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Trade Adjustment Assistance for Firms: Economic, Program, and Policy Issues

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Congressional Research Service

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Trade Adjustment Assistance for Firms: Economic, Program, and Policy Issues

Abstract

[Excerpt] Trade liberalization can enhance the economic welfare of all trade partners, but in adjusting to greater competition, many import-competing firms and workers face difficult problems. Since 1962, Congress has responded to these adjustment costs by authorizing trade adjustment assistance (TAA) programs for workers, firms, and farmers, and continues to monitor their performance and amend the governing legislation. This report discusses the Trade Adjustment Assistance for Firms (TAAF) program, which provides technical assistance to trade-affected firms to help them develop strategies to remain competitive in a dynamic international economy. The 113th Congress may consider reauthorizing legislation for all TAA programs given they are set to expire on December 31, 2013.

Keywords

trade, liberalization, firms, trade adjustment assistance, TAA, Congress

Comments

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Trade Adjustment Assistance for Firms: Economic, Program, and Policy Issues

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Summary

Although trade liberalization can enhance the economic welfare of all trade partners, it also causes difficult adjustment problems for some import-competing firms and workers. Congress has responded to these problems with trade adjustment assistance (TAA) programs for workers, firms, and farmers. This report discusses the TAA for Firms (TAAF) program and related policy issues. Congress first authorized TAA in the Trade Expansion Act of 1962 (P.L. 87-794), including a new firm and industry assistance program, now administered by the Economic Development Administration (EDA) of the U.S. Department of Commerce. It provides *technical assistance* to help trade-affected firms make strategic adjustments to improve their competitiveness in a dynamic global economy.

The 111th Congress reauthorized a more extensive TAA program for firms that expanded eligibility to services firms, increased authorized funding levels, provided greater flexibility for a firm to demonstrate eligibility for assistance, established new oversight and evaluation criteria, created a new position of Director of Adjustment Assistance for Firms, and required submission to Congress of a detailed annual report on the TAAF program. Congress allowed those expanded provisions to expire on February 13, 2011, but the 112th Congress, in passing the Trade Adjustment Assistance Extension Act of 2011 (P.L. 112-4), extended the firms program through December 31, 2013, with many of the enhanced program provisions reinstated retroactively, including extending benefits to services firms. It is funded annually at \$16 million.

EDA has released four annual reports under the new statutory requirements that point to administrative and operational improvements. The FY 2012 TAAF annual report further notes that two years after completion of the program, on average, firm sales increased by 26.8%, employment rose by 13.2%, and productivity increased by 11.9%, better outcomes than the benchmark manufacturing industry as a whole. This outcome is reported as being particularly encouraging given TAAF firms have had such a high “survival rate,” and yet face the additional burden of all having to adjust to import competition compared to the benchmark. Still these numbers varied significantly from the year before, and despite the high success rate for firms that “completed” the TAAF program, it is important to note that they represent only about half of all firms that had their adjustment proposals approved for assistance. The rest left the program for numerous reasons without completing the adjustment plan and were no longer monitored.

To address the evaluation issue more completely, the Government Accountability Office (GAO) conducted a comprehensive evaluation of TAAF program in 2012. It found that EDA’s administration and evaluation efforts had improved markedly because of changes provided in the 2009 legislation. GAO also confirmed EDA’s assessment that trade-impacted firms benefitted from specialized attention provided by TAAF assistance, but to a lesser extent. GAO found a “small and statistically significant relationship between program participation and sales,” which was particularly relevant to smaller firms, albeit also highly correlated with firms operating in high-growth industries. Employment effects were not found to be statistically significant.

For a broader policy discussion on TAA, see CRS Report R41922, *Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy*, by J. F. Hornbeck. See also CRS Report R42012, *Trade Adjustment Assistance for Workers*, by Benjamin Collins and CRS Report R40206, *Trade Adjustment Assistance for Farmers*, by Remy Jurenas.

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Trade liberalization can enhance the economic welfare of all trade partners, but in adjusting to greater competition, many import-competing firms and workers face difficult problems. Since 1962, Congress has responded to these adjustment costs by authorizing trade adjustment assistance (TAA) programs for workers, firms, and farmers, and continues to monitor their performance and amend the governing legislation.¹ This report discusses the Trade Adjustment Assistance for Firms (TAAF) program, which provides technical assistance to trade-affected firms to help them develop strategies to remain competitive in a dynamic international economy.² The 113th Congress may consider reauthorizing legislation for all TAA programs given they are set to expire on December 31, 2013.

