Insight

Understanding Dislocated Worker Grants

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Executive Summary

- Since its creation in 2014 under the Workforce and Innovation Opportunity Act, the Department of Labor's Dislocated Worker Grant (DWG) program has expanded to address several different circumstances and populations.
- In response to increased unemployment due to COVID-19, the Department of Labor has announced a $100 million expansion of the Dislocated Worker Grant program that typically provides unemployed workers with disaster and emergency related temporary employment and training through state and local workforce programs.
- DWG grants allow for a more localized way to address unemployment in places that need it most, although based on prior use of DWGs, a $100 million expansion is unlikely to provide sufficient funding for all the states and localities that apply.

Introduction

For the past several weeks the federal government had been crafting and passing legislation to mitigate the consequences of the COVID-19 pandemic. Within the past month, the administration signed into law $8.3 billion in federal assistance for research of COVID-19. Following this package came the Families First Coronavirus Response Act. Currently, the federal government is constructing a third COVID-19 related bill that is expected to provide $2 trillion in relief and protection for American workers and small businesses.

As legislators continue working toward an agreement on the third bill, the Department of Labor (DOL) has taken its own course of action in response to the pandemic. This analysis reviews the DOL's expansion of Dislocated Worker Grants.

Dislocated Worker Grants

On March 18th, 2020, U.S. Secretary of Labor Eugene Scalia announced a $100 million expansion of the Dislocated Worker Grants (DWG) program in response to the COVID-19 public health emergency. DWGs were created under the Workforce and Innovation Opportunity Act of 2014 (WIOA) and award grants to states experiencing job losses due to unprecedented events or disasters. When Congress created the DWG program, there were four different categories of grants available to eligible states and state entities: layoff/major dislocation grants, dislocated service-member grants, trade adjustment assistance grants, and emergency/disaster grants. Since 2017, the program has expanded to include six more grants, some of which were used to address the opioid epidemic. This expansion into addressing public health concerns sets a precedent for the current $100 million expansion to address COVID-19 through the existing Disaster Recovery grants, as the Department of Health and Human Services has declared COVID-19 a national health emergency.

It is unclear the exact types of employment services that will be implemented under the COVID-19 disaster grants. Also, it is unclear how the $100 million will be administered among the states and localities, as its implementation will depend upon which are hit the hardest by layoffs.

Eligibility for Dislocated Worker Grants

While eligibility is slightly different for particular grants within the DWG program, they are mostly available to individuals (including the self-employed) who are permanently or temporarily laid off, long-term unemployed workers, and dislocated workers who will struggle to re-enter the workforce. DWGs are made available presented by the Secretary of Labor in response to an event that will cause mass unemployment. Those who are eligible to apply for DWGs are states, WIOA program agencies, state/local workforce development boards, and entities that can specifically support employment dislocations. Once they apply, the Department of Labor reviews and approves applications. The entire process can take up to 55 days before money is granted. Assuming the DOL approves the grants, the grantee (state or state entity) has the authority to disperse the grant to the eligible individuals. It is important to note that the grantees communicate and partner with local communities to determine where the grant money is needed the most. This approach allows for far more nuance in addressing unemployment challenges in a particular state or community.

Prior Use of Dislocated Worker Grants

Based on prior usage of DWGs, the $100 million grant will likely not cover all expected state DWG applications. Looking at how DWG grants have been used in the past offers clues as to how states and localities might use the newly available $100 million to address COVID-19.

Disaster Grant

In 2017 the DOL administered a $30 million grant to help Texas recover after Hurricane Harvey. Overall, an estimated 565,000 businesses were affected by the hurricane, leading to a spike of an additional 62,0000 unemployment claims in September of 2017. The grant was dispersed by the Texas Workforce Commission (TWC), which originally applied for the grant. The TWC was able to appropriately distribute the grant by working with local workforce development boards that reported the communities that needed the most recovery assistance. For the communities that experienced the most damage, the local workforce boards temporarily hired the laid-off employees to help with the clean-up. The remainder of the grant money went toward dislocated Texan workers to help them secure additional employment.

National Health Emergency Grant

The DOL's Employment and Training Administration (ETA) awarded National Health Emergency Worker Dislocation Demonstration (NHE) grants in March 2018 after the Department of Health and Human Services recognized the opioid crisis as a national public health emergency in 2017. The DOL awarded a total of $22 million in NHE grants to states struggling with the crisis. The grants were directed toward training services that taught the skills needed to treat the opioid crisis, such as in professions combating substance addiction and providing mental-health services.

Trade and Economic Transition Grant

The DOL has allocated as much as $100 million to the DWG program once before when it created the Trade and Economic Transition grant in 2018. Each state or state Workforce Development Board that applied for these grants could request up to $8 million. The grants were created to directly help workers who were dislocated due to technological and economic changes that shifted the workforce away from traditional skills. The grants provide services that give the dislocated workers opportunities to re-enter the workforce with skills that meet the labor market's needs.

Using Dislocated Worker Grants to address COVID-19

Addressing the COVID-19 unemployment challenges through the DWG program would open up eligibility to the largest number of employment and workforce entities since the program's creation. Because COVID-19 is present in all 50 states, the DWGs will be addressing substantial job losses across the country. Within one week (March 12 to March

19), unemployment claims nationally increased by 33 percent (70,000 claims). The number of claims is expected to increase as the COVID-19 continues to spread and more businesses are forced to shut down.

Given how DWGs have been used during other times of increased unemployment, it can be expected that the $100 million coronavirus addition will be dispersed and used in a similar fashion. Grantees will likely use the money to bring dislocated employees back into the workforce by giving them temporary employment performing tasks that are in high demand, such as building necessary medical equipment, working in food distribution/sales, or providing support to government benefit agencies. Additionally, the grantees may prioritize getting the dislocated workers back into the workforce through reskilling and upskilling programs to meet the labor market demands in, for example, health care services.

Conclusion

The DWG program is by no means expected to provide full support to the majority of, let alone all, disenfranchised workers, but it is one of many attempts to provide some relief through state and local entities. Assuming the third coronavirus relief package legislation provides adequate incentives and support to help businesses, fewer would be forced to shut down or lay off workers. Increased funding to state-run unemployment programs, small business loan forgiveness, and timely government reimbursements on the paid-leave mandate would ideally provide reduced state and community requests for DWG money, enabling it to go to the places that need it most.

While Congress continues to tweak pending legislation, the Department of Labor will need to speed up its process of accepting and determining the grant awards for the states that applied in order for the DWG program to provide any relief to workers. The DOL typically takes about two months to deliver the awards to the states. Two months from now, however, more businesses are expected to close, which means relief is needed as soon as possible. Trusting that both the state and federal government carry out their authority effectively, the latest policy changes, paired with DWG expansion, could provide more support to a greater number of unemployed and underskilled workers.