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Trade Adjustment Assistance: Helping Workers Harmed by Global Competition In the Market for Services

Overall, increasing trade can boost economic activity and increase domestic employment, but those benefits come at a cost to some American workers. Some workers find themselves laid off or earning less when competition from imports causes domestic firms to downsize or shut down.¹ Advancements in technology have made it easier to move not only manufacturing, but also services, to other countries (a phenomenon referred to as “offshore outsourcing” or “offshoring”), harming workers in industries and occupations once viewed as immune to offshoring. Call center operators and data entry specialists were among the first service workers to lose jobs to trade, but now x-ray technicians, computer programmers and others are at risk of losing their jobs to overseas competition.

In order to lessen the negative effects of trade for these workers, Congress and the federal government provide financial and job training assistance through the Trade Adjustment Assistance program (TAA). In 2009, Congress expanded TAA to cover service workers² whose jobs comprise over 80 percent of non-government employment in the U.S.³ This necessary change is currently temporary, and policymakers must more closely examine ways to better prepare the U.S. workforce to successfully meet the challenges of global competition in the market for services.

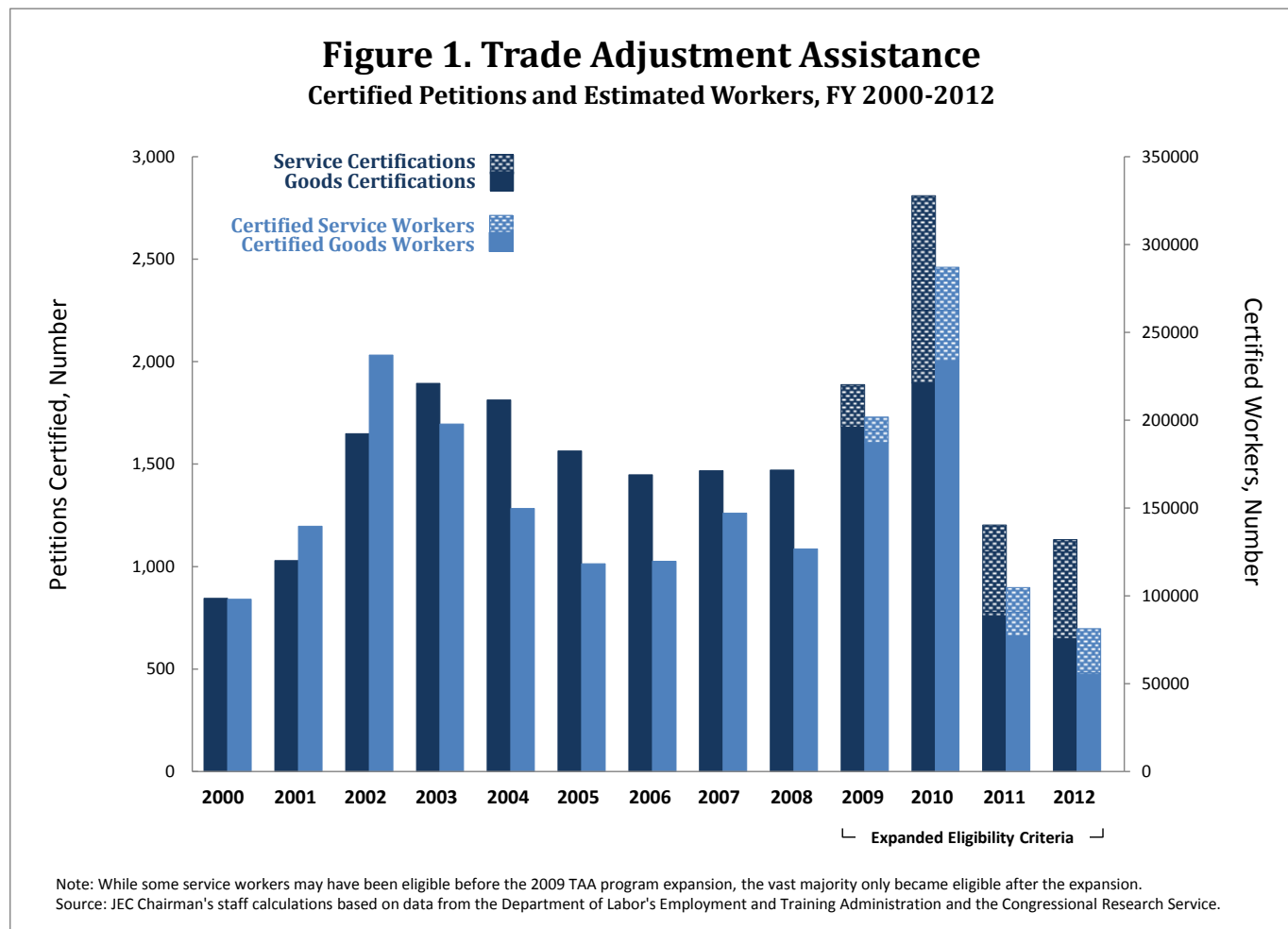
Service-Sector Workers Have a Growing Role in the U.S. Economy

