



# Energy Safety Net Toolkit

## TOOL #7

### LOCAL LAYOFFS AS NATIONAL EMERGENCIES: USING THE NATIONAL EMERGENCY GRANT PROGRAM TO RESPOND TO THE UNMET HOME ENERGY NEEDS OF DISPLACED LOW-WAGE WORKERS

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#### INTRODUCTION

As the current recession puts more and more workers out of a job, the impact on fuel funds grows deeper. Not only are an increasing number of households facing payment problems with their home energy suppliers, but the slack economy has the added impact of reducing corporate and individual giving, and reducing returns on the investments of charitable foundations that traditionally support fuel funds. The economic situation will be compounded by the steep increase in home heating bills anticipated for the winter heating season of 2002/2003.<sup>1</sup> This combined impact of increasing needs and decreasing resources creates an imperative for fuel funds to seek to access those resources that *are* available.

The purpose of the discussion below is to assess the impact of the current recession on low-wage workers in particular, and to consider one mechanism –the U.S. Department of Labor’s National Emergency Grants program-- that might allow fuel funds to partner with organizations serving displaced workers to help unemployed, low-wage workers pay their utility bills. More specifically, the discussion will examine the impacts of the recession on:

- Recently hired individuals moving into the workforce off of welfare, and
- Part-time employees.

The discussion below identifies how and why fuel funds might work with local Workforce Investment Boards, which are the local agencies that administer the Emergency Grants Program, to respond to the energy payment problems of low-wage workers in times of significant

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<sup>1</sup> U.S. Department of Energy, Energy Information Administration. “Higher Heating Fuel Bills Expected This Winter” (October 7, 2002). “This winter is expected to bring with it higher heating bills than those seen last winter. . .Under normal weather assumptions, winter heating bills for residential consumers could average from \$100 to \$300 higher than last winter..” Expenditures for household heating are projected to be 19 percent higher for natural gas, 45 percent higher for heating oil, and 22 percent higher for propane.

economic dislocation. To the extent that public resources can be identified for workers put out of work due to emergency events, fuel funds can not only serve the substantial influx of unemployed workers, but can retain their other resources for traditional needs as well.

## **IMPACTS ON VULNERABLE POPULATIONS**

The recession now facing the United States imposes hardships not simply on workers generally, but on specific sub-classes of workers in particular. The current recession has now displaced more workers than did the recession of the early 1990s. Based on a three-month average, 2.5 million more workers were out of work in June-August 2002 than were out of work in the three months prior to the start of the recession in March 2001.<sup>2</sup> In May 2002, the most recent month for which data is available, there were 2.4 unemployed workers for every job opening in the economy.<sup>3</sup>

Unfortunately, looking at unemployment as a whole does not capture the full impacts of the recession on *low-wage* employees in particular. These employees, which disproportionately include workers seeking to move off of welfare, as well as part-time employees, not only experience a higher rate of unemployment, but they are unemployed for longer periods of time as well. To make matters worse, these low-wage employees frequently do not have access to unemployment insurance benefits to help them through their time of unemployment. As a result, low-wage employees must frequently look to the private charitable sector for assistance when crisis situations arise.

### ***Recent Welfare Hires***

The deepening recession has caused employment losses in the very industries where recent public assistance recipients had found jobs to move off of welfare. According to the Economic Policy Institute: “the economy’s slide into recession and the fallout from the September terrorist attacks have led to considerable job losses in the very industries in which many welfare recipients had found employment. It will now be difficult for these workers to maintain their tenuous foothold in the labor market. . .”<sup>4</sup>

While four of the top nine industries hiring former welfare recipients<sup>5</sup> grew faster than total employment from August 1996 through October 2001, the recession has reversed these figures. As unemployment rose throughout 2001, it was precisely these industries that were hit the hardest. Growth in employment in these industries has not only slowed, but has actually begun to drop. During the five months June 2001 through October 2001, for example, employment in personnel supply services dropped by nearly 5% and employment in hotels and lodging dropped

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<sup>2</sup> Wendell Primus and Jessica Goldberg (September 2002). *The August Unemployment Rate Masks the Severity of the Downturn and the Problems of those Exhausting their Unemployment Benefits*, Center on Budget and Policy Priorities: Washington D.C.

