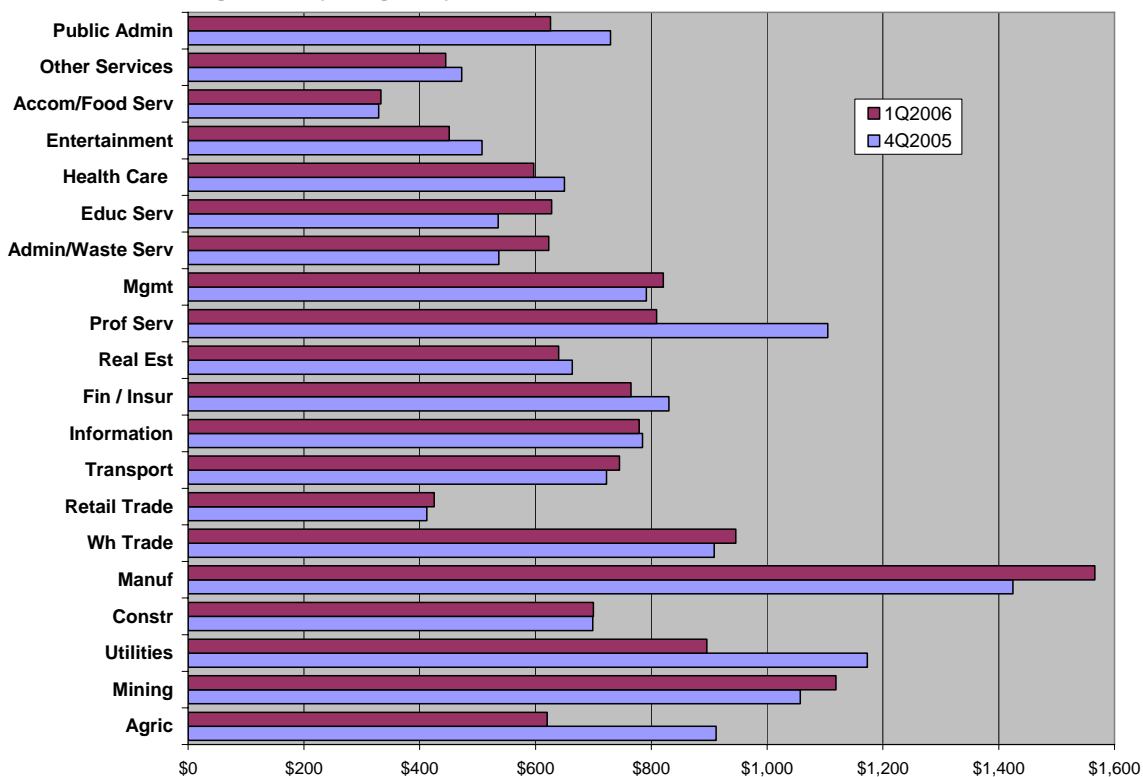


## Southwest Louisiana Labor Markets: Post Hurricane Wage and Employment Changes

### Calcasieu Parish Labor Market

Since Hurricane Rita hit Calcasieu Parish in late September of 2005, there have been persistent reports of worker shortages and rapidly rising wages. What does the available statistical evidence indicate? The chart below shows average weekly wages in twenty sectors of the Calcasieu Parish labor market during the two quarters immediately after the hurricane hit (4Q2005 and 1Q2006).<sup>1</sup>

Average Weekly Wages By Sector in Calcasieu Parish, 4Q2005 & 1Q2006



<sup>1</sup> Descriptions of the types of jobs included in each sector of the labor market are shown on page 10.

A cursory glance at this chart indicates a number of things about the parish labor market.

- There is a wide disparity in wages paid by sector. Workers in the highest paying sector (manufacturing) earned almost five times more per week than workers in the lowest paying sector (accommodation and food services).
- After the hurricane, average weekly wages rose in about half the sectors, and fell in the other half. For all sectors combined (not shown), the average weekly wage remained the same—about \$700 per week. A quarterly time series of average weekly wages in Calcasieu Parish can be found on the Drew Center web page.
- It would appear that large wage increases occurred primarily in manufacturing; and large wage decreases occurred primarily in agriculture, utilities, and professional services. For most other sectors the wage changes appear to be relatively small.

### **Adjustments for Seasonal Variations**

Comparisons of wages from one quarter to the next do not necessarily provide an accurate picture of the underlying trends. For a number of sectors the variations in wages (and employment) can be primarily due to seasonal factors. For example, retail wages and employment typically rise in the fourth quarter during the holiday shopping season, and then fall back during the first quarter. Seasonal weather conditions can elicit a similar pattern in wages and employment for workers in the agriculture and construction sectors. The table below provides one way of filtering out some of these seasonal influences.

