



**Workforce (Re)Development in the Gulf Coast Region:
A Three-Part Agenda for Action**

November 2005

By Jason Walsh and Andy Van Kleunen

The Workforce Alliance
1701 K Street NW, Suite 750
Washington, DC 20006
202-223-8991
www.workforcealliance.org

Executive Summary

Hurricanes Katrina and Rita wreaked economic devastation throughout the Gulf Coast, leaving businesses devastated and tens of thousands of people without jobs. To date, a great deal of policymakers' attention, both within the region and in Washington, has been focused on bringing emergency assistance to the region.

Most policymakers, however, are not talking seriously about the *long-term investments* needed to rebuild the region's economic base. While some leaders are focused on how to re-build the area's buildings and businesses, **few are talking about how to re-build the region's workforce**—the true economic engine that will ultimately drive the Gulf Coast's rebirth.

To that end, this report calls on policymakers both in Washington, DC, and in Baton Rouge, Jackson, and Montgomery, to consider how to begin strategically investing in the human capital of the Gulf Coast—in the development of the skills and education of local workers—and in the industries within the region that seek to develop good jobs at profitable firms. Such an approach will be necessary if the Gulf Coast is not only going to dig itself out of its current emergency, but to catch up to a global economy that continues to become increasingly competitive every day.

Current Policy Proposals Fall Short

Proposals put forward so far by both the Bush Administration and Congress to address the needs of the region's current workforce are marginal and insufficient. For example, the Administration's plans for Worker Recovery Accounts are a short-term band-aid that could actually leave Gulf area workers with fewer retraining opportunities than they would have received under existing federal workforce programs. Similarly, Congress's focus on tax breaks will similarly fall short in spurring real growth in local industries, as was borne out by New York City's experience with such federal tax initiatives after 9/11.

Core Principles for Investing in the Gulf Coast's Redevelopment

An alternative approach to Gulf Coast redevelopment would adopt the following principles:

- Reconstruction should include improving physical capital and human capital.
- Returning to how things were is not good enough. We should make the region better.
- Redevelopment should have long-term goals, not just be short-term band-aid solutions.
- Other worker training efforts around the country shouldn't be neglected because of hurricane relief.
- Redevelopment funds should be targeted investments, rather than hopeful give-aways.
- Local officials should have spending flexibility with federal accountability.

A series of policy proposals follow from these principles, seeking to:

- Improve access to workforce training at a variety of levels across a range of industries;
- Rebuild the employment and training infrastructure in the region to accommodate the massive number of workers who must become part of the region's new economy; and
- Target investments in key industry sectors (as opposed to across-the-board tax breaks) to spur economic development that will benefit both firms and workers.

Worker Training

The Gulf Coast's worker training efforts were grappling with the region's serious skill deficiencies even before Katrina and Rita hit. Louisiana, Mississippi and Alabama ranked at the bottom in the nation both in terms of adult educational attainment and median household income. The report proposes several solutions to improve worker training in the region to help these families and the area's overall economy.

- Make public service employment lead to apprenticeships. This would require the Department of Labor (DOL) to create employment pathways and to fund training programs for residents who take temporary jobs helping to rebuild the Gulf Coast.
- Increase funding to existing Individual Training Accounts (ITAs). ITAs are vouchers created under the federal Workforce Investment Act (WIA) that can be used to purchase training from certified providers. Rather than resorting to a new form of untested voucher (i.e, the Worker Recovery Account), the federal government should invest more in ITAs that could be used immediately by hurricane evacuees in federally funded workforce programs both in the region and throughout the country.
- Require Community Benefit Agreements for reconstruction projects to ensure job training and employment for local residents. These contracts between community groups and developers would ensure local residents have opportunities for career-path job training and first access to new jobs created by a development project.
- Maintain state funding for higher education and restructure federal and state financial aid policies to meet the needs of working adults. Now is not the time to cut state funding for higher education, particularly for people who are only seeking part-time vocational training to help them get back into a restructuring post-hurricane economy. Funding must be maintained, and federal and state regulations limiting support for part-time, working adult students must be changed.
- Link basic skills programs to long-term career pathways for working adults. An unacceptably large proportion of low-income Gulf Coast residents lack the basic literacy or computation skills to succeed even in a technical job training program, let alone in the better jobs that could emerge with the new Gulf Coast economy. Investments must be made to teach these basic skills to adults, so they can get on a pathway toward success and a productive role in the region.

Employment and Training Infrastructure

Community and technical colleges, industry and union training centers and One-Stop Centers in the Gulf Coast are in complete disarray after the hurricanes. Many are not operating at all, or just beginning to. Most have sustained physical damage from the storms and lost students or trainees. Investments must be made to get these systems back on their feet, so that they in turn can begin retraining local residents:

- Earmark more federal “public works” money for training infrastructure. Dramatic cuts to federal workforce programs have also affected training infrastructure. For at least the next one to two years, more federal money is needed to repair community and technical colleges and industry and union training centers. Commerce Department funding out of its Economic Development Administration is one immediate option.
- Develop innovative ways to fund training programs. Local and state governments in the Gulf should consider adopting non-traditional methods developed in other states to support worker training, such as selling bonds or creating Tax Increment Financing districts to defray costs in a specific area.

Targeted Investments for Economic Development

Industries across the Gulf Coast are struggling to survive and rebuild after the devastation of Katrina and Rita. Sectors ranging from healthcare to gaming will need skilled workers to re-open and re-build. Rather than resorting to untargeted tax incentives that are not likely to be used, policymakers should adopt an industry-focused investment approach to economic development that will help both workers and local firms re-tool for a more productive future.

- Organize workforce development efforts on an industry sector basis. Just two months after the hurricanes, it is clear which industries will need workers in the coming months and years. Training efforts must target these industries, based on employer demand, and consider which jobs have wages and benefits that will support families.
- Create public-private partnerships for regional economic development. Because economies do not fit neatly within the boundaries of cities or states, creating partnerships that cross these lines is a useful tool for redevelopment. Training providers, businesses, unions and local public officials must join together for the good of the region.
- Give wage subsidies to affected Gulf-area employers. Small and mid-sized employers need assistance to keep workers employed, rehire those who have been laid off and hire new workers. Current proposals in Congress to create tax credits to do this aren't enough help to employers with little or no tax liability. A wage subsidy program is the answer—as was borne out by its successful application in New York City after 9/11.

Introduction

Governments at all levels face a significant challenge in crafting an effective public policy response to meet the reconstruction and recovery demands of the Gulf Coast and its citizens in the aftermath of Hurricanes Katrina and Rita.

This brief specifically addresses both short- and long-term strategies for getting affected workers from the Gulf Coast back to and adequately prepared for work—not only for the immediate post-hurricane clean-up, but also for the next several years of resurrecting a regional economy which is likely to look substantially different than it has for the past several decades. The Gulf Coast can only be rebuilt if local workers and businesses have the tools necessary to do so, drawing on important lessons learned from past workforce and economic development efforts both in the region and from around the country.

We argue that many of the proposals put forward to date by both the Bush Administration and Congress—while some of them sizeable in scale—are likely insufficient to address the region’s current and future workforce crisis. In some cases, the proposals put forth by the President and others are simply unproven “experiments” that may be consistent with a certain political philosophy, but not with recognized effective practices from the workforce and economic development fields. Such practices have helped local businesses become competitive and successful, while at the same time helping workers secure skilled jobs that provide family-supporting wages and benefits.

The current federal proposals also do not adequately attend to what was all too visible to the world in the wake of Katrina: the glaring gap between those with means and those without. While a number of proposals from Washington do make important fixes to the federal safety net, they do not put provide a clear and pragmatic policy vision on how to confront the enormous social and economic disparities that have long plagued the region. In short: It is not sufficient to rebuild a status quo marked by such an unacceptable level of inequality. Rather, we must envision and build toward a future in which every citizen of the Gulf Coast states has the opportunity to succeed and where the policy choices we make contribute to a high-wage and high-productivity economy that works for everyone.

To articulate and act on this kind of project, core principles should guide workforce re-development policy-making in the Gulf Coast region:

- ❖ **Invest in Human Capital, not just Physical Capital:** Reconstruction is not simply bricks and mortar. It should also include investment in the building blocks of opportunity for the region’s citizenry—including not only those who were previously successful in the regional economy, but also those who were as left behind by the previous economy as they were by the rescue efforts that followed. We must invest in the redevelopment of the homes, businesses, infrastructure and institutions laid low by the hurricanes. But just as importantly, we must also focus on investing in the development of the region’s workers who, along with entrepreneurs and other business leaders, will be the human economic engines that will ultimately drive the region’s re-birth.