Trade Adjustment Assistance dates back to 1962 when manufacturing was considered the backbone of U.S. employment.⁴ At that time, eligibility was limited to production workers who lost their jobs due to an increase in imports.⁵ However, over the past half-century, the U.S. economy has transitioned from a goods-producing economy to one rooted in the provision of services. In fact, service-providing jobs’ share of private-sector employment has been steadily increasing in the post-World War II era. Service jobs, which were just over half of private employment in 1945, now account for more than four-fifths of all jobs in the private sector.⁶

Since the mid-2000s, economists have cautioned that many of these service jobs are vulnerable to offshoring.⁷ Indeed, U.S. imports of services grew by an annual average of 7 percent over the past 20 years, and imports of “other private services” which include business, professional, and technical services that can often be moved overseas grew by 11 percent over the same period.⁸ Recognizing this trend, Congress expanded TAA to cover workers in the service sector as part of the 2009 Recovery Act.⁹ The expanded program was extended in 2011 and is now scheduled to expire at the beginning of 2014.

One-Third of New TAA-Certified Workers Are in the Service Sector

TAA petitions filed by trade-displaced workers provide an approximation of the number of U.S. jobs lost from trade.¹⁰ While varying economic conditions and other program changes undoubtedly affected the number of petitions filed for assistance in a given year, the expansion of TAA to cover service workers clearly led to an increase in the number of certifications. (See **Figure 1**.) Following the program's expansion, both the number of petitions certified by the Department of Labor's Employment and Training Administration (ETA) and the number of workers covered by those petitions spiked in 2009 and 2010.¹¹ (See **Figure 1**.) The large drop in certifications in 2011 was most likely due to improving U.S. labor market conditions.¹² Furthermore, although the 2011 TAA reauthorization extended the broader eligibility criteria retroactively, it is likely that some workers who opted not to file petitions during the 8-month period when eligibility reverted back to the 2002 program and was limited to production workers, never filed applications for retroactive benefits. Certifications of TAA petitions in 2012 were down slightly from 2011; during 2012, ETA certified 1,131 petitions covering 81,253 workers.¹³



The ongoing movement of service jobs overseas is evident in TAA petitions since the 2009 expansion. The patterned bars in **Figure 1** show that a significant portion of certified petitions in each of the last four years has been for workers in the service sector. While these include some production workers in the service sector that would have been eligible before the expansion, the vast majority were only eligible because of the expanded program.¹⁴ Looking across industries,

Table 1 shows that the service sector accounted for more than 42 percent of certified petitions in 2012. Those petitions covered over 26,000 workers, or 32 percent of all new TAA-certified workers during the fiscal year. Within the service sector, the greatest number of workers was in Administrative and Waste Services (8,599 workers), which includes employment services and business support services. The second largest group of workers was in Information (5,294 workers). Not surprisingly, workers in Manufacturing still made up the majority of new TAA-certified workers in 2012.

