



The State of Opportunity One Year After Hurricane Katrina

Jobs and Business: The State of Opportunity for Workers Restoring the Gulf

Hurricane Katrina revealed that our government was ill-prepared to assist the most vulnerable people at a time of dire need, and that unequal opportunity remains a major problem in America. Tragically, the reconstruction of the Gulf Coast region is perpetuating, rather than addressing, these problems. This series of fact sheets explores the state of opportunity in the Gulf Coast region one year after the storm, as well as the ways in which barriers to opportunity in the region reflect nationwide challenges that require a national response. This fact sheet focuses on opportunity barriers related to employment, wages, and contracting, and highlights workplace policies that can expand opportunity for all.

Americans **believe strongly in mobility through hard work**, that employment opportunities should be open to all, and that jobs should provide a living wage in a safe, decent environment. Unfortunately, however, research and reporting show that the Gulf Coast rebuilding process is failing to live up to those values, in ways that are perpetuating the unequal opportunity that existed before the storm. Major opportunity gaps exist in employment, wages, and contracting one year after the disaster. *In each case, our nation's leaders have both an opportunity and a responsibility to establish systems that will expand opportunity for all.*

Opportunity Barriers in the Wake of Hurricane Katrina

Groups that have historically faced barriers to opportunity—including people of color, immigrants, women, and those who earn low or poverty-level wages—suffered the most in the immediate aftermath of Katrina. In many cases, however, they continue to be disadvantaged in the reconstruction effort.

African Americans and Other Communities of Color

Minority workers faced significant opportunity barriers in New Orleans and the Gulf Coast region prior to Hurricane Katrina, including dis-

crimination and other barriers to employment. In 2003 the Equal Employment Opportunity Commission secured a consent decree against a New Orleans-based construction giant, The Industrial Company (TIC), in an employment discrimination suit. The EEOC concluded that TIC “engaged in discriminatory recruitment and hiring practices on a nationwide basis which prevented blacks from being hired into construction positions because of their race.”¹

- A Louisiana state court held in a 2004 case that the Baton Rouge Police Department had subjected black police officers to recurring acts of racial discrimination and racial harassment.²

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- In an earlier case the City of Shreveport, Louisiana's Fire Department "systematically excluded all black applicants prior to 1974 and hired the few it did between 1974 and 1980 in response to pending lawsuits," according to the United States Court of Appeals for the Fifth Circuit.³
- Although the pre-Katrina New Orleans population was more than two-thirds people of color, fewer than one-third of the city's businesses were minority-owned in the year 2000.⁴
- While the spatial mismatch between African Americans and jobs declined slightly during the 1990s nationwide, New Orleans was one of the few cities in the U.S. where the physical distance between predominantly African American residential areas and areas of high job concentration *increased* during this same period.⁵

These findings reflect a long history of discrimination in the region. The rebuilding process, supported by public funds, is a chance to reverse those trends and to attain equal opportunity for Gulf Coast residents, including African Americans. But reports from across the states affected by the hurricane are discouraging:

- In one of the most comprehensive studies of post-Katrina conditions, the Advancement Project conducted interviews with more than 700 workers in New Orleans, finding that many African American survivors of the hurricane were shut out of reconstruction jobs as a result of failed housing policies, discrimination, and a lack of transportation and other services.⁶
- In the immediate aftermath of the hurricane, local companies and small businesses were passed over for lucrative contracts, and multimillion dollar opportunities were outsourced to large out-of-state companies.⁷ For example, as of November 2005, only 5.4% of the \$3.7 billion that the Federal Emergency Management Agency (FEMA) has spent on contracts related to hurricanes Katrina and Rita went to Louisiana companies.⁸ That has made it far less

likely that minority-owned businesses from the region will have a role in the rebuilding process, and that the region's African American and disadvantaged residents will gain employment.

- Minority businesses were largely passed over by FEMA for reconstruction work until October 2005, when Congress questioned FEMA's actions.⁹ Minority-owned businesses in the Gulf Coast region, which tend to be smaller and are less well-positioned to compete for large contracts, nonetheless generated \$3.3 billion a year in revenue prior to the storm.¹⁰
- An Economic Policy Institute analysis of Bureau of Labor Statistics data revealed that African American (41.5%) and Latino (42.1%) evacuees were more than twice as likely as white evacuees (17.5%) to be unemployed two months after the storm. Among those who had not returned to the Gulf, this unemployment disparity was even greater, as nearly half of African American evacuees were unemployed.¹¹

Women

Women in New Orleans faced multiple barriers to opportunity before Hurricane Katrina, and they represent a disproportionately large share of those displaced by the storm. Unless policy makers attend to women's needs, such as adequate housing, job training, child care, and a living wage, many women simply cannot return to New Orleans and rejoin the workforce.