- ❖ **Re-Build for the Future, Not the Past:** President Bush was right: We must rebuild the Gulf Coast “better than before.” In economic development terms, that means re-building to meet the economic and labor market demands of the 21st century, in which no worker’s potential productivity can be marginalized. Unfortunately, a significant segment of the Gulf Coast region has been stuck in a vicious cycle of low academic achievement and high poverty and inequality for far too long. Getting back to the way things used to be would not put us on a pathway of future economic vibrancy for the region
- ❖ **Think Long-Term Building, not Short-Term Band-Aids:** This emergency demands immediate, short-term relief and assistance. But the re-building of the Gulf Coast economy will be a long-term process that cannot be solved by one-shot, six-month remedies from our federal government. If Washington is serious about its commitment to get the region back on its feet, the policy discussion will need to get beyond the current emergency to a long-term policy commitment over the next several years.
- ❖ **Don’t Abandon the Rest of the Country’s Workers and Businesses:** The entire U.S. economy is in a precarious position—not just because of the most recent effects of the hurricanes, but because of the larger structural challenges and international competitive forces that have been with us for years. Needed new investments in the Gulf Coast region must be made, but not at the expense of already insufficient investments in federal programs intended to spur critical workforce development and industrial expansion in other parts of the country.
- ❖ **Smart, Accountable, Targeted Investments vs. Hopeful Give-Aways:** At the same time, given the tightness of the current federal budget, we must be smart and accountable about how we propose to spend the nation’s money to rebuild the Gulf Coast region. The current menu of “economic development” policies being proposed for the region does not meet that test. Rather than working with local leaders to target federal investment at particular industries that will bring the greatest return to the region, federal (and some local) policymakers are instead fixated on the same old list of business tax give-aways that hold no guarantee or track record for getting immediate capital into the businesses, industries and related public infrastructure that will get the Gulf Coast back on its feet.
- ❖ **Give Locals Strategic Flexibility, but Maintain Federal Accountability:** After initial promises of giving Gulf Coast state and local officials “whatever it takes” to save their people and re-build their economies, some politicians in Washington are already starting to back-track on their pledges. We believe that significant resources should be made available to the region. At the same time, no-bid contracts and no-account tax give-aways are not responsible uses of the federal purse. State and local officials are concerned that help from Washington will come with strings that will impede them from doing what they need to do to respond to ever-changing circumstances on the ground. Let’s figure out how to give them that full strategic flexibility, but at the same time do it in a way that will demonstrate to every American taxpayer that our continued financial support of the region’s re-building—both now and in the future—is warranted and produces returns for both workers and businesses in the region.

Federal Policy Proposals To Date

Congressional Proposals

In the immediate wake of the Katrina Hurricane, the House and Senate worked with the Administration to enact a total of \$60 billion in supplemental funding for a range of emergency activities to help the region. Among these was approximately \$191 million in National Emergency Grant (NEG) funding, to be administered by DOL, along with legislation that relaxed some of the guidelines for how NEGs could be used by affected states, given the extreme circumstances of the situation.

In addition, Congress passed a number of other low- or no-cost initiatives to bring temporary relief to the region. These included freeing hurricane-affected college students from having to re-pay their federal Pell Grants if they were not able to attend classes for the Fall semester. Some new allowances were also granted to impacted states to apply for waivers that would allow them to spend federal WIA dollars in ways other than what was originally allowed by the law.

Otherwise, relatively few legislative proposals have offered any significant investment in the rebuilding of the Gulf Coast region's economy. Senate Finance Chairman Grassley (R-IA) and Ranking Member Baucus (D-MT) introduced S. 1696, the "Hurricane Katrina Tax Relief Act of 2005," which proposed a number of tax initiatives focused on reducing businesses expenses, or providing incentives to businesses to re-start within / re-locate to the region. (The Senate Finance committee has otherwise been preoccupied with the issue of healthcare and Medicaid costs in the affected states and its disagreement with the House and the Administration about who should pay for such services in the region.)

More ambitiously, Louisiana Senators Landrieu (D) and Vitter (R) introduced S.1765, the "Louisiana Katrina Reconstruction Act"—a \$250 billion proposal that would build emergency housing, provide medical and bankruptcy relief to individuals, establish a wide range of tax breaks and incentives for area businesses and industries, and fund significant new investments in infrastructure largely associated with the region's shipping, fishing and energy industries, among others. While the Landrieu-Vitter bill includes a few encouraging elements that could contribute to developing a more skilled Gulf Coast economy, the bill's overall size has made it a target of growing criticism.

The Bush Administration's Proposal

On September 15th, in a televised address from New Orleans, President Bush offered a three-part recovery plan for the region, comprised of:

- Gulf Opportunity Zone (GO-Zone), which would provide tax relief and loans for businesses and entrepreneurs to remain, relocate and / or invest in the region. Until 2007, eligible businesses would be able to collect benefits ranging from aid for improved equipment to other loans and loan guarantees that will help businesses get back on their feet.

- Urban Homesteading, which would allow evacuees to obtain federally owned property at a favorable mortgage rate, through a lottery system. Those winners of the property must pledge, with the help of a mortgage or a charitable organization, to build on the lots.
- Worker Recovery Accounts (WRAs), a revised version of the Administration's previously rejected Personal Reemployment Accounts (PRA) proposal. These new WRAs would provide up to \$5,000 to certain job-seekers to allow them to purchase training or supportive services, such as child care or transportation, to get back to work. If workers find a job within 13 weeks after starting Unemployment Insurance benefits or Disaster Unemployment Assistance (DUA), they may keep up to \$1,000 from their account as a cash "employment bonus."

Such proposals require Congressional approval. To date, two of the three parts of the President's plan have been introduced in Congress: H.R. 3976, the "Worker Recovery Act," introduced by Rep. Boustany (R-LA) and H.R. 4155, the "Gulf Opportunity Zone Act," introduced by Rep. McCrery (R-LA).

On October 28th, President Bush submitted to Congress a request to reallocate \$17 billion of the \$60 billion originally appropriated to FEMA in the aftermath of Katrina for more immediate reconstruction and recovery needs. Some \$125 million of the total would go to continue delivering NEG funds for disaster relief employment assistance and job training. Unfortunately, the President also requested rescissions (i.e., revocation of already appropriated 2005 funding) from 55 different federal programs totaling \$2.3 billion. Among the proposed rescissions are cuts to the Food Stamp Employment and Training program, programs at the Department of Education's Office of Vocational and Adult Education, and programs for youthful offenders and the Job Corps, which total roughly \$207 million in cancelled spending, considerably more than the new NEG funds directed to the Gulf Coast.

None of the President's or Congress's proposals (and certainly not the proposed disinvestment in already existing programs) offer what is so obviously needed: a comprehensive and achievable several-year plan for recovery that lays the groundwork for a Gulf Coast future better than its past. We propose the framework for such a plan here, analyzing workforce re-development in the Gulf Coast from the standpoint of worker training, employment and training infrastructure, and industry-specific investments in economic development. We present these policy recommendations within the framework of a three-part action agenda that involves both short- and long-term investments in:

- **Worker Training:** Both to help transition dislocated workers whose previous industries of employment may not be hiring any time soon, as well as to train the many poor residents of the region who never had the skills to become key producers in the local economy;
- **Employment and Training Infrastructure:** Not only to re-build the education, training and labor exchange institutions that were destroyed by the hurricanes, but also to develop new capacity to serve hundreds of thousands of workers moving through a rapidly restructuring economy; and

- **Targeted Investments for Economic Development:** Targeted public investments in the 21st century retooling of firms and workers within specific industries that will be likely pillars of the region's economic future. These would be investments overseen by consortia of each industry's key stakeholders (e.g., multiple firms, labor institutions, training providers, hosting communities) committed to working together to advance each sector's overall economic prospects, as opposed to uncoordinated and generally unaccountable tax incentives taken up by individual firms without any ready means to track their effects on the local economy.

Worker Training

Snapshots from the Situation on the Ground

The situation on the ground varies by state and even by area within each state. Alabama has experienced minimal worker displacement except in coastal areas, which had substantial destruction from wind and storm surge.

In virtually all of the Mississippi coast, the entire population was displaced and much of the area was totally destroyed. However, workers are returning as temporary or substitute housing becomes available in nearby locations.

Louisiana is more complicated. While the entire workforce was displaced from all of Southeast Louisiana, people are now able to return to most of the New Orleans Metropolitan area north of Lake Pontchartrain and are also coming back into parts of the urban area, particularly on the west bank of the Mississippi River in Orleans and Jefferson Parishes and the eastern portion of Jefferson Parish. The majority of the City of New Orleans and virtually all of St. Bernard Parish, however, are still uninhabitable, so only a minimal workforce is present, except for emergency workers. The return of workers in coastal areas was set back by Hurricane Rita and is just now beginning again.