<b>Sector</b>	<b>Percent Change From 4Q2004 to 4Q2005</b>		<b>Percent Change From 1Q2005 to 1Q2006</b>	
	<b>Wages</b>	<b>Employment</b>	<b>Wages</b>	<b>Employment</b>
Agriculture	21.3%	-15.1%	31.6%	-17.2%
Mining	7.6%	0.7%	-4.2%	15.0%
Utilities	11.6%	-7.7%	-20.9%	-1.0%
Construction	-1.3%	2.8%	6.3%	13.0%
Manufacturing	10.9%	-2.8%	6.8%	-0.4%
Wholesale Trade	13.9%	-9.3%	15.5%	-3.0%
Retail Trade	6.8%	-3.6%	19.2%	3.9%
Transportation	-8.6%	3.3%	2.1%	-6.9%
Information	16.0%	-9.9%	15.3%	-11.6%
Finance & Insurance	21.2%	-10.7%	2.9%	-4.2%
Real Estate	9.6%	-2.6%	26.2%	-1.3%
Professional Services	-1.3%	-5.1%	15.2%	-1.8%
Management of Companies	3.0%	-18.4%	-11.2%	-27.6%
Administrative & Waste Service	9.8%	14.7%	36.9%	13.8%
Educational Services	-3.3%	-1.6%	4.6%	-3.7%
Health Care / Social Assistance	2.0%	-4.0%	15.5%	-3.8%
Arts, Entertainment, Recreation	0.7%	-3.0%	1.8%	-45.4%
Accommodation & Food Service	26.0%	10.8%	32.1%	17.0%
Other Services	-1.3%	9.2%	7.3%	8.3%
Public Administration	17.3%	15.0%	3.7%	5.6%
<b>All Sectors Combined</b>	<b>4.9%</b>	<b>0.1%</b>	<b>9.2%</b>	<b>1.1%</b>

The first two columns in the table compare average weekly wages and employment in the quarter immediately following the hurricane (4Q2005) with same quarter of 2004 (4Q2004). The last two columns compare average weekly wages and employment in the second quarter after the hurricane (1Q2006, the most recent data available) with the same period a year earlier (1Q2005). After adjusting the comparisons to filter out seasonal variations, the perspective changes significantly.

### **Overall Wage and Employment Changes**

For all sectors of the Calcasieu labor market combined, average weekly wages in the three months following the hurricane (4Q2005) increased by 4.9% from the same period one year earlier. This increase was roughly equal to the rate of inflation over that period—so average weekly wages in real terms remained about the same. The small increase in employment in the fourth quarter of 2005 was insignificant (0.1%) when compared to the same period a year earlier.

During the first quarter of 2006, the rate of increase in average weekly wages for all sectors combined accelerated to 9.2% higher than in the same period of 2005. That wage increase was more than double the rate of inflation, but it was accompanied by a mere 1.1% increase in employment.

In the immediate wake of Hurricane Rita, overall wage and employment trends are consistent with a small decrease in the supply of labor and a relatively larger increase in the demand for labor. The result was in a relatively small increase in employment and a relatively larger increase in wages.<sup>2</sup> In the six month period after the hurricane, labor shortages in Calcasieu Parish were resolved primarily by higher wages and by shifting workers amongst the various sectors of the parish labor market—not by significantly increasing the total number of workers employed.

### **Sector Wage and Employment Changes**

During last quarter of 2005, 15 out of 20 sectors registered wage increases when compared with the same period one year earlier. In four out of the five remaining sectors shown in the table, the wage decreases were relatively small. During the first quarter of 2006, 17 out of 20 sectors registered wage increases when compared to the same period in 2005. Of the three sectors registering wage decreases, the changes were large for the utilities and management sectors. Data in the table confirm some fairly dramatic changes in specific sectors of the Calcasieu Parish labor market. A few of these changes are noted below.

**Accommodation/Food Service.** In the quarter immediately following Hurricane Rita, average weekly wages rose most rapidly (26%) in the accommodation and food service sector. This rate of increase grew in the following quarter to 32.1%. While these figures would surprise no one who remembers trying to eat at a restaurant or find a motel during that time, the 10-17% increase in employment in this sector belies the commonly held belief that there was a decline in employment at establishments providing short-term

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<sup>2</sup> Evidence of the most recent monthly employment trends is shown on page 6.

lodging and/or preparing food and beverages for immediate consumption. Yes there were fewer establishments open for business, but total employment in this sector actually increased. The inducement of higher pay probably encouraged some part-time employees to work more hours (thereby increasing their average weekly wage), but it also led to an increase in the total number of workers employed in this sector.

**Agriculture.** A similar pattern of pay increases occurred in the agriculture sector where average weekly wages rose 21.3% in the quarter immediately after Rita struck, and in the subsequent quarter the rate of increase in wages grew to 31.6% from the same period in 2005. In this sector, however, employment fell by 15-17%. Part of the increase in average weekly agriculture wages resulted from higher hourly wages, but it is also likely that part of the increase was a result of fewer workers each working more hours per week.

Evidence of accelerating wages for workers in the agriculture and accommodation/food service sectors six months after the hurricane indicates that demand continued to outpace supply well beyond the initial impact period of the storm in these segments of the labor market. But this was not the case in other sectors of the Calcasieu labor market.