<sup>3</sup> Rick McHugh (September 1, 2002). *Not Gone, but Forgotten: America’s Laid Off Workers*, United Auto Workers (<http://www.uaw.org/atissue/02/090102mchugh.html>).

<sup>4</sup> Heather Boushey (December 2001). *Last Hired, First Fired: Job losses plague former TANF recipients*, Issue Brief 171, Economic Policy Institute: Washington D.C.

<sup>5</sup> Personnel supply, childcare, education, and hotels and lodging.

by nearly 3%.<sup>6</sup> The General Accounting Office (GAO) reports that almost two third of low-wage unemployed workers had been previously engaged in jobs from retail trade and services,<sup>7</sup> sectors of the economy seeing dramatic job losses in particular.

Unfortunately, former welfare recipients frequently do not have the skills and/or education that allows them to move into other sectors of the economy in order to both *obtain* and *retain* long-term employment. One 1995 analysis found that:

75 percent of jobs that do not require a college diploma do require a high school diploma, 70 percent require general work experience, 60 percent require specific work experience, 73 percent require references. These requirements do not correspond with the experiences of most welfare recipients: 46 percent of welfare recipients have not completed high school, and only 43 percent have earned a high school diploma.<sup>8</sup>

As a result of the particular downturn in the sectors of the economy where they work, and because of their inability to move into other jobs, low-wage workers are nearly twice as likely to be out of work as higher-wage workers. Low-wage workers make up about 50 percent of unemployed former workers, even though they are only 30 percent of the total labor force.<sup>9</sup>

This loss of jobs presents a severe problem to households with low-wage employees. It is difficult for these former welfare recipients to replace the income formerly earned from the lost job. Because low-wage employees are often “former welfare recipients, who are often single mothers with intermittent employment histories,”<sup>10</sup> these workers generally have fewer public resources to financially assist them during their periods of unemployment. For example, while low-wage workers are twice as likely to be out of work, they are only half as likely to receive unemployment benefits after their loss of a job.<sup>11</sup>

As with the unemployment, itself, this inability to access unemployment benefits can be traced to the sectors of the economy in which low-wage employees work. As GAO reports: “wide variation exists among industry sectors in the rates at which unemployed workers collect UI [unemployment insurance] benefits. . . [For example], 16 percent of former retail employees and 13 percent of former services employees collected UI benefits, while 39 percent of unemployed manufacturing workers and 58 percent of unemployed construction and mining workers collected benefits.”<sup>12</sup>

The circumstances that give rise to this inability of former welfare recipients to obtain public assistance are not hypothetical or theoretical. Two types of prerequisites exist for the receipt of

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<sup>6</sup> Id.

<sup>7</sup> General Accounting Office (December 2000). *Unemployment Insurance: Role as Safety Net for Low-Wage Workers is Limited*, at 13. GAO-01-181, Government Printing Office: Washington D.C.

<sup>8</sup> U.S. Department of Health and Human Services. *Characteristics and Financial Circumstances of TANF Recipients*, <http://www.acf.dhhs.gov/programs/opre/characteristics/fy98/sum.htm>.

<sup>9</sup> *Safety Net for Low-Wage Workers*, *supra*, at 13. While GAO examined data from the period 1992 – 1995, it explicitly noted that the conclusions held for the remainder of the decade as well.

<sup>10</sup> Id., at 5.

<sup>11</sup> Id., at 13.

<sup>12</sup> Id., at 18.

unemployment benefits: (1) monetary requirements; and (2) nonmonetary requirements.<sup>13</sup> Monetary requirements provide that workers must be employed for a minimum period of time and for a minimum number of hours. In addition, workers must receive a minimum level of wages in order to be eligible for unemployment benefits. Nonmonetary requirements provide that, among other things, the job separation must be involuntary (precluding claims for voluntary quits), that the unemployed worker must be actively seeking work, and that the job search must be for permanent full-time work (even if the lost job was part-time).

