Performance Plan, dated April 2001, in FY 2001, the goals were increased to employing 73 percent by the first quarter following their exit from the program; 80 percent of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and those who are employed in the first quarter after program exit and are still employed in the third quarter will earn, on average, 82 percent of their pre-separation earnings.

In December 1999, a Trade Act Task Force was formed, consisting of representatives from ETA and the states. One initiative of the task force was to improve integration of the Trade programs into Workforce Investment Act (WIA) systems. Training and Employment Guidance Letter

(TEGL) No. 5-00 was issued on September 18, 2000, providing guidance on integrating services under the Trade programs with WIA.

WIA is the most recent of DOL's employment and training programs that intends to improve service to participants by establishing local one-stop delivery centers, which colocate several Federally-funded programs' information and delivery activities. Among WIA's offerings is a dislocated worker program that provides assistance to workers laid off because of plant closings.

Coenrollments among trade programs and WIA dislocated worker programs are encouraged; and Memoranda of Understanding among the various employment and training entities are being emphasized. The task force promoted cooperation between the Trade programs and the WIA Dislocated Worker program, and has assisted in updating a quick reference guide for the trade programs, as well as a revised program review guide.

Congressional Interest

Authorization for the Trade programs will soon expire. Congress is currently considering reauthorization and continued funding of the programs.

OBJECTIVES, SCOPE AND METHODOLOGY

Audit Objectives

In completing our audit of the Trade programs, our main objectives were to determine if:

- ! services provided by the Trade programs assisted affected employees in returning to suitable employment; and
- ! states' Trade Act Participant Report (TAPR) accurately reported participant profiles, services, and outcomes, and was adequately supported by participant files and other documentation.

To complement our main objectives, we also determined if:

- ! training assisted former employees in obtaining suitable employment;
- ! training waivers were granted and sustained for legitimate reasons, and their impact on participants' success in finding suitable employment; and
- ! coordination among trade and other training programs was adequate.

Scope and Methodology

We sampled the Trade programs in aggregate due to the similarity of these two programs authorized under the Trade Act, as amended. Developmental work was conducted in the Office of Inspector General's (OIG) National Office, using work already being completed on the Government Performance and Results Act (GPRA) and on DTAA. As discussed in Chapter III of this report, we determined that the TAPR was not sufficiently reliable to use in establishing a universe. Consequently, a universe of participants who had terminated during FY 1999 for each program was obtained by contacting program administrators in each state.

Sixteen states and 724 individuals were selected for review during the audit. The eight states having the largest number of terminees were selected. Five of the remaining states were randomly selected from those states reporting moderate numbers of program terminees. The final three states were randomly selected from the states with exceptionally small numbers of terminees. We reviewed the profiles, services, and outcomes of the participants selected in the sample. This work was accomplished through interviews with key state staff, review of participant records,

participant interviews, and data analysis. Details on the states selected are shown as Exhibit A, attached to this report.

We chose the State of Georgia to perform limited audit procedures for the purpose of developing and testing our guide and audit instruments. The resulting guide was used in the nationwide audit of these two programs.

Audit fieldwork was conducted from October 2000 to August 2001. We did not issue audit reports to each state. Rather, we provided each state a Statement of Facts (SOFs) and requested they comment on the information we had gathered. The comments were considered in preparing this report.

The demographic and performance data discussed in this report were projected nationally from the sample of states and participants we reviewed. Data taken only from the sample of participants and not projected nationally are identified throughout this report. More details of sampling methodology are discussed in Exhibit A.

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States for a performance audit. We reviewed internal accounting and administrative controls of the programs only as necessary to fulfill the objectives of the performance audit.

RESULTS OF AUDIT

CHAPTER I - MOST PROGRAM PARTICIPANTS FOUND JOBS WHICH PAID SUBSTANTIALLY LESS

One-Third of Participants Were Suitably Employed

Most of the Trade programs' participants found employment following their participation in the program. We estimate 72 percent of FY 1999 Trade program participants were employed at termination. The programs were less successful in helping participants regain earnings they had lost

as a result of being laid off, as 34 percent of program participants were suitably employed. Our findings concerning participants' employment status at program exit are illustrated in Figure 1.

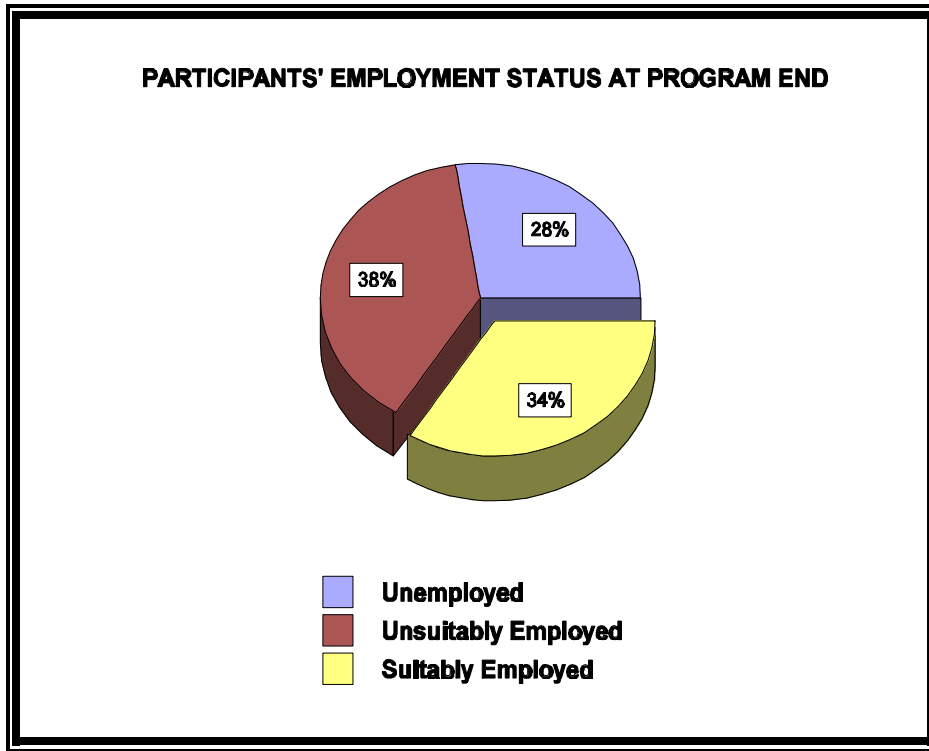
The purpose of the trade adjustment assistance programs, as described in Trade program regulations (20 CFR 617.2), is "to assist individuals who became unemployed as a result of increased imports, return to suitable employment." Both the Act and regulations (TAA, Section 2296(e); 20 CFR 617.22) define "suitable employment" for persons considered for job training as:

. . . work of a substantially equal or higher skill level than the worker's past adversely affected employment, and wages for such work at not less than 80 percent of the worker's average weekly wage.

We did not attempt to measure whether participants found work of equal or higher skill levels, as discussed in the definition, because of the subjectivity involved. Neither the Act nor regulations specifically identify program performance measures. However, we adopted the 80 percent wage replacement definition of suitable employment as a measure of the programs' impact in assisting participants recover their earnings. ETA did likewise when for FY 2000, they established a wage replacement goal of 80 percent for participants exiting the program and a wage replacement goal of 82 percent for FY 2001.³

³FY 1999 was the first year that ETA established a nationwide performance goal and implemented a system to determine participant outcomes. For FY 1999, the sole performance measure was reemployment of 72 percent of program terminées. The FYs 2000 and 2001 performance goals combined reemployment and wage replacement goals. See this report's "Background" for a discussion of the FYs 2000 and 2001 performance goals.

Figure 1



We arrived at the percentage of suitably employed persons by comparing their average weekly wages (hourly wage rates times average hours worked), before trade-impacted layoff or reduction, with the same factors in the jobs they obtained at program termination. We considered a participant suitably employed if the person held a job at termination that produced an average weekly wage of 80 percent or more of the job the person held before being laid off.