**Finance and Insurance.** In the finance and insurance sector there was a 21.2% increase in average weekly wages in the first quarter after the hurricane hit, but this increase was not sustained in the subsequent quarter when average weekly wages were only 2.9% higher than in the same period a year earlier. The one quarter spike in average weekly wages in the finance and insurance sector is consistent with a sharp increase in the workload for insurance agents, claim adjusters, loan officers and employees of financial institutions immediately after the hurricane. But it appears that the labor shortages in this sector eased relatively quickly as the workload surge subsided in the first quarter of 2006 and wage increases moderated to rates comparable with the overall rate of inflation. Employment in this sector actually fell.

**Public Administration.** A similar wage pattern emerged in public administration where increased workload and overtime pushed average weekly wages 17.3% higher in the quarter immediately after the hurricane, but by the following quarter the rate of increase was a much more modest 3.7%. Employment in this sector increased by 15% in the first quarter after the hurricane, but by the following quarter was up by only 5.6%. These wage and employment change patterns are consistent with relatively short-term labor shortages due to a short-term spike in workload created by the hurricane, but six months later labor shortages in these sectors eased considerably.

**Retail Trade.** In the retail trade sector the pattern of wage changes was just the opposite from that of finance, insurance, and public administration. Average weekly wages in retailing rose by a modest 6.8% in the quarter immediately after the hurricane when retail employment fell by 3.6%, but by the following quarter the rate of wage increase had accelerated to 19.2% and employment was up by 3.9%. This pattern is consistent with observations that the retail sector was slow to recover from the hurricane. Months after the hurricane some retail businesses were still closed for repairs and others were operating with restricted hours. As the physical damage was repaired and more shops opened for business, the labor shortage in the retail sector grew more acute and resulted in accelerating average weekly wages and a slight increase in employment.

**Construction.** One of the most surprising trends shown in the table is for construction workers where the average weekly wage actually fell by 1.3% in the quarter immediately after the hurricane as employment increased by 2.8%. In the subsequent quarter, construction wages rose by a very modest 6.3% in comparison to the same period one year earlier while employment grew by 13%. During a time of soaring demand for workers to repair hurricane damages, why did average weekly wages for construction workers not skyrocket in the short term and increase even more dramatically within the next six months? One might envision a number of plausible explanations.

When Hurricane Katrina hit the New Orleans area in late August of 2005, one might have anticipated an immediate outflow of construction workers from Calcasieu Parish to help rebuild Southeast Louisiana. There is no statistical evidence indicating that occurred. Construction employment in Calcasieu remained stable from August to September.

After Hurricane Rita hit Southwest Louisiana, scheduled maintenance projects and new construction projects ground to a temporary halt. Many projects were delayed due to temporary labor shortages associated with the mandatory evacuation, material shortages, and delays resulting from insurance and permitting issues. Calcasieu Parish construction employment temporarily dipped by 220 jobs in October of 2005, but then rebounded by almost 300 jobs in November and another 275 jobs in December. Why did construction wages fall slightly in this quarter? An infusion of recovery workers from outside the area helped limit pressures for wage increases. It is also likely that much of the initial clean-up effort involved new hires that were not paid wages comparable to those earned by the more skilled crafts and higher wage industrial construction activities that were slower to resume. This may have lowered the “average” weekly wages for all construction workers.

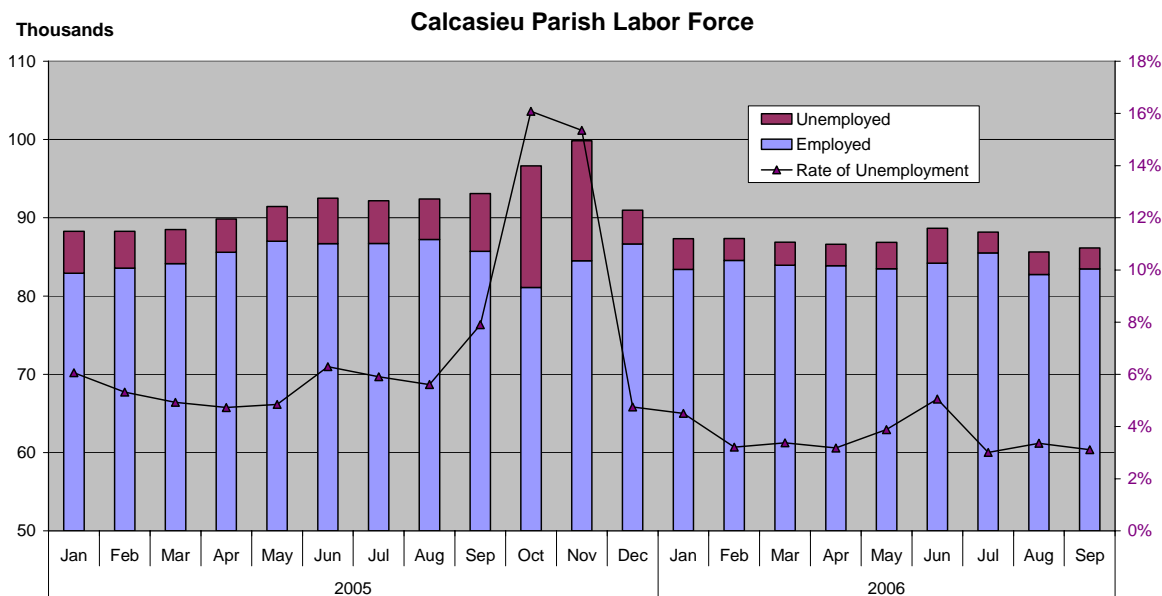
In January of 2006, 880 construction jobs were added in Calcasieu Parish, in February 60 more, and in March another 360. This led to a 6.3% increase in average weekly wages for construction workers in Calcasieu Parish when compared with the same period a year earlier. Why such a modest increase in construction wages as construction employment rose by 13%? The reasons may be similar to those noted above. Another contributing factor to speculate about is the significance of under-reporting of construction wages as a result of an upsurge in transactions taking place in the “underground” economy when “out-of-area” contractors and workers were drawn to Calcasieu Parish after the hurricane?

