

# **DAY** **ONE** **PROJECT**

## **Making the Trade Adjustment Assistance Program Work for the New Economy**

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August 2021

## Summary

Existing technology could automate nearly half of all work activities today.<sup>1</sup> As society continues to embrace artificial intelligence (AI), robotics, and automation, companies will need fewer workers or workers with new skills, leading to displacement. The government must assist the American workforce with acquiring skills demanded by the modern workplace and support workers in transitioning to the new economy. To do so, the Biden-Harris administration should push Congress to evolve the Trade Adjustment Assistance (TAA) program into the Trade and Technology Adjustment Assistance program (TTAA) to help workers displaced not just by trade but also by advancements in emerging technologies, such as AI and robotics.

The expanded TAA program should include (1) a centralized administrative infrastructure, (2) a cutting-edge and comprehensive upskilling platform, and (3) “rainy day” funds for temporary worker assistance. The comprehensive upskilling platform, in particular, sets the proposal outlined in this memo apart from other proposals to update TAA, such as the TAA for Automation Act of 2019.<sup>2</sup> The TAA for Automation Act aims to include workers displaced by automation as a group eligible for TAA services. TTAA proposed herein goes further, seeking to rethink TAA’s upskilling and training component from the ground up.

## Challenge and Opportunity

While technological disruptions of labor markets are not new, the wave of change that AI, robotics, and automation represent is unprecedented. A vast number of jobs will be disrupted by these emerging technologies, leaving Americans without income, healthcare, and retirement benefits. McKinsey & Company estimates that five percent of American jobs (about six million in total) could be automated out of existence with today’s technology. That number will continue to rise as technology continues to develop. There is also concern among business leaders that workers do not have the right skills for the modern era. In a 2020 study by PricewaterhouseCoopers, 74% of CEOs expressed concerns that too few Americans possess the skills required by the jobs of the future.<sup>3</sup>

The Biden-Harris administration has championed emerging technologies as a way to maintain economic competitiveness and national security, proposing billions of dollars of investment in science and technology as a part of the American Jobs Plan (AJP).<sup>4</sup> But if we as a nation embrace such technologies for their benefits, then we also have a duty to help workers bearing the brunt of associated displacement costs.

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<sup>1</sup> Michael Chui, James Manyika, and Mehdi Miremadi, “Four Fundamentals of Workplace Automation,” *McKinsey & Company*, 2015, <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/four-fundamentals-of-workplace-automation>.

<sup>2</sup> US Congress, Senate Committee on Finance, *TAA for Automation Act of 2019*, S. 3034, 116th Cong., 1st sess., introduced in Senate December 12, 2019, <https://www.congress.gov/bill/116th-congress/senate-bill/3034?s=1&r=1>.

<sup>3</sup> “Upskilling: Building confidence in an uncertain world,” *PricewaterhouseCoopers*, 2020, <https://www.pwc.com/gx/en/ceo-survey/2020/trends/pwc-talent-trends-2020.pdf>.

<sup>4</sup> The White House, “Fact Sheet: The American Jobs Plan,” 2021, Web, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>.

Upskilling is the first priority. To be hired for jobs of the future, workers must have the requisite skills. While the private sector has sponsored some efforts to upskill America's workforce, only 21% of businesses report having the resources needed to launch upskilling programs.<sup>5</sup> Hence, there remains a large gap between the support workers need to cope with technology-driven dislocation and the private sector's support or ability to provide assistance. This is a gap that the federal government can and should fill.

## Plan of Action

The existing TAA program already provides displaced workers with job retraining, income support, and counseling. However, the program currently focuses on one-time displacements resulting from international trade deals. The Biden-Harris administration should push Congress to evolve the TAA program into an expanded TTAA program that would help workers displaced not just by trade but also by advancements in emerging technologies, such as AI and robotics.

AJP recommends allocating \$100 billion to support job-creation and workforce-development programs across communities and labor-market sectors. TTAA would require only a fraction of this amount because it (1) centers on workers explicitly displaced by automation, and (2) builds on an existing program. Indeed, leveraging TAA's existing infrastructure represents a meaningful opportunity for budget savings. Appropriations for TAA were \$634 million in FY21.<sup>6</sup> Our proposal for TTAA, outlined in further detail below, would require funding of \$843 million: a roughly 33% increase over current appropriations to cover modest growth in overhead, updated and expanded reskilling and job-search-assistance programs, funding for healthcare and wage insurance, and several other items.

While TTAA would cover only a subset of those included in AJP, it would complement and help pave the way for AJP in important ways. President Biden has called on Congress to invest in "wrap-around" services for workers in need of help.<sup>7</sup> TTAA will do just that by including services such as transportation and childcare in its definition of temporary worker assistance benefits that qualify for federal funding. TTAA will also serve as a test pilot for more extensive nationwide programs. If successful in helping workers displaced by technological change, the TTAA framework can be scaled and adapted to workers facing other challenges.