Less Than One in Four Participants Obtained Program-Assisted Suitable Employment

We also determined that 22 percent of program participants had obtained program-assisted, suitable employment. That is, participants who found suitable employment and credited the program with assisting them to obtain their jobs or who were employed in training-related occupations.

We considered employment “program-assisted” when participants credited the programs with assisting them in obtaining their job at termination through either job search activities, training or a combination of the two. We also counted employment as program-assisted when a participant obtained training-related employment. This determination was made on both participants we

interviewed as well as participants we could not interview. Even if the participant said the program did not assist him/her in obtaining the job, we credited the program with an “assist” if the job the participant obtained related to the training they had received.

Therefore, “program-assisted” employment was determined by a combination of participants telling us the program had helped them and our determination of whether their employment was related to occupational skills training they had received. By doing so, we adjusted for those instances in which persons obtained employment, even suitable employment, but not due to any training or services provided by the trade programs.

Some examples of the various employment outcomes at program termination, and the ways in which we have classified them are as follows:

- C **Unsuitable employment - wages.** A former sewing machine operator who had been paid \$8.50 per hour found a job as a receptionist at \$5.50 and worked a similar number of hours per week. This example does not meet our definition of suitable employment.

- C **Unsuitable employment - hours.** A former electronics assembler paid \$8.21 per hour full-time became employed as a shipping clerk with a wage of \$7.59. The hourly rate was well within range of the 80 percent replacement standard, but the person only worked 20 hours per week, making the new employment unsuitable.

- C **Program-assisted, suitable employment.** A former shoe cutter worked for more than 17 years in a shoe factory and earned \$13.41 per hour. The individual attended a nursing course for about 20 months, successfully completed the classes, and subsequently became a registered nurse. The new job paid \$16.25 per hour, full-time, was training-related, and suitable. This was a program-assisted, suitable employment success story. The participant credited the program with helping her obtain the job and rated the services received in the program as excellent.

- C **Suitable employment, not training-related.** Another former sewing machine operator, with 13 year tenure, was paid \$9.62 per hour. The individual accepted training as a licensed practical nurse. She dropped out of training after 13 weeks, due to family obligations and immediately got a job as a secretary in a law firm, which she still held at the time of our interview. Her starting pay was \$8.00 per hour which was a suitable wage, and increased to \$9.90 by the time of our interview. But, the job was not training-related, and the individual did not credit the program with assisting her in obtaining the job.

Participants did not obtain suitable employment for a myriad of reasons including: lack of agency job search and job referrals; poor identification of job openings; inadequate follow-through with

participants; premature departures from training because of illness or economic necessity; lack of participant cooperation; unwillingness of participants to relocate; changing careers and employment in entry-level jobs; and decisions to leave the workforce, including retirements.

The reasons listed in the previous paragraph include many which are beyond the control of the programs' service providers. However, we believe program agencies could have done more in serving individuals during the latter phase of program activities.

Figure 2

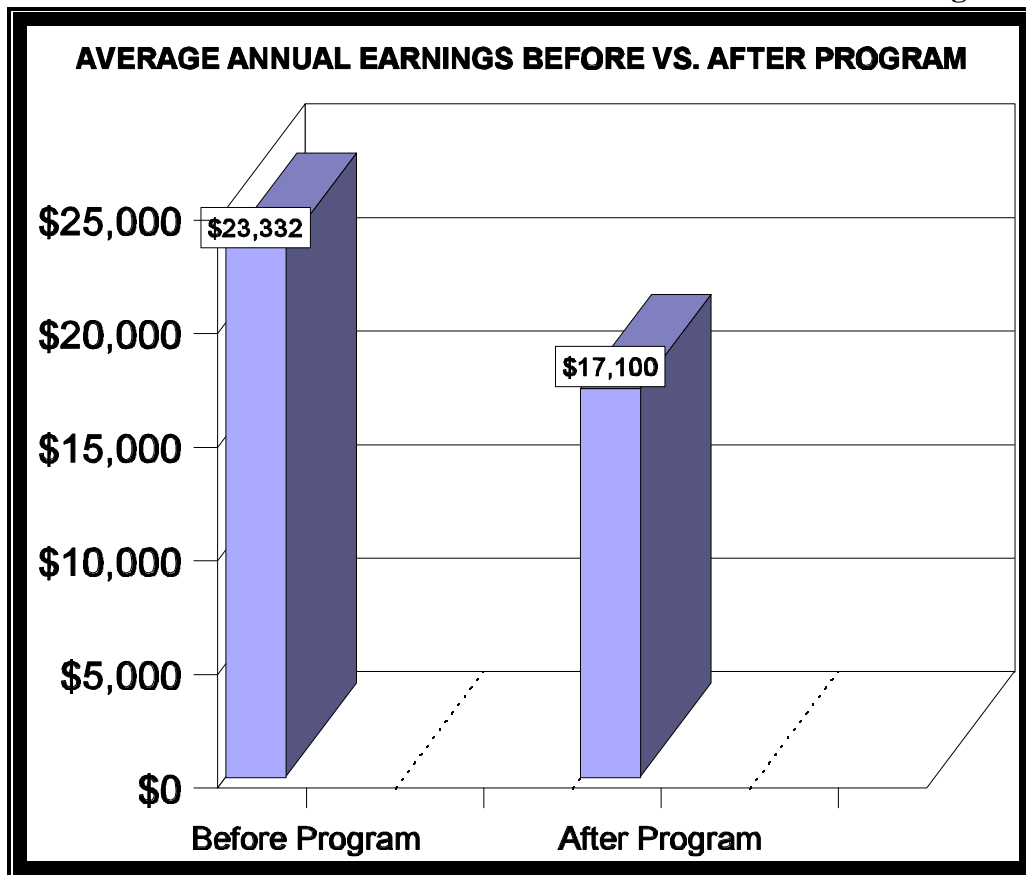


Figure 2 depicts the projected average annual earnings of sampled participants, **on whom we could obtain earnings data**, before and after program termination. Wages before participation were \$23,332 per year with the trade-impacted employer. After the programs, average annual

earnings were \$17,100 per year.⁴ Consequently, in the aggregate, the annualized earnings of participants after program exit were about 73 percent of their previous earnings.

We believe better attention to participant followup and program evaluation would have improved the average. A number of factors may have contributed to the lack of emphasis on participant outcomes in the Trade programs.

Officials Emphasized Front-End Program Activities and Services Instead of Participant Outcomes

In contrast to the Job Training Partnership Act (JTPA)⁵, trade programs are driven by petition approvals. Trade legislation required participant training - absent a justifiable waiver - in order for benefits to be paid. Although suitable employment was the goal of the program, the legislation did not base funding on employment

outcomes, but on petitions approved and numbers of workers affected. Therefore, persons were certified eligible, typically enrolled in training while receiving TRA, and outcomes were largely ignored. This led to a lack of emphasis on job referral and placement activity at program exit.

Outcome data were not viewed as a management tool. We found many indications that program personnel had little regard for the importance of participant followup or the use of post-termination data as a management tool. For example, one state reported “Unknown” for the employment status of a large number of participants who terminated from the Trade programs. When ETA cited them for this, they promptly reported the participants had not found employment.

Neither the legislation nor the regulations provided for post-program followup as required by JTPA programs. We believe this fact contributed to a lack of outcomes-oriented attitude among some program officials. The states did not exclusively monitor the trade programs. Several did not include the trade programs in their overall monitoring of employment and training programs at the local level. Instead, these states relied on audits completed under the Single Audit Act for whatever coverage they may have afforded the Trade programs. Consequently, monitoring was thus assigned to a post-program audit function.

Had it not been for the attention that JTPA gives to outcomes, very little would have been known about outcomes from Trade programs. We determined that 47 percent of the trade program participants were also coenrolled in JTPA or other related programs. JTPA was an outcomes-

⁴The projected average annual earnings of **all participants** in our sample was \$23,159 before trade-impacted layoffs and \$15,252 in their jobs following termination from the program.

⁵JTPA, a Federally funded job training program, was replaced by WIA in July 2000.

oriented program with stringent followup requirements. Such coenrollments with JTPA enabled us to assess participant outcomes more readily for the trade participants even in the absence of such trade program requirements. Many of the outcomes reported were due to the link with JTPA. Standing alone, the trade programs known outcomes were lacking.