Background and Recent Developments

Debate early in the 111th Congress over TAA reauthorization led to a bipartisan agreement on February 5, 2009, to expand and extend the then-existing programs for workers, firms, and farmers, and to add a fourth program for communities (later repealed). The agreement became the Trade and Globalization Adjustment Assistance Act (TGAAA), Title II of the American Recovery and Reinvestment Act (ARRA) of 2009 (P.L. 111-5). This legislation changed the firms program in a number of important ways. It expanded eligibility to include services firms, increased annual authorized funding levels from \$16 million to \$50 million, provided greater flexibility for a firm to demonstrate eligibility for assistance (the “extended look-back period”), established new oversight and evaluation criteria, created a new position of Director of Adjustment Assistance for Firms, and required submission to Congress of a detailed annual report.

As authorization of the TAA programs was about to expire on January 1, 2011, Congress passed the Omnibus Trade Act of 2010 (P.L. 111-344). This act extended the TAA programs through February 12, 2012, but allowed those expanded provisions in the TGAAA covering eligibility for services firms and other matters to expire on February 13, 2011. The 112th Congress revisited TAA reauthorization as part of the debate on passage of implementing legislation for the proposed free trade agreements (FTAs) with Colombia, Panama, and South Korea. The Trade Adjustment Assistance Extension Act of 2011 (H.R. 2832) passed on October 12, 2011, and President Obama signed it into law on October 21, 2011 (P.L. 112-4). It extended the firms program through December 31, 2013 at annualized spending levels of \$16 million. Most of the enhanced program provisions contained in the ARRA were reauthorized retroactively.

As required by Congress, the Government Accountability Office (GAO) conducted a comprehensive review of the TAAF program, which was released in September 2012. It notes important progress in the administrative capabilities of EDA and documents the positive impact of the TAAF program on trade-affected businesses, but also points out continuing challenges in centralized data management, evaluation reporting, and assessing more completely the effectiveness of TAAF.

¹ The most recent hearings on the Trade Adjustment Assistance for Firms program were held by the House Committee on Oversight and Government Reform, Subcommittee on Government Organization, Efficiency, and Financial Management on November 14, 2012.

² For a broader discussion on the policy debate over TAA, see CRS Report R41922, *Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy*, by J. F. Hornbeck. See also: CRS Report R42012, *Trade Adjustment Assistance for Workers*, by Benjamin Collins; CRS Report R40206, *Trade Adjustment Assistance for Farmers*, by Remy Jurenas, and CRS Report R42661, *Trade Adjustment Assistance Community College and Career Training Grants*, by Benjamin Collins.

The Economics of Trade Adjustment

Economists tend to agree that in defining the rules of exchange among countries, freer trade is preferable to protectionism. Insights from trade theory point to the mutual gains for countries trading on their differences, producing those goods at which they are relatively more efficient, while trading for those at which they are relatively less so. Additional gains are realized from intra-industry trade based on efficiencies from segmented and specialized production.³ Firm-level evidence supports theory. Trade appears to “enable efficient producers within an industry, and efficient industries within an economy, to expand,” leading to a reallocation of resources that increases a country’s productivity, output, and income.⁴ Consumers (both firms and households) also gain from a wider variety of goods and lower prices.

It is also true, and commonly cited, that increased competition from trade liberalization creates both “winners and losers,” presenting adjustment problems for all countries. The more efficient firms and plants may grow as they expand into overseas markets; the less efficient may contract, merge, or perhaps even fail when faced with greater foreign competition. While the adjustment process may be healthy from a macroeconomic perspective, much like market-driven adjustments that occur for reasons other than trade (e.g., technological change), it can be a harsh transition for some firms and their workers.⁵

Critics of free trade agreements often highlight the adjustment costs of reducing trade barriers. To avoid business closures and layoffs, trade-impacted firms may seek to weaken, if not defeat, trade liberalizing legislation. This makes economic sense from the perspective of affected industries, firms, and workers, but economists argue that in the long run it can be more costly for the country as a whole. The costs of protection arise because competition is suppressed, reducing pressure on firms to innovate, operate more efficiently, and become lower cost producers. The brunt of these costs falls to consumers, both individuals and businesses, who must pay higher prices, but the national economy is also denied higher standards of living because of forgone productivity gains.