It is the nonmonetary eligibility requirements that exclude a majority of workers from the receipt of unemployment benefits, with women harder hit than men. The National Bureau of Economic Research (NBER) reports that: “over the entire age range, men are considerably more likely to satisfy nonmonetary eligibility, meeting the requirements 35 – 40 percent of the time, compared to only about 25 percent for women. . . The gender differential could potentially be explained by the difficulties of arranging child care and meeting other family responsibilities that may require more women than men to quit a job.”<sup>14</sup> Twenty-five percent of women leave their jobs for care-giving responsibilities.<sup>15</sup> This is particularly true for women moving into the workforce off of welfare.

Voluntarily quitting a job for personal financial problems often disqualifies claimants from UI benefits, but some limitations can be especially hard for low-income single parents. For example, if a worker currently available for work had quit his or her job because childcare was temporarily unavailable, the worker would not qualify for benefits in 32 states. If the same worker had quit his or her last job to care for a sick child, 26 states would disqualify the worker from benefits.<sup>16</sup>

The inability to obtain unemployment insurance benefits, however, can also be traced back to the types of jobs that former welfare recipients tend to hold as well. GAO reports that:

State earnings requirements are more difficult to meet for low-wage workers than for higher-wage workers, even when the low- and higher-wage workers were employed for the same period of time. For example, a worker who was laid off from a job in 2000 after 20 weeks of work for 20 hours each week at the federal minimum wage of \$5.15 per hour would not be eligible for UI in 13 states. . .<sup>17</sup>

In sum, the current recession has most severely affected households that are seeking to move out of welfare and into jobs. The loss of jobs in this recession has been greatest in the very sectors of the economy where former welfare recipients have turned to find work. In addition, these

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<sup>13</sup> For an excellent discussion of the monetary and non-monetary prerequisites to the receipt of unemployment insurance, see generally, Maurice Emsellem, et al. (March 2002). *Failing the Unemployed: A State-by-State Examination of Unemployment Insurance Systems*, at 4 – 5, Center on Budget and Policy Priorities: Washington D.C.

<sup>14</sup> Cynthia Gustafson and Phillip Levine (1998). *Less-Skilled Workers, Welfare Reform, and the Unemployment Insurance System*, National Bureau of Economic Research: Cambridge (MA).

<sup>15</sup> Annisah Um’rani and Vicky Lovell (November 1999). *Women and Unemployment Insurance*, at 1, IWPR Publication #A122, Institute for Women’s Policy Research: Washington D.C.

<sup>16</sup> *Safety Net for Low-wage Workers*, *supra*, at 6.

<sup>17</sup> *Id.*, at 5 - 6

former welfare recipients have neither the education nor the experience to move into other better paying jobs. Moreover, for reasons largely not of their doing, these workers cannot qualify for the same unemployment benefits that are available as an income support to help higher wage workers during their period of unemployment.

### ***Part-time Employees***

Part-time workers represent a second class of low-wage workers that disproportionately have lost their jobs in the current recession and who, at the same time, cannot access unemployment benefits to provide financial assistance when they lose their wages.<sup>18</sup> Indeed, the exclusion of part-time workers is the primary non-monetary reason why workers do not receive unemployment benefits.

The exclusion of part-time workers from unemployment hits women the hardest. One-fourth of all unemployed women are looking for part-time jobs and, as a result, may be ineligible for unemployment.<sup>19</sup> While women comprise 44 percent of the full-time workforce, they account for 70 percent of all part-timers.<sup>20</sup> Two out of three mothers work less than 40 hours a week during the key years of career advancement.<sup>21</sup>

For low-wage households, the part-time work is often a critical component to household income. In households with a part-time worker, the part-time worker earns an average of 24.1% of all household income.<sup>22</sup> With female-headed households living in poverty, part-time full-year earnings represent 91 percent of the family's income.<sup>23</sup>

It is not simply their family care responsibilities that impede the receipt of unemployment benefits for part-time employees. It is often the very type of job that low-wage women hold that pushes them into part-time work. The Institute for Women's Policy Research (IWPR) reports:

Contrary to a misperception, most part-time workers are not young adults still in school: sixty percent are over the age of 25, with an average age of 35 (compared to an average age of 39 among full-time workers).. Part-time workers are concentrated in the retail and service sectors, which represent 39 percent and 43 percent of part-time jobs respectively.<sup>24</sup>

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<sup>18</sup> In addition to "regular part-time" work—defined to include workers who are in relatively permanent jobs, but who work fewer than 35 hours per week—there are workers in "non-standard" employment (such as through a contract company, temporary help, self-employed, independent contractors, on-call/day laborers). One-in-eight employed women work in these jobs. Workers in these nonstandard jobs are also excluded from receiving unemployment benefits. Ken Hudson (2000). *No Shortage of Nonstandard Jobs*, Economic Policy Institute: Washington D.C.