Outcomes reporting for the Trade programs has not been required until recently.

Additionally, ETA did not require suitable outcomes reports from the states and set no employment outcomes performance standards for the programs until FY 1999. The performance goal of 72 percent employment for terminees was stated for FY 1999. No reference to suitable employment was included as an FY 1999 performance goal. Measurement of performance was to be based on the new TAPR, a report we found to be deficient in its first year of implementation. (See Chapter III of this report.) To ETA's credit, the TAPR was initiated in order to provide a means of determining program outcomes.

In FY 2000, ETA established an unsubsidized employment performance goal of 72 percent with a goal of 80 percent wage replacement. This was a first attempt to cover the "suitable employment" intent of the programs. However, we questioned whether states were using any mechanism which would define and promote suitable employment. One state program coordinator frankly stated that the agency felt fortunate when it could help individuals find "any job" after plant closings or mass layoffs.

CHAPTER II- PROGRAM-RELATED TRAINING WAS MODERATELY EFFECTIVE IN HELPING PARTICIPANTS FIND JOBS

Training is fundamental to the trade programs' strategy of ensuring workers who are laid off and unable to return to their previous occupations upgrade existing skills or acquire new ones that allow them to obtain employment. We evaluated training provided through the Trade programs to determine whether participants needed, received and benefited from training. We also reviewed the oversight that states applied to requests for participant training waivers and whether there was appropriate coordination between trade and other employment and training programs.

Generally, the training needs of participants in our sample were adequately assessed, and individuals received training to prepare them for other occupations. Frequently, the training participants received did not directly relate to the jobs they obtained. However, participants who received training through the programs fared somewhat better than those who were not trained. About three of four participants who completed training found employment at program termination. Less significant were differences among trained and untrained groups in their ability to find jobs that provided suitable employment.⁶

In most states we visited, training waivers were seldom approved but appropriately granted when they were used. We also found that coordination between the trade programs and other employment and training programs was generally effective.

Most Program Participants Were Afforded Occupational Skills Training

Overall, we estimate 91 percent of program participants received some form of training through Trade or related dislocated worker programs. This represents a dramatic increase from the 51 percent enrolled into approved TAA training we found after examining FY

1991 TAA program activities.⁷ We believe the large increase in the proportion of trained individuals is the result of several factors, including better emphasis on training, more judicious use of waivers by TAA program administrators and NAFTA-TAA requirements that all participants be enrolled in training to receive income support.

⁶As previously discussed, "suitable employment" is a job that paid at least 80 percent of the weekly wages a participant previously earned in the trade-impacted job he or she lost.

⁷See footnote 2.

We found 36 percent of the training providers were college institutions, 37 percent were public vocational schools, 21 percent were private vocational schools, and the remaining 6 percent were private or public employers, community action agencies, or other entities. Occupational skills training covered various Dictionary of Occupational Titles (DOT) categories.

The program predominantly included participants in classroom training for specific occupations or occupational groups. Of all training performed, 92 percent of training participants engaged in classroom occupational skills development; but training sometimes included on-the-job training (OJT) (1 percent) and remedial education (14 percent). The percentages overlap because some individuals received both remedial and occupational skills training.

**Participants' Training Needs
Were Adequately Assessed**

We found most participants' training needs were adequately assessed, and the training they received was appropriate. Although documentation was sometimes sketchy, we determined that 98 percent of program participants received assessments of their

personal, occupational, and training needs. Of those assessments, we also concluded that 97 percent were sufficient to determine participants' needs and desires. Only a small number of incidences occurred in which we believed that training was provided for occupations that were not in demand.

**The Need for Training Is Indicated by
Shifts in Industries and Occupations**

Wide contrasts between the industries and occupations in which most program participants worked before and after their trade-impacted layoffs indicate the training was needed to prepare them for new careers.

Overall, 87⁸ percent of program participants who had jobs at termination were working in different industries than those they held before being laid off. The percentage dropped slightly to 83 percent by the time we interviewed program participants. Using the Standard Industrial Classification (SIC) code groupings for measurement, we noted that jobs participants held before trade-impacted layoff mostly fell into the following industrial groups: manufacture of apparel, electronics, and textile mill products. At termination from the Trade programs, the most prevalent industrial groups were health services, business services, and motor freight/warehousing. By the time of our interview, apparel manufacture had rejoined the top three, preceded by health and business services.

⁸Data were from the sample only and not projected to the nation as a whole.

Abrupt changes also occurred in occupational categories. Before trade-impacted layoffs, the top three broad occupational categories in which participants labored were bench work, machine trades, and miscellaneous. After the programs, the top three occupational categories of these participants were professional/technical/managerial, clerical and sales, and services. (See Exhibit B for more details on SIC and DOT code changes.)

**Participants Who Completed Training
Enjoyed Moderately Better Job Success**

Participants trained through the Trade programs were more likely to find employment after program termination, although a majority of participants did not obtain training-related jobs.

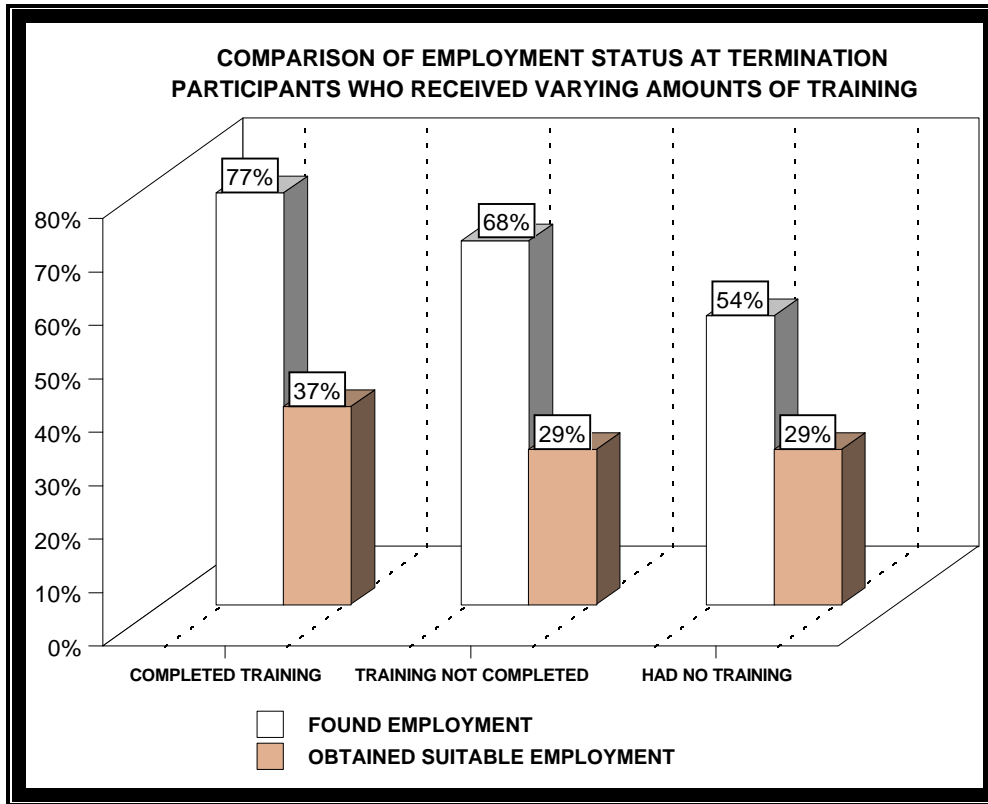
Our sample results indicate training received through the trade programs helped participants find jobs and recover their previous earnings potential. As Figure 3 illustrates, those who completed the training were the most likely both to find jobs and jobs that provided suitable employment (at least 80 percent of the wages they earned before they were laid off). Overall:

- 77 percent of participants who completed their training had success finding jobs, and 37 percent of those who completed training obtained suitable employment;
- 68 percent of participants who received some training, but did not complete training curriculums, found jobs, and 29 percent obtained suitable employment;
- 54 percent of participants with no training were successful in finding employment, and 29 percent were suitably employed.

