

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Expert Group on Adjustment
Assistance Measures

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ADJUSTMENT ASSISTANCE PROGRAMMES

Communications from Governments

In preparation for the meeting of the Expert Group on Adjustment Assistance Measures which was held in May 1969 the secretariat circulated material provided by governments in COM.TD/W/92/Add.1-9.

In GATT/AIR/800 governments were invited to furnish further information by 31 August 1970 on the availability of adjustment assistance legislation and measures and on the use made of them along the lines set out in BISD, 14th Supplement, page 135, paragraph 29. Information received so far from the Governments of Finland, the United Kingdom and the United States is reproduced below. The Governments of Sweden, Switzerland and Denmark have advised that previous information submitted by them in COM.TD/W/92/Add.3, COM.TD/W/92/Add.1, and COT/W/115/Add.5 respectively was still valid.

Further replies from governments will be circulated as addenda to the present document, and if necessary a consolidation of all the information received will be issued by the secretariat in due course.

FINLAND

No legislative or other measures in the sense of paragraph 2 of GATT/AIR/800 have so far been applied in Finland. At this stage it is also too early to predict what indirect effects the economic policy measures with a view to restructuring the Finnish industrial production will have as far as the facilitating of the access into the Finnish market of the products of interest to less-developed countries is concerned. These measures relate primarily to internal Finnish regional and industrial policy.

UNITED KINGDOM

1. There is no legislation in the United Kingdom at present in operation specifically to assist industry to adjust itself to increasing imports from developing countries. Assistance of this kind was, however, given under the Cotton Industry Act of 1959, which provided for a five-year period of reorganization and rationalization in the cotton industry. Detailed information on this was contained in COM.TD/H/3, dated 3 February 1966 (and also to the Cotton Textiles Committee - COT/105/Add.2, dated 15 October 1968). In addition, in September 1969 the Cotton Textiles Committee circulated a study of adjustments in the cotton textiles sector (COT/W/115) covering the years 1962-68. This study was based on replies to a questionnaire completed by countries participating in the Cotton Textiles Committee.

2. There are, nevertheless, a number of general measures in force at the present time which include provisions to assist the diversification of industry in certain areas of the United Kingdom and the adaptation of industry to changing conditions, although they are not directly related to the problems which may be caused by increasing imports from developing countries. The following brief details may be of interest:

- (i) Regional policy: Various forms of assistance are given to encourage industrial development and diversification in those regions (the development areas) which are heavily dependent on the country's older and declining industries, and to even out the pressure of demand for labour throughout the country. They include building grants, and grants and loans towards initial expenditure incurred in setting up in a development area; the erection of factory buildings for sale or rent (including advance factories without a known occupier in mind); a higher rate of investment grant towards expenditure on new plant or machinery; the payment of a regional employment premium at a weekly rate in respect of each employee engaged in manufacturing industry; assistance with industrial training and grants to local authorities for the clearance of derelict land.

Intensified assistance is given in the special development areas (areas where colliery closures make the creation of new employment desirable) and a more limited range of incentives is available in the intermediate areas (those parts of the country where special measures are necessary for the purpose of encouraging the growth and proper distribution of industry but whose economic problems are not so acute as to justify designation as development areas).

- (ii) The Industrial Reorganization Corporation Act, 1966 arose from the need for more concentration and rationalization of industry and the recognition that market forces alone would not necessarily produce the necessary structural changes. The Corporation which it established may, for the purpose of promoting industrial efficiency and profitability and assisting the economy of the United Kingdom or part of the United Kingdom:

- (a) promote or assist the reorganization or development of any industry;

or

- (b) if requested to do so by the Minister of Technology, establish or develop, or promote or assist the establishment or development of, any industrial enterprise.

- (iii) The Shipbuilding Industry Act, 1967, subsequently amended by the Industrial Expansion Act, 1968, (see (iv) below) set up the Shipbuilding Industry Board with power to make loans and grants to assist projects to improve the efficiency of the shipbuilding industry, including reorganization schemes and measures.
- (iv) The Industrial Expansion Act, 1968, enables the Government to assist projects which are in the national economic interest but which would be unlikely to attract sufficient finance from the private sector. Direct assistance is available for projects designed to promote efficiency to support technological advance or to create, expand or sustain productive capacity.
- (v) Under the Industrial Training Act, 1964, industrial training boards were set up in order to ensure training of a quantity and quality adequate for the needs of the industries for which they are established. The analysis of training requirements and the production of training recommendations are among the activities of the boards, which are financed by a levy on employers and by loans or grants from public funds. The role of the Government in the field of vocational training is subordinate to that of industry but Government Training Centres have a capacity for turning out some 16,000 trained men a year. Industry itself retraines adults extensively, and grants are available from the Training Boards towards the cost. Special financial assistance is given in the case of firms that provide additional training places in the development and intermediate areas.

UNITED STATES

I. Introduction

For the past thirty-five years the United States has steadfastly pursued a policy of freeing restrictions on world trade and has recognized that competition cannot stop at the borders of our nation. In the message on trade legislation which he submitted to the Congress in November 1969, President Nixon stated:

Freer trade brings benefits to the entire community but it can also cause hardship for parts of the community. The price of a trade policy from which all receive benefits must not fall unfairly on the few, whether on particular industries or individual firms or on groups of workers. As we have long recognized, there should be prompt and effective means of helping those faced with adversity because of increased imports.

This report brings up to date the material on existing adjustment provisions which were fully described in reports COM.TD/H/3 and COM.TD/W/92. It also summarizes the major changes in the adjustment assistance programme contained in the proposed Trade Act of 1970 as reported by the Ways and Means Committee of the United States House of Representatives.

