

Center for American Progress



New Start New Orleans: Good Jobs for a Better Gulf By Hilary Pennington

Perhaps the most important consensus emerging in the aftermath of Hurricanes Katrina and Rita is the importance of rebuilding in a way that addresses the chronic poverty of the people in affected areas of the Gulf Coast. Congress, state and local leaders now face critical decisions about how actually to proceed with this urgent goal. It is time to coalesce around the best ideas, whether Republican or Democrat – from the right, left, or center – and get to work.

There is no shortage of proposals about how to proceed; each day brings new ones. President Bush has proposed that as many of the rebuilding jobs as possible should go to the men and women who live in the region and that local people should be prepared for the jobs being created. These are excellent ideas; on the other hand, suspending the Davis-Bacon Act to allow sub-minimum wages and suspending affirmative action policies are not. In addition, the rapid issuance of no-bid contracts weakens the potential for reconstruction efforts to create a more equitable region over the longer term. At their worst, the Bush proposals manage to combine big government and big business, without a vision or strategy for how to build differently.

The most effective approach will recognize that both government and the private sector are needed, in new public/private partnerships that will help hundreds of thousands of people rebuild their lives and communities with dignity and enter jobs that will pay enough to support them and their families. This should happen throughout the region. Using New Orleans as an example, what would such an effort look like?

The scope and complexity of the problem are daunting:

- Total employment in New Orleans-Metairie-Kenner, LA in May 2005 was 596,000, with a civilian labor force of 626,000. There are no reliable numbers as to how many of these workers are unemployed, are likely to want to remain in the area, or the likely duration of their unemployment. However, if one-third are out of work in one form or another and want to remain in the area, approximately 200,000 people who were working only a month ago will now be idle for an indefinite period (Institute for Work and the Economy).
- In July, the New Orleans unemployment rate was 5.6 percent, and nearly one quarter (23 percent) of residents were below the poverty line.
- Indeed, the pre-Katrina economy was a low-wage, low-skill economy with large numbers of workers cycling in and out of low-wage jobs.
- Many of the people devastated by the storm are not only poor, but worked for a living before Katrina hit. Over 63 percent of U.S. families living below the poverty line have one or more workers, and New Orleans was no different.
- Adult literacy levels in New Orleans are very low – probably among the lowest in the U.S.
- Not only homes and businesses have been destroyed, but also schools, colleges and universities, and training institutions. The community college system, for example, will not reopen until January, and was not a strong system even before Katrina hit.

Action agenda:

The rebuilding efforts must proceed with addressing short-term urgent needs in a way that also anticipates and lays the groundwork for longer-term reconstruction. This requires having a vision of the longer-term future, so that short-term investments and decisions can be made with this in mind. Designed and directed by people closest to the ground, reconstruction efforts should reward work and learning as the primary strategies for increasing New Orleans' long-term economic viability.

Short Term: Create a Neighborhood Reconstruction Corps that would 1) engage the residents of New Orleans in rebuilding their homes and communities by paying them, rather than outsiders, for this work; 2) provide a framework for engaging volunteers – the many people from all over the country who want to contribute their time and energy to the rebuilding of New Orleans; and 3) provide a mechanism for integrating residents and volunteers with skilled tradespeople who will also be needed – perhaps through bringing in skilled tradespeople from outside on a temporary basis, in addition to creating fast track apprenticeship training opportunities for residents.

The Neighborhood Reconstruction Corps need not reinvent the wheel. The relief organization Mercy Corps paid local people for doing the salvage work in Asia after the tsunami and proposes to do so now in New Orleans. Habitat for Humanity has an extensive network that could be mobilized so that volunteers can help New Orleans families to rebuild. Organizations like YouthBuild, City Year, and AmeriCorps could create programs to engage young people (16- to 24-year-olds) in rebuilding the city, and developing marketable skills at the same time.

Companies receiving contracts for reconstruction work should be required to hire neighborhood residents whenever possible at prevailing or living wages. In other words, residents of affected communities (including those who have been evacuated) should be given preference for hiring. Efforts should also be made to contract with local companies for reconstruction work.

As people return to New Orleans to participate in the rebuilding work, they and their families need comprehensive services, and the resources to pay for them. Community centers, churches, and federal one-stop centers should be used as a rapid response system to qualify returning families for federal and state benefits. FEMA's proposed debit card could be used to provide eligibility for government supports and services. An even better idea would be to put extra money on these cards to allow families to begin rebuilding their lives.

Longer Term: Launch New Start New Orleans: Just as rebuilding New Orleans means upgrading and modernizing the city's built environment, so should its skill development system be retooled for the knowledge economy. The city's residents need to build or rebuild skills, as well as their homes and businesses. We recommend a large-scale initiative – *New Start New Orleans* – that aims to make work and learning pay by providing jobs and training to 100,000 to 200,000 people – an initiative with transformational potential commensurate with the scale of the disaster. The initiative would have three components:

First, *New Start New Orleans* would focus on a handful of key industries/occupational clusters that are key to the region's present and future and that offer realistic entry points for low-skill workers, as well as opportunities for advancement. Examples include construction, health care, transportation logistics, and tourism. As much as possible, the initiative would offer private sector employment in these areas. It would use government subsidies or incentives to allow workers in these jobs to make at least \$10 an hour, with benefits (workers making \$10 an hour at 40 hours a

week for 52 weeks would earn \$20,800 a year). In other words, the objective would NOT be sub-minimum wages, but wages sufficient to sustain a family.