Table 1. Trade Adjustment Assistance Certifications by Industry Sector				
Fiscal Year 2012				
	Petitions Certified		Estimated Number of Workers	
Industry Sector	Number	Percent of Total	Number	Percent of Total
Goods-Producing Sectors	649	57.4%	55,132	67.9%
Manufacturing	645	57.0%	54,678	67.3%
Construction, Agriculture, Forestry, Fishing and Hunting	4	0.4%	454	0.6%
Service Sectors	482	42.6%	26,121	32.1%
Professional, Scientific and Technical Services	136	12.0%	3,780	4.7%
Information	114	10.1%	5,294	6.5%
Finance and Insurance	105	9.3%	3,304	4.1%
Administrative and Waste Services	57	5.0%	8,599	10.6%
Wholesale Trade	16	1.4%	973	1.2%
Retail Trade	15	1.3%	626	0.8%
Transportation and Warehousing	14	1.2%	1,415	1.7%
Other Services	25	2.2%	2,130	2.6%
Total	1,131	100.0%	81,253	100.0%
Note: Certifications are classified by NAICS code which indicates the broad type of work done by the firm. Using this method, excludes workers in service occupations who were employed in non-service firms or industries and includes workers in production occupations who were employed in service firms or industries.				
Source: JEC Chairman's staff based on data from the Department of Labor's Employment and Training Administration provided on October 16, 2012. "Other Services" include the following industry sub-categories: Health Care and Social Assistance; Other Services; Management of Companies and Enterprises; Real Estate, Rental and Leasing; Utilities; and Educational Services.				

Global Competition for Services Widens the Geographic Impact of Trade

The trend towards moving service jobs overseas means not only that more U.S. workers are vulnerable to offshoring, but also that the geographic impact of international trade is shifting. Regions that were once largely immune to job losses from trade because they did not have a large manufacturing base are now being impacted. The extent of the impact of international trade on U.S. workers varies across the country. California (7,214 workers) and Ohio (7,082 workers) had the greatest number of new TAA-certified workers in 2012, followed by New York (4,262 workers), Texas (4,204 workers), Arkansas (4,169 workers) and Pennsylvania (4,013 workers). While no part of the country was spared, the South census region had the largest number of petitions

certified during 2012—400 petitions covering 30,821 workers, followed by the Northeast and West. In the Northeast, 260 petitions were certified, covering 15,702 workers. The West had 240 petitions certified covering 15,842 workers, and the Midwest had 230 petitions certified covering 18,692 workers.

Nationwide, 42.6 percent of the certifications were in the service sector, covering 32.1 percent of the certified workers, but there was considerable variation across regions and states. As **Table 2** shows, the South census region had the most TAA-certified service workers. During 2012, 12,307 workers, or roughly 40 percent of this region's new TAA-certified workers had been employed in the service sector, while in the Midwest, service-sector workers accounted for only 15 percent of newly certified workers. States that had the largest number of service-sector workers certified for TAA were California (2,647 workers), Florida (2,469 workers), Texas (2,444 workers) and Massachusetts (2,228 workers). In California, the 2,647 service-sector workers made up just over one-third of all new TAA-certified workers; in Florida, Texas and Massachusetts, service-sector workers comprised between 58 and 70 percent of all new TAA-certified workers.

Tailoring Education and Job Training to Protect Workers

Education has long been viewed as a remedy for helping workers harmed by trade. Job training in advanced manufacturing has helped displaced production workers find employment in growing segments of the industry based in the United States. However, for service workers, there is an important distinction between “personal” services that must be performed in person, and those that are “impersonal” and can be delivered remotely. As economists have pointed out, impersonal services are at much higher risk for being offshored.¹⁵ The fact that they can be performed anywhere by an aptly trained individual makes moving these services to countries with lower-cost labor very attractive to companies seeking to make a profit. On the other hand, the offshoring of personal service jobs is far more difficult and unlikely to happen. The distinction between the two types of services spans all education and skill levels, which means that promoting higher levels of education is not a “one size fits all” solution when it comes to protecting service workers from global competition.

