

# CLASP

CENTER FOR LAW AND SOCIAL POLICY

## **Employment and Training in the Response to Katrina: Some Principles for Ensuring Access to Jobs and Training**

### **Introduction**

The Congressional Budget Office has estimated that more than 400,000 jobs may be lost this year as a result of the Katrina disaster. At the same time, new jobs will emerge during the rebuilding efforts. It is essential that displaced residents have access to these jobs. A well-structured training effort, along with other steps, could ensure that displaced residents attain jobs at family-sustaining wages.

Many of the newly unemployed victims of hurricane Katrina have the skills and resources necessary to rebuild their lives, but others lack marketable skills. Prior to the disaster, educational levels were low in the region. In July, the unemployment rate in New Orleans was 5.6 percent<sup>1</sup> and nearly a quarter (23 percent) of residents were poor. The median household income for the Biloxi-Gulfport-Pascagoula area was nearly \$8,000 below the national average in 2004. Many low-wage workers in the region's service-dominated economy were just a paycheck away from poverty.

In his address to the nation, President Bush stated that "in the work of rebuilding, as many jobs as possible should go to men and women who live in Louisiana, Mississippi, and Alabama." He also said, "When the regional economy revives, local people should be prepared for the jobs being created." We agree with these principles, and urge that they be implemented in ways that ensure that the jobs created pay fair and decent wages that are sufficient to support families, and that low-income, displaced workers receive the training and skills needed to access these jobs.

In the weeks to come, it will be crucial for Congress, the Bush administration, states, and others to take deliberate actions to guide the rebuilding process. If rebuilding efforts are in line with the stated principles, families and communities that have been affected by Katrina can emerge stronger than they were before and achieve measurable livelihood improvements. We offer the following specific recommendations.

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<sup>1</sup> From BLS: [http://www.bls.gov/news.release/archives/metro\\_08312005.pdf](http://www.bls.gov/news.release/archives/metro_08312005.pdf)

## **1. “In the work of rebuilding, as many jobs as possible should go to men and women who live in Louisiana, Mississippi, and Alabama.”**

CLASP and other concerned groups have endorsed a set of **Principles for Gulf Coast Reconstruction**, with particular attention to ensuring that jobs are made available to displaced residents, and that these jobs pay prevailing wages. These principles recommend, in part that:

- Federal policy should require that residents of the affected communities, including displaced residents, have a preference for all jobs that are created in the reconstruction process, to the maximum extent practicable. Contractors in the rebuilding process should be required to do outreach, assisted by government at all levels, to identify and hire residents to fill these jobs. The rules regarding hiring, training, etc., should be made explicitly part of every clean-up or rebuilding grant or contract.

Moreover, the Principles urge that requirements of the Davis-Bacon Act and the Service Contract Act should apply to all reconstruction projects funded wholly or in part with federal funds, to ensure that fair wages are paid to workers.

While as many rebuilding jobs as possible should go to displaced residents, simply making jobs available will not be enough if displaced residents are returning to areas without functioning schools, social services, transportation systems, and available housing. Accordingly, we recommend the following.

- The planning and design of all rebuilding efforts—from rehabilitation of infrastructure and transportation systems, to housing and education—should include explicit consideration of how proposed actions will impact the immediate and longer-term employment of the displaced residents. For example, are transportation systems being built near new housing so that residents can get to where the jobs are? Are educational institutions providing easily accessible short-term training programs in skills demanded in the local labor market? Is the education and research infrastructure being put in place to attract and support the creation of good jobs?
- Government contractors and businesses receiving government incentives to relocate to the area as a result of rebuilding efforts should be required to provide advance information to the local workforce system on the number and type of jobs being created and post the availability of such jobs on a widely publicized Website, such as <http://www.jobsearch.org/katrinajobs>. Other businesses should be encouraged to provide such information on a voluntary basis.
- The federal government, in cooperation with state and local officials, should coordinate the collection and dissemination of information on jobs that become

available in the affected communities. Local one-stop centers across the country should make this information available so that former residents can learn of available jobs in their communities; one-stops should facilitate recruitment and referral to these jobs.

