

## U.S. Trade Adjustment Assistance Program Increasingly Targets Workers in the Services Sector

Joanne Guth, Office of Economics, [Joanne.Guth@usitc.gov](mailto:Joanne.Guth@usitc.gov)  
 Joann Peterson, Office of Industries, [Joann.Peterson@usitc.gov](mailto:Joann.Peterson@usitc.gov)

*The Trade Adjustment Assistance (TAA) program provides assistance to workers in both the manufacturing and services sectors whose jobs have been adversely affected by import competition.<sup>1</sup> Although the majority of U.S. workers that receive TAA benefits are employed by manufacturing firms, a growing proportion of participants are from the services sector. The gradual shift towards services workers is largely due to 2009 legislation that extended TAA benefits to workers employed by services firms. In addition, the rise of services offshoring, particularly in the “tradable” sectors such as professional and financial services, has also led to an increase in applications by services workers for TAA benefits. U.S. Department of Labor data on the number of services workers receiving TAA benefits as a share of total workers receiving TAA benefits increased from 19% in FY2010, the first full year that services workers were TAA eligible, to 33% in FY2016, the most recent year for which data are available. To the extent that services continue to become a larger part of the U.S. economy, it is likely that this trend will continue.*

**Brief history of services coverage under the TAA program:** TAA, first established under the Trade Expansion Act of 1962 (P.L. 87-793), provides assistance to U.S. workers who have been adversely affected by import competition. For over 40 years, the TAA program only covered workers involved in the production of “articles,” (meaning material goods). In 2009, reauthorization of TAA, under the American Recovery and Reinvestment Act (ARRA), extended eligibility for TAA benefits to workers in the services sector. These benefits were retained under the Trade Adjustment Assistance and Extension Act (TAAEA) of 2011 (Title II of P.L. 112-40). However, on December 31, 2013, certain provisions of the TAA program expired and the program began operating under sunset provisions enacted by TAAEA known as “Reversion 2014.” Reversion 2014, which became effective on January 1, 2014, ended eligibility for services workers, with the exception of those employed in the manufacturing sector, such as office workers employed at a manufacturing plant. In June 2015, TAA was once again reauthorized, this time under the Trade Adjustment Assistance Reauthorization Act (Title IV of P.L. 114-27). The 2015 reauthorization of TAA reinstated eligibility for services workers and extended the program until June 30, 2021.

**Rising Demand for TAA Coverage in Services Sector:** In the past decade, research has focused on the emergence of tradable services (i.e., services that can be provided across borders enabled, in part, by digital trade) and the offshoring of high-skilled jobs in the services sector.<sup>2</sup> Service sectors affected by offshoring include business, finance, and information services, among others. These services encompass a range of medium to high skilled tasks—from call center, computer data processing, and credit card services to accounting, architecture, legal, and computer programming services. Although service sector workers in tradable service industries tend to be higher skilled and receive higher wages than those in the manufacturing sector, they are nonetheless affected by job dislocation due to offshore outsourcing just as workers in the manufacturing sector are. However, high-skilled services workers tend to find alternative employment more readily than workers in the manufacturing sector. The rise in services offshoring, and the inclusion of the

<sup>1</sup> For background information on TAA, see Guth, Joanne and Jean Lee, “A Brief History of the U.S. Trade Adjustment Assistance Program for Workers,” *USITC Executive Briefing on Trade*, January 2017; and “Evaluations of the Trade Adjustment Assistance Program for Workers: A Literature Review,” May 2017, *USITC Executive Briefing on Trade*, [https://www.usitc.gov/research\\_and\\_analysis/executive\\_briefings.htm](https://www.usitc.gov/research_and_analysis/executive_briefings.htm).

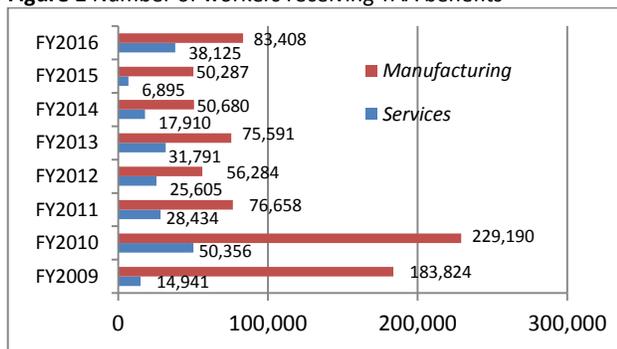
<sup>2</sup> See, for example, Jensen and Kletzer, “Tradable Services: Understanding the Scope and Impact of Services Outsourcing,” Institute for International Economics, Working Paper Series, WP 05-9, September 2005. <https://piie.com/publications/wp/wp05-9.pdf>.