### **Labor Force Changes**

Perhaps the clearest indication of why wage rates did not rise as rapidly in the first three months after the hurricane as in subsequent months can be found in the chart that follows. It tracks by month the number of employed and unemployed workers, as well as the unemployment rate in Calcasieu Parish, during 2005 and 2006.

The unemployment rate soared from 5.6% in August of 2005 (before Katrina and Rita) into the 15-16% range during October and November of 2005—thus dampening pressures for wage increases during the fourth quarter of 2005. The soaring

unemployment rate was due not only to lower employment in October and November, but also to a huge increase in unemployment resulting from an inflow of evacuees filing unemployment claims in Calcasieu Parish. The unemployment rate dropped sharply in December and throughout the first quarter of 2006—creating pressures for wage increases. The precipitous decline in the unemployment rate was due in part to increasing employment, but also due to decreasing unemployment as evacuees from outside the parish moved elsewhere. Wage data beyond the first quarter of 2006 are not yet available, but most likely the pressure for wages increases continued as the unemployment rate fell to 3.1% in September of 2006.



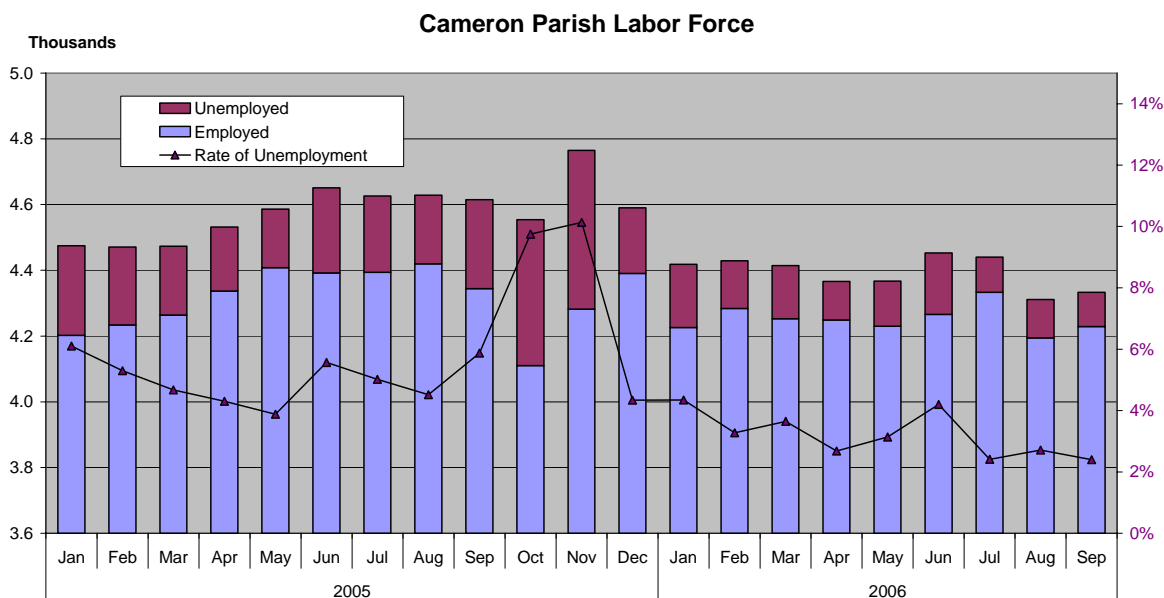
### Allen, Beauregard, Cameron and Jeff Davis Parish Labor Markets

Changes in average weekly wages and employment are summarized in the table that follows for the five parish region of Southwest Louisiana including Allen, Beauregard, Calcasieu, Cameron, and Jefferson Davis Parishes.