One way to balance the large and broad-based gains from freer trade with the smaller and more highly concentrated costs is to address the needs of firms negatively affected. Congress has done so in authorizing the trade adjustment assistance (TAA) programs, including the one for firms.⁶ Supporters justify TAA policy on grounds that (1) it helps those who are hurt by trade liberalization (the “losers”); (2) the economic costs are lower than protectionism and can be borne by society as a whole (“the winners”); and (3) given rigidities in the adjustment process, it may help redeploy economic resources more quickly, thereby reducing productivity losses and related public sector costs (e.g., unemployment compensation). Others dispute these claims and have

³ For an accessible and authoritative summary of these effects, see Paul Krugman, “The Increasing Returns Revolution in Trade and Geography,” *American Economic Review*, vol. 99, no. 3 (June 2009), pp. 561-571.

⁴ On how trade affects total factor productivity based on U.S. manufacturing firm and plant level data, see Andrew B. Bernard and J. Bradford Jensen, “Exporting and Productivity in the USA,” *Oxford Review of Economic Policy*, vol. 20, no. 3 (2004), pp. 343-344, 350, 352, and 356.

⁵ Both the benefits and costs of trade derive from resources moving from less to more productive plants (intra-industry) and firms (inter-industry). Employment dislocation is the most noticeable cost, giving rise to congressional interest in TAA programs. *Ibid.*, pp. 345 and 356.

⁶ Howard F. Rosen, *Strengthening Trade Adjustment Assistance*, Peterson Institute for International Economics, Policy Brief PB08-2, Washington, D.C., January 2008, pp. 1-2.

raised concerns over the effectiveness and costs of the program, arguing that it should be limited or discontinued.⁷

The Firm Trade Adjustment Assistance Program⁸

Congress first authorized TAA in Title III of the Trade Expansion Act of 1962 (P.L. 87-794), including a new firm and industry assistance program, which is administered by the Economic Development Administration (EDA) of the U.S. Department of Commerce.⁹ It provides *technical assistance* to help trade-impacted firms make strategic adjustments that may allow them to remain competitive in a global economy. Originally, firm TAA also included loans and loan guarantees, but Congress eliminated all direct financial assistance in 1986 because of federal budgetary cutbacks and concern over the program's high default rates and limited effectiveness. Congress has amended the program many times over the half century of its existence.

TAA authorizations and appropriations for fiscal years 2001-2013 appear in **Table 1**. The TAA for firms program has been reauthorized through December 31, 2013, and is currently operating under a continuing resolution through March 2013 at an annual appropriation level of \$15.8 million.

Table 1. Firm TAA Authorizations and Appropriations, FY2001-2013

(\$ millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Authorizations	10.0	10.0	16.0	16.0	16.0	16.0	16.0	16.0	50.0	50.0	0.0	16.0	16.0
Appropriations	10.5	10.5	10.0	11.9	11.0	12.8	12.8	14.1	15.8	15.8	15.8	15.8	15.8

Data Source: U.S. Department of Commerce, Economic Development Administration.

In practice, technical assistance is provided through one of the 11 Trade Adjustment Assistance Centers (TAACs), which apply for EDA grants to operate their programs. All appropriated funds are used to support the TAAC process; no funds go directly to firms. TAACs may operate through universities, private firms, or non-profit associations. They provide or contract for technical assistance to assist firms from the initial certification process through adjustment proposal implementation. TAACs are staffed by professionals with broad business expertise who can help firms develop “recovery strategies” and also identify financial resources. They are, in effect, consultants specializing in business turnaround strategies specific to the needs of each firm, which typically faces adjustments in many areas to compete with lower-priced imports.¹⁰

⁷ Details to both sides of the argument may be found in CRS Report R41922, *Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy*, by J. F. Hornbeck.

⁸ Based on 2012 13 C.F.R. § 315, which provides details for applying for TAAF assistance, and U.S. Department of Commerce, Economic Development Administration, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program for Fiscal Year 2011*, Washington, D.C., December 15, 2011.

⁹ The TAA for firms program was originally administered jointly by the Tariff Commission (predecessor to the USITC) and the U.S. Department of Commerce.

¹⁰ P.L. 93-618, Section 253, as amended, and U.S. Department of Commerce, Economic Development Administration, <http://www.taacenters.org>.