The widest disparity was a difference of 23 percentage points between participants finding jobs who had completed their training (77 percent) and those who had no training (54 percent). However, caution is required in interpreting the results. This group, who received no training but found employment, consisted of only 43 persons and represented only 6 percent (43 of 724) of the total participants in our sample. The untrained participants' wages averaged \$12.58 per hour, the highest of any group. That compares with average hourly wages of \$9.07 and \$9.56 for participants who completed training and those with some training, respectively.

Instead of needing training, participant files indicated many in the untrained group were job ready. The unusually high average wages of those individuals who were not trained were caused by exceptionally large incomes of some participants who were already sufficiently skilled and needed no training intervention. Because there were only 43 participants not trained who found employment, relatively few high wage earners skewed average wage calculations.

Figure 3



A more appropriate comparison is between the groups who completed training and who had some training. Training had a modest impact on participants’ ability to recover lost earnings. A difference of 8 percentage points existed between the success rate of participants who had completed their training (37 percent) and those with no training (29 percent) in finding suitable employment.

The jobs participants obtained often were not directly related to the training they had received. In determining if jobs were training related, we used broad-category DOT codes to classify the occupation in which participants were trained and the occupations of jobs they accepted following termination from the programs. Participants obtained training-related employment at a rate of 49 percent at program termination.

We also noted that participants who were not trained but had at least a high school education, obtained much higher paying jobs (\$16.52 average hourly wages) than those with a lower educational level (\$6.87 average hourly wages)⁹.

⁹See footnote 8.

There were moderate age disparities among the three groups who found employment. Participants who completed training averaged 40 years, participants who did not finish training averaged 37 years, and those who did not receive any training averaged 45 years of age.

We analyzed age and educational demographics of those participants who did not obtain employment. Participants who did not receive training and did not obtain employment were older (48 years of age)¹⁰, compared to age 43 for training completers and for training noncompleters. Participants who completed training and did not obtain employment averaged a 12th grade educational level, compared to the 11th grade for the other two groups.

Training Waivers Were Appropriately Used

The TAA program emphasizes the importance of training by requiring that all participants drawing TRA benefits must have entered training, completed approved training, or obtained a waiver (20 CFR 617.11, Section 2291). A waiver may be granted in the TAA program if the training exemption is both “feasible and appropriate” according to the Act and regulations. For example, a training waiver might be granted if a participant already possessed marketable skills that would allow him or her to obtain suitable employment. Training waivers are to be periodically reviewed to determine if they should continue to be allowed. However, waivers are not permitted in the NAFTA-TAA program (Section 2331).

Previous reviews of the TAA program have identified the frequent and indiscriminate use of training waivers as a concern. A 1993 OIG audit of the TAA program¹¹ reported that waivers were granted, often without adequate consideration, to 71 percent of the participants in the 9 states that were reviewed. In some states, the audit reported waivers were “automatically” granted and had thwarted the intent of the training requirements.

Because of the potential impact on participants’ training, we reviewed whether waivers were properly granted and sustained. In sharp contrast to our 1993 report, waivers were granted to only 16 percent of the participants (TAA and NAFTA-TAA participants combined) in our sample. Although the use of waivers varied greatly among the states, only 2 of the 16 states we visited frequently used waivers.

Waivers were judiciously granted and properly sustained in most of the states we visited. Overall, we took exception to waivers relating to only about 3 percent of the participants in our sample. Typically, our concerns involved lack of periodic state reviews to determine if the waivers should be continued.

¹⁰See footnote 8.

¹¹See footnote 2.

Interprogram Coordination Was Effective, and Most Participants Gave the Programs High Ratings

We determined through staff and participant interviews that program coordination among the trade programs, JTPA, and other related programs was usually effective. The eligibility criteria for the trade programs were such that participants could usually qualify for the JTPA Title III Dislocated Worker Program. As

previously mentioned, we identified 47 percent of trade participants who were coenrolled in other programs, usually JTPA Title III.

The trade program regulations encouraged joint, coordinated participation when such would benefit participants. Participants who enrolled in both programs benefited from what trade programs and JTPA offered. Participants often drew TRA benefits while being trained with JTPA funds. Because the trade programs and JTPA Title III both served dislocated workers, the programs were closely aligned in administration, funding, and services. This relationship should continue under WIA, including reporting of outcomes.

TRA was an obviously popular component of the trade programs, with only 24 percent of individuals stating they would or could have taken the training without the TRA benefits. Generally, the components of the programs were well received, with 74 percent rating the programs as excellent or good, although 46 percent credited the program with helping them obtain employment. The overall average rating was 1.9 on a scale of 1 (excellent) to 5 (poor).

Participants we interviewed reported very few coordination problems among the programs. JTPA training requirements may have been more flexible than that of the trade programs. Some participants received waivers from training in order to receive TRA, although they were in JTPA-funded training not approved for TAA.

CHAPTER III- THE TRADE PROGRAMS' PARTICIPANT OUTCOMES REPORTING SYSTEMS WERE UNRELIABLE

We found the Trade programs' unified reporting system was incomplete and contained inaccurate data. The TAPR, newly implemented for FY 1999 in order to account for program results more effectively, was unreliable at both the system contractor and state levels. Often, information recorded in the TAPR bore little relationship to what had occurred in the programs, was generally viewed as a troublesome imposition by the states, and often ignored.¹²

Outcomes Reporting Faced Many Difficulties in the First Year of Implementation

ETA employed a contractor to administer the newly implemented TAPR. When we requested the nationwide FY 1999 TAPR database, the contractor provided, in rapid succession, three different versions of the program data. The first version contained no information for 16 of the states' trade program participants who had terminated in FY 1999. When

we called this to ETA's attention, the contractor provided a second version, in which there were no data for eight states. Soon thereafter, the contractor provided another version of the database that contained five states with no reported data. The number of program terminées changed from 10,036¹³ in the first version to 14,531 in the final version.

Because we could not rely on the TAPR database for a participant universe from which we could audit the trade programs in FY 1999, we contacted each state and requested a count of FY 1999 program terminées. As mentioned, the last TAPR database received from the contractor contained a total of 14,531 terminated participants. Contacts with the states resulted in identification of 21,842 participants who had terminated, or an increase of over one-third in the number reported by the contractor. The variances between terminated participants reported in TAPR and those the states directly reported to us are indicated in Figure 4.

In One-Half of the States Visited, Participant Counts Were in Error

We verified the number of program participants who terminated in FY 1999 at each of the 16 states we visited. In one-half of the states, the

¹²All the data on TAPR in this Chapter are taken directly from the samples of the 16 states audited, and were not statistically projected to the nation.

¹³ETA indicated the first version was used to accommodate reporting deadlines for the FY 1999 Annual Report.

numbers of participants who had terminated were significantly different from the counts provided by the states when we contacted them.

Figure 4

NUMBER OF TRADE PROGRAM TERMINEES, FY 1999

Percentage Variance Between Counts Obtained Through State Contacts and the TAPR	Number of States
5 Percent or Less	24
Over 5 Percent to 20 Percent	7
Over 20 Percent to 50 Percent	6
Over 50 Percent to 100 Percent	3
Over 100 Percent to 500 Percent	7
Over 500 Percent	3

In one state, the number dropped from 4,801 to 1,920. In another, the number rose from 251 to 1,227. We found some states had only reported terminees who had been trained. Some had made obvious errors by duplicating counts of the same individuals.

Some of the confusion was because it was difficult to pinpoint the dates participants terminated from the trade programs. Until the initiation of the TAPR, trade program reports did not include a count of terminees. To compensate for this, several states automatically terminated participants 90 days following completion of their training. Others did not terminate participants until the file was passed on to the state's computer information center. Many states did not include a place on their program forms which called for a termination date.

Some of the states had difficulty determining what date should be entered as the participant termination date. ETA's TAPR instructions provide the following guidance:

A participant shall be deemed to have terminated if that participant has completed all of his/her reemployment program, or has withdrawn from such program prior to completion, and has received no other program benefits during the 90 days following completion/withdrawal. If the participant is known to be employed or the participant's outcome is otherwise known before the 90 days

have elapsed, then the participant should immediately be deemed a terminnee and the outcome data recorded.