The scale of worker displacement is best captured by the number of Unemployment Insurance (UI) claims in the three states. Alabama saw no significant increase in claims in the weeks after Katrina. Through October 21st, Mississippi received claims from 111,000 displaced workers.¹ To date, Louisiana has paid claims to more than 311,000 workers displaced by both Katrina and Rita.²

Many of those who were displaced cannot, or will not, return because their homes have been destroyed, or they have enrolled their children in school in their evacuation destinations, or they have found suitable work in another community. The Mayor of New Orleans has already posited that New Orleans will probably begin its new era with as few as 250,000 residents – a drop of more than 200,000 from pre-Katrina levels. So, at a time when the need for workers will be great, the available numbers may be small. This situation also raises the question of what will become of those who do not come back and choose to remain where they have planted new roots.

With some exceptions, the skills of the returning workforce are largely unchanged from pre-Katrina status. A very small percent of the workers in the affected area possess marketable environmental clean-up, demolition or construction skills, all of which will be needed immediately. The major portion of the displaced population was employed in businesses that have been destroyed and will take months to restore – such as gaming, hotels, restaurants, and retail establishments. Indeed, a significant part of the workforce already lacked basic academic and occupational skills and were previously employed in low-wage positions, often without health benefits.

Census Bureau data place the educational and income deficiencies of the region in stark relief. In the 2003 American Community Survey of the 50 states (plus the District of Columbia), Louisiana, Mississippi and Alabama ranked 46th, 47th and 51st respectively in the percentage of population 25 years and older that had completed high school or its equivalency,³ and 49th, 50th and 44th respectively in median household income.⁴

A large number of workers will be required in the demolition of damaged structures, the restoration of the public infrastructure, and the repair and construction of commercial and residential structures. This immediate need is being anticipated as the technical institutions and community colleges are gearing up to deliver short-term training in basic construction skills.

But in Louisiana and Mississippi, previous state efforts to fund worker training programs are now at risk. That is because both states funded some of their worker training programs through the imposition of a small tax on local employers, which was then offset by an equivalent reduction in employers' UI payroll tax payments to the state. Employers could then apply for these state training funds to help train or re-train workers for their businesses. But those programs are now in peril, due to the mass dislocation of workers after the hurricanes.

- In Mississippi, the Workforce Education Program (WEP), newly enacted in 2004 with \$20 million earmarked from the employer tax offset, offers customized pre-employment training, post-employment training, and upgrade/re-training services for new, expanding or existing industries. The WEP training tax, however, is automatically turned off if the state's UI Trust Fund falls below \$500 million, which it may do within a year due to the post-hurricane jump in claims by displaced workers. As a result, the WEP fund would not receive additional funds. What's more, the state's community colleges had already obligated \$16 million for WEP customized training initiatives, with \$6 million of that amount not yet issued—and, therefore, may not even be able to pay their bills for already established programs, let alone offer new ones to help re-train all the new workers affected by the storm
- In Louisiana, the Incumbent Worker Training Program (IWTP) is funded at \$50 million annually – as long as the UI Trust Fund stays above \$1.4 billion. If it drops below \$900 million, funding for IWTP is terminated. Louisiana forecasts that claims due to the hurricanes will drop the Trust Fund to little more than \$500 million by the end of the August, 2006. Based on this projection, the state has stopped diverting employer taxes for ITWP.

Thus, the programs in the two hardest-hit Gulf Coast states that are best designed to respond rapidly to employer and worker skill demands—a need more pressing than ever – are now faced with the possibility of future insolvency.

Short-term Solutions

Short-term solutions have to address the needs of workers still in the Gulf Coast and those who have been displaced around the country. The mechanisms and points of delivery for training will have to be vastly different for these two categories of workers.

➤ **Apprenticeships for Disaster Relief Employment / Public Service Employment Workers**

Local and state government will require a large number of workers to repair the public systems and to restore, maintain or enhance essential public services during this reconstruction period. In addition, private sector employers in the region (e.g., healthcare systems) that want to retain their workforces, even during this uncertain time of low business activity, may need some assistance to do so.

To that end, DOL announced that it would issue \$191 million in NEG grants to the region, which by the Department's account could create 40,000 temporary jobs for clean-up, restoration and humanitarian aid work. The maximum duration of Disaster Relief Employment (DRE) or related Public Sector Employment (PSE) for this kind of disaster is typically six months (although recent Congressional action has allowed the Secretary of Labor the discretion to extend that to as long as 12 months). As such, 40,000 people hired to work 30 hours weekly for six months would be paid, on average, little more than \$6 per hour.

Wages this low will do little to restore economic security to those hired. What's more, while the Department has encouraged the states to consider providing supplemental training services to DRE / PSE workers so that they might be employable after their temporary placement ends, DOL has provided no additional funds through the NEG grants to offer such training.

To make these DRE / PSE placements more than just another collection of dead-end jobs, DOL should make a commitment to provide every interested worker with the support necessary to obtain specific occupational skills associated with their temporary work, in much the same way that the Department supports and promotes apprenticeships for new workers in the construction trades and other industries. Access to such a potential career pathway would substantially increase the value of these temporary placements beyond the wages earned during their six-month period. As such, a social contract could be offered to all DRE / PSE recipients, comparable in nature (if not scale) to what our country offered under its GI Bill to soldiers serving their country during WWII: You work hard over the next six months to help us get the Gulf Coast region back on its feet, and we in turn will promise you access to the first rung on an apprenticeship, with funded training and long-term DOL commitment, to make sure you have the chance to become members of the new Gulf Coast middle class long after these NEG-funded public services jobs are gone.

One of the best ways to facilitate such a long-term outcome would be to connect PSE jobs to both DOL- and private labor/management-funded apprenticeship programs, which are an already established conduit for workers to build skills and careers, particularly in the construction industry. DOL has direct oversight of apprenticeship programs in Mississippi and Alabama, while a state council oversees programs in Louisiana.

In identifying how to structure such programs, policymakers should heed the recent research showing that average completion rates for apprenticeship programs jointly sponsored by unions

and employers were 47 percent, as compared with 30 percent in programs sponsored solely by employers. In addition, joint labor-management apprenticeships yielded averaged wage rates \$6 more per hour versus those run solely by employers.⁵

Several national unions and labor federations have already deployed resources and personnel to the Gulf Coast region to expand available training capacity for industries that will prove pivotal both to the region's clean-up (e.g., construction, transportation) and to its future economic development (e.g., hospitality, ship-building). DOL should embrace this offer of capacity and industry expertise from private-sector labor leaders, comparable to the public-private partnership announced by the Department with national temporary agency Manpower, Inc., which will receive funding to work with One-Stop Centers to help provide employment counseling, placement and training services to Gulf Coast workers.

➤ **Individual Training Accounts for any Evacuee in any State**

The nation's primary job training system of WIA programs, which are co-located in One-Stop Centers around the country and governed by Local Workforce Investment Boards (LWIBs), delivers the majority of its training services through ITAs. Eligible jobseekers and workers accessing the One-Stop system can take an ITA, like a voucher, to any training provider deemed eligible by the WIA system.

While questions have been raised about the functionality of voucher-like ITAs in some local workforce development systems, one of the ITA's characteristics—its sheer portability—makes it a viable way to distribute federal training dollars to far-flung and on-the-move hurricane evacuees. These workers could be authorized to use their ITAs in whatever state in which they are currently located, as long as they do so in consultation with local One-Stop centers and consistent with local eligible training provider standards. Identifying a means to get more ITAs and related training resources into the hands of hurricane victims would be an immediately available strategy for DOL.

Unfortunately, the Bush Administration has opted instead to propose the creation of a new and still largely untested voucher—the Worker Recovery Account (WRA). The Administration has described WRAs as “training accounts,” but they are in fact a capped amount of resources expected to cover a *wide range* of reemployment needs faced by hurricane evacuees, including childcare and transportation, as well as training. As such, WRAs will likely be spread too thinly to yield as much training to local workers as could be provided by existing ITAs.

In fact, even if Gulf Area workers were to devote their entire \$5,000 WRA to training, they still could receive less re-training than they would have received from pre-existing ITAs. For example, the WIA system in Louisiana was spending, on average, \$4,318 per person to help re-train and re-employ workers laid off before the hurricane.⁶ Even the *maximum* \$5,000 WRA grant would barely replace the *average* amount of services offered to laid-off Louisiana residents before Katrina. What's more, by accepting the WRA, hurricane survivors would be deemed ineligible for future training or support services from the WIA system—continuing assistance that was available to them before Katrina.