**Disclaimer: The views expressed are those of the authors and not those of the USITC or any of its Commissioners.**

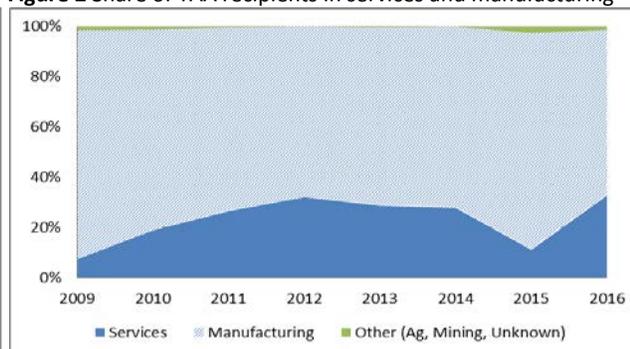
services sector in TAA legislation, has led to an increase in services workers applying for TAA benefits.

**Manufacturing workers accounted for the majority of TAA certifications during FY2009–FY2016, while certifications for services workers grew:** Overall, the share of service sector workers in the total number of workers certified as eligible for TAA increased gradually until FY2012 and stabilized thereafter. The only exception was a drop in FY2015, which reflected the implementation of Reversion 2014 (figures 1 and 2). TAA certifications in the services sector between FY2009 and FY2016 demonstrated that workers in tradable services industries—namely, professional, administrative, information, and financial services—were most likely to apply for and receive TAA benefits based on the total number of TAA recipients from that category (figure 3). The proportion of TAA-certified workers in transportation and warehousing services (19,173 workers or 8.6%) and wholesale trade (16,191 workers, or 7.1%) was also high, relative to other services sectors.

**Figure 1** Number of workers receiving TAA benefits

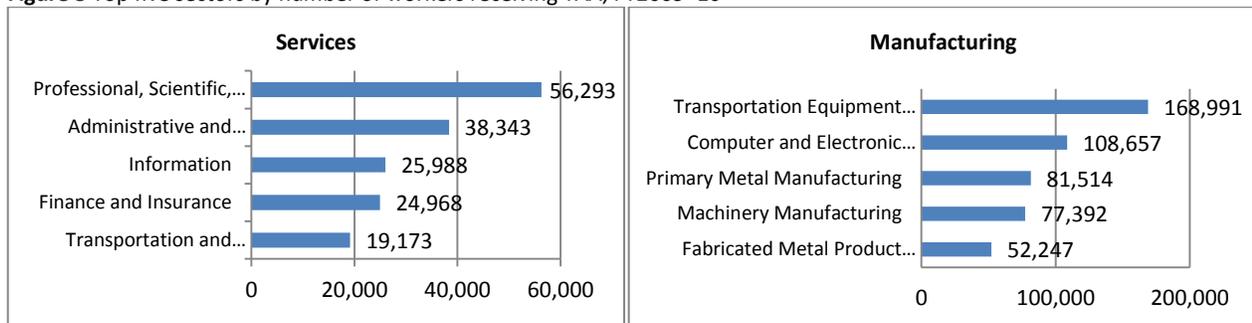


**Figure 2** Share of TAA recipients in services and manufacturing



Although services workers now account for an important share of the total number of workers certified, manufacturing workers still accounted for 77.6% of workers certified during FY2009–FY2016. Nearly half were certified in these top 5 industries: transportation equipment, computer and electronic products, primary metal manufacturing, machinery manufacturing, and fabricated metal manufacturing (figure 3). Overall, the number of manufacturing workers certified eligible for TAA benefits increased 3.8% annually over the past 5 years, with 4 out of the top 5 manufacturing sectors showing increases.

**Figure 3** Top five sectors by number of workers receiving TAA, FY2009–16



**Outlook:** The current TAA program is scheduled to expire in June 2021. As the services share of the U.S. economy continues to grow, and as tradable services and offshoring increase, the number of services workers eligible for TAA would likely rise. At the same time, workers in the manufacturing sector will continue to apply for TAA, as manufacturing remains an important part of the U.S. economy and as workers in this sector are affected by technology, offshoring, and competition from U.S. imports.<sup>3</sup>

<sup>3</sup> For further discussion see for example, Peterson, Joann, “The Impact of Trade and Technology on the U.S. Labor Market: Summary of USITC Roundtable Discussion,” *Journal of International Commerce and Economics*, August, 2017. <https://www.usitc.gov/journals>.

**Disclaimer:** The views expressed are those of the authors and not those of the USITC or any of its Commissioners.