Parish	Changes in Average Weekly Wages and Employment			
	Percent Change From 4Q2004 to 4Q2005		Percent Change From 1Q2005 to 1Q2006	
	Wages	Employment	Wages	Employment
Allen	6.8%	- 5.6%	- 0.2%	- 0.1%
Beauregard	-1.8%	- 1.1%	5.9%	1.0%
Calcasieu	4.9%	0.1%	9.2%	1.1%
Cameron	24.0%	-17.5%	28.7%	-18.0%
Jefferson Davis	12.3%	6.1%	7.2%	1.2%
<b>Five Parish Region</b>	<b>5.3%</b>	<b>- 0.4%</b>	<b>8.7%</b>	<b>0.6%</b>

## Cameron Parish

Cameron Parish wage increases after the hurricane were record setting—the highest in the five parish region. In comparison to the same period in the previous year, average weekly wages in Cameron Parish rose 24% higher in the first three months after the hurricane, and during the next three month period the rate of increase grew to 28.7%. At the same time, employment in Cameron Parish fell by 17-18%. Of the five parishes in Southwest Louisiana affected by Hurricane Rita, Cameron suffered the most devastating impacts. The large wage increases are clear evidence of a shortage of labor in Cameron Parish to deal with hurricane recovery and rebuilding, as well as other employment generating activities in the parish.

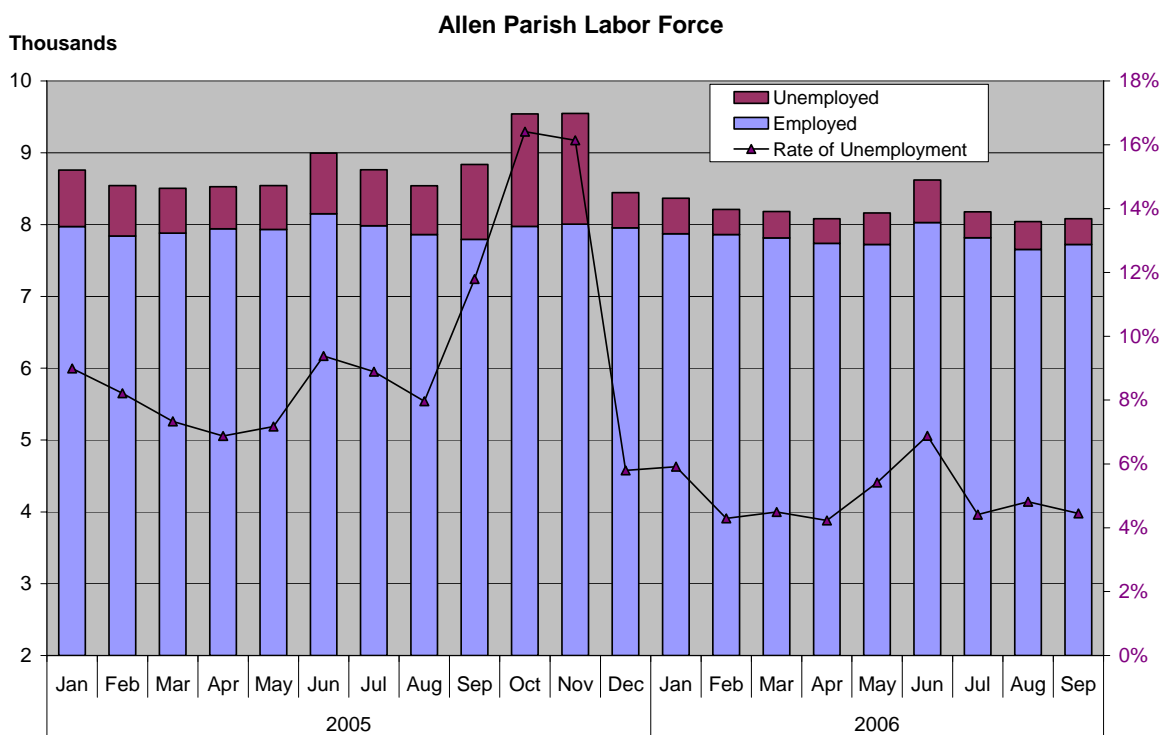


Additional evidence of the tight labor market in Cameron Parish is shown in the chart above. It tracks Cameron Parish employment, unemployment, and the unemployment rate by month for 2005 and 2006. The steep drop in employment in October of 2005 is a reflection of the widespread devastation to the infrastructure, housing and businesses in Cameron Parish after the hurricane. Recovery efforts are evidenced by the employment rebound in November and December of 2005. Since that time, however, employment has plateaued at a slightly lower level. The unemployment rate in Cameron Parish dropped to a miniscule 2.4% in September of 2006.

## Allen Parish

The impact of the hurricane on wage rates in Allen Parish appears to have been more transitory. When compared with the same period a year earlier, average weekly wages rose by 6.8% in the fourth quarter of 2005 while employment fell by 5.6%. During the first quarter of 2006, however, average weekly wages and employment returned to levels roughly comparable to those reached in the first quarter of 2005. This pattern suggests temporary labor shortages dealing with the immediate aftermath of the hurricane, but then a return to pre-hurricane labor market conditions in Allen Parish.