In addition, given the extreme financial hardship facing many Gulf evacuees, the likelihood that individuals will take any low-paying, low-skill job to cash-out their WRA “employment bonus” immediately will be extremely high. In effect, WRAs could force many people to choose short-term relief—to take any job they can so they can cash out their WRA to feed their family—rather than training for a higher-skilled job that will not only better assist the region’s economic rebirth, but also better position those workers to support themselves for the long-term once disaster relief programs end.

Hence, designating new special funding for hurricane-related ITAs in the region would seem a better route if DOL’s intention is, in fact, to improve access to training for affected workers. Additional funding will be particularly important, given that ITAs were already in very short supply in many local areas in the region because of previous federal WIA funding cuts (see below). Therefore, the federal government should distribute additional resources earmarked for ITAs to LWIBs, using a simple formula based on where evacuees have relocated, so that those individuals who wish to participate in a training program in their new location, and thus meaningfully attach to the local labor market, can pay for it without having to diminish the amount of training dollars already available to the current residents of that community.

Long-Term Solutions

While the above proposals will address the immediate, short-term training and temporary employment needs in the region, it is incumbent on policymakers also to start to think about what will happen next, after the clean-up, to grow the Gulf Coast economy. Those longer-term goals are connected to longer-term problems in the region—challenges that policymakers in the affected states were already trying to address within the context of their workforce and economic development planning. For example:

- In Alabama, planners had been working to respond to concerns raised by auto manufacturers—a key industry in the state—about the insufficient supply of adequately skilled in-state workers. In one case, a foreign auto manufacturer had decided to locate in Canada, as opposed to opening another plant in Alabama, because of the workforce supply issue.⁷
- In Louisiana, the Governor had begun work earlier in the year to create a state Task Force on Workforce Competitiveness, to develop a long-term workforce and economic investment plan for specific industries in the state that would benefit both local workers and businesses. Those efforts have been on hold, as the state attempts to respond to the immediate crisis.
- In Mississippi, the state’s economic development agency recently launched the Advantage Mississippi initiative, which is organized around regional economic development focused on specific industry clusters: forest products, automotive, and information and communications technology.⁸

All such efforts have now been put at risk, not only because of the disruption caused by the immediate crisis, but also because the costs of recovery will likewise force these states to divert previously available resources away from planned long-term investments in their economic growth. Greater support from the federal government, both to relieve the costs of the recovery and to help pay for the implementation of these longer-term training and development plans, is going to be essential to help move the region past the current crisis.

➤ **Increased Funding to States under WIA, as well as New Allowances for Customized, On-the-Job and Incumbent Worker Training**

All three Gulf States already have such programs, but funding sources and funding amounts are now critical issues. In Mississippi and Louisiana, policymakers will have to move quickly to prop up the programs funded by employer UI taxes. This can be done in a number of different ways. The most obvious solution is for federal policymakers to find a source other than over-stretched state UI programs to support workers left jobless by the hurricanes. This would remove the threat to Trust Fund solvency that threatens those states' job training programs, not to mention the benefit levels of workers and the tax burden faced by employers.

One simple and broad-based approach, as proposed by the National Employment Law Project, calls on Congress to change a 1988 law to enable all workers laid-off because of the hurricanes to be covered by DUA, rather than reserving federal DUA only for those workers who do not qualify for state UI assistance.⁹ While a change to DUA law is not yet forthcoming, Congress did recently pass legislation that would provide \$500 million in Reed Act funds (excess funds in the federal UI trust fund) for Louisiana, Alabama and Mississippi to help cover the cost of increased benefit claims. The legislation will allot \$400 million to Louisiana, \$85 million to Mississippi and \$15 million to Alabama.

Even with the imminent infusion of Reed Act money, states should also consider changing the triggers that get pulled when their Trust Funds fall below a certain level. In Louisiana, for example, a strong argument can be made that \$500 million dollars by the end of next year is a sufficient cushion for the state. Potential state policy fixes for programs like Louisiana's Incumbent Worker Training Program are also available. Even before the hurricanes, Louisiana's Task Force on Workforce Competitiveness noted that the program was perceived as difficult to access and use, due in part to its narrow focus on the categories of workers and types of training that are eligible for funding.¹⁰ With the labor market disruptions caused by the hurricanes and the fact that many "incumbent workers" are no longer that, the guidelines for IWTP should be expanded to allow pre-employment training and training for entry-level workers.

On this issue of program flexibility, the federal government has sought to provide some relief for WIA programs. Under WIA law, limitations are placed on the use of these funds for customized, on-the-job and incumbent worker training. On September 15th, however, DOL's Employment and Training Administration (ETA) issued Training and Employment Guidance Letter (TEGL) No. 5-05, which invites states affected by the hurricanes to apply for waivers that would allow them to relax statutory requirements such as the 50 percent employer match for customized training, the employer reimbursement for on-the-job training, and the prohibition on local areas'

use of funds for incumbent worker training. The TEGE also encourages application for waivers of “eligible training provider” requirements, thus allowing local areas and ITA holders broader flexibility in their choice of training providers.

While such flexibility may be helpful for a time, it is ultimately of limited use when there is little federal money with which these states can be flexible. All three Gulf Coast states have experienced dramatic cuts to their WIA programs over the last three years. From 2002 to 2004, cumulative funding for WIA Title I programs (Adult, Dislocated Worker and Youth) dropped by 21.6 percent in Alabama, 22.5 percent in Mississippi, and 36.3 percent in Louisiana.

Unfortunately, Congress is now poised to enact still more cuts to WIA and other DOL programs. Although not as severe as cuts proposed by the Bush Administration, both the Senate and House 2006 Appropriations bills reduce funding for WIA. And under the continuing resolution recently passed by Congress to keep money flowing to the states past the end of fiscal year 2005 (September 30th), funding was set at the lowest proposed level—that outlined by the House appropriations bill—which slashes funding to WIA and the major employment and training programs by over \$300 million from FY05 levels. Such cuts could not be worse timed for the three Gulf Coast states, which were already forced to respond to the massive post-hurricane skilled workforce demands with job training systems debilitated by years of federal disinvestment.

The inadequacy of WIA funding for the current crisis is vividly illustrated by a review of the numbers of WIA clients trained in the last program year for which we have full data. In Louisiana, for example, a total of 3,856 people were trained with the use of Adult and Dislocated Workers funding streams in 2003. Compare that figure to the 311,000 Louisiana residents who have lost employment as a result of the hurricanes, many of whom will need extensive training or retraining to find new employment in a transformed labor market. The gap in resources between federal employment and training funds and the demand for training cannot yet be exactly determined, but it is sure to be enormous.

Funding & Training Under the Workforce Investment Act (WIA)					
			Alabama	Louisiana	Mississippi
WIA Title I Total Funding	Percent Change 2002-2004		-21.6%	-36.3%	-22.5%
	Funding Summary (\$)	2004	45,144,613	55,997,745	37,025,326
		2003	52,317,045	60,374,745	41,041,099
		2002	57,566,160	87,886,827	47,770,259
Number of WIA Clients Trained	2003 Program Year	Adult	4,909	2,723	2,509
		Dislocated	2,768	1,133	1,565

Source: TWA calculations from US Department of Labor data

➤ **Community Benefit Agreements for Job Training and Employment**

In addition to maximizing the use of already existing state and federal funding streams for job training, the Gulf Coast states will have to ensure that the resources directed toward reconstruction—in what should be one of the largest public works projects this country has seen—contain set-asides for the hiring and training of local residents who may not have benefited from the region’s previous economic growth.

The best vehicle by which to ensure this result is a Community Benefit Agreement (CBA). A CBA is a contract between community groups and a developer (either public or private) that sets forth a variety of benefits that the developer agrees to provide as part of the development project. CBAs can include benefits that range from environmental protection and public health measures to the provision of affordable housing. Benefits often center on employment provisions, particularly the issue of who will be hired to fill the new jobs created (commonly referred to as “first source” hiring), what they will be paid, and how they will be trained to do those jobs.

CBAs can help ensure that the work of rebuilding and redevelopment provides clearly defined employment and training opportunities for Gulf Coast residents. Doing so will be essential, particularly given some of the significant policy and planning missteps that have been made since Katrina struck. In the immediate aftermath of the hurricane, President Bush waived Davis-Bacon Act requirements that mandated the payment of prevailing wages on construction projects that receive federal funding. The President, under considerable political pressure, has since revoked that waiver. But however short-lived, the waiver illustrates a broader set of policies and implementation practices that have undermined the wage floor for workers and rewarded low-wage employers in the region. This has sent exactly the wrong signal to potential skilled workers within the region who will need to be retained if they are to play a part in its rebuilding, and who, therefore, will expect – and deserve – to be paid and treated fairly.