While there are those who would criticize such use of government funds as a bad idea, likely to put downward pressure on wages, research demonstrates that employment in good jobs—ones that offer higher wages, benefits, and room for advancement—does more to boost and stabilize family income than even long-term, steady employment in low-wage jobs (Center for Law and Social Policy). There are several ways to accomplish this. Such wage levels could be part of the requirement for receiving a government contract, or the government could supplement the wages paid by employers. The most straightforward approach would be to use the existing vehicle of the Earned Income Tax Credit, and create a refund for workers that effectively allows them to earn \$10.00 an hour. The cost would be relatively modest: if the government were to subsidize the difference between \$7.50/hour and \$10/hour wages for 100,000 workers for 40 hours a week for a year, the cost would be \$52 million—less than 1 percent of the initial \$54 billion “down-payment” on reconstruction and a fraction of the estimated \$200 billion total reconstruction costs.

Second, *New Start New Orleans* would offer incentives to employers who create jobs in these target occupations for retaining New Orleans residents and creating career advancement ladders. Employers would qualify for a significant tax credit if they retain the workers for at least a year, and help train and advance them. Businesses, community colleges, non-profits, and unions should unite in this cause.

Accomplishing this objective would require flexible organizations like workforce intermediaries—skilled at working with employers, unions, community organizations, and community colleges—to work with employers to establish the advancement ladders, and with local training institutions to build and deliver training that enables people to advance up these ladders. Boston’s SkillWorks initiative and the Wisconsin Regional Training Partnership offer useful models for such collaborative efforts.

Third, *New Start New Orleans* would create public/private "Skill Academies" for each occupational cluster, recognizing that the low skill levels of many New Orleans/Gulf residents undercut their short-term appeal to employers, not to mention their longer-term prospects for advancement. The concept would be public/private training partnerships based on work. Workers would work four days (or 3/4 time) a week, and go to school at or near the work-site on a fifth day (or 1/4 time). Employers would work together with training providers, community organizations, and unions to select—and where necessary, supplement—the curricula. The federal government could make available effective, research-based curricula and help train instructors in how to teach the curricula well. All curricula should include basic literacy and numeracy as well as occupation-specific skills. The need for this, given the low literacy levels of many New Orleans residents, cannot be over-emphasized.

Courses and credits should be designed to be "modular" so that workers can quickly build skills and credentials. E-learning courses delivered in community centers, such as those being pioneered by BellSouth and IBM, could supplement worksite training. The courses should be structured so that workers will have earned 12 postsecondary credits by the end of one year. It should be possible to figure out how to do this even for occupations in construction—some of which link to community college degree programs; others to pre-apprenticeship/apprenticeship credentials. The state and federal governments could supplement this training with deposits to individual learning accounts, and/or vouchers for ongoing skill development.

This strategy would incorporate what has been learned about effective job training programs over the past several decades—learners know that real jobs await them during or after the training period; training is provided at the worksite; basic skills instruction receives as much emphasis as occupational training; etc. For example, in the field of nursing, a part-time LPN program in Philadelphia jointly sponsored by a health care union (1100) and employers offers a 16-week prep course (three days a week for three hours a day) for health care workers with low literacy skills. Success rates have been particularly high for prep classes delivered on site in nursing homes as part of employer-sponsored advancement programs for nursing aides—allowing workers with low literacy levels to achieve short-term wage gains while they work toward longer-term goals (*The Right Jobs*, www.jff.org).

In summary, *New Start New Orleans* would hold high expectations for employers who receive government investments, expecting them to behave in the way the best companies in this country do—maximizing business *and* social objectives. And it would hold high expectations for individuals: in exchange for going to work and school, they will earn investments in their future

In addition to the focused *New Start New Orleans* initiative, an effective reconstruction strategy should help build the long-term skill development infrastructure of the city—its community colleges, non-profit organizations, etc.—an infrastructure that also has been decimated by the storms, and does not necessarily have the most effective practices and institutional structures/policies for supporting low-wage/low-skill workers in pursuing further education.

Investments to help build the capacity of these institutions to put these practices in place would pay long-term dividends. For example, some kind of qualified provider system could privilege institutions that provide such a support structure for advancing low-literacy part-time learners—e.g. training vouchers “spent” at these institutions could be reimbursed at a higher rate. Alternatively, a competitive grant program could provide funds for establishing needed practices and institutional structures/policies. This could be limited to local institutions, or could create competition by providing incentives that would allow national for-profits like DeVries, Kaplan, Phoenix, and other national non-profits to compete as well.

Finally, it is important to make sure that non-profit and neighborhood organizations are involved in these efforts in order to support workers/learners and their families. Especially important will be neighborhood centers, like the Codman Square Health Center in Boston, that can provide multiple services to families. These could play a central role in accessing benefits; providing health care, training, and child care; supporting workers who are working and learning simultaneously; etc.

Approaches like the ones recommended here would build a stronger region for the long term, and the experience could be a model for the rest of the Gulf Coast, and the country, in which too many regions have low-skill workers who work and stay poor.

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