Below, we present three key actions that the federal government could take to make TTAA a reality.

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<sup>5</sup> "The Future of Jobs Report 2020," *World Economic Forum*, October 2020, [http://www3.weforum.org/docs/WEF\\_Future\\_of\\_Jobs\\_2020.pdf](http://www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf).

<sup>6</sup> US Library of Congress, Congressional Research Service, "Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015," by Benjamin Collins, 2021, Web, <https://crsreports.congress.gov/product/pdf/R/R44153>.

<sup>7</sup> The White House, "Fact Sheet: The American Jobs Plan."

## **Action #1: Create a Centralized Infrastructure to Administer TTAA**

The Department of Labor (DOL) should continue to administer TTAA post-expansion. DOL already has many of the resources and much of the infrastructure needed to evolve TAA efficiently and cost-effectively. For instance, TAA currently offers benefits and services through American Job Centers (AJCs), which are coordinated by DOL's Employment and Training Administration.<sup>8</sup> There are approximately 2,400 AJCs across the United States, each offering opportunities for job seekers to access skill assessments, career-planning tools, training, education opportunities, and other support services (such as job listings, the Internet, printers, and telephones).<sup>9</sup> TTAA would build on the AJC network, leaving existing services intact while adding programs that further emphasize the importance of upskilling, modernizing infrastructure with digital services, and introducing new supports targeted specifically at technology-displaced workers. This component of TTAA will require approximately 20% of the total funded amount, given that much of the required infrastructure is already in place.

AJCs will also serve as important entry points into the TTAA program. Petitions to enter TAA due to trade-induced displacement can be filed by a firm directly, a group of two or more workers from the same firm, a workers' union or similar representative, or by AJCs. Though most applications ultimately come from firms and unions (given their knowledge of the details of a displacement and/or ability to represent a group of workers), the process often begins with a worker visiting an AJC. We expect that this process would be similar for workers affected by technology-induced displacement.

Because DOL does not have deep internal expertise in AI and automation, the White House Office of Science and Technology Policy (OSTP) and external experts could work alongside DOL in advisory roles to establish guidelines, standards, and qualifications for TTAA.

## **Action #2: Develop a Cutting-Edge and Comprehensive Upskilling TTAA Platform**

Improved upskilling and training platforms lie at the heart of our proposal for TTAA. Workers need in-demand skills to find good jobs in the new economy. According to a 2020 PricewaterhouseCoopers (PwC) study, some of the most critical skills for today's workers are creativity, problem-solving, and an understanding of digital technology (e.g., Microsoft Office, social media, basic programming skills).<sup>10</sup>

Approximately 50% of additional funding appropriated for TTAA should go towards improving the program's upskilling platform. First, DOL should conduct a gap analysis — comparing skills that technology-displaced workers have with the skills employers are looking for — to determine where to focus TTAA retraining resources. Second, DOL

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<sup>8</sup> Department of Labor, "Trade Adjustment Assistance for Workers Program: FY 2020 Annual Report," 2020, Web, <https://www.dol.gov/sites/dolgov/files/ETA/tradeact/pdfs/AnnualReport20.pdf>.

<sup>9</sup> Department of Labor, "An Institutional Analysis of American Job Centers (AJCs): Key Institutional Features of AJCs," by Elizabeth Brown and Pamela Holcomb, Mathematica Policy Research, 2018, Web, <https://www.dol.gov/sites/dolgov/files/OASP/legacy/files/KeyFeaturesAJCs.pdf>.

<sup>10</sup> "Upskilling: Building confidence in an uncertain world."

should invest in expanding platform capacity and outreach to increase the number of workers served. Third, DOL should modernize the channels through which services are delivered. Nearly all TAA services today are provided at “brick-and-mortar” AJC sites. DOL should build out a complementary network of virtual AJCs, creating a digital learning infrastructure that allows workers to upskill at scale rapidly.

DOL should also pursue public-private partnerships to drive relevant upskilling through AJCs. The Workforce Innovation and Opportunity Act (WIOA) already requires AJCs and workforce development boards to engage in such partnerships. TTAA could build on the existing WIOA framework by partnering with coding bootcamps (e.g., General Assembly) and online educational platforms (e.g., Udemy, Coursera) on tools and curricula that improve the technical literacy of American workers. The efficacy of new programming should be assessed through clear outcome-based metrics, such as the number of people who accept a job offer in their desired field within 180 days of completing a TTAA program.