Indeed, recent media reports of the conditions of workers in the region do not bode well for the future unless changes are made. They draw a picture of legal and illegal immigrant workers performing hard, dangerous work for little money while living in tents. Skilled local workers are displaced and social and ethnic tensions are on the rise.¹¹

Certainly, the immediate shortage of workers in the region does require the hiring of some labor from outside these states, at least initially. But commitments should be made now to use this moment of reconstruction to build a local labor pipeline that could prepare thousands of current and former low-income Louisiana, Mississippi and Alabama residents for these new jobs within their own communities. Such jobs, combined with necessary training funded through agreements with the firms leading the reconstruction, would result in durable credentials, jobs that provide living wages and benefits, and career paths and long-term economic self-sufficiency for workers who were often inconsistently connected to the formal labor market.

Model: The Alameda Corridor Job Training and Employment Program

In 1997 the Alameda Corridor Transportation Authority (ACTA), a joint powers agency that includes the cities and ports of Los Angeles and Long Beach in southern California, began construction on a 21-mile rapid rail corridor to connect the ports to rail yards east of downtown Los Angeles. A \$2.4 billion public works project, the corridor went directly through several low-income communities. A coalition of community groups and unions formed in response to the project's inception and ultimately brokered a CBA with ACTA that included agreements to train 1,000 local residents for construction-related jobs and to ensure that 30 percent of the work hours on the project be performed by workers hired from the affected communities.

The Corridor project was completed on-time and on-budget in 2002. A total of 1,281 local residents successfully graduated from the pre-apprenticeship and non-trades training programs (significantly higher than the CBA goal), and 31 percent of all work hours were performed by local workers. Most – 75 percent – of the project's workforce was minority.¹²

➤ **Financial Aid for Working Adults**

In *Measuring Up: The State Report Card for Higher Education*, states receive letter grades for a range of indicators. In the 2004 biennial report, Alabama, Mississippi and Louisiana all received an F for the “Affordability” of higher education in their states. (The indicator is based on families' ability to pay college tuition, state investments in financial aid, and other factors.)¹³

The three Gulf Coast states are far from alone in receiving this failing grade, given the recent nationwide trend of state cuts in appropriations for higher education at the same time that enrollment rates are spiking upward. In Mississippi, for example, enrollment in the state's community and junior colleges increased by 25 percent over the last five years. Over that same time period, state funding was cut by 20 percent.

But now, after the hurricanes, the unaffordability of higher education in the region presents a stark challenge not just for those Gulf Coast residents who cannot afford to go to school. The high cost of college could threaten the region's overall ability to get its economy back up to speed, since many state residents will not be able to afford to go to college to train for the skilled occupations that will be integral to the recovery effort—as well as to more equitable future economic growth in the region. One obvious solution would be for the Gulf states to increase state appropriations for higher education immediately, recognizing such investments as an essential economic growth priority that eclipses any marginal return that might be gained any number of proposed tax give-aways and abatements.

But money is not the only issue. At both the national and state levels, public financial aid policies need to be modernized to better support economic development and meet the needs of today's business and workers. Changes are urgently needed to the Higher Education Act (HEA) – the federal law that authorizes the Pell Grant and other financial aid programs but which was designed primarily to help low-income young people leaving high school to go to college full-

time. HEA needs to be expanded to make federal financial aid more adaptive to the needs of Gulf Coast working adults who want to go back to school while they continue to work, so they can advance to the new skilled jobs in the new Gulf Coast economy.¹⁴

Similarly, the states of the Gulf Coast can act now to ensure that their own state-financed financial aid programs are accessible to working adults. Each of the three states has their own grant program for college students, yet they were never designed to meet the needs of adult workers who want to advance their skills without enrolling in a full-time college degree program. In Alabama and Mississippi, the primary need-based financial aid programs are only available to full-time students. In Louisiana, the biggest state-financial aid program, Tuition Opportunity Program for Student (TOPS) is, as the acronym implies, merit-based, with the goal of keeping the most academically successful students in-state.

The Gulf Coast states can look to a neighboring southern state, Arkansas, to find a working model of student aid for working adults. The **Arkansas Workforce Improvement Grant Program** was created by the Arkansas legislature in 2003. It is need-based and exclusively targeted for adults aged 24 or older. Moreover, students can be enrolled for a few as three credit hours and pursuing a certificate or credential rather than a degree and still qualify.¹⁵

➤ **Bridging Basic and Occupational Skills**

While many Gulf Coast workers lack the occupational skills to get the better-paying jobs that could help drive the region's new economy, an even larger number of the region's residents have been ill-served by local public school systems and lack even the basic reading, writing, computational skills they need just to succeed in most job training classrooms, let alone in most decent jobs in today's labor market.

In the past, policymakers sought to address this issue by funding stand-alone General Equivalency Diploma (GED) programs. But that will not be sufficient if the Gulf Coast is going to re-build its economy better than ever. The challenge for Gulf Coast policymakers is to design and support programs that teach basic skills to the unacceptably large proportion of the population that needs them, while also linking basic education to career pathways delineated by stages of occupational training that eventually lead to living-wage jobs. It will ultimately be these job-specific skills that will help to rebuild the coast and lay the foundation of economic self-sufficiency for many of the area's residents.

In meeting this challenge, policymakers must recognize that community colleges cannot do the job of raising the education and skills levels of the region's most disadvantaged by themselves. The effort will also require participation by adult basic education and support services programs in both secondary schools and community-based organizations (CBOs). CBOs in particular are often the best able to reach out to the adults in their community who are detached from, and perhaps distrustful of, the traditional education system. Working in partnership with vocational training providers, these community organizations can provide local residents with the supports they need to succeed in education as working adults.

Model: The Arkansas Career Pathways Initiative

The Arkansas Career Pathways Initiative is aimed at systemically reforming the way community colleges deliver post-secondary training to low-income, low-skill adult students. Under the Initiative, administered by the Arkansas Department of Higher Education, 11 of Arkansas's 22 community colleges are receiving Temporary Assistance for Needy Families (TANF) funds to develop and implement career pathways initiatives on their campuses. The initiatives include: (1) remedial curriculum redesign -- delivered via adult education or college-based developmental education, or a partnership of both -- to improve student completion and transitions into and between college credit programs; (2) a comprehensive student support services system, often delivered in partnership with local CBOs, that provides individualized assessments, career counseling, academic advising and monitoring and support services such as tutoring, personal counseling and student mentoring; and (3) supplemental support services for students, including childcare, transportation and student emergency vouchers, as well last-resort tuition assistance. In addition to supporting student persistence and completion, the career pathways initiatives better connect post-secondary training to local labor market and employer workforce needs. They target high demand careers and specific occupational ladders verified by local employers and broker an ongoing dialogue with employers to continually improve the alignment of curricula to demand-occupations and requisite skills.

Because the "non-traditional" students targeted by the Initiative are increasingly the "traditional" students attending Arkansas community colleges, the practices put in place via career pathways initiatives can and will benefit the larger population of students at these schools. As such, the Initiative is being recognized and implemented as a vehicle for transforming the delivery of post-secondary credentials within Arkansas's community college system and significantly improving student retention and completion. The other half of the state's community colleges not yet participating have expressed a clear interest in joining the Initiative as soon as additional funds can be secured. Arkansas recently added a provision to its TANF law that requires continuation of the Initiative and expands student eligibility to 250 percent of poverty. Currently, students with a dependent and living under 200 percent of poverty or receiving Medicaid, Food Stamps, or TANF are eligible. It should be noted that federal TANF dollars are certainly not the only way to fund this or any such program. In fact, with its categorical eligibility requirements, it's a far more problematic funding mechanism than, for example, state general fund appropriations.¹⁶

Employment and Training Infrastructure

Snapshots from the Situation on the Ground:

Community/Technical Colleges

The community colleges in Alabama were unaffected by the hurricanes and are fully operational. They are serving some evacuees and attempting to address the high priority training needs of their local area.

Mississippi has two community colleges that serve the Gulf Area. Pearl River Community College was heavily damaged and is not operating at all. Gulf Coast Community College was damaged, but is operating on a reduced level. Because of the massive evacuation, their remaining student body is very small.

In Louisiana, many of the community and technical colleges were badly damaged. The new Technical College main campus on the East Bank of the Jefferson Parish and its East Jefferson campus have re-opened, while the campuses that serve the City of New Orleans and the Slidell area were badly flooded and will not be opening for some time. Those that can open will soon be enrolling students, but their initial focus will be entirely on preparing workers for the restoration effort, which they've dubbed Rapid Response.

The colleges that are upriver and in the Southeastern part of the state were not damaged to a great extent and are operating on a reduced schedule. They are heavily recruiting students not only among evacuees from the hardest hit areas, but also among evacuees from Texas.

The main campus of Delgado Community College in New Orleans, Louisiana's largest community college, was badly flooded and has re-opened at a very minimal level of service.