- Women are especially vulnerable to poverty; 25.9% of all women in New Orleans lived in poverty in 2004.¹² The median earnings of African American women in New Orleans who worked full-time year-round in 2004 were \$19,951.¹³
- Rates of poverty among older women were particularly high in pre-Katrina New Orleans: 16% of women aged 65 and older lived in poverty in the New Orleans metropolitan area, compared to 11.5% nationally.¹⁴ These individuals are more likely to have experienced difficulty attempting to evacuate prior to the storm.

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- In New Orleans the share of female-headed families with children under age 18 is more than half of all families, twice the national average.¹⁵ Nationally, female-headed households are almost eight times more likely to live in poverty than are married-couple families.¹⁶
- Louisiana's civilian labor force lost more than 180,000 workers in the six months after Katrina hit, but women made up more than half of those workers (56%, or 103,000).¹⁷

Immigrants

New Orleans and the Gulf Coast region have experienced significant demographic shifts in the aftermath of Katrina, as thousands of new workers—largely immigrant Latinos—have come to the region seeking opportunity. As a result, the Gulf Coast region's restoration workforce is increasingly reflective of the diversity of the workforce in many cities and communities across the U.S. These new workers, however, are facing discrimination, unfair labor practices, and hazardous working conditions—problems which have historically plagued many communities of color on the Gulf Coast and around the country. Little or no oversight at storm-related construction sites increases the risk that many new workers will fall victim to labor and human-rights violations:

- In the immediate aftermath of the hurricane, the U.S. Department of Labor temporarily suspended provisions of the Davis-Bacon Act; contractors could therefore pay their employees below federal wage standards. That law, established to ensure that workers receive fair wages and to limit wage exploitation, was set aside until November 7, 2005, two months after Hurricane Katrina hit land. Contracts established prior to the reinstatement date are still not obligated to meet Davis-Bacon standards.¹⁸
- The Advancement Project's survey of reconstruction workers revealed that many immigrant workers—including both citizens and noncitizens—have reported significant instances of harassment and racial

profiling by law enforcement.¹⁹

- A survey of immigrant workers conducted by Tulane University and the University of California, Berkeley, found that the protective equipment, such as hard hats, goggles, and harnesses, necessary for work in dangerous conditions is inconsistently provided by employers for New Orleans construction sites.²⁰
- The same survey revealed that workers who face health risks associated with the removal of mold and toxic substances are not always properly trained to do the tasks, and workers are not always informed about the related risks.²¹
- Lawsuits have been filed against two large contractors for failure to pay wages to migrant workers.²²
- The Tulane and UC Berkeley survey found that work-related health problems are reported frequently by immigrant reconstruction workers, but they also report a lack of access to health care and medical treatment. This is especially true among undocumented workers.²³

Poor and Low-Income Families

Women, immigrants, and people of color are more likely than white men to be unemployed, underpaid, or working in low-wage jobs—a disparity that was pronounced in many Gulf Coast communities prior to the storm. These individuals and families will need a range of supports, including housing, child care, job training, and other services, in order to move up the economic ladder.

- Poverty among the residents of the Gulf Coast region was almost twice the national rate prior to the storm.²⁴
- According to the 2000 Census, New Orleans had the second-highest rate of concentrated poverty among large U.S. cities: 37.7% of all poor people in New Orleans lived in high-poverty neighborhoods.²⁵
- New Orleans's high proportion of low-income families in part reflects a lack of job opportunities; for example, nearly 13% of jobs in pre-Katrina New Orleans were in

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the relatively low-wage food and accommodations industries, and over one-quarter of all jobs were in the service sector, which paid an average of only \$8.30 an hour.²⁶

- Lower-income New Orleans residents displaced by Katrina are less likely to have returned to the city than people with middle and upper incomes, making it less likely that they will be able to take advantage of new jobs in the region.²⁷
- The Advancement Project's interviews with New Orleans reconstruction workers revealed that many have experienced problems of wage theft and nonpayment for labor, leaving low-income workers even more economically vulnerable.²⁸