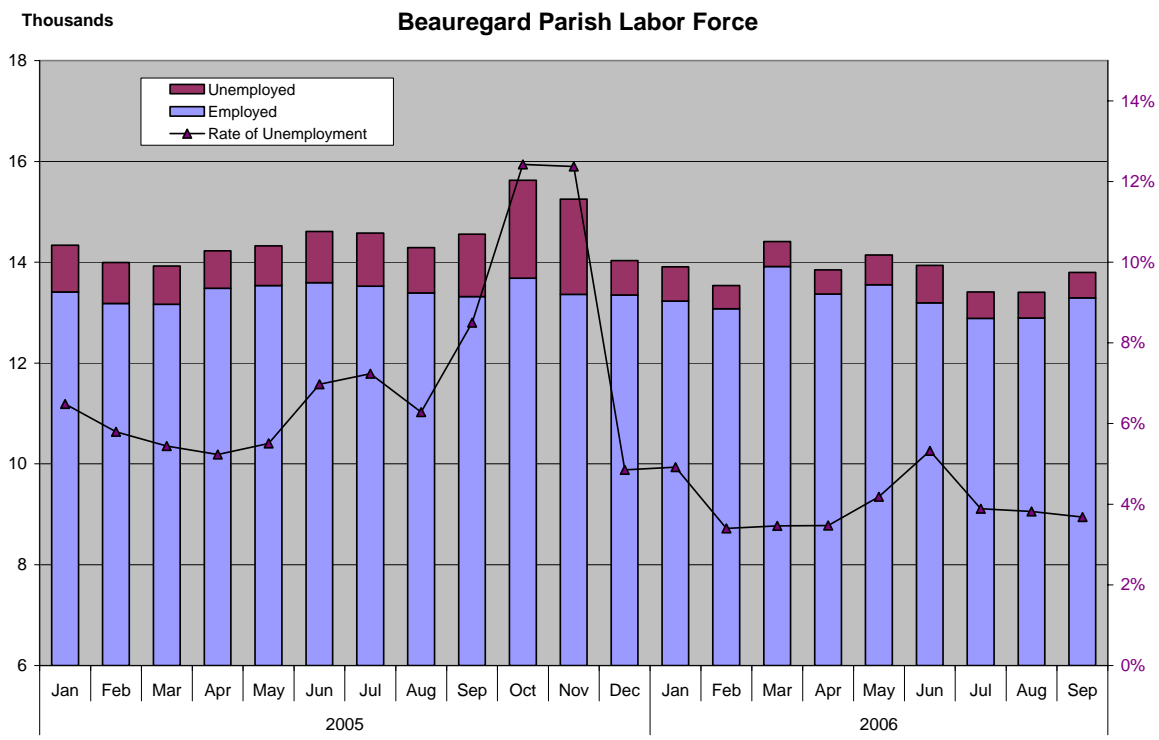
The chart that follows shows that the number of employed in Allen Parish remained relatively stable after the hurricane. This is because housing loss was a less significant problem in Allen Parish. The number of unemployed in the parish spiked upward immediately after the hurricane (due to an inflow of evacuees), but within two months dropped back to historically low levels. Since that time the unemployment rate declined further as both employment and unemployment drifted slightly downward.



### Beauregard Parish

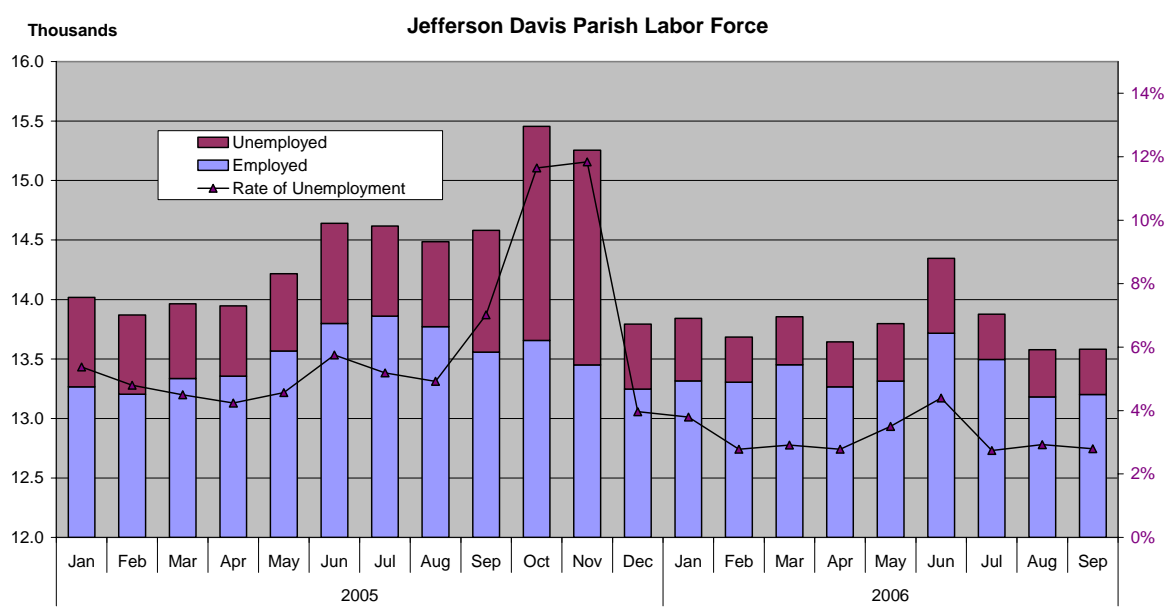
Beauregard Parish registered the least initial labor market impact during the three months after Hurricane Rita. Average weekly wages fell by 1.8% during the last quarter of 2005 while employment fell by 1.1% compared to the same period a year earlier. But in the first quarter of 2006 average weekly wages rose 5.9% higher than levels reached a year earlier and employment increased by 1%. This pattern is indicative of growing labor shortages rather than easing shortages in Beauregard Parish.