### ***Action #3: Allocate “Rainy Day” Funds for Temporary Worker Assistance***

TAA provides workers with income support through Trade Readjustment Allowances (TRA), job-search allowances, relocation allowances, and a Health Coverage Tax Credit (HCTC).<sup>11</sup> TTAA should continue to offer these critical benefits, which offer displaced workers temporary lifelines and provide them and their families with the support needed as they transition to new careers. Temporary worker assistance under TTAA will cover various everyday but necessary expenses, including transportation and childcare. This component of TTAA will require approximately 30% of the funds appropriated to (1) expand the number of workers served, and (2) create a modern digital infrastructure designed to deliver benefits to eligible workers quickly and easily.

## **Conclusion**

Robotics, AI, and similar emerging technologies are already upending sectors of the American economy and changing the modern labor landscape. The country needs a centralized and effective means of preparing American workers to adjust to these changes and adapt for the future. Expanding the TAA program to include technology-displaced workers will meet this need as efficiently and cost-effectively as possible. To support American workers and ensure that the American workforce remains globally competitive, the Biden-Harris administration should work with Congress to pass an authorization bill that evolves TAA into the TTAA program and appropriates the funds necessary to achieve the program’s larger and essential mission.

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<sup>11</sup> Department of Labor, “Trade Adjustment Assistance for Workers Program: FY 2020 Annual Report.”

## Frequently Asked Questions

### 1. How much of a problem is technology-driven displacement?

Economists disagree over the extent to which new technologies threaten the American workforce. Recent studies on these technologies often address the types of jobs at risk of dislocation but fail to quantify the magnitude of the risk objectively. What is indisputable is that technologies like AI and robotics are changing the nature of many jobs. Even if these changes do not permanently eliminate jobs, these changes and even short- or medium-term displacement can impose serious hardships on workers and their families. There is ample evidence showing that technology-driven displacement is already a problem. For example, the Bureau of Labor Statistics tracked 2.7 million displaced workers between 2017 and 2019. 17% of these workers had been employed in the manufacturing sector, an area of the economy widely thought to be more susceptible than average to automation.<sup>12</sup> While a majority found reemployment, most were forced to accept a pay cut or part-time hours.

### 2. TAA is not without flaws. Why not create an entirely new program to help technology-displaced workers?

TAA is not a perfect program. Studies conducted during the 112<sup>th</sup> Congress show that the program had low to modest effectiveness in providing income, training, and healthcare support. TAA was also rated as not being readily accessible. Despite the program's shortcomings, 66% of workers who participated in the program found new employment in the quarter after their participation concluded, showing that at least some aspects of TAA are effective.<sup>13</sup> Democrats on the House Ways and Means Committee have found ways to enhance the program and make it more accessible and practical, such as broadening coverage, extending training, providing more resources for programming and direct assistance, and streamlining the application process.<sup>14</sup> Hence while TAA is flawed, it is far from broken. Building on the parts of the program that work and shoring up the parts that do not will be a more efficient, cost-effective, and politically feasible way to help technology-displaced workers.

### 3. How will TAA promote equity for minority groups?

Minority groups, women, and groups with lower socioeconomic status are already at greater risk of economic insecurity. This risk will only be exacerbated by automation: the Government Accountability Office has found that the kinds of jobs most susceptible to automation are held more often by groups of Americans that are

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<sup>12</sup> US Bureau of Labor Statistics, "Displaced Workers Summary," as cited in: Andrew Stettner, "How to Respond to Job Losses from Technology, Trade, and Policy Choices," The Century Foundation, October 1, 2019, <https://tcf.org/content/report/respond-job-losses-technology-trade-policy-choices/?session=1&agreed=1&session>.

<sup>13</sup> Department of Labor, "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," (Washington, DC: 2011), <https://www.dol.gov/sites/dolgov/files/ETA/tradeact/pdfs/AnnualReport11.pdf>.

<sup>14</sup> US Congress, Democrat House Ways and Means Committee, "Expanding and Overhauling Trade Adjustment Assistance," 111th Congress, 2nd Session, 2010, <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/media/pdf/110/07%2010%2012%20TAA%20Short%20Summary.pdf>.

already disadvantaged.<sup>15</sup> Because these groups will be disproportionately impacted by automation, our proposal, by providing additional assistance to affected groups, will promote equity for minority groups. The federal government could also consider holding focus groups and workshops with representatives of minority-supporting organizations (such as the A. Philip Randolph Institute, the Asian Pacific American Labor Alliance, the Labor Council for Latin American Advancement, Coalition for Labor Union Women, and Pride at Work) to identify additional opportunities for TTAA to promote equity.

#### **4. Is there a precedent for expanding the eligibility of programs like TAA?**

There is already a history of expanding the TAA program. The original iteration of TAA broadly covered workers in sectors affected by free trade agreements, but the federal government created a more specialized version of TAA for farmers in 2002. This version of TAA gave agricultural producers extra funds if the price of their commodities declined due to imports.<sup>16</sup> While TAA for Farmers currently does not have any appropriated funds, the program was reauthorized in 2015. Similarly, the federal government funded TAA for Firms after the 2008 financial crisis. Although the program lapsed in 2012, it provided financial assistance to manufacturers affected by import competition while it was funded.<sup>17</sup> These examples demonstrate that TAA can be repurposed to meet different policy needs.