Eligibility and Certification

There are three phases to successful completion of a trade adjustment assistance project. First, to receive TAA, a firm must demonstrate that it is eligible to apply for assistance. The firm submits a **petition for certification** documenting that it is a “trade-impacted firm” by having met three conditions:¹¹

- (1) “a significant number or proportion of workers”¹² in the firm have become or are threatened to become totally or partially separated;
- (2) sales, or production, or both decreased absolutely, or sales, or production, or both of any article or service that accounted for not less than 25% of total sales or production of the firm during the 12 months preceding the most recent 12 months, or the average for the most recent 24 or 36 months (the look-back period) for which data are available have decreased absolutely; and;
- (3) increased imports (of like or directly competitive articles) have “contributed importantly”¹³ to the decline in sales and/or production or layoffs.

EDA can provide technical assistance to a firm for preparation of the petition for certification. There is no cost to the firm for assistance provided in developing the petition and EDA is statutorily required to make a final determination on petitions within 40 days of accepting it. In recent years, this time has averaged four weeks, and was 29 days in FY 2012.¹⁴

Second, once certified as eligible, a firm has two years to develop and submit its business recovery plan or **adjustment proposal (AP)**. Approval of the adjustment proposal depends on EDA’s finding that it (1) is reasonably calculated “to materially contribute” to the economic adjustment of the firm; (2) gives adequate consideration to the interests of the firm’s workers; and (3) demonstrates that the firm will use its own resources for adjustment.

The TAACs also provide detailed assistance for the adjustment proposal, which seeks to identify business planning and practices that can be enhanced to improve firm competitiveness. EDA has another 60 days to accept or reject the adjustment proposal. In practice, because technical assistance is provided in the preparation of the petition and adjustment proposal, there is a high formal acceptance rate, likely because these submissions are completed correctly and poor candidates can be weeded out early in the process. The firm must pay at least 25% of the cost to prepare the adjustment proposal.¹⁵

¹¹ 13 C.F.R. § 315.7 and U.S. Department of Commerce, Economic Development Administration, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program for Fiscal Year 2012*, Washington, D.C., December 15, 2012, pp. 10-11.

¹² 5% of a firm’s work force or 50 workers, whichever is less, with EDA discretion to set other parameters in special cases. 13 C.F.R. § 315.2

¹³ A cause which is important, but not necessarily more important than any other cause. A firm must provide a list of four important customers, of which the TAAC must interview two, to help evaluate whether the firm has been “trade-impacted.” 13 C.F.R. § 315.2.

¹⁴ U.S. Department of Commerce, Economic Development Administration, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program for Fiscal Year 2012*, Washington, D.C., December 15, 2012, p. 14.

¹⁵ *Ibid.*, p. 12 and 13 CFR 315.6 (c) (2).

Third, the firm has five years to complete **project implementation** based on an approved adjustment proposal. Firms are given five years to implement the proposal.¹⁶ EDA may provide financial assistance for project implementation, but firms must pay at least a 25% match of the total implementation cost. For project assistance exceeding \$30,000, a firm must cover at least 50% of the total cost, with the federal share capped at \$75,000.

Adjustment proposals may involve strategic restructuring of various aspects of business operations. First, because firms must be experiencing falling sales or declining production to be eligible, TAACs often focus on marketing or sales strategies to identify new markets, new products, promotional initiatives, and export opportunities. The core idea is to increase revenue. Second, production inefficiencies are often targeted to reduce firm costs and improve price competitiveness. Third, TAACs can develop debt restructuring strategies and act as intermediaries in finding new sources of business financing. In 2012, 34% of adjustment assistance focused on improving marketing-sales, 31% on production, 32% on enhancing support or management systems, and 3% on financial systems.¹⁷

Table 2 summarizes select firm trade adjustment data for fiscal years 2003-2012. The TAAF program targets small- and medium-sized enterprises (SMEs), which is borne out in the firm data. With the exception of 2010, firms averaged fewer than 100 employees, although sales have grown since then, to an average of \$19 million. In 2012, the federal government provided 52.0% of adjustment costs, for an average \$53,308 per firm. In 2012, 90% of certified firms were in manufacturing, 8% in wholesale trade, 3% in warehousing and transportation, and 2% in professional and technical services. Services firms as a whole grew from 2% of total certified firms in 2011 to 6% in 2012.¹⁸