A National Challenge

Hurricane Katrina revealed the consequences of disinvestment and lack of opportunity in many New Orleans communities, but barriers to opportunity are being faced by communities across the U.S. We can change the consequences of a natural disaster by removing obstacles to opportunity and strengthening the vulnerable among us. The Opportunity Agenda's recent report, *The State of Opportunity in America*,²⁹ found that national trends in employment opportunity mirror the opportunity gaps in the Gulf Coast. For example:

- **African Americans continue to face racial barriers to employment in many parts of our country.** A 2003 study of temporary employment agencies in California found that those agencies preferred *less-qualified* white applicants nearly three times as often as African American applicants.³⁰ Another study that assessed whether a criminal record would damage job chances found that even white applicants with criminal records were more

likely to receive callbacks from employers than African Americans *who did not present criminal records*.³¹

- **Low-wage workers are not benefiting from the economy.** Between 1979 and 2003, wages for the top 5% of wage earners grew by 31%, while wages for workers in the bottom 10% declined by .9%.³² On average, families with extremely low incomes can afford to rent a two-bedroom house at fair market price in only nine U.S. counties, and in only four counties can a person working full-time at the minimum wage afford even a one-bedroom apartment.³³ In addition, the number of working-poor families in America keeps rising. The number of full-time workers who fall below the poverty line has more than doubled since 1978, rising from about 1.3 million to almost 2.9 million workers in 2004.³⁴ Wage inequality is most dramatic among Hispanic men: since 1973 the share of Hispanic males earning poverty-level or near poverty-level wages has increased, while the proportion of this group earning moderate wages has declined.³⁵
- **Gender wage gaps persist, particularly at the top and bottom of the wage scale.** While the overall gender wage gap has narrowed over the last three decades, women with graduate degrees now face a greater wage gap relative to men with equivalent levels of education than they did 30 years ago. And women who earn low wages are far more likely than men to remain stuck at the bottom of the wage scale: more than 90% of those who have consistently earned low wages over the past 15 years are women.³⁶



Conclusion: How Can the Nation Protect and Expand Opportunity in the Gulf Region?

Rebuilding after one of the largest natural disasters in our country's history is a national effort that affects us all. And, as the research shows, opportunity in the Gulf Coast region is interconnected with opportunity for everyone in our nation. Our elected leaders—federal, state, and local—can take concrete steps now to fulfill the promise of opportunity in employment.

Government has an active role to play in protecting and expanding opportunity for all, and in helping all Americans achieve their dreams. Government should:

- *Draw from prior, successful experiences in rebuilding communities after disaster. For example, government's role in rebuilding highways after the 1994 Northridge, California earthquake provides a positive model for how government can handle post-Katrina cleanup. Competitive bidding for contracts and enforcement of labor laws, such as the Davis-Bacon Act, provided protection for workers and a level playing field for business without sacrificing the cost, efficiency, and safety of the reconstruction work.³⁷*
- *Enact living-wage provisions, so that a job provides economic advancement through wages, savings, and freedom from debt; it should also provide the leisure time that is essential to creativity, entrepreneurship, and spiritual advancement.*
- *Give all workers the protections afforded by labor laws regardless of individuals' legal status. Immigration laws must be reformed, so that workers who contribute to our nation receive the opportunities they earn no matter where they come from.*
- *Rebuild New Orleans in a way that allows displaced families to return to a vibrant community with access to gainful employment, public transportation, safe housing, and high-quality health care for all.*
- *Promote vigorous enforcement of existing antidiscrimination protections, and draft a new generation of human-rights laws that address evolving forms of bias and exclusion.*

¹ U.S. Equal Employment Opportunity Commission, "EEOC Litigation Settlements April 2003," <http://www.eeoc.gov/litigation/settlements/settlement04-03.html>.

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³ *Dean v. City of Shreveport*, 438 F.3d 448 (5th Cir. 2006).

⁴ U.S. Census Bureau, 2000 Decennial Census.

⁵ S. Raphael and M. A. Stoll, "Modest Progress: The Narrowing Spatial Mismatch between Blacks and Jobs in the 1990s," December 2002, http://www.brookings.edu/es/urban/publications/Raphael_Stoll_spatial_mismatch.pdf.

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⁸ A. Radelat, "Louisiana Businesses Get Only Small FEMA Contracts: State Businesses Only Receiving Small Amounts of Money," *Shreveport Times*, November 25, 2005, <http://www.shreveporttimes.com/apps/pbcs.dll/article?AID=/20051125/NEWS01/511250304/1002/NEWS>.

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