The community and technical college mission may, for the foreseeable future, be very different than it was pre-hurricane. Some in college leadership assume that a great number of evacuees with lower work skills and academic levels may never return to New Orleans and that they will face immediate pressure to offer more short-term training and certificate programs, particularly in building trades, health careers and maritime trades, with a corresponding decreased emphasis on Associate degrees.

Industry and Union Training Centers

The New Orleans Building Trades Center was flooded, but the training facilities in Jefferson Parish and Baton Rouge were not badly affected.

The Northrop-Grumman Ship Systems (NGSS) training center in Pascagoula, Mississippi was destroyed, while the training center at Avondale (New Orleans) suffered wind damage, but little flooding. Both the Pascagoula and New Orleans-based centers are back in operation on a limited basis. The Pascagoula site is once again certifying welders and painters. Mississippi Gulf Coast

Community College is allowing NGSS to use its facilities until the training center is fully operational.

One-Stop Career Centers

The One-Stop system in Mobile, Alabama, which serves the area affected by Hurricane Katrina, is fully operational and is acting as the conduit for all DOL-related federal and state assistance coming into the area. Its greatest need is additional funds for short-term training in basic construction skills.

The regional One-Stop headquarters located in Hattiesburg, Mississippi, is also operational and is coordinating all labor and workforce activities for the Gulf Coast area. However, the local branches of that system located directly on the coast were destroyed by the storm and are not usable at this time. The greatest need is funding for short-term training and dwelling units to house trainees and those who will be involved in the reconstruction of the destroyed Mississippi coast communities.

In Louisiana, the situation is spotty. In the New Orleans Metro Area, the New Orleans One-Stop is not functioning. St. Bernard and St. Tammany Parish One-Stops are also not operational. Reports indicate that the Jefferson Parish One-Stop is functioning partially.

DOL took some immediate steps to fill in the gaps of the labor exchange infrastructure temporarily in these states, including:

- Adding a new section (the “Katrina Recovery Job Connection”) to its on-line national Job Bank, so jobseekers and employers can find each other. (Several of the affected states have added comparable sections to their websites); and
- Sending additional One-Stop counselors to the region for the next six months, to assist with the influx of workers seeking assistance. DOL also encouraged other states to consider sending counselors or mobile One-Stop Centers to the region.

While such assistance will help with initial clean-up and re-location efforts, it will not ensure an adequately developed labor exchange infrastructure for the region’s long-term recovery. In addition, given the decreased capacity of vocational education institutions in the region (both public and private), new investment in the re-building of that infrastructure will be needed not just to get it to previous levels, but also to expand it significantly to meet the demands of a potentially restructured regional economy.

Short-Term Solutions

➤ Expanded One-Stop/Employment Service Capacity

The dramatic cuts in WIA funding to the Gulf Coast states have affected more than training opportunities for workers. WIA does not contain a separate funding stream for infrastructure, yet the law requires that each local WIB pay for what are typically multiple One-Stop building sites. As a consequence, the scarcity of ITAs in the region is mirrored by a One-Stop system that was on very shaky financial ground before the hurricanes. Moreover, parallel funding to all three Gulf Coast states for labor exchange services provided by their statewide Employment Service agencies was also cut between 2002 and 2004.

As with the needed provision of additional ITAs, the federal government should earmark new resources to the region that exceed current formula guidelines for both One-Stop and labor exchange services, at least for the next two years.

➤ Rebuilding Education and Training Institutions

One of the provisions in the Landrieu-Vitter bill that is most encouraging is the proposed creation of a Postsecondary Education Stabilization Board, which would be allotted \$5 billion to compensate postsecondary education institutions for losses due to Hurricane Katrina. Whether \$5 billion is realistic to expect from Congress, the proposal does dramatize the need for significant funds dedicated to the rebuilding of the region's postsecondary education infrastructure. Such a fund will be essential to help rebuild the region's community and technical colleges, which serve as the backbone of workforce training provision throughout the Gulf Coast.

Badly damaged private-sector industry and union training centers badly damaged by the hurricanes also need rebuilding. Part of the President's \$17 billion reallocation request includes \$2 billion to rebuild Northrup-Grumman ship-building training facilities along the Gulf Coast. But that is only a start, and the federal government has more options at its disposal to build the region's training infrastructure even further.

One option would be to use "bricks and mortar" funding under the Public Works program of the U.S. Commerce Department's Economic Development Administration to help build new training centers for particular locales or industries that will need significant new numbers of trained workers. EDA funding has made similar capital investments in new training facilities both to assist communities experiencing economic distress, as well as to support strategies to create or retain higher-skill, higher-wage jobs within particular local industries. There could be no more appropriate or important target for the program's support than education and training institutions on the Gulf Coast.

Long-Term Solutions

➤ **New State / Local Tax or Bonding Authority to Finance Training Capacity**

Certainly, increased federal and state appropriations are essential to restoring the employment and training infrastructure of the region. But the Gulf Coast states should also take this opportunity to pursue innovative ways of financing new workforce development capacity that do not rely on state tax revenue. One such promising vehicle is the sale of bonds to finance new training programs, as practiced in states like Iowa and Missouri.

Model: Iowa's New Jobs Training Program (260E)

The New Jobs Training Program provides funding to support the cost of training new employees in new business startups or the expansion of existing firms. It was created in the early 1980s when the agricultural crisis hit the state and Iowans recognized the need to broaden and diversify the base of the state's economy. It was designed as an economic development incentive to stimulate new job creation in basic sector businesses - those businesses bringing new money into the state.

The program authorizes Iowa's community colleges to issue tax-exempt or taxable bonds on behalf of a business that is creating new jobs for up to 10 years. The proceeds of the bond sale support the training required for the new jobs being created and related program administrative expenses. The principal and interest payments on the bonds are paid over a 10-year period by diverting directly to the college instead of the state, half, or in some cases all, of the state income tax withholding on the new employees wages. Local property tax receipts resulting from new capital investment made to support the creation of the new jobs can also be encumbered for up to 10 years through the use of tax increment financing, although TIF funding is seldom used anymore.

Since 1983 and through last year, Iowa's community colleges have issued \$503 million in bonds through 1,900 training agreements helping to support the pledged creation of 126,341 new jobs in Iowa. The average salary per newly created job in the service area of Kirkwood College for projects finalized in 2002 was \$39,850.

There is no statutory limit on the amount of new bonds that can be issued annually. The program currently has a revenue-neutral impact on the state budget because the colleges are retiring bonds at a rate equal to the issuance of new bonds. When the bonds are retired, the state withholding is released into the general fund.¹⁷

In addition, Gulf Coast states and municipalities should consider a tool well known to cities and towns everywhere: Tax Increment Financing (TIF). A TIF applies to a designated geographic district, in which any "increment" increase in collected property tax revenues in the district is made available to businesses in that district for designated reinvestment. For example, Chicago's **TIFWorks** allows an individual employer or group of employers within a TIF district to use TIF revenue to defray the costs of training workers. The program also provides funding directly to training providers for training workers for employers in the district.

Targeted Investments in Economic Development

Snapshots from the Situation on the Ground:

Across the entire expanse of the Gulf Coast, from Alabama to Texas, the fishing and shellfish industry has been destroyed. Most of the businesses lost their boats and the fishing grounds and beds were badly damaged. Yet historically this industry has been able to rebuild more quickly than others.

The gaming industry was also virtually destroyed. This industry is the key to the Mississippi coastal economy, and all but Beau Rivage Casino in Biloxi sustained enormous damage. Even Beau Rivage will not be operational for a number of months. The others, if they return at all, will be perhaps a year or more in the rebuilding stages. Since most of the residents of the Gulf Area depend, either directly or indirectly, on the gaming industry, a very large percentage of the job market has disappeared for the near term. In the short-term, these workers will have to depend upon the construction industry for their income and the need for training will be significant.

In the long-term, the gaming industry will return to the Mississippi coast, most likely on a far grander scale than before the hurricanes. On October 17th, Governor Haley Barbour (R) signed a bill passed in a special legislative session that for the first time will allow casinos to be built on land rather than being restricted to offshore waters. This will allow the industry to rebuild not only casinos, but also to develop mega-resorts in the vein of Atlantic City or Las Vegas.

New Orleans has depended heavily on the service sector – hotels, restaurants, retail establishments – to employ a great number of its labor force. Many of the major downtown hotels were not heavily damaged by flooding, but some did receive significant wind damage. Many are already operating and providing housing and food for emergency and public employees. Outlying hotels, particularly those in Jefferson Parish, were not heavily damaged and will be back in business fairly soon, if they are not already open.