#### **5. How would displaced workers show that they lost their jobs due to automation?**

As is true for TAA now, TTAA will require that a petition be filed with DOL providing information on the workers' firm, location, separation dates, and the number of workers separated. These petitions can be filed by the firm directly, a group of two or more workers from the same firm, a workers' union or similar representative, or by a government partner like an AJC. While the petition process often begins with a worker visiting an AJC, most applications ultimately come from firms and unions (given their knowledge of the details of a displacement and/or ability to represent a group of workers). A DOL representative then reviews the petition to determine worker eligibility for benefits.

Just as TAA requires the filing party to demonstrate that the workers in question lost their jobs due to foreign trade, the TTAA petition process will ask for evidence that workers applying lost their jobs due to automation. For TAA, workers are eligible if "a significant number or proportion of the workers' firm [or appropriate subdivision] have become totally or partially separated, or are threatened to become totally or partially separated" due to one of several criteria, including an increase in competitive imports or a shift in production to a foreign country.

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<sup>15</sup> US Government Accountability Office, "Workforce Automation: Better Data Needed to Assess and Plan for Effects of Advanced Technologies on Jobs," GAO-19-257, (Washington DC: 2019), accessed March 31, 2019, <https://www.gao.gov/assets/gao-19-257.pdf>.

<sup>16</sup> US Library of Congress, Congressional Research Service, "Trade Adjustment Assistance for Farmers," by Mark McMinimy, R40206, 2016, <https://fas.org/sgp/crs/misc/R40206.pdf>.

<sup>17</sup> "Trade Adjustment Assistance for Firms," TAA Centers, accessed August 1, 2021, <http://www.taacenters.org/>.

TTAA could similarly specify that workers are eligible if they have lost their job due to either the entire job or a significant portion of the job's responsibilities being replaced by emerging technologies or automation. For example, workers displaced by Walmart temporarily employing inventory-scanning robots would be eligible.<sup>18</sup>

## **6. What skills do American workers most need to learn for the jobs of the future?**

A 2020 PwC study found that the most critical skills for today's workers include creativity, problem-solving, and an understanding of digital technology (e.g., Microsoft Office, social media, basic programming skills).<sup>19</sup> According to LinkedIn, the top ten most in-demand hard skills are Blockchain, cloud computing, analytical reasoning, AI, UX design, business analysis, affiliate marketing, sales, scientific computing, and video production.<sup>20</sup> Many of these skills can be taught effectively and cost-efficiently via AJCs, partnerships with coding bootcamps, and workforce-development programs proposed by the Biden-Harris administration.

The business-management icon Peter Drucker said it best: "The only skill that will be important in the 21<sup>st</sup> century is the skill of learning new skills. Everything else will become obsolete over time." There is no consensus on what the workforce will look like in five, ten, or fifty years, but most experts agree that it will look radically different than it does today. But the ability to learn new skills will always be critical, as workers may find themselves needing to upskill several times throughout their lives. Helping workers learn how to learn new skills is a need that TTAA can and should fill.

## **7. Why not incentivize the private sector to address technology-induced displacement? Why should this be the government's responsibility?**

One important reason why a government-run program supporting technology-displaced workers is preferable to a private one is the fact that workers at large firms are not the only part of the workforce at risk. Small businesses and entrepreneurs will also face challenges as emerging technologies reshape the economy. Delegating responsibility for alleviating technology-induced worker displacement to corporations creates a risk of leaving self-employed workers or workers employed by small businesses without support. In addition, the existence of TAA means that the federal government already has the infrastructure and institutional knowledge needed to deliver aid to technology-displaced workers. There is no compelling reason why relying on the private sector to provide support would be a more efficient or cost-effective option.

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<sup>18</sup> Jack Kelly, "Walmart Is Deploying Thousands of Robots to Take Over for Human Workers: What This Means for Your Job," *Forbes*, April 15, 2019, <https://www.forbes.com/sites/jackkelly/2019/04/15/walmart-is-deploying-thousands-of-robots-to-replace-human-workers-what-this-means-for-your-job/?sh=40df836b51d8>.

<sup>19</sup> "Upskilling: Building confidence in an uncertain world."

<sup>20</sup> Deanna Pate, "The Top Skills Companies Need Most in 2020—And How to Learn Them," January 13, 2020, <https://www.linkedin.com/business/learning/blog/top-skills-and-courses/the-skills-companies-need-most-in-2020and-how-to-learn-them>.



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