- Preference in awarding reconstruction-related contracts should be given to companies that provide needed training, transportation, and other supports so that evacuees can return and work locally. In addition, contractors should be encouraged to provide housing supports and offer flexible work arrangements (start and stop times, hours of work, etc.) so that Katrina victims have time to rebuild their families.
- The rebuilding process creates new opportunities to engage young people in improving conditions in their communities and simultaneously preparing for brighter futures. The federal government, states, and communities should undertake a large-scale coordinated effort that connects youth to work opportunities and community service, academic, and occupational skills development, and mentoring and counseling support. These services should be available to youth ages 16 to 24 in disaster areas and in communities that are absorbing substantial numbers of evacuees with the intent of preparing them for occupations that will be in demand in the revitalized areas.
- For individuals with significant barriers to employment and those who are dislocated for long periods of time, transitional subsidized employment programs can simultaneously address reconstruction needs and provide employment experience. Where appropriate, such jobs should include training opportunities that address the skill demands associated with the reconstruction and rebuilding of local economies.
- To rebuild local capacity for economic growth and repair the social fabric of affected areas, governments should contract, to the extent possible, with local businesses, unions, educational institutions, and community- and faith-based organizations.
- Longer-term workforce and economic development strategies should be created. Among the goals: strengthening the region's education, technology, and research capacity, and assisting entrepreneurs, small businesses, and key industries to improve their ability to create quality jobs—specifically, those providing wages and benefits that will help people previously on the margins of the economy improve their standard of living.

## **2. “When the regional economy revives, local people should be prepared for the jobs being created.”**

While some dislocated residents have the necessary skills and training for the jobs that will become available, many do not. Thus, we agree with President Bush about the

importance of establishing a structure that provides significant access to job training for dislocated residents, both those who intend to return to their homes and those who seek to build new lives in new communities. We also support the use of a framework of individual vouchers that are portable across states. Vouchers are already the principal mechanism through which training is delivered under the Workforce Investment Act, and are particularly appropriate when those needing access are mobile and/or spread across the country, as is likely to be the case with individuals and families affected by Hurricane Katrina.

We are concerned, however, that the President's proposed "Worker Recovery Accounts" include some features that are problematic and not well suited to providing the help that dislocated residents will need.<sup>2</sup> According to the White House fact sheet, the proposed Worker Recovery Accounts incorporate the following key features.

- Accounts would provide up to \$5000 to "certain job seekers" to allow them to purchase training or supportive services, such as child care or transportation to enable their return to work.
- Workers would still be able to receive "basic employment services" from states and One-Stop Career Centers.
- If workers find a job within 13 weeks after starting Unemployment Insurance benefits or Disaster Unemployment Assistance, they may keep the money remaining in their account as an employment bonus.<sup>3</sup>

It appears that this proposal draws from the Bush administration's own controversial proposal for Personal Reemployment Accounts (PRA). The PRA framework has been sharply criticized as an approach to job training under ordinary circumstances.<sup>4</sup> It seems particularly inappropriate in the context of Katrina recovery, for several reasons.

- It appears highly unlikely that many displaced residents need an economic incentive to return to work quickly. Rather, a better goal is to provide displaced residents with resources that enable them to participate in training that positions

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<sup>2</sup> The Bush administration proposed the PRA framework in 2003 and has reintroduced it each subsequent year, but Congress has declined to enact it. The model relies on a flat funding amount, with the single account as the means of addressing both training and supportive services; recipients can access only "intensive" and training services from one-stop centers on a fee-for-service basis. It creates an incentive to minimize expenditures by providing that if the individual attains employment more rapidly, he or she can keep some of the funds in the account. Unable to attain Congressional authorization or funding for national implementation, the Administration has launched a multi-state demonstration of PRAs.