All New Orleans hospitals were severely damaged by the floods and the wind. A few will not be able to open for some time and the City's Charity Hospital—its largest, oldest, and the institution where most uninsured residents were treated—has been declared unsalvageable by many observers. The other hospitals, particularly those located in Jefferson Parish, are already open but operating at less than capacity, primarily because they are short of staff. The healthcare industry is very important to the area's economy and its fastest growing sector, so it will be an important building block for the future.

The City of New Orleans laid off 3,000 employees, about 50 percent of its workforce. Many of these people are presumably not even in New Orleans at this time, but a layoff of such massive proportion will not only put an additional burden on the economy, it will also will affect the delivery of government services well into the future.

Industry clusters are beginning to respond, and rebuilding has already begun on the Mississippi coast, particularly by the Northrop-Grumman shipyards and by the gaming industry. In New

Orleans, the city is in the midst of its clean-up phase and is trying to determine how to house the multitude of workers who are already being desperately sought by the rebounding hotel and service industries. This is, of course, in addition to the need to house and train demolition and construction workers.

Determining which industry sectors need skilled workers most immediately is an inexact science. But a rough picture is beginning to emerge from a scan of the area.

Immediate Skilled Workforce Demand by Industry Sector				
Industry Sector	New Orleans	Louisiana	Mississippi	Alabama
Demolition/Construction	√	√	√	√
Healthcare/Bio-Medical	√			
Hospitality	√		√	
Ship Building	√		√	
Petro-Chemical	√	√		
Oil and Gas Support	√	√		
Fishing	√	√		√
Gaming	√		√	

Solutions

The skill deficits and worker shortages in the region, coupled with the destruction of infrastructure and still-absent consumer base, will likely scare off many potential private-sector business owners from putting new money into their Gulf Coast operations until they have seen evidence of a regional economic recovery. It seems unrealistic to presume that any untargeted waivers of regulation or corporate tax cuts will automatically prompt business leaders—whether they are local firms recovering from the crisis, or new investors from outside the region—to make substantial new financial commitments to revive the economy of the Gulf Coast. In short, struggling firms and industries are likely stay away from the region until some other key investors, like the federal government, help restore the regional economy.

An economic development strategy that centers on the provision of tax credits to business will therefore likely encounter many of the same barriers, and fail in a similar fashion, to what was experienced during New York City’s recovery after 9/11. In testimony before the Senate Finance Committee on September 28th, Daniel L. Doctoroff, the Deputy Mayor for Economic Development and Rebuilding the City of New York, reflected on why the city has not and will not use roughly 40 percent -- or \$2 billion – of the estimated \$5 billion in tax credits provided by the federal government shortly after the terrorist attacks.

“...[W]ith regard to the tax provisions that were enacted – the provisions which are most relevant to today’s hearing – the results have been more mixed and, frankly, even disappointing. As the City and State have learned, the simple fact is that the tax code can, in situations like the aftermath of September 11, be a crude vehicle for delivering assistance...The reality is that tax incentives, by their nature, tend to be less flexible than appropriations or other forms of cash-equivalent assistance that can help pay for

infrastructure and other improvements. Taxes are only one determinant of a business owner's decision on whether or not to return to an area as devastated as the Gulf Coast. Moreover, it's a basic fact that unless a business owes taxes, a tax benefit may not be of much help..."¹⁸

The legislative fate of the tax breaks offered by the Administration's GO-Zone remains to be seen. But policymakers should not delay in pursuing other strategies for economic development that offer promise for encouraging targeted investments that will yield tangible results both for key industries and for the economic well-being of local workers.

➤ **Investments in Industry-Specific or "Sectoral" Workforce Development**

Little more than a month after Hurricane Katrina, we already have a sense of which industries will most need skilled workers in the months and years to come. Given this knowledge, it will be crucial to organize workforce development efforts on an industry-specific, or sectoral, basis wherever possible.

Sectoral workforce development strategies attempt to target investments in an industry's development in a manner that will yield both new employment and advancement opportunities for local workers, as well as new productivity and profitability for local firms within that industry. Sectoral strategies work with all the stakeholders in an industry—including leading firms, industry association leaders, labor unions, education and training providers, and community organizations based where potential workers live—to improve not only how the industry recruits, trains and rewards its workers, but also how it uses and supports a more productive workforce to facilitate firms' profitability and growth.

Louisiana was taking steps toward sector-based strategies before the hurricanes. In an interim report issued in April 2005 by the Task Force on Workforce Competitiveness, one of its three identified "Strategic Intents" was to "undertake regional, sector-based workforce development planning, training, job matching and outreach."¹⁹ The task force's final report was originally due on August 31st, but it is now in a holding pattern awaiting new action by the Governor. It will be all the more essential for the Task Force to maintain its sector focus in the context of reconstruction, and for the rest of the region to pay heed to Louisiana's example.

Model: The Culinary Training Academy and the Hospitality Industry in Las Vegas

The Las Vegas hospitality industry is the leader and bellwether of the hospitality sector nationwide. According to the Nevada Department of Employment, Training and Rehabilitation, within the next eight years food preparation and serving related occupations are expected to provide the single largest source of growth of employment in the Las Vegas area. Jobs in these occupations are expected to grow from 103,043 in 2002 to 151,477 in 2012, a 47 percent increase.

The Culinary Training Academy (CTA) is a joint labor/management partnership that develops and delivers recruitment, employment and training services to sector employers, incumbent workers and new entrants to the workforce. The CTA training and employment model is unique in that it brings together all of the stakeholders necessary to complete the labor supply chain in a service sector industry. In developing its programs, employers identify skills gaps in demand occupations in the hospitality industry, the Culinary Union (Local 226) identifies the training needs of the labor pool, and CTA identifies and develops successful training strategies.

The joint labor-management training partnership of the CTA is funded by negotiated employer contributions and student tuition. This program offers several courses of study for both entry-level and incumbent workers in hospitality occupations, including guest room attendant, house person, kitchen worker, bus person, utility porter, wine server, cook's helper, pantry cook, fry cook, and certified sommelier.

Tuition ranges from \$240 for entry-level classifications to \$2,000 for the most advanced occupations. Tuition costs can be kept low due to the commitment of funds negotiated by the union and employer. Affordable tuition and on-site referral to programs that help pay tuition for eligible unemployed or under-employed workers are critical components of CTA's ability to serve populations most in need.

Vocational training is provided by instructors experienced in the Las Vegas/regional hospitality industry. Curriculum is under constant development in consultation with industry experts from participating hotel properties and the Culinary and Bartenders unions. Modes of instruction include classroom lecture, practical skills training, and hands-on in a working restaurant, banquet facility, and hotel room replicas.

Students must pass written and practical examinations to graduate from their programs. Students may stay in the programs until they have mastered the necessary skills. Graduates receive a certificate of completion that is recognized by the Nevada Commission on Post Secondary Education. Graduates receive on-site assistance with job referrals, applications and interview skills.

CTA has trained more than 20,000 students since 1993. The CTA currently trains about 3,000 workers per year and is expanding its capacity at the request of its employer and union partners. CTA's placement rate is consistently above 80 percent.²⁰

➤ **Public-Private Partnerships for Regional Economic Development**

State and local policymakers increasingly recognize that economies are regional and do not mimic the boundaries of cities, counties or states. In the Gulf Coast, it may be practically and politically impossible to form policymaking bodies across state lines that catalyze a necessary conversation about economic development for the region as a whole. But short of that, policymaking within states should be informed by recent efforts in states like Michigan, Washington and Oregon to link workforce and economic development by seeding regional partnerships of training providers, businesses, unions and local public officials.

Model: Industry Skill Panels in Washington State

In 2000 the Washington legislature appropriated \$600,000 to create Industry Skill Panels, regional alliances of education, business and labor leaders tasked with identifying skills gaps within particular economic clusters and developing proactive solutions to benefit multiple employers across industries – not just a single employer, as with the more traditional economic development and business recruitment practice – that offer career ladder jobs and that drive the state’s regional economies, such as healthcare, manufacturing and aerospace.

The Skill Panels then produce or update curricula, specific courses, or complete training programs to shorten the time it takes to move a student into the workforce, or upgrade incumbent skills, and improve the overall quality of knowledge and abilities. They also develop training or related products and activities, such as: career guidance materials, vocational English-as-a-Second-Language courses, and technical assessments and certifications; pre-apprenticeship and K-12 career fairs, programs, and articulation agreements; mentoring, tutoring, and intern/externships; clinical coordination; and industry conferences to disseminate best practices. In so doing, they not only expand workforce development capacity in targeted industries, they also change institutional cultures and relationships among participating panel members.

