With social crisis mounting

Record demand for heating assistance in US

Tom Eley
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With the number of US households requesting home heating assistance reaching a record for the third consecutive year, state officials have warned that they may begin to refuse further applications unless Congress allocates more money for the Low Income Home Energy Assistance Program, or LIHEAP.

Over 8.8 million households will have received heating assistance by winter's end, up from 7.7 million last year and 5.7 million in 2008, according to a new report from the National Energy Assistance Directors' Association (NEADA). About 4.3 million households had utilities disconnected in 2009, up from 4.1 million the previous year.

In spite of mounting unemployment, Congress this year approved the same amount of money as it did last year for heating assistance, allocating $5.1 billion for the states to administer LIHEAP—a figure substantially less than several Wall Street banks paid their executives in 2009.

The difficulties families face in procuring heat and other utilities lead to tragic deaths each year. "This is more than an energy issue and needs to be acknowledged for what it is: a serious public health matter," said Jerry McKim, LIHEAP director for Iowa.

"In an effort to better afford their utility bills, many elderly households cut back on prescribed medicine and/or set their thermostats too low risking their already insecure health and families with young children sacrifice their children's nutritional needs," McKim explained. "Disconnected households use unsafe methods of heating that increase the risk of carbon monoxide poisoning, and those who live by candlelight increase the likelihood of a house fire tragedy."

LIHEAP grants are about $500 on average, but vary by state, and mostly go to the elderly and families with young children. Grants are typically awarded to households that subsist below the official poverty level—about $22,000 for a family of four—but some states provide assistance to households at 150 percent of the official poverty threshold.

As demand has soared, a few states have already cut back on the amount of money they give to households in need. Now state energy directors warn that they may soon cut off further applications.

At least 35 states have seen an increase in home heating cases of more than 10 percent, and in ten states the increase has been over 25 percent. The states with the largest increases are scattered across the country, indicating the breadth of the social crisis: Mississippi (68 percent), Washington (42 percent), Michigan (38 percent), Nebraska (34 percent), New Jersey (31 percent), West Virginia (28 percent), Colorado (26 percent), and Kansas (25 percent), New Hampshire (25 percent), and Wisconsin (25 percent).

New York, which saw a 10 percent increase in applications, by itself accounts for 15 percent of all home heating assistance cases in the US. It is followed by Michigan, a cold-weather state with the highest jobless rate in the country, with about 10 percent of all cases.

Demand is likely to increase next year again. Because a number of states prohibit utilities to suspend service in the winter, many households forgo paying bills. A sharp increase in shut-offs is therefore anticipated for the spring. In order to get their utilities back before next winter, these households will be required to pay off their backlog in bills.

The sharp increase in LIHEAP applications this year came in spite of a modest decline in energy prices.

Behind the record numbers of those seeking home heating assistance is the unemployment crisis. Mark Wolfe, director of NEADA, told the *New York Times* the increase is at least partly attributable to steady growth in long-term joblessness.

Chronic mass unemployment differentiates the current economic crisis from every other downturn since the Great Depression. More workers have been without a job for six months or longer than at any time since record-keeping began in 1948—6.3 million in all. The average duration of unemployment also surpassed 6 months late last year, another record.

From the 1950s through the 1970s, the US economy added private sector jobs at a rate of 3.5 percent per year, according to an analysis by the Economic Cycle Research Institute. In the 1980s and 1990s, annual private sector expansion was 2.4 percent. But since 2000, it has declined .9 percent annually.

"The pace of job growth has been getting weaker in each expansion," said study author Lakshman Achuthan. "There is no indication that this pattern is about to change."

To have kept pace with population growth, the economy would have had to generate between 12 and 15 million jobs since 2000. Instead the economy has shed 8.7 million jobs since December 2007, and there are officially 15 million jobless Americans.

There is no expectation that joblessness will subside significantly in the near future. Janet Yellen, head of the San Francisco Federal Reserve Bank, said in a Monday speech she expects "unemployment to remain painfully high for years." Even if the current crisis follows the patterns of recovery charted by recent recessions, unemployment will be about 8 percent in 2014, according to Heidi Shierholz of the Economic Policy Institute.