Still, educating the workforce of tomorrow will always be critical to the country's economic success. First, there are a number of jobs that face a lower risk of competition from offshoring—in fact, three-quarters of U.S. jobs are unlikely to face overseas competition.¹⁶ Educating and training workers for those jobs will ensure there is a highly-skilled workforce to meet the demand for such services. In addition, economists have recognized an innovation cycle where domestic production can help spur innovation in the delivery of services and other business processes. Education plays an integral role in fostering innovation when inquisitive minds ask if there is a faster, better, or simpler way to get the job done. While there may be overseas competition in the traditional delivery of some services, preparing workers with education and training in order to have a labor force ready to harness the potential of future innovations in services will also spur economic growth.¹⁷

For now, the current expansion of TAA to service-sector workers will help mitigate the harmful effects that advancements in communication and technology have brought in the form of global competition. However, policymakers must examine the stock of existing education and job training systems to ensure they are preparing American workers for the U.S. jobs of the future.

Table 2. Trade Adjustment Assistance Service Certifications by State and Census Region
Fiscal Year 2012

		Service-Related Certifications		Certified Service Workers		
Census Region	State	Number of Certifications	As a Share of All Certifications	Estimated Number of Service Workers	As a Share of All Certified Workers	
Northeast						
	Connecticut	18	56.3%	308	26.6%	
	Maine	6	54.5%	88	25.0%	
	Massachusetts	23	47.9%	1,632	48.4%	
	New Hampshire	2	25.0%	16	3.1%	
	New Jersey	15	57.7%	404	25.4%	
	New York	32	50.0%	939	22.0%	
	Pennsylvania	17	26.6%	1,216	30.3%	
	Rhode Island	3	60.0%	342	87.9%	
	Vermont	1	50.0%	0	0.0%	
	Northeast Total	117	45.0%	4,945	31.5%	
Midwest						
	Illinois	23	63.9%	857	52.6%	
	Indiana	6	23.1%	68	3.7%	
	Iowa	7	58.3%	81	12.2%	
	Kansas	3	50.0%	412	65.0%	
	Michigan	6	23.1%	211	14.4%	
	Minnesota	11	61.1%	234	12.1%	
	Missouri	7	35.0%	30	2.4%	
	North Dakota	0	N/A	0	N/A	
	Nebraska	0	0.0%	0	0.0%	
	Ohio	20	37.7%	739	10.4%	
	South Dakota	2	100.0%	86	100.0%	
	Wisconsin	5	16.7%	33	1.6%	
	Midwest Total	90	39.1%	2,751	14.7%	
South						
	Alabama	1	12.5%	561	57.4%	
	Arkansas	7	38.9%	930	22.3%	
	Delaware	0	N/A	0	N/A	
	District of Columbia	0	N/A	0	N/A	
	Florida	24	60.0%	1,035	29.1%	
	Georgia	20	51.3%	139	8.0%	
	Kentucky	7	46.7%	1,759	80.8%	
	Louisiana	12	60.0%	1,661	59.8%	
	Maryland	4	30.8%	42	9.5%	
	Mississippi	3	33.3%	20	8.5%	
	North Carolina	15	25.0%	882	27.8%	
	Oklahoma	6	66.7%	30	6.5%	
	South Carolina	7	25.9%	151	8.2%	
	Tennessee	10	32.3%	514	17.0%	
	Texas	38	64.4%	2,561	60.9%	
	Virginia	20	58.8%	121	8.9%	
	West Virginia	2	11.1%	153	21.9%	
	South Total	176	44.0%	10,559	34.3%	
West						
	Alaska	0	N/A	0	N/A	
	Arizona	6	75.0%	284	45.4%	
	California	48	47.1%	2,145	29.7%	
	Colorado	31	83.8%	905	73.3%	
	Hawaii	0	N/A	0	N/A	
	Idaho	9	69.2%	131	29.6%	
	Montana	1	100.0%	1	100.0%	
	Nevada	1	25.0%	298	52.3%	
	New Mexico	4	66.7%	40	11.5%	
	Oregon	14	45.2%	707	36.1%	
	Utah	4	50.0%	177	53.0%	
	Washington	12	40.0%	589	18.9%	
	Wyoming	0	N/A	0	N/A	
	West Total	130	54.2%	5,277	33.3%	
		Puerto Rico	0	0.0%	0	0.0%
	United States Total		513	45.4%	23,532	29.0%
Source: JEC Chairman's staff based on data from the Department of Labor Employment and Training Administration provided on October 16, 2012.						