Monthly trends in Beauregard Parish employment, unemployment, and the unemployment rate are shown in the chart that follows. Employment remained relatively stable in the aftermath of the hurricane. The unemployment rate soared in October and November due to a spike in the number of unemployed—most likely hurricane evacuees sheltering in Beauregard Parish. In December the number of unemployed (and the unemployment rate) dropped sharply as evacuees apparently left the parish. During the first nine months of 2006, employment in Beauregard Parish has been fairly stagnant.



### Jefferson Davis Parish

In Jefferson Davis Parish average weekly wages rose by 12.3% in the last quarter of 2005 while employment increased by 6.1% from the same period a year earlier. During the first quarter of 2006, wages receded to 7.2% higher than levels reached a year earlier and employment was up by only 1.2%.



The chart above shows employment in Jeff Davis Parish peaked in July of 2005. The upward spike in the number of unemployed in October and November was mostly due to an influx of hurricane evacuees. In December the number of unemployed (and the unemployment rate) dropped sharply. The Jeff Davis Parish labor market has been fairly stagnant since that time.

## Summary

A year after the double whammy of Hurricanes Katrina and Rita, labor markets in the five parish region of Southwest Louisiana have tightened considerably. The total number of people employed is down slightly and the total number of unemployed is down slightly more. As a result, the unemployment rate stands at a record low level. These conditions are likely to continue creating pressure for wage increases in Southwest Louisiana. If historical patterns are predictive, wage changes are likely to vary considerably between the five parishes and amongst various sectors of the labor market as some regions and sectors continue to show signs of significant shortages, while others show signs of stabilizing.

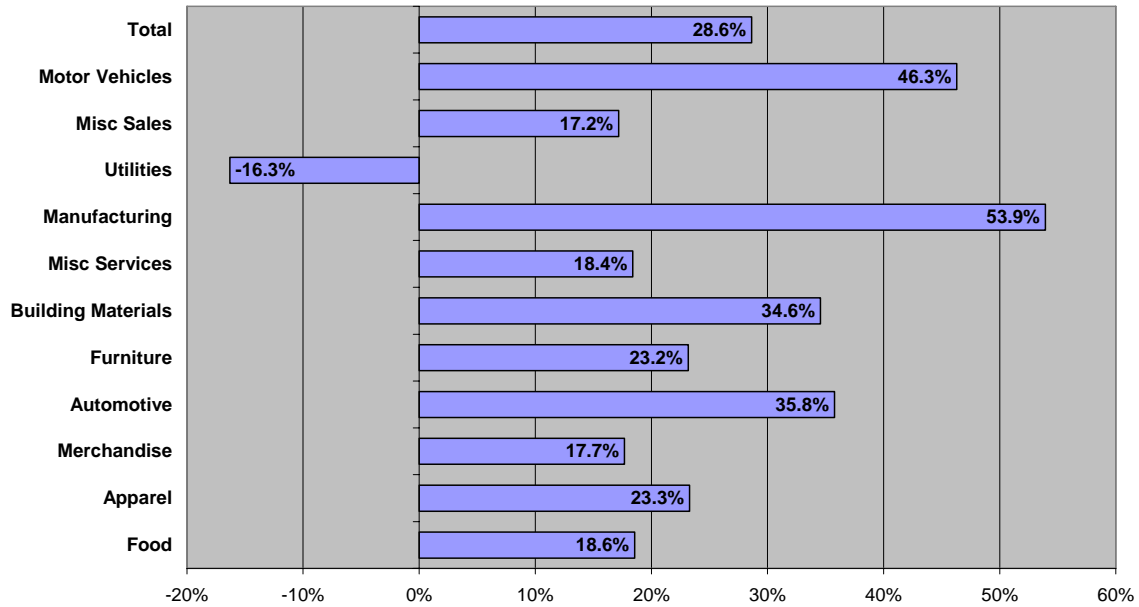
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### Definitions for Labor Market Sectors shown in the Chart on page 1 and the Table on page 2:

- **Agriculture**—activities related to crop and animal production, forestry and logging, fishing, hunting, and trapping.
  - **Mining**—activities related to extraction of naturally occurring mineral solids, liquid materials (oil), and gases.
  - **Utilities**—activities related to provision of utility services including electric power, natural gas, water supply, and sewage removal.
  - **Construction**—activities related to construction of structures, heavy construction, and special trade construction.
  - **Manufacturing**—mechanical, physical, or chemical transformation of materials, substances or compounds into new products.
  - **Wholesale Trade**—wholesaling merchandise, generally without transformation, and providing services incidental to the sale.
  - **Retail Trade**—selling merchandise from a store to the general public and businesses, and providing services incidental to the sale.
  - **Transportation & Warehousing**—providing transportation of passengers and cargo, warehousing and storage for goods, and support activities.
  - **Information**—producing and distributing information and cultural products through publishing, broadcasting, internet, and telecommunications.
  - **Finance and Insurance**—extending credit through deposits or credit markers, securities and commodity investors and brokers, underwriting insurance or annuities, and those that support financial, insurance, or employee benefit activities.
  - **Real Estate & Rental and Leasing**—those engaged in renting and leasing real estate and tangible and intangible assets and providing related services.
  - **Professional and Technical Services**—providing services that require high expertise and training.
  - **Management of Companies and Enterprises**—administering or managing other establishments of the same enterprise.
  - **Administration and Waste Services**—routine support activities for day-to-day operations of other organizations typically on a contract or fee basis including waste management and remediation.
  - **Educational Services**—providing instruction and training.
  - **Health Care and Social Assistance**—providing health care and social assistance for individuals.
  - **Arts, Entertainment and Recreation**—providing cultural, entertainment, and recreational service to customers.
  - **Accommodations and Food Services**—providing short-term lodging and/or preparing food and beverages for immediate consumption.
  - **Other Services, Except Public Administration**—repair and maintenance, personal and laundry, religious, grant-making, and civic organizations.
  - **Public Administration**—federal, state, and local government agencies.
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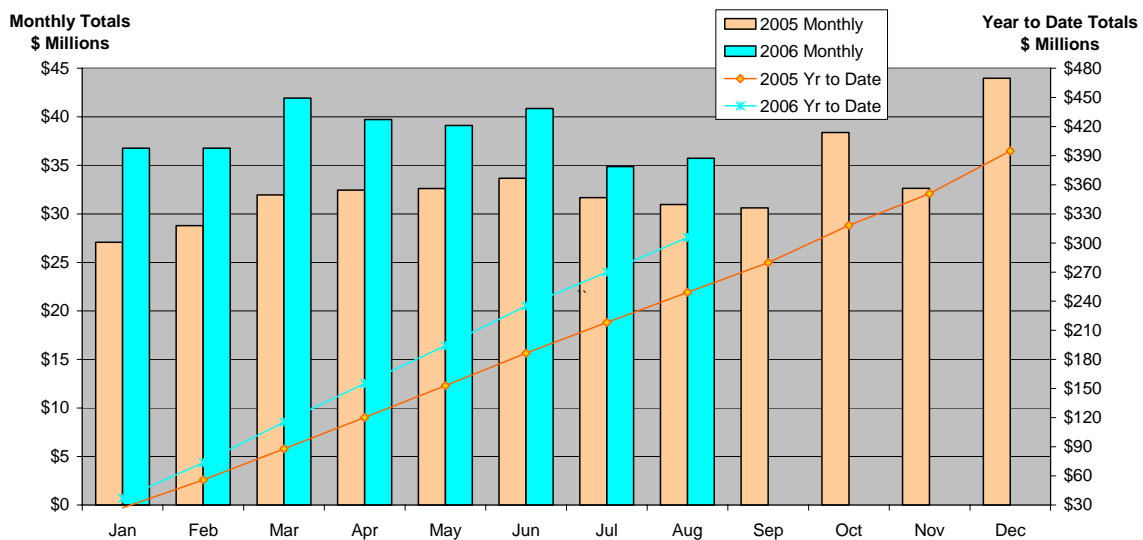
## Calcasieu Parish Taxable Sales: January through September

Total taxable sales in Calcasieu during the first nine months of 2006 are running 28.6% above sales during the same period in 2005. The chart below shows that the only lagging category of sales is utilities.



## Jefferson Davis Parish Taxable Sales

Transactions subject to the Jefferson Davis Parish sales and use tax are shown below. Year-to-date total taxable sales from January through August are running almost 23% higher in 2006 than in the same period a year earlier. Taxable sales for each month in 2005 and 2006 are shown along with cumulative year-to-date comparisons.



## **SOUTHWEST LOUISIANA ECONOMIC INDICATORS**

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