"We haven't seen anything like this before: a really deep recession combined with a really extended period, maybe as much as eight years, all told, of highly elevated unemployment," Shierholz told Don Peck of the *Atlantic*. "We're about to see a big national experiment on stress."

"There is unemployment, a brief and relatively routine transitional state that results from the rise and fall of companies in any economy, and there is *unemployment*—chronic, all-consuming," Peck warns. "The latter is a pestilence that slowly eats away at people, families, and, if it spreads widely enough, the fabric of society. Indeed, history suggests that it is perhaps society's most noxious ill... Ultimately, it is likely to warp our politics, our culture, and the character of our society for years."

Layoffs and job cuts continue, an increasing number coming in the public sector.

New York City's Metropolitan Transportation Authority (MTA) announced on Tuesday that it will cut more than 1,100 jobs, including as many as 500 subway station agents and more than 600 administrative positions.

The San Francisco Public Schools system is expected to announce it will lay off 900 teachers and staff this week. The Los Angeles city council just approved a plan to eliminate 3,000 jobs this year. Detroit Public Schools announced that it will privatize the remainder of its student transportation system. All 345 drivers will be dismissed and forced to apply for the newly privatized positions at sharply reduced wages and benefits.

Airplane manufacturer Boeing announced this week that it will lay off 527 workers in Washington state, and ABC News is expected to announce large scale job cuts and buyouts on Wednesday.

The jobs crisis goes far beyond unemployment as traditionally understood. According to a new Gallup Poll, 19.9 percent of the US workforce reports being "underemployed." One in five, or about 30 million Americans, are jobless or are working fewer hours than they would like, according to the survey, which interviewed a sample of over 20,000 people in the US workforce.

Only a quarter of the underemployed say they can afford "a major purchase," and just over half, 56 percent, say they can "buy the things they need." Among underemployed respondents, 37 percent said that within the last year they had to forgo health care or medicine, 36 percent said there were times when they could not buy food, and 19 percent said they were unable to provide themselves shelter within the past year.

The data from the Gallup polls was substantiated by Tuesday's release of the Conference Board's Consumer Price Index (CPI), which plummeted to 46.0 in January from 56.5 in February, its lowest reading since April, 2009. Economists had anticipated only a slight decline. A reading of 90 or above indicates economic stability.

The Conference Board's present situation index for February produced an even worse reading. It fell to a 27-year low of 19.4, meaning "consumers feel things are worse now than they were during the throes of the financial crisis in the fall of 2008," according to *CNNMoney.com*. And the expectation index, which measures consumers' views on the near future, also fell. The number of those who expect job availability to decline rose to nearly 25 percent in February, and those expecting to see an increase in their incomes fell to 11 percent.

"While other indicators are showing that the recession is over, to the consumer it still feels like we're still mired in the recession," said Lynn Franco of the Conference Board. "This recovery has been driven more by business than by the consumer. The fact that we're not adding jobs but are still shedding them is doing very little to comfort consumers."

The fall in the CPI caused a sell-off on Wall Street. The Dow Jones Industrial Average fell by .97 percent to close the day at 10,282, the NASDAQ fell by 1.29 percent and the S&P 500 declined by 1.21 percent. Investors flocked to the "safe haven" of US government debt, driving down yields on Treasury bonds to their lowest level in two months.

Home values, the major source of wealth for most US families, also continued their fall in 2009, according to a new Case-Shiller index of 20 leading metropolitan areas released on Tuesday. Home prices were down 3.1 percent in 2009 from 2008, and have fallen 29 percent since their peak in 2006.

It is likely that home values will continue to fall in 2010. Economists anticipate a flood of 2.4 million foreclosed homes onto the market in the coming months, and the Federal Reserve will next month end its purchases of mortgage-backed securities—which has cost $1.25 trillion since the end of 2008—a move that will likely increase mortgage interest rates.