II. Existing provisions of law

A. Trade Expansion Act of 1962

In 1969, for the first time since the Trade Expansion Act became effective in October 1962, the Tariff Commission, which has the responsibility for making all determinations of eligibility to apply for adjustment assistance, made several affirmative findings on petitions for such assistance filed by groups of workers. Between 1 November 1969 and 1 September 1970 the Commission found that seven¹ groups of workers had become unemployed as a result in major part of increased competitive imports and were, therefore, eligible to apply for trade adjustment assistance. In eleven¹ other instances the Commission divided evenly. In such cases the President may consider the finding of either group of Commissioners as the finding of the Commission. As of 1 September 1970 the President had acted to authorize certifications in five of these cases.

Three petitions have been filed by firms in this period. Adjustment assistance has been authorized for two of the firms and a decision is pending for the third firm.

Following a Tariff Commission finding of injury to an entire industry in an escape clause action as indicated in COM.TD/H/3, the law provides that after the President authorizes such requests, firms and groups of workers may apply directly to the Secretary of Commerce or Labor, respectively, for a certification of eligibility. In the past year the Tariff Commission had made three findings of injury to an entire industry (sheet glass, pianos, and barber chairs) and the President has authorized groups of workers and firms in those industries to file requests directly with the Secretary of Labor and the Secretary of Commerce. Thus far seven groups of workers have filed petitions with the Secretary of Labor under this provision and seven firms have filed comparable petitions with the Secretary of Commerce.

The Secretary of Labor, acting under both provisions of the law, has already issued certifications of eligibility covering some 4,000 individual workers. Current expectations are that this will increase to over 10,000 by the end of 1970. The Secretary of Commerce has issued three certifications and is considering proposed specific adjustment assistance programmes for some of these firms.

The adjustment assistance available to firms and workers continues as outlined in COM.TD/H/3 although the magnitude of benefits has risen paralleling the rise in wages rates. Although the theoretical maximum readjustment allowance payable to an individual (without relocation) is currently \$6,630, actual payments have averaged \$2,000-\$2,500 per worker during his period of unemployment. In the case of workers, individuals receive cash readjustment allowances instead of unemployment insurance; have full access to counselling, training, and other

¹ Production workers and office workers at one establishment filed separately.

employment-related services; and, in some cases, may receive the full expenses of relocation. Readjustment allowances are computed in accordance with a basic formula level of 65 per cent of the worker's previous earnings and are payable for at least fifty-two weeks; this compares with an approximate level of unemployment insurance (it varies among the States) of less than 50 per cent of earnings paid over twenty-six-thirty weeks.

Firms are eligible to receive technical and financial assistance and certain tax benefits.

B. Automotive Products Trade Act of 1965

The terminal date for filing petitions under this Act was 30 June 1968, and there has been no change in the status since the report COM.TD/W/92.

III. Proposed new provisions of law

The proposed Trade Act of 1970 pending before the Congress incorporates several major changes in the adjustment assistance programmes. These changes are designed to make adjustment assistance more readily available to firms and groups of workers.

The bill also proposes to expand the benefits available for affected workers to help them re-enter the labour force as rapidly and efficiently as possible. The bill would raise the allowances payable to individuals so they can support themselves in dignity while searching for or preparing themselves for their new job. The basic formula for the level of payments would be increased to 75 per cent of the worker's average weekly wage or to 75 per cent of the average weekly manufacturing wage, whichever is less. Equally important, the whole range of "supportive services" encompassed by the Manpower Development and Training Act would also be available to adversely affected workers.

It should be noted that the proposed Trade Act is still going through the legislative process and is subject to amendment at subsequent stages.

IV. Department of Labor programmes¹

During the past year the Department of Labor has inaugurated several programmes to improve its ability to assist workers. An "early warning" system has been developed to alert national and local officials of industries, or firms, from which groups of workers are likely to petition for relief. When problem areas are anticipated, manpower services can be more speedily mobilized and the private sector can be more deeply involved in working to insure rapid re-employment of displaced workers. The early warning system is being supplemented by the use of intensive adjustment or re-employability teams made up of representatives of

¹For complete descriptions see COM.TD/W/92

the State employment service, of the workers' last employer, and of the workers. The adjustment teams help to involve private enterprise and the community in assisting in the readjustment of the workers. The basic thesis is that these workers in most instances have a reasonable degree of industrial experience and skill so that rapid, concentrated efforts should make it relatively easy to re-absorb them in the labour force.

The Job Corps has been completely reshaped. The least effective centres have been closed, and thirty new, relatively small centres are planned, some with non-resident enrollees. Emphasis has been placed on the coupling of the unique residential services with other programmes. The revamped Job Corps will offer a choice of arrangements to fit individual needs: regional skill training centres; conservation centres in rural areas; and the new urban centres with their emphasis on service to greatly disadvantaged youths in particular cities.

The Neighbourhood Youth Corps has reordered its priorities. Remedial education and tutoring will be provided to a much greater extent, particularly in the summer programme. Emphasis will be placed on a more individually oriented programme: the focus in the out-of-school programme will be on sixteen and seventeen year olds.

The JOBS programme has been broadened to include contracts with employers in any part of the country rather than in a limited number of metropolitan areas. New emphasis has been placed on upgrading present employees as well as hiring unskilled, disadvantaged workers for jobs.

A new programme has been developed - the Public Service Careers Program. This will provide jobs in Government service agencies for disadvantaged workers and also assist in upgrading employees in low-paid positions. Not only adults but also disadvantaged youth aged seventeen and over may be hired under most phases of the programme. Supportive services and on-the-job training will be supplied.