The TAPR compelled states to identify program terminnees; but with TAPR implementation being inadequate, the states sometimes did not have procedures to identify terminated participants. Therefore, when we requested a count of terminnees from the states, we were asking for information which was nebulous and inexact. We established a universe of terminated participants in each state and drew random samples for audit at each site. As stated early in this report, the changing numbers of terminnees for FY 1999 are shown in Exhibit A.

**Nearly 20 Percent of
Sampled Participants Were
Not Reported in the TAPR**

Nearly 20 percent of the participants selected in our 16-state sample (143 of 724) were not reported in the TAPR. The individuals had applied for the programs, been certified as eligible under approved trade-impacted petitions, were served in one or more program activities, but were never reported in the TAPR. This resulted

in undercounting the individuals served. Program outcomes were distorted by the unreliable reports generated from incomplete data.

We tried to determine some causes for participants never reaching the TAPR. Among the most prevalent causes were that many cases were not properly coded so that the agencies' management information personnel did not enter the data into TAPR. Some states lacked a system to collect and report the data, as required by the TAPR. Also, as already stated, the TAPR was not well received and viewed as an encumbrance. This lack of enthusiasm was reflected in the condition of the TAPR.

We also found the numbers of program participants who obtained unsubsidized employment at program termination were understated by about 46 percent. Overall, 517 program participants we sampled obtained unsubsidized employment at program termination, yet only 278 were reported as such in the TAPR.

The purpose of the trade programs as stated in the legislation was "to assist individuals, who became unemployed as a result of increased imports, return to suitable employment." The ETA-563 report called for the number of applicants who obtained unsubsidized employment as did the newly-implemented TAPR. Although a definition of suitable employment was stated in the regulations, ETA had not required the states to determine the suitability of employment outcomes on a case-by-case basis in either of these reporting systems. Therefore, the reporting systems fell short of the legislative intent, and were further complicated by the failure to identify and report on employment outcomes, suitable or unsuitable.

The one performance measure established by ETA regarding the trade programs in FY 1999 was that 72 percent of terminees nationwide were to be reemployed at program exit. The information source was to be the TAPR. However, we have noted that the TAPR often did not include information on participants, and the states often terminated individuals without knowing what their outcomes were. Nevertheless, we estimate that 72 percent of terminees actually obtained unsubsidized employment.

In reviewing sampled participants for accuracy and completeness of reporting, we determined that TAPR was in error due to failure to enter participants into TAPR, missing data on persons who were entered into TAPR, incorrect information in the TAPR due to insufficient determination as to what happened to participants, and general clerical errors on the data entered. A comprehensive error listing is shown as Exhibit C.

Implementation of the TAPR Competed With WIA Reporting Systems

The same contractor for the TAPR was also used for the JTPA's Standardized Program Information Report (SPIR). Both systems were related, especially since they consisted of providing information only on participants who had been terminated from their programs. The SPIR had been operating since the early 1990s, whereas, TAPR began in

FY 1999. Since SPIR would be changing with the demise of JTPA in

June 2000, the TAPR would only be in its second year when the changes occurred.

Consequently, the states put little emphasis on TAPR in the face of these program changes. ETA was unable to obtain full cooperation from all states in implementing TAPR because of the related JTPA transition to WIA and its concomitant reporting systems.

The FY 2000 TAPR also faced many problems. ETA recognized the data were incomplete and sampled eight states' data in one of its regions to estimate performance outcomes for its national performance report.

A New TAPR System Is Being Implemented

Finally, on January 2, 2001, Training and Employment Information Notice (TEIN) No. 9-00 was issued which was a notification of submission to OMB of the revised WIA and TAPR reporting systems. TAPR reports will no longer be submitted to the contractor, but will be submitted

directly to ETA. States were urged to revise state databases so as to accommodate the new TAPR record layout. The new TAPR system was designed to be consistent with the WIA reporting system which utilizes the states' wage record data systems in order to facilitate state reporting on all dislocated workers. ETA later issued additional OMB-approved guidance in TEGL No. 11-00, dated March 2, 2001.

The new system relies on UI wage data to confirm employment and wages. Wage records are to be collected for the second and third full quarters, prior to the participant's most recent qualifying separation. Three full quarters of wage records following the quarter of exit will be collected for those who exit the programs to assess obtainment of employment, employment retention and changes, and employee wages. Suitable employment would still not be a specific reportable item on each participant.

The TAPR problems confirmed what we had detected in our administrative review of program organization and operations already discussed: the emphasis was on front-end activities of petition acceptances, petition approvals, participant eligibility determinations, participant training arrangements, etc., and allowed little time for participant outcome concerns. Program funding was based on petition approvals and estimated numbers of persons impacted by foreign competition and not on participant outcomes. Both program operations and reporting were affected by the lack of attention to program results.

CONCLUSION

This report is released some 27 years after TAA's enactment. However, the central weakness discussed in our 1993 audit report of the TAA program remains the chief problem identified in this audit of the Trade programs' administration. In 1993, we reported:

After 19 years of operation, neither ETA nor the states know whether the TAA program is effective in assisting workers to return to suitable employment in occupations not adversely affected by increased imports.

Then, we found virtually no information regarding the program's impact on participants, because there were neither systems in place nor requirements to collect data and determine what had become of participants after they left the program. In our 1993 report, we used the TAA's definition of "suitable employment" as we have done in this report, as one measure of the program's effectiveness in serving a sample of participants. ETA objected to our use of "suitable employment" and 80 percent wage-replacement calculation in the 1993 report. ETA commented that the criterion was vague, open to debate, and an arbitrary definition not appropriate for measuring program effectiveness.

Since our 1993 report was issued, a number of events have altered perspectives on the program. TAA has been amended several times, and the NAFTA-TAA program has been added to the assemblage of Labor's employment and training programs. Other legislation, such as the GPRA has encouraged action to establish reporting systems, gather data on participants, and evaluate performance against established measures. As previously discussed, ETA is instituting new performance reporting systems and measures to capture participant outcomes. Also, ETA departed from its previous position, and incorporated wage replacement goals into their FYs 2000 and 2001 performance measures.

However, barriers to assessing the program's effectiveness we identified in 1993 that were caused by lack of information and performance measures were also evident in this audit, because participant data captured by the systems were incomplete and unreliable. Adequate program monitoring continued to be a concern, and new systems to gather participant outcomes have only recently been implemented. In addition to improving the quality of program data, ETA faces the additional hurdle of encouraging the use of performance measurement to guide program operations. As discussed in Chapter III, program administrators in several of the states we visited did not view the performance measurement as a management tool. Rather, several voiced objections to the results being measured and viewed collection of data on participant outcomes as an accommodation to the Federal Government, not as information to be used in guiding the programs' operations.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Employment and Training ensure:

- ! States have suitable employment goals translated down to the local level of program services so that suitable outcomes are understood and pursued for each participant at the levels where training and services are actually provided.
- ! States have clear, uniform procedures for program termination with a uniform termination date which is linked to cessation of services or to known participant outcomes.
- ! States' trade adjustment activities are an integral part of their program evaluation and monitoring systems.
- ! ETA and the states monitor participant data in the new TAA reporting system to ensure the data are accurate and complete.

ETA'S COMMENTS ON THE DRAFT REPORT

The response indicates ETA is encouraged by some of this report's content, such as our findings that 72 percent of participants are reemployed at program exit, 77 percent of trained participants finding jobs, 91 percent of participants receiving some form of training, and 97 percent of participants receiving adequate assessments. ETA was also pleased that we found that training waivers were appropriately used, interprogram coordination was effective, and most participants gave the program high marks. (See Exhibit F for the entire text of ETA's response.)