One of the indicators of the Skills Panels’ success at involving and partnering with business is that they have collectively leveraged \$8 million in private sector investments since the program’s inception. The public sector continues to commit resources, as well. Recently, Governor Christine Gregoire (D) earmarked \$670 million from her discretionary WIA fund to support new and expanded panels. Currently, 49 Industry Skill Panels are operating across the state in 20 different industries.²¹

➤ **Wage Subsidies for Employers**

In Louisiana, an estimated 81,000 businesses were affected by Katrina alone.²² Thousands of other businesses throughout the region have shut down, and many others struggle to maintain their operations and payrolls in the hope that they can survive until the economy sufficiently recovers.

The U.S. Small Business Administration is providing low-interest loans to businesses in the region, and the states are offering their own assistance. Both Mississippi and Louisiana are issuing disaster bridge loans to support businesses until insurance claims are paid or other forms of disaster relief are acquired.

But these kinds of direct assistance to employers can be limited in its effectiveness and drawn-out in delivery. The SBA loan application process is particularly lengthy and cumbersome, although recent attempts have been made to streamline it. The Mississippi program appears to only offer loans to businesses that have suffered physical damage and not to businesses that have experienced interruption of business. The Louisiana program appears not to provide loans to non-profit employers who are trying to keep their doors open as they spearhead some of the most important humanitarian and recovery work in the state.

Perhaps the foremost limitation of this assistance is that it comes in the form of loans. Even with low or no interest, loans are an uncertain proposition for employers faced with a ruined economy and an uncertain economic future.

A more direct and supportive form of assistance would be to provide short-term wage subsidies directly to small and mid-sized employers so they can keep workers employed, rehire those who have been laid off, or hire new workers.

Wage subsidy proposals are currently under consideration in Congress, although structured as tax credits rather than direct assistance. The Grassley-Baucus Tax Relief bill would extend the Work Opportunity Tax Credit (WOTC) to employers hiring any workers who lived within the disaster area and who lost their job as a result of damage to their workplace, generally up to 40 percent of wages, capped at \$2,400. In addition, the Grassley-Baucus bill would establish an employee retention tax credit, which would provide, for employers in the disaster zone, a 40 percent tax credit for wages paid up to \$6,000. These tax credits are also contained in the House GO Zone bill sponsored by Rep. McCrery.

Regardless of whether these proposals are enacted, they fall far short of what is required by employers in the region. Their basic weakness, like that of the broader GO Zone proposal from the Administration, is that as a tax credit it is of little help to employers with limited or no tax liability.

Model: The Emergency Employment Clearinghouse Program

Shortly after the attacks of September 11th, business and labor leaders in New York City forged a partnership that resulted in the Emergency Employment Clearinghouse program (EEC), a two-pronged and highly successful effort that combined employment and training assistance to dislocated workers with temporary wage subsidies to small and medium-sized businesses.

The grants provided wage subsidies of 50 to 60 percent of an employee's salary for up to 90 days. Employer matches were required for each grant and businesses were strictly monitored to ensure accountability. Employers were also offered an additional incentive if they retained their employee beyond the 90-day period.

The program ultimately granted almost \$15 million to more than 300 employers, who rehired or retained more than 3,000 workers in industries ranging from arts and entertainment to manufacturing. Moreover, 7,000 dislocated workers who went through EEC's employment and training component got new jobs, many with new skills that increase their likelihood of job retention and career advancement

The program was funded by a federal allocation from Congress of \$32.5 million, exactly the kind of direct, targeted assistance that is missing from current policy proposals in Washington.²³

Conclusion

The hurricanes that wreaked such human and physical destruction on the Gulf Coast were a regional and national tragedy. Government cannot bring back the lives that were lost. But it can show badly needed leadership and efficacy in rebuilding cities and towns and in building pathways to opportunity for the region's citizens. Indeed, government will have to do so if reconstruction is to succeed. Markets forces will be crucial in these reconstruction efforts, but they must be appropriately harnessed, and their limitations understood.

And while the market, with well-targeted seed money and incentives, can drive economic development, it can do little to redress deeply grounded inequities that have persisted for far too long in the region. It is here that the role of public policy is most fundamental. If the Gulf Coast states are to successfully compete in the 21st century, they cannot afford to leave any of their citizens behind. Whether or not the region can effectively re-tool for a high-value and high productivity economy will depend on the skills of every worker, on the skilled workforce of every employer. To plan for anything less is to prepare for failure.

Acknowledgements

The analysis in this report represents the views of The Workforce Alliance, but our knowledge and perspective was greatly informed by a wide range of leaders in the Gulf Coast, including Larry Crane, Wayne Stonecypher, Jason Pugh, Mike Ward, Oleta Fitzgerald, Louis Reine, Fredell Butler, Lydia Jackson, Alesia Wilkins and Melissa Flournoy. We thank them for taking the time to talk with us while also performing the more immediately important task of delivering services and working toward the reconstruction of the region. We'd also like to thank Angela Duran, Mike Leach, Steve Ovel, Pam Egan, Bryan Wilson, Pam Lund, Jack Mills, Bruce Herman and Maurice Emsellem. Finally, we'd particularly like to thank Lee Crean, who conducted research for this report while evacuated to his brother's house in Atlanta.

¹ The Clarion-Ledger, "Miss. Jobless Rate Soars to 9.6," by Arnold Lindsey. October 25, 2005.

² Louisiana Department of Labor, Press Release, October 31, 2005
http://www.ldol.state.la.us/qm_pressrelease_details.asp?PRseqno=358

³ U.S. Census Bureau. <http://www.census.gov/acs/www/Products/Ranking/2003/R13T040.htm>

⁴ Ibid. <http://www.census.gov/acs/www/Products/Ranking/2003/R07T040.htm>

⁵ Government Accountability Office. *Registered Apprenticeship Programs: Labor Programs Can Better Use Data to Target Oversight*. Washington, DC: August, 2005

⁶ The Workforce Alliance. "Louisiana State One-Pager," developed by TWA's State Training and Education Policy and Statistics (STEPS) Clearinghouse (forthcoming).

⁷ The Canadian Press. "Toyota to build 100,000 vehicles per year in Woodstock, Ont., starting 2008," by Steve Erwin. July 25, 2005.

⁸ Cleary, Jennifer and Aaron Fichtner, Ph.D. *Deploying Community Colleges to Strengthen State Economic Development: A National Study*. New Brunswick, NJ. John J. Heldrich Center for Workforce Development, October, 2005

⁹ Emsellem, Maurice. "Reforming Disaster Unemployment Assistance to Support Families Left Jobless After Hurricane Katrina, Their Employers & The Region's Economy." New York City, NY. The National Employment Law Project, September 13, 2005

¹⁰ Louisiana Taskforce on Workforce Competitiveness. "Report Submitted to Governor Blanco." Baton Rouge, LA: April 2005

¹¹ See The Washington Post, "Firms in Gulf Coast Allege Nonpayment," by Darryl Fears, Friday, November 4, 2005; A04; and The New York Times, "In Louisiana, Worker Influx Causes Ill Will," by Leslie Eaton, November 4, 2005

¹² Ranghelli, Lisa. *Replicating Success—The Alameda Corridor Job Training and Employment Program*. Washington, DC. Center for Community Change, 2002

¹³ The National Center for Public Policy and Higher Education. *Measuring Up 2004: The State Report Card on Higher Education*. San Jose, CA, 2004

¹⁴ National Consumer Law Center, Center for Law and Social Policy, and The Workforce Alliance. "Making HEA an Engine of Economic Productivity and Worker Prosperity." Washington, 2005. Available at: <http://www.workforcealliance.org/news/CLASP-NCLC-TWA-2005-FINAL.pdf>

¹⁵ Southern Good Faith Fund. "Making Higher Education More Accessible in Arkansas: The State's Newest Financial Aid Programs." Policy Points, Volume 21, April 2004

¹⁶ Based on material written by Mike Leach, Southern Good Faith Fund

¹⁷ Based on material written by Steve Ovel, Kirkwood Community College

¹⁸ Daniel L Doctoroff, Deputy Mayor for Economic Development and Rebuilding the City of New York. Testimony Before the Senate Finance Committee, United States Senate, September 28, 2005

¹⁹ Ibid. "Report Submitted to Governor Blanco."

²⁰ Based on material written by Pam Egan, Nevada Partners

²¹ Washington State Workforce Training and Education Coordinating Board. *Industry Skill Panels 2005*. Olympia, WA: 2005

²² Governor Kathleen Babineaux Blanco, Testimony Before the Senate Finance Committee, United States Senate, September 28, 2005

²³ Consortium for Worker Education. *Pulling Together After 9-11: The Emergency Employment Clearinghouse Program, Final Report 2001-2004*. New York City, NY, 2005; and see Herman, Bruce G. "Working Assets." New York City, New York. Center for an Urban Future: June 17, 2003