Table 2. Trade Adjustment Assistance for Firms, Select Program Indicators for FY2003-2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of Firms Assisted ^a	162	177	132	137	126	143	172	264	183	102
Avg Firm Sales (millions)	\$7.2	\$11.6	\$8.4	\$10.6	\$11.2	\$13.1	\$10.3	\$19.1	\$19.6	\$19.2
Avg Firm Employees	68	88	64	91	68	82	79	138	91	81
Gov't Share (millions)	\$8.1	\$8.5	\$5.9	\$6.7	\$7.1	\$8.2	\$10.4	\$16.5	\$16.1	\$5.4
Firm Share (millions)	\$7.4	\$8.1	\$5.4	\$6.0	\$5.9	\$7.7	\$9.9	\$15.7	\$10.6	\$5.0
Total Cost (millions)	\$15.5	\$16.6	\$11.3	\$12.7	\$13.0	\$15.9	\$20.3	\$32.2	\$21.7	\$10.4
Avg TAA Per Firm ^b	\$50,000	\$48,023	\$44,697	\$48,905	\$56,449	\$57,361	\$60,428	\$62,307	\$60,322	\$53,308

Data Source: U.S. Department of Commerce, Economic Development Administration. *Annual Report To Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2012*, December 15, 2012, p. 27.

- a. Number of adjustment proposals approved.
- b. Government share of TAA Firm program divided by the number of accepted adjustment proposals.

¹⁶ Ibid.

¹⁷ Economic Development Administration, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program for Fiscal Year 2012*, pp. 36 and 41.

¹⁸ Ibid., p. 19.

In FY 2012 the number of adjustment proposals approved and total value of assistance provided dropped significantly from recent years. The TAACs attribute this change to improving economic conditions following the 2008 financial crisis. Fewer firms applied and were found eligible to participate in the program, and so the number of adjustment proposals dropped.¹⁹

Program Evaluation

Historically, TAAF program evaluation has been limited, with EDA lacking a formal evaluation process. Early efforts to analyze the program included comprehensive outside studies by the Urban Institute in 1998 and GAO in 2000, which addressed two critical issues: program administration and effectiveness.²⁰ Both found deficiencies with the TAAF program, such as a cumbersome certification process, long approval times, and little oversight and evaluation of projects. As a small program with few resources, the TAAF had not received the managerial input required to adequately evaluate its efforts. Congress addressed this issue in the TGAAA, which required the creation of a new Director of Adjustment Assistance for Firms, along with additional support staff. The 2009 act also required an annual report to Congress defining specific measures of achievement to be collected and analyzed and established specific time frames for EDA to certify petitions for assistance and adjustment proposals.

EDA Annual Reports on TAAF

EDA has released four annual reports under the new requirements that point to administrative and operational improvements. In addition, TAACs are now allocated funds in part based on performance measures (number of firm certifications and adjustment proposals generated) and quality measures. The FY 2012 TAAF annual report notes that two years after completion of the program, on average, firm sales increased by 26.8%, employment rose by 13.2%, and productivity increased by 11.9%.²¹ Compared to aggregate manufacturing data provided by the Bureau of Labor Statistics (BLS), EDA concludes that assisted firms had better results than the benchmark. In addition, EDA notes that all firms completing the adjustment program were still in operation suggesting an impressive “survival rate,” particularly given that all these firms have the additional burden of having to adjust to import competition compared to the benchmark.²²

For comparative purposes, the FY2011 TAAF annual report had different outcomes. Over a previous two-year assessment period, firms that fully implemented their adjustment proposals experienced on average a 1.6% decrease in sales, a less than 1% rise in productivity, and a 1.9% decrease in employment.²³ A similar comparison to BLS aggregated data for the manufacturing

¹⁹ Economic Development Administration, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program for Fiscal Year 2012*, p. 37.

²⁰ U.S. Department of Commerce, Economic Development Administration, *Effective Aid to Trade-Impacted Manufacturers: An Evaluation of the Trade Adjustment Assistance Program*. Prepared by the Urban Institute, Washington, D.C., November 1998 and GAO, *Trade Adjustment Assistance: Impact of Federal Assistance to Firms Is Unclear*. Report GAO-01-12, Washington, DC. December 2000.

²¹ Productivity is defined as sales per worker, a simple measure that can be used across industries, but which may have limitations for evaluative purposes.

²² Economic Development Administration, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program for Fiscal Year 2012*, p. 37.