However, ETA disagreed that achieving "suitable employment," as defined by the OIG, is a goal of the Trade Act programs that applies to individual participants. ETA argued neither the statute nor the regulations contain such as a goal and that the "suitable employment" standard is only one of the six criteria used to determine if training should be approved. The response makes a distinction between the definition of suitable employment we adopted and the wage replacement goal ETA recently established. ETA indicated its wage replacement goals of 80 percent for FY 2000 and 82 percent for FY 2001 are based on averages of all reemployed participants' wages nationwide, which are consistent with goals used by the dislocated worker program.

Regarding OIG's finding that one in four participants obtained program-assisted suitable employment, ETA pointed out that the statute and regulations require only that training provide a participant with "a reasonable expectation of employment." ETA believes it is important to acknowledge the difficulty participants have in making transitions from one field of work to another. In many cases, participants enter a new job at an entry level. In such situations, ETA contends it is unreasonable to expect that every entry level job will be equal to or greater than 80 percent of the worker's prior wages. ETA commented that using an average of all reemployed participants wages recognizes the reality that some participants will have greater success than others in attaining wages early in their new jobs.

ETA concurred with OIG's finding that program data reported by states were unreliable. OIG's review period was the first year of a new reporting system. ETA commented it was the first year states were required to report on Trade participant outcomes in the 25 years of the program's existence, and there were implementation problems. The response noted that a March 2001 OIG report on GPRA performance measures compared information in certain states' dislocated worker program files with participant data in their management information systems (MIS) and found no errors. The response indicates a new TAPR system, developed in FY 2001, is more closely tied with the WIA Dislocated Worker program's reporting system. ETA indicates new procedures and controls should lead to substantial improvements in reliability and accuracy of program and participant information.

Regarding OIG's recommendations, ETA agreed that communicating goals to local levels is important, and it will continue to work with states to ensure local offices are better aware of program expectations. OIG's recommendation for a uniform termination date will be accomplished by a "date of exit" with a definition the same as that used by the dislocated worker program. Improvements in program evaluation and monitoring will result from using a new program review guide to be implemented in FY 2002. Finally, ETA responded to OIG's recommendation that ETA and the states monitor participant data in the new system to ensure data accuracy by stating that the new system will be operated by ETA in house. ETA believes that the feedback mechanism will ensure that errors in submissions are identified and corrective action taken.

OUR EVALUATION OF ETA'S COMMENTS

Many of ETA's arguments with the definition of suitable employment we used in this report are identical to objections raised in its response to our 1993 report and appear contradictory. The argument that "suitable employment" is not a program goal conflicts with ETA's establishment of wage replacement goals for FYs 2000 and 2001. We believe there is an expectation that the program will help participants obtain suitable employment and that the concept is more than a convention useful in decisions on participant training or benefits.

The law defines the purpose of the program as returning individuals to suitable employment. We do not disagree with the use of general averages for overall program employment and suitable employment measurement. We recognize the methodology that ETA has adopted for measuring Trade program participants' post-program earnings, includes compromises to accommodate program data that are readily available, such as quarterly UI wage information, to determine participants post-program earnings.

We recognize the difficulty of many individuals who need additional education and/or are mature workers whose careers have been disrupted as a fallout from foreign trade. Entry level reemployment may be the only option for some individuals. We do not expect that every entry level job will be equal to or greater than 80 percent of the worker's prior wage. However, this should not deter ETA and the states from setting at least 80 percent wage replacement as a goal for each person. Few goals are ever attained 100 percent. The purpose of the legislation is to assist individuals in returning to suitable employment, not just to help them find a job.

We do not agree that the wage replacement measurement as implemented by ETA is a superior measure of program success than the suitable employment measure applied in this report. Under the methodology adopted by ETA, the wages of individuals are measured only if they were employed in both the first and third quarters after the quarter they terminated from the program. Consequently, only the more successful participants' earnings are used in wage replacement calculations. By using a method similar to this - persons employed at termination and at interview - for our sample of 561 interviewed participants, we determined that 201, or about 36 percent, would be excluded from calculations of wage replacement. The fact remains that when considering all participants in our sample, one person in three earned at least 80 percent of his/her former wages at program termination.

Concerning the accuracy of participant data, ETA acknowledged the difficulty of implementing the TAPR in its first year and discussed its attempts to improve the system. The response indicates that the OIG report of March 21, 2001, on GPRR performance measures indicates the data is now accurate.

We caution that participant data were often incomplete and the errors we identified were frequently errors of omission. As discussed, data on 20 percent (143 of 724) of the participants in our sample were never entered into the TAPR. Also, we found an additional 16 percent (113 participants) obtained employment, yet the TAPR reported placement outcomes as "unknown." We only found 19 cases in which the TAPR reported a job placement, which was incorrect. More rigorous monitoring of information at the point of entry is needed to ensure the data are complete. While editing and comparison of data that exists in a system is necessary, it alone will not identify missing information.

SAMPLING METHODOLOGY

The sample was stratified in a 2-stage cluster design. The states were first stratified into three separate strata according to the number of terminees provided us by the states. In total, 16 states were selected from the three strata and a random sample of terminees was drawn for each of the selected states. The states chosen for audit, the numbers of terminees in each state's universe for FY 1999, as reported in the final version of the TAPR, and the numbers provided by the States are shown below. The numbers shown in the "Auditor Universe" resulted from differences identified in verifying the data when we visited each state. The basic numbers of participants to be sampled, and the number actually sampled are as follows:

	TAPR <u>Universe</u>	State <u>Universe</u>	Auditor <u>Universe</u>	Basic <u>Sample</u>	Total Sample <u>Incl.Spares</u>	No. <u>Intrved</u>
<u>First Strata</u>						
New York	740	4,801	1,920	44	45	36
Texas	2,465	2,541	2,491	43	46	36
Tennessee	1,605	1,712	1,733	43	49	39
North Carolina	1,084	1,081	1,081	42	48	34
California	345	1,001	390	42	49	32
Kentucky	918	873	873	43	43	40
Georgia	997	810	810	43	43	41
Washington	608	659	580	43	43	42
<u>Second Strata</u>						
Louisiana	442	539	542	40	41	38
Indiana	214	465	426	40	49	32
Virginia	160	418	418	40	50	36
Missouri	270	270	251	40	45	33
Pennsylvania	92	251	1,227	40	50	38
<u>Third Strata</u>						
New Jersey	13	140	135	40	40	34
Florida	135	139	365	40	55	32
Wyoming	<u>23</u>	<u>17</u>	<u>28</u>	<u>17</u>	<u>28</u>	<u>18</u>
Totals	<u>10,111</u>	<u>15,717</u>	<u>13,270</u>	<u>640</u>	<u>724</u>	<u>561</u>

SAMPLING METHODOLOGY (Cont.)

The large variances among TAPR, state and auditor-adjusted universes were the result of errors reported to OIG. We used the universe telephoned to us by the states after we determined that TAPR was unreliable. The basic sample was selected from this number. However, as evident, some of the numbers telephoned were not accurate.

This sample was designed to yield a sampling precision of plus or minus 5 percent, at a 95 percent confidence level. The population parameters with their standard errors were estimated using Taylor linearization methodology. The survey data analysis software (SUDAAN) was used for this purpose without replacement methodology. The statistical weights were determined and used to compensate for unequal probability of selection of the terminees and nonrespondents within the sample of selected states.