Sources:

¹ For exporters of U.S.-produced goods and services, trade-promoting policies can expand entry to overseas markets, while access to foreign imports can provide U.S. consumers with less-expensive foreign goods, including lower-cost raw materials.

² Collins, Benjamin. "Trade Adjustment Assistance for Workers." *Congressional Research Service*. Washington, D.C. July 2012. TAA for workers was expanded under the Trade Globalization Adjustment Assistance Act of 2009 (TGAAA), which was enacted as part of the American Recovery and Reinvestment Act ("2009 Recovery Act," P.L.111-5). Among the changes made to the program, TAA was expanded to cover service-sector workers.

³ JEC Chairman's staff calculation based on BLS Establishment Survey data. As of November 2012, private service-providing employment was 83.6 percent of all private-sector employment.

⁴ Collins, 2012.

⁵ Ibid.

⁶ JEC Chairman's staff calculation based on BLS Establishment Survey data. Private service-providing employment was 52.6 percent of all private-sector employment in 1945 and 83.5 percent in 2011.

⁷ Blinder, Alan. "Offshoring: The Next Industrial Revolution?" *The Council on Foreign Relations*. March/April 2006.

⁸ JEC Chairman's staff calculation based on data from the Bureau of Economic Analysis (U.S. International Trade in Goods and Services, Annualized Growth, 2002-2011). For a discussion of the prior 10 years (1992-2002), see Kozlow, Ralph H. and Maria Borga. "Offshoring and the U.S. Balance of Payments." July 2004. Presented at The Brookings Institution in Washington, D.C. on June 22, 2004.

⁹ Collins, 2012. The expanded TAA for Workers program was reauthorized by the Trade Adjustment Assistance Extension Act of 2011 (TAAEA, Title II of P.L. 112-40).

¹⁰ The number of TAA-certified workers does not provide an exact measurement of the number of U.S. workers displaced by international trade. There may be a significant number of trade-displaced workers who are not aware of the program or do not participate in the program. In the absence of a precise count of these workers, this report uses data on TAA certifications to highlight the problem of offshoring of service-sector jobs.

¹¹ Data are from the Department of Labor's Employment and Training Administration and refer to fiscal years.

¹² The improving labor market at the end of 2010 likely reduced the number of workers who could apply for TAA benefits because only workers who lost jobs were eligible for benefits. Overall, private-sector employment increased by 2.0 million between October 2010 and September 2011 (FY2011), compared with an increase of 384,000 between October 2009 and September 2010 (FY2010), and a decrease of 6.5 million between October 2008 and September 2009 (FY2009).

¹³ Data on certifications for FY2012 provided to the JEC Chairman's staff by ETA on October 16, 2012.

¹⁴ For example, in 2011, ETA certified three petitions in the "Professional, Scientific, and Technical Services" industry sector and five petitions in the "Information" industry sector under the more limited 2002 program criteria. See "Trade Adjustment Assistance for Workers: Fiscal Year 2011 Report to the Committee on Finance of the Senate and Committee on Ways and Means of the House of Representatives." *Department of Labor*. Table 5. p.13. December 2011.

¹⁵ Blinder, Alan. "Preparing America's Workforce: Are We Looking in the Rearview Mirror?" *Forum for the Future of Higher Education*. Cambridge, MA. 2007.

¹⁶ Blinder, Alan & Alan Krueger. "Alternative Measures of Offshorability: A Survey Approach." *National Bureau of Economic Research*. Cambridge, MA. August 2009.

¹⁷ For example, see Garner, C. Alan. "Offshoring in the Service Sector: Economic Impact and Policy Issues." Federal Reserve Bank of Kansas City. Economic Review, 3rd Quarter 2004.