<sup>19</sup> U.S. Department of Labor (2000). *Employment and Earnings*, U.S. Department of Labor: Washington D.C.

<sup>20</sup> National Employment Law Project (Feb. 2002). *Part-Time Workers and Unemployment Insurance: Expanding UI for Low-Wage and Part-Time Workers*, at 1, National Employment Law Project: New York.

<sup>21</sup> Rick McHugh, Nancy Segal and Jeffrey Wenger (Feb. 2002). *Laid Off and Left Out: Part-time Workers and Unemployment Insurance Eligibility: How States Treat Part-time Workers and Why UI Programs Should Include Them*, at 3, National Employment Law Project: New York.

<sup>22</sup> *Id.*, at 2.

<sup>23</sup> *Id.*, at 3.

<sup>24</sup> Vicky Lovell and Catherine Hill (May 2001). *Today's Women Workers: Shut Out of Yesterday's Unemployment Insurance System*, at 1, IWPR Publication A127, Institute for Women's Policy Research: Washington D.C., citing

Moreover, “while women are more likely to choose part-time work, they are also more likely to be *stuck* in part-time jobs against their will. The female rate of involuntary part-time work is 44 percent greater than that for men” (3.0% vs. 5.6%).<sup>25</sup>

Despite the disproportionate impact on low-wage employees (and on women), the part-time status of employees will generally disqualify workers from receiving unemployment insurance benefits if they lose their jobs. “An otherwise qualified claimant may be disqualified if the claimant is looking only for part-time work, even if the person’s job history (like many former welfare recipients) includes only part-time employment. An unemployed retail worker, previously in a part-time job, looking for a job with the same 30-hour work week, would be ineligible for UI in 30 states.”<sup>26</sup>

### THE NATIONAL EMERGENCY GRANT PROGRAM FOR DISLOCATED WORKERS

The federal government provides specific dollars that are available to help states respond to “unexpected dislocation events, such as mass layoffs, plant closures, natural disasters, and dislocations resulting from federal actions such as defense downsizing.”<sup>27</sup> The program is known as the National Emergency Grant (NEG) program. These grants are made, upon application by a state, out of a reserve the Secretary of Labor can maintain from Workforce Investment Act (WIA) appropriations. One national group describes the NEG program as follows:

To receive a grant, a state must apply to the Secretary of Labor and demonstrate that the state’s existing federal dislocated worker funds, which are allocated to all states by formula, are insufficient to meet the unexpected need for assistance. Grants are administered by local Workforce Investment Boards and currently may be used for job training, reemployment services, income support, and supportive services.<sup>28</sup>

Under federal regulations, the purpose of the National Emergency Grant program is to provide supplemental dislocated worker funds to States, Local Boards and other eligible entities in order to respond to the needs of dislocated workers and communities affected by major economic dislocations and other worker dislocation events that cannot be met with formula allotments.<sup>29</sup> Major economic dislocations that qualify for NEG funds include: (a) plant closures; (b) mass layoffs affecting 50 or more workers at a single site of employment; (c) closures and

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General Accounting Office, *Contingent Workers: Incomes and Benefits Lag Behind Those of the Rest of Workforce*, GAO/HEHS-00-76, Government Printing Office: Washington D.C.

<sup>25</sup> Chris Tully (1990). *Short Hours, Short Shift: Causes and Consequences of Part-Time Work*, at 6, Economic Policy Institute: Washington D.C. (emphasis in original).

<sup>26</sup> Safety Net for Low-wage Workers, *supra*, at 5 – 6.