A demographic profile of participants, broken out by those we were able to locate for interview and by those we could not, is shown as follows:

<u>Attributes</u>	<u>Percent of Interviewed</u>	<u>Percent of Not Interviewed</u>	<u>Percentage Difference</u>
Male	34.8	33.8	1.0
Females	65.2	66.2	-1.0
Blacks	13.7	10.8	2.9
Hispanics	10.8	18.9	-8.1
Whites	71.4	66.2	5.2
Partially Disabled	1.3	2.0	-0.7
Significantly Disabled	2.2	3.4	-1.2
Not Disabled	96.6	94.6	2.0
Less Than High School	18.4	22.3	-3.9
High School Graduate	58.7	60.8	-2.1
Above High School	22.9	16.9	6.0
Language Difficulty	7.2	12.1	-4.9
No Language Difficulty	92.8	87.2	5.6
Drawing UI	39.2	35.6	3.6
Exhausted UI	54.5	56.4	-1.9
No UI	6.3	8.1	-1.8
Average Separation Wage	\$11.46	\$11.42	.04
Average Age	45.4	42.2	3.2

EXHIBIT B

TOP INDUSTRIAL GROUPS AND OCCUPATIONAL CATEGORIES OF PARTICIPANT EMPLOYMENT BEFORE AND AFTER THE TRADE PROGRAMS

<u>Top Industrial Groups Jobs Held Before Program</u>	<u>Top Industrial Groups Jobs Obtained at Termination</u>	<u>Top Industrial Groups Jobs Held at Audit Interview</u>
Apparel Manufacturing	Health Services	Health Services
Electronics Mfg., Exc. Computers	Business Services	Business Services
Textile Mill Products Mfg.	Motor Freight & Warehousing	Apparel Manufacturing
Misc. Manufacturing	Educational Services	Educational Services
Industrial & Computers Equip. Mfg	Electronics Mfg., Exc Computers	Electronic Mfg., Exc. Compu.
Fabricated Metals Mfg.	Apparel Manufacturing	Misc. Manufacturing
Chemicals & Allied Products Mfg	Misc. Manufacturing	Personal Services
Measuring, Analyzing Equip. Mfg.	Misc. Retail	Misc. Retail

<u>Occupational Categories</u>	<u>Preprogram Categories</u>	<u>Program Term. Categories</u>	<u>Audit Interview Categories</u>
Professional, Technical, Managerial	8%	48%	54%
Clerical and Sales Services	7%	18%	15%
Agricultural, Fisher, Forestry, & Rel. Processing	1%	*0%	*0%
Machine Trades	6%	2%	3%
Bench Work	15%	7%	7%
Structural Work	49%	5%	6%
Miscellaneous	3%	3%	2%
	9%	7%	5%

*Less than .5 percent

COMPREHENSIVE LISTING OF TAPR ERRORS

Participant Data Element	Number of Cases with Errors
Social Security Number	144
Date of Birth	189
Gender	164
Race/ethnicity	178
Disability or Lack Thereof	209
Educational Level	266
English Language Proficiency	209
Most Recent Qualifying Job Separation Date	246
Hourly Wage at Qualifying Separation	367
Tenure with Qualifying Separation Employer	418
Date of Program Application	316
Petition Number	165
Program of Participation	155
Date Program Participation Began	315
Unemployment Compensation Status	279
Date Entered Training	200
Date Completed Training	254
Travel Allowances Paid While in Training	147
Trade Readjustment Allowances Were Paid	246
Waiver from Training Granted	202
Job Search Allowances Were Paid	145

COMPREHENSIVE LISTING OF TAPR ERRORS

Participant Data Element	Number of Cases with Errors
Relocation Allowances Were Paid	146
Subsistence or Supportive Services	160
Dot Occupational Code Group of Training	277
Types of Training Received	229
Basic Reemployment Services Provided	241
Other Federal Program Coenrollment	298
Date of Participant Program Termination	333
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Employment Hours Worked per Week	265
Employment Starting Hourly Wage	294
Employment Provided Fringe Benefits	270
Dot Code Group of Employment Obtained	299
Job Covered by Unemployment Insurance	228
Person Was Recalled by Layoff Employer	356

Note: Instances where participant data was improperly omitted from the TAPR are counted as errors.

**SUMMARY OF JOB SEARCH AND
PARTICIPANT RELOCATION INFORMATION**

Due to the exceptionally small numbers of trade assistance participants using the special components of job search or relocation, we did not discuss them in the body of this report. We are providing the information in this exhibit.

Job Search Component

Eleven persons appeared in our sample of 724 who experienced the job search component. Five of the eleven (45%) obtained suitable employment at program termination. Seven states were represented by job search participants.

Relocation Assistance

Fourteen individuals of the 724 in our sample received relocation assistance. Eight states provided all the relocation participants. Twelve of the 14 participants (86%) obtained suitable employment at program termination.

Job Search and/or Relocation Assistance Combined

Out of the 724 participants sampled in the 16 states, 21 (2.9%) individuals experienced either job search and/or relocation assistance. Fourteen (67%) obtained suitable employment at program termination. Eight of the 16 states in our sample had one or more persons receiving one or both of these services.

**COMPARISON OF PARTICIPANT OUTCOMES
AT TERMINATION AND AUDIT INTERVIEW**

<u>Outcome Measurement</u>	<u>Percentage at Termination</u>	<u>Percentage at Interview</u>
Employment	72	79
No employment	28	21
Suitable employment	34	52
Training-related employment	49	46
Suitable, training-related employment	23	32
“Program-assisted” employment	46	43
“Program-assisted” suitable employment	22	30
Employment, persons trained	74	80
Employment, persons not trained	54	72
Suitable employment, persons trained	34	52
Suitable employment, persons not trained	29	47
Employment, training completions	77	81
Employment, training noncompletions	68	77
Suitable employment, training completions	37	54
Suitable employment, training noncompletions	29	49
Training-related jobs, training completions	57	51
Training-related jobs, training noncompletions	24	31
Employment with job benefits	61	72
Remained with the termination employer	n/a	51
Employment, 45 years and older	63	71
Suitable employment, 45 years and older	27	45
Employment, males	78	83
Suitable employment, males	31	50
Employment, females	69	77
Suitable employment, females	35	53
Employment, white nonhispanics	74	80
Suitable employment, white nonhispanics	35	52
Employment, minorities	68	76
Suitable employment, minorities	31	52

**COMPARISON OF PARTICIPANT OUTCOMES
AT TERMINATION AND AUDIT INTERVIEW (Cont.)**

Examples of the various employment outcomes at program termination compared to results at audit interview were:

- **Training-related job at both termination and interview.** A general laborer separated from a paper manufacturer paying \$9.40 was trained as a medical service clerk and found employment as an administrative assistant with the American Red Cross, a training-related job which paid \$7.00 per hour. However, about one and one-half years later, the participant had a similar position at a hospital making \$12.16 per hour. This person rated the program as excellent and felt it helped with getting these jobs.
- **Suitable job at termination; unsuitable, training-related job at interview.** A former sewing machine operator with pay of \$8.84 per hour completed cosmetology training. This person obtained a full time job as an order filler for internet sales at a suitable rate of \$7.50 per hour. The person later changed jobs to become a hair dresser, training-related, but with a wage that fell to an unsuitable \$6.50 per hour.
- **Suitable, nontraining-related job at termination; no employment at interview.** A former shipping clerk, paid \$7.25 per hour completed training as a systems analyst and programmer. However, the person obtained employment as a truck driver at \$7.20 per hour, suitable but not training-related. By the time of audit interview, this person was unemployed.
- **No employment at termination or at interview - person retired.** An example of program participation followed by retirement was a person who had earned \$12.00 per hour as an assembler after a tenure of 40 years. After training, the person found no employment at either program termination or at interview. The person elected to retire.

EXHIBIT F

TEXT OF ETA'S RESPONSE TO THE DRAFT AUDIT REPORT

The complete text of ETA's response to the draft audit report follows this title page.



SEP 21 2001

MEMORANDUM FOR: JOHN J. GETEK
Assistant Inspector General
For Audit

FROM: EMILY STOVER DeROCCO *David Stover for*
Assistant Secretary

SUBJECT: Agency Comments on OIG Draft Report - Improving
The Trade Act Programs

Thank you for the opportunity to comment on the OIG draft report - Improving the Trade Act Programs. The draft audit report presents the results of the OIG work done in 16 states. Since the last OIG report in 1993, the Employment and Training Administration (ETA) has taken numerous actions to improve the Trade Act programs. It has instituted program performance measures and goals and has developed and implemented a participant outcomes reporting system.

These actions will enable ETA to gauge better the performance of the program in the various states where workers have been affected by increased imports. These improvements, which were in their first year of operation at the time of the OIG review, will provide more timely information concerning program results to help us and the states better manage the program.

With the passage of the Workforce Investment Act in 1998, the Trade Act programs became a mandatory partner in the Nation's workforce development system. This partnership will enable more effective utilization of workforce resources and better coordination of assistance to eligible program participants. Finally, the improvements reported by the OIG since its last report on the program, we believe, are the result of close work with the states on their management of training waivers and added emphasis on the need for training to secure new employment.