²³ U.S. Department of Commerce, Economic Development Administration, *Annual Report to Congress on the Trade* (continued...)

sector was less supportive. Economic conditions, as noted above, have changed significantly and may have affected TAAF results in ways not fully clear or distinguished in this analysis. For example, the decline in employment noted in the 2011 report may be a common result for recovering firms, but gains in 2012 may reflect effects of a recovering economy. It is also possible that a longer evaluation period may be necessary to capture the full employment effects of the TAAF program, which often lag, particularly in periods of slow economic growth.

On another cautious note, despite the high success rate for firms that completed the TAAF program, they represent only about half of all firms that had their adjustment proposals approved for assistance. In 2011, of the 108 firms that left the TAAF program, 44 (41%) completed the program and were operational. The remaining 64 (59%) did not complete the program for various reasons, including exceeding the five-year threshold (37%); going out of business (4%); or losing interest, being sold, or having inadequate funds (18%). In 2012, 145 firms left the TAAF program, with 84 (58%) completing the program and 61 (42%) failing to complete the program for the same reasons. Given that TAAF focuses on many firms facing multiple challenges, the fact that half of the firms that have adjustment proposals approved do not complete the program may not be surprising. The fact that some 50%-60% of those approved for assistance complete the program seem to do quite well is a positive indicator for the TAAF program.

In addition, anecdotal evidence from the TAACs summarized in EDA annual reports point to “success” stories by participating firms from all parts of the country and in various industries that used TAAF assistance. Nonetheless, it is difficult to isolate the effects of the firm TAA program in determining why a particular firm might succeed in its turnaround effort, whereas others may not. One study mentioned above suggested that some firms might have been able to adjust on their own.

GAO 2012 Report

To address the evaluation issue more completely, the TGAAA required GAO to conduct an extensive evaluation of TAAF program, which was released in September 2012.²⁴ GAO found that EDA’s administration of the TAAF program had improved markedly because of changes provided in the 2009 legislation. EDA has been able to reduce processing times, provide new performance reporting measures, and increase firm participation. Essential elements that allowed for these improvements included new resources for (1) management and staffing, (2) annual reporting, (3) the new eligibility of services firms, and (4) expansion of “look-back” period that allowed for flexibility in meeting acceptance criteria.²⁵

Despite noted improvements, GAO raised two administrative concerns, the need for (1) better (centralized) data analysis that would demonstrate concrete program outcomes rather than simply measure program output (e.g. number of firms assisted, petitions accepted, processing time; and (2) reevaluating TAAC funding allocation to ensure the overall program allocates resources

(...continued)

Adjustment Assistance for Firms Program for Fiscal Year 2011, Washington, D.C., December 15, 2011, p. 25.

²⁴ Government Accountability Office (GAO), *Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Services Firms, but Measures, Data, and Funding Formula Could Improve*, Report GAO-12-930. Washington, DC. September 2012.

²⁵ *Ibid.*, pp. 12-13.

adequately to meet differing levels of need in the 11 TAACs. EDA has begun to address both these issues.

GAO also confirmed EDA's assessment that both manufacturing and services firms faced import penetration that directly affected their sales, and that these firms, by and large, benefitted from specialized attention provided by TAAF assistance. In addition to GAO's own survey results finding satisfaction among most firms that used the TAAF program, GAO undertook its own quantitative evaluation. Whereas EDA annual reports compared trade-impacted firms to performance by the nationwide manufacturing industry, which GAO noted was a poor measure given trade-impacted firms begin with a relatively significant disadvantage, GAO ran a regression analysis to compare TAAF firm sales performance before and after assistance was provided. It found a "small and statistically significant relationship between program participation and sales."²⁶ GAO estimated that TAAF assistance, on average, resulted in a 5%-6% increase in sales, which was particularly relevant to smaller firms, and a 4% increase in productivity, albeit also highly correlated with firms operating in high-growth industries. Employment effects were not found to be statistically significant.

The GAO report provides some of the strongest evidence to date of the benefits provided by the 2009 legislative changes, as well as EDA's much-improved administration and evaluation of the TAAF program compared to years past. EDA has committed to making further refinements in both endeavors. GAO is also transparent and clear that it did not undertake any analysis that compared firms in the TAAF program with similar ones that did not participate in the program (a control group.) This is understandable given the time and resources needed to undertake such a study, but this type of test would add an important reference point for evaluating the impact of the TAAF program.

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²⁶ Ibid., pp. 22-24.