<sup>27</sup> Sandra Clark (November 2001). *Do Proposals to Increase Funding for National Emergency Grants Provide an Effective Way to Meet the Health Insurance and Other Needs of Laid-Off Workers?*, Center on Budget and Policy Priorities: Washington D.C. (hereafter National Emergency Grants). This CBPP report can be accessed at the following WWW site: <http://www.cbpp.org/11-16-01health.htm>

<sup>28</sup> *Id.*, at 4.

<sup>29</sup> 20 CFR §671.100 (2002).

realignments of military installations; and (d) multiple layoffs in a single local community that have significantly increased the total number of unemployed individuals in a community.<sup>30</sup>

One category of assistance that is available through the NEG program involves “needs-based payments.” Needs-based payments are restricted to unemployed persons who have exhausted, or do not qualify for, unemployment compensation and who need the payments to participate in training.<sup>31</sup> In addition, adults receiving needs-based payments must be enrolled in a program of employment training<sup>32</sup> within certain time constraints.<sup>33</sup> Needs-based payments may not be made to employed persons.<sup>34</sup> Restrictions also exist on the *level* of needs-based payments that may be made.<sup>35</sup>

### **“Work-Related” Payments**

The biggest constraint on needs-based payments is the requirement that the payments be work-related. Federal regulations do not list what constitutes a work-related payment. The requirement is that a needs-based payment must provide assistance for the purpose of “enabling individuals to participate” in job training and/or one of the supportive services authorized by the Workforce Investment Act.<sup>36</sup> Typical work-related payments include payments to offset the expense of transportation and child care expenses.

A fuel fund would appear to have two alternative ways in which to access NEG grants to assist displaced workers with their home energy bills:

- A fuel fund would need to convince its local Workforce Investment Board that the provision of home services such as space heating and hot water is as essential to enabling a person to work as are services such as child care and transportation. or
- In the alternative, a fuel fund would need to convince its local Workforce Investment Board that a household unable to pay for work-related expenses such as child care and transportation is likely to need utility assistance as well. Conversely, a household facing a utility shutoff is likely to be having trouble paying child care and transportation expenses.<sup>37</sup>

A close tie exists between resolving unaffordable home energy bills and being able to participate in employment training. Home energy crises contribute to cutbacks on basic needs, such as hot water for clothes washing and personal hygiene, thus contributing to the inability to meet workforce training requirements. Moreover, home energy crises contribute to lower nutrition for

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<sup>30</sup> 20 CFR §671.110 (2002). Other events may qualify as “emergencies.”

<sup>31</sup> 29 U.S.C. §2864(e)(3)(A).

<sup>32</sup> 20 CFR §663.820 (2002).

<sup>33</sup> 20 CFR §671.140(c) (2002).

<sup>34</sup> 20 CFR §663.815 (2002).

<sup>35</sup> 20 CFR §663.840 (2002).

<sup>36</sup> 29 U.S.C. §2864(e)(3).

<sup>37</sup> Under this alternative, even if direct utility assistance is not considered to be work related, providing a fuel fund the funds to make child care and/or transportation grants to eligible individuals would free-up household resources for utility bill payments.

children<sup>38</sup> and high rates of illness that contribute to the conflict between work and family care. One of the most significant causes of employee absenteeism and turnover is the inability to find child care.<sup>39</sup> Aside from family illness, unaffordable home energy contributes to the frequency, severity and duration of personal illness,<sup>40</sup> which imperils successful completion of workforce training requirements.

Despite these impacts of unaffordable home energy on the ability to participate in workforce training, concerns have been raised that local Workforce Investment Boards will not use the National Emergency Grant funds for the full range of allowable uses. The Center on Budget and Policy Priorities cautioned in late 2001:

Local Workforce Investment Boards have a fair amount of discretion in determining how [National Emergency Grant] funds will be used, depending on the nature of the dislocation event (and affected workers) and the priorities of the local Workforce Investment Board. States and local areas currently decide how to use National Emergency Grants. As a result, services vary across localities. . . Some states and some local Workforce Investment Boards are much more familiar with employment and training programs and have an existing infrastructure of staff and vendors to provide for these purposes.<sup>41</sup>

The Center thus cautioned that National Emergency Grants could either go unused, or could be devoted exclusively to the job training and reemployment services rather than also being used for the allowable uses of “income support” and “supportive services.” It will be incumbent upon the local fuel fund to design specific projects,<sup>42</sup> and to garner the substantive and political support, to allow the fuel fund to tap into NEG funds to assist displaced workers.