We are very encouraged by some of the reported findings in the draft report. The draft report shows that participants in the program are getting jobs when they leave the program. The draft report notes that 72% of the program participants were reemployed at time of exit from the program. While there are obviously many factors that go into a participant's returning to employment, this is an encouraging sign that the program does have a positive effect for those workers who lose their jobs because of trade. Further, the draft report shows some positive



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employment impacts for those participants who enroll in and complete training compared to those who do not enroll in training. The report also shows that 77% of those workers who enrolled in and completed training had success finding a job where 54% of those who did not participate in training had success finding a job. In the latter category, the OIG draft report notes that many of the workers had very marketable skills obviating the need for training. Again, we believe that the 77% number is a positive sign that training provided through the Trade Act programs is having a positive effect, namely the reemployment of workers.

Other encouraging program results noted in the draft report include: 91% of the Trade program participants received some form of training which was a 40 percentage point increase over what the OIG found in its previous review of the programs in 1993; 97% of participants received adequate assessments of their training needs; training waivers were appropriately used and documented; and interprogram coordination was effective and most participants gave the program high marks.

Comments on specific OIG findings:

OIG finding - While most program participants found jobs, fewer obtained suitable employment.

The OIG draft report notes that 72% of program participants found jobs when they left the program while 34% of these jobs fell within the definition of suitable employment" OIG also states that "suitable employment" is the purpose of the program. The OIG uses the following definition for "suitable employment" *work of a substantially equal or higher skill level than the worker's past adversely affected employment, and wages for such work at not less than 80 percent of the worker's average weekly wage.* The OIG reports that while many program participants were finding employment at program termination, "the programs were less successful in helping participants regain earnings they had lost as a result of being laid off, as 34 percent of program participants were suitably employed." The OIG also adds that ETA established a wage replacement goal of 80% for participants exiting the program for FY 2000 and 82% for FY 2001.

ETA disagrees that achieving "suitable employment," using the definition embraced by the OIG, is the goal of the Trade Act programs for each participant in those programs. Neither the statute nor the regulations state such as a goal. The "suitable employment" standard used by the OIG is only one of the six criteria in Section 236 of the Act to determine if training should be approved. When added to the Act in 1981, it was Congress' intent to ensure that a worker would not be denied UI or Trade Act program benefits because he or she left work that was not suitable employment to enter training. Thus, this was not a required performance goal of the program but rather one of several decision criteria used to trigger training for an affected worker without a denial of income support benefits.

ETA's wage replacement goals of 80% for FY 2000 and 82% for FY 2001 are calculated based on an average of all reemployed program participants' wages nationwide. The goal is consistent with the goals used by the dislocated worker program operated under JTPA and now WIA. This goal allows for a distribution in wages recognizing the reality that some participants will have greater success than others in attaining wages early on in their new jobs, perhaps because of higher skill levels attained or because more and better job opportunities are available in a specific location where layoffs occurred. For the OIG's sample of participants, the average wage replacement rate was 73%.

OIG finding - One in four participants obtained program-assisted suitable employment.

The statute and the regulations require only that approvable training have "a reasonable expectation of employment" Moreover, both the statute and the regulations note that such a reasonable expectation does not require that employment opportunities be available, or offered immediately upon completion of training. Congress likely recognized that, for some trade impacted dislocated workers, achieving "suitable employment" by the above definition would not be possible even after workers received the training which they were qualified to undertake.

In examining the quality of the new jobs that Trade program participants obtain, it is important to acknowledge the difficulty in making the transition from one field of work to another. For those participants interviewed by OIG, 77% of them had a high school degree or less and the average age was 45 years old. In many cases, workers exiting from a Trade Act training program and entering a new job will do so at an entry level. In these situations, it is unreasonable to expect that every entry level job will be equal to or greater than 80% of the worker's prior wages, particularly if he or she had worked in the previous job for a number of years.

ETA's wage replacement goals for FY 2000 and FY 2001 are calculated based on an average of all reemployed program participants' wages nationwide. The goal is consistent with the goals used by the dislocated worker program operated under JTPA and now WIA. While this goal does allow for disparity in wages, it also recognizes the reality that some participants will have greater success than others in attaining wages early on in their new jobs perhaps because of higher skill levels attained or because more and better job opportunities are available in a specific location where layoffs occurred.

OIG finding - Program data were unreliable.

Regarding the OIG's findings that program data reported by states were unreliable, we concur. When the OIG began its review, ETA advised that the year selected for review was the first year of a new reporting system. This was the first year that states were required to report on Trade

participant outcomes in the 25 years of the program's existence. We recognized that with any new system there would be growing pains, and such was the case with the Trade Act Participant Report (TAPR) system. ETA spent considerable time working with states to assure compliance with quarterly reporting schedules. Also, ETA worked closely with the west coast contractor responsible for maintaining the agency's reporting system to try to gauge accuracy and reliability. We would like to note that in the OIG report of March 21, 2001, *GPR Performance Measures Audit of Dislocated Worker (DW), Trade Adjustment Assistance (TAA), and North American Free Trade Agreement - Transitional Adjustment Assistance (NAFTA-TAA) Programs*, the OIG sampled TAA and NAFTA-TAA participant case files at the various states in the review. The OIG concluded that the "dislocated worker participant files in each state and the comparison of file information with the information recorded in the state's MIS for that participant ... exactly matched the information produced by the state's MIS for those participants."

In FY 2001, a new TAPR system was developed and implemented which more closely ties to the WIA dislocated worker reporting system. This new system will be managed in-house by ETA rather than relying on an outside contractor. Also, a major evaluation effort is currently underway to develop necessary procedures to ensure data reliability for ETA reporting systems. The TAPR is part of this evaluation. We believe the aforementioned efforts will lead to substantial improvements in the reliability and accuracy of program and participant information reported by states via the TAPR.

Below are our specific comments on the OIG recommendations to the Assistant Secretary for ETA:

OIG recommendation: Ensure states have suitable employment goals translated down to the local level of program services so that suitable outcomes are understood and pursued for each participant at the levels where training and services are actually provided.

ETA supports the concept of performance-based management of the Trade Act programs as evidenced by its actions in establishing performance measures and goals pursuant to the Government Performance and Results Act. Communicating goals down to the local level is important. Many states operate the Trade Act programs from the state level. However, with the passage of the WIA, closer coordination between dislocated worker programs is mandated and the Trade Act programs are part of Memoranda of Understanding prepared for local One Stop Center operations in the states. We will continue to work closely with states to ensure local offices are better aware of Trade Act program expectations.

OIG recommendation: Ensure states have clear, uniform procedures for program termination with a uniform termination date which is linked to cessation of services or to known participant outcomes.

The revised TAPR outcomes data system implemented in FY 2001 employs the same definitions of "exiter" and "date of exit" as the outcomes data system for the dislocated worker program of WIA. Applying only one definition of exiter to all dislocated worker programs should lead to the states more accurate and consistent treatment of participants' exit dates.

OIG recommendation: Ensure states' trade adjustment activities are an integral part of their program evaluation and monitoring systems.

ETA has developed a new Trade Act program review guide which will be implemented in FY 2002. The guide has been designed for state and federal staff to conduct joint reviews, if desired, to assess the program. The guide contains several questions designed to enable reviewers to assess the degree to which Trade Act program activities are evaluated and monitored by the states as part of their regular evaluation and monitoring activities.

OIG recommendation: Ensure ETA and the states monitor participant data in the new TAA reporting system to ensure data are accurate and complete.

The TAPR is now operated by ETA in-house at the national office level. The data are stored in a database on ETA's local network. The Trade Act program office and the ETA Office of Technology and Information Services are working together to evaluate the state submissions of data and using an effective feedback mechanism to the states and ETA regional office to ensure that any errors in submissions are immediately identified and corrective action quickly taken. Also, the TAPR is part of an agency-wide effort to evaluate reporting systems where procedures will be developed to ensure data reliability.

Again, we appreciate the opportunity to comment on your draft report.