<sup>3</sup> <http://www.whitehouse.gov/infocus/hurricane/>

<sup>4</sup> See, e.g., Stettner and Chasanov, *Setting the Wrong Course: Personal Reemployment Accounts Fail to Address the Real Needs of Jobless Workers*, Economic Policy Institute (Feb. 15, 2005), available at: [http://www.epinet.org/content.cfm/webfeatures\\_viewpoints\\_personal\\_reempl\\_accounts](http://www.epinet.org/content.cfm/webfeatures_viewpoints_personal_reempl_accounts)

them to qualify for jobs in the rebuilding process, or for jobs that will be in demand in the rebuilt communities or those to which they are relocating.

- Workers should not be offered a flat sum that must be made to stretch to pay for training, child care, and other supportive services. Not all workers will have child care costs, but it is poor policy to say that workers with child care needs should be expected to look for less-expensive training, or conversely that workers opting for more-expensive training should minimize their child care costs. The vouchers should be for training, and supportive services should be addressed separately.

Local one-stop centers across the country provide, free of charge, a range of intensive services, including counseling, career planning, assessments, and development of employability plans. It would be administratively costly, complex, and confusing to require every one-stop in the country to develop a pricing structure and charge Katrina evacuees for services that free for other community residents. Rather, to ensure that such services are available to displaced residents seeking training and employment assistance, states should qualify for reimbursement for the additional costs they incur in serving this population.

Rather than simply adopting a repackaged version of the PRAs, policymakers should consider the type of structure that will be most effective in connecting dislocated residents to training that can prepare them for the jobs in their communities. We recommend the following.

- Local, state and federal governments should work together to anticipate the skills that will be in demand in the coming three to six months of the rebuilding efforts, and in the longer term. The Department of Labor should then be responsible for that this information is communicated to workforce boards, community colleges, and other training providers across the country so that local providers can develop the capacity to provide training. One-stops and community colleges can also use this information when providing counseling to displaced workers.
- In the disaster recovery area, public-private partnerships—perhaps organized around industry sectors—should be encouraged to train unemployed people for entry into specific jobs. These partnerships should build on states’ industry-based training programs to leverage private sector resources and enhance the human resources capacity of small businesses. Information about these training opportunities should be communicated through a well-publicized Website, with special attention paid to reaching workforce boards across the country.
- For many residents, it will be important to ensure that literacy and basic skills instruction are incorporated into the training, to enable those at the lowest educational levels to benefit from the service and access higher-level jobs.

- Training vouchers should not be limited to those receiving Unemployment Insurance and Disaster Unemployment Assistance, because, with limited exceptions, these benefits are likely to be available only to those who were employed immediately prior to the hurricane. Training vouchers should also be available to those seeking to enter or re-enter the workforce.
- The simplest way to rapidly provide training vouchers to large numbers of people might be for local one-stop centers to expand their capacity to provide Individual Training Accounts (ITAs). However, ITA rules and amounts vary across the country, and accounts are not readily portable across state lines as workers move. To address these challenges, local one-stops could issue nationally uniform vouchers, redeemable at any postsecondary institution as defined by Sections 101 and 102 of the Higher Education Act or at any location on the state's list of approved providers under the Workforce Investment Act. Such safeguards are important to reduce the potential for scams and unqualified entities seeking to profit from the available training funds.
- Individuals participating in training need an adequate and stable source of income while doing so. For those that do not qualify for Unemployment Insurance or Disaster Unemployment Assistance, the federal government should ensure another form of cash assistance. The federal government should also reimburse states for the cost of needs-based payments to Katrina evacuees who need a source of income to participate in training.
- Separate funding needs to be available for child care and other supportive services for participants in training. A greater need for supportive services should not mean that the resources available for an individual's training will be reduced.
- Many individuals will prefer to seek immediate employment; they would nevertheless benefit from pursuing training after their circumstances stabilize. Accordingly, the training vouchers should be structured to be available and useable at any point in the next two years.

## **Conclusion**

The principles articulated by the President—that as many jobs as possible should go to the residents of the affected communities, and that these residents should be given help to prepare for the jobs—serve as important guides for employment and training efforts. As noted, these two principles must be accompanied by a third: that the jobs created pay fair and adequate wages. The challenge for policymakers is to establish a framework that accomplishes these goals; we believe the recommendations above can assist in this process.