### ***Finding NEG Partners***

Fuel funds wanting to work with their local Workforce Investment Boards should contact their state Department of Labor to obtain a listing of the local Board locations as well their members.<sup>43</sup> Fuel funds seeking more information and case studies about successful implementation of Workforce Investment Boards should contact the Institute for Community Inclusion,<sup>44</sup> an organization devoted to improving employment opportunities for the disabled.

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<sup>38</sup> Jayanta Bhattacharya, et al. (June 2002). Heat or Eat: Cold Weather Shocks and Nutrition in Poor American Families, National Bureau of Economic Research: Cambridge (MA).

<sup>39</sup> Research and Policy Committee (1993). *Why Child Care Matters: Preparing Young Children for a More Productive America, A Statement by the Research and Policy Committee of the Committee for Economic Development*, at 1, Committee for Economic Development: New York.

<sup>40</sup> Energy Cents Coalition (January 1998). *Minnesota's Energy Gap: Unaffordable Energy and Low Income Minnesotans*, Energy Cents Coalition: St. Paul (MN).

<sup>41</sup> *National Emergency Grants*, at 4.

<sup>42</sup> NEG grants should not be seen as general support grants. Rather, it would allow a fuel fund to respond to the specific needs created by mass layoffs, or other significant economic dislocation of workers without adversely affecting the fuel fund's ability to continue to serve its traditional client base as well.

<sup>43</sup> A listing of state Labor Departments can be found at the U.S. Department of Labor site on the World Wide Web at the following address: [http://www.dol.gov/esa/contacts/state\\_of.htm](http://www.dol.gov/esa/contacts/state_of.htm). Readers may also want to access the web site of the National Association of State Workforce Agencies: <http://www.icesa.org/index.cfm>.

<sup>44</sup> The Institute for Community Inclusion supports the rights of children and adults with disabilities to participate in all aspects of the community. The Institute has a special project devoted to workforce development issues. It has

WomenWork, an organization devoted to workplace issues for women,<sup>45</sup> also has state affiliates that might be useful partners in reaching the low-wage and part-time populations described above.

Agencies that may apply for NEG funds for projects within any given state include the state itself, a Local Board, or another entity determined to be appropriate by the Governor of the State in which the project will be located. In addition, Indian tribes, tribal organizations, Alaska Native entities, Indian-controlled organizations serving Indians, or Native Hawaiian organizations which are recipients of funds under section 166 of the Workforce Investment Act (Indian and Native American Programs) may apply for a national emergency grant.<sup>46</sup>

## SUMMARY AND CONCLUSIONS

The recession now facing the United States does not affect all workers equally. In particular, two types of workers that face lost jobs, longer periods of unemployment, and less access to unemployment insurance benefits to help them financially during their unemployment, are former welfare recipients and part-time workers. Low-wage, low-income households often fall into one of these two categories.

State and local Workforce Investment Boards may apply for National Emergency Grant (NEG) funds when faced with substantial local economic displacement. The NEG program can be used to provide “needs-based payments” to workers who are both unemployed and have either exhausted their unemployment benefits or have been found ineligible for such. Workforce Investment Boards have considerable discretion in deciding what constitutes appropriate needs-based assistance. While needs-based payments must be used to provide work-related assistance, fuel funds have the opportunity, alone or in tandem with partners, to make the case that avoidance of home energy disconnections represent such assistance. Tapping into NEG funds to use in serving displaced workers may be an important way to let fuel funds respond to the energy needs created by substantial economic displacement in their community.

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published case studies on the successful implementation of the Workforce Investment Act in Kentucky, Minnesota and Maine. <http://www.communityinclusion.org> (click on “new publications”).

<sup>45</sup> <http://www.womenwork.org/>

<sup>46</sup> 20 CFR §671.120(a) (2002).