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THE PRESIDENT HAS SEEN...

AUG 20 1974

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ~~Roy A. Ash~~
W. D. Eberle *WDE*

SUBJECT: Trade Reform Act (TRA) - Worker Adjustment Assistance

Background

The House version of TRA (H.R. 10710) contains Trade Adjustment Assistance (TAA) for workers with increased unemployment insurance (UI) benefits (70 percent of prior pay, tax free) and relocation, training and job search allowances. Workers from a firm whose sales decline, and imports contributed importantly to that decline and to unemployment, are eligible. The rationale for this program is that the unemployment results indirectly from national trade policy and provides the only viable alternative to import restrictions. Others contend that workers unemployed, due in part to imports, should not be treated differently than other unemployed workers.

Senators Nelson and Bentsen seek to further liberalize TAA. Senate Committee staff question the concept of categorical assistance and are exploring alternatives.

Key Facts

The FY 1976 cost of H.R. 10710 is \$350-\$450 million if 100,000 workers are eligible. Caseload estimates vary widely -- 150,000-210,000 workers - OMB, 70,000 - Labor Department. The Administration's estimate provided to the House was 100,000. In Senate testimony, the Administration accepted TAA as passed by the House.

Three Options

(1) Stay with overall H.R. 10710 cost levels, (2) seek a lower cost program, or (3) accept amendments liberalizing benefits.

Recommendations

OMB and CIEP do not recommend accepting amendments to the House-passed adjustment assistance provisions that would increase the cost of the program.

OMB and CIEP agencies recommend general acceptance of the House-passed program to avoid time-consuming Committee debate that could jeopardize chances of obtaining Senate passage and moderate pressures to use of import barriers as a substitute for TAA.

To hold down the FY 76 costs three changes will be sought in the Senate negotiations: (1) a tightening of the legislative intent on access criteria in the Committee report, (2) deferral of the effective date of the improved benefit levels until FY 77, and (3) making TAA a supplement to unemployment insurance. The supplemental approach avoids a windfall to employers. Failing to achieve these, the bill should still be signed.

STR and OMB agree that the bill should provide that the adjustment assistance regulations of the Labor Department be approved by STR, to help resist pressures for allowing excessively broad access to the program by workers whose unemployment is not basically caused by import competition.

Decisions

Approve MA7 (Cole, Timmons concur)
Disapprove _____
Other _____