

An Examination of Jobs Creation Opportunities and Strategies in the State of Louisiana: Policy Implications

Deborah E. Damijo-Sobotie
Department of Public Policy/Administration, Southern University and A & M College
d_sobotie@yahoo.com

Abstract

The purpose of this study is to examine the jobs creation opportunities and strategies, in both the private and public sectors, in the state of Louisiana and how synergetic there are with its economic competitiveness with the other 49 states of the U.S. to inform public policy. This study uses desktop research methodology using information publicly available in the Department of Labor Bureau of Labor Statistics, Louisiana Economic Development Agency, websites and journal publications. In all 100 articles, journal publications, and websites post about the subject matter were included in this study. The labor data series on Louisiana used in this study derive from the U.S. Bureau of Labor Statistics. Recent labor data have changed our understanding of how new jobs are created. Startups, young and fast-growing companies create new jobs, even though many may fail. Another key finding in this study is that, in the long run, the vast majority of jobs created in every state are “home grown” — they are produced by firms already located in that state. Employment trends in the state of Louisiana indicate a significant degree of tightness in the labor markets which implies low level of unemployment (3.3 percent) as compared to the other 49 states. They bode well to the overall strength and rate of growth of the economy. In light of recession fears and for future economic growth, the state of Louisiana needs to increase its spending on job creation initiatives and collaborate more with private sector businesses especially those in leisure & hospitality, clean energy, information technology, transportation & warehousing and encourage young, and fast-growing startups, which have been revealed in the literature to be the future engines of jobs creation.

Keywords:Jobs, Employment, Development, Hospitality, Economic-Growth, Policy, Businesses, Labor, Markets

DOI: 10.7176/JESD/14-2-06

Publication date: January 31st 2023

INTRODUCTION

The state of Louisiana had a population of 4,607,442 in 2022, a decline of -0.3% annualized over the five years to 2022, which ranks it 48th out of all 50 US states by growth rate (Department of Labor Statistics). Louisiana's gross state product (GSP) in 2022 reached \$228.0b, with a growth of -0.5% over the 5 years to 2022 (U.S. department of Labor, 2022; Bureau of Labor Statistics, December, 2022). Businesses in Louisiana employed a total of 2,041,106 people in 2022, with average annual employment growth over the past five years of -0.7% (U.S. department of Labor, 2022; Bureau of Labor Statistics, December, 2022). The top three sectors by total employment are Manufacturing, Real Estate and Rental and Leasing, Healthcare and Social Assistance (U.S. department of Labor, 2022; Bureau of Labor Statistics, December, 2022).

In times of great unemployment (a measure of the number of people actively looking for a job as a percentage of the labor force), the ability of states to create new jobs is sine qua non (U.S. department of Labor, 2022; Bureau of Labor Statistics, December, 2022). Although the unemployment rate in the U.S. was unchanged at 3.7 percent in November 2022, (matching market expectations and remaining close to September's 29-month low of 3.5 percent) and in Louisiana was 3.3 percent (U.S. department of Labor, 2022; Bureau of Labor Statistics, December, 2022), creating new jobs is a sure way to bring down the unemployment rate further down.

One of the goals of jobs creation is to reduce unemployment. When the rate of benefits of job creation is high, people will increase spending. And this will cause a positive multiplier effect which helps to increase economic growth. The more jobs are created the more people work. Therefore, job creation reduces unemployment.

States in the U.S. have programs to create jobs both in the public and private sectors. Jobs creation is a collaborative effort between the Federal, States and private enterprises. According to U.S. department of Labor (2022) and Bureau of Labor Statistics (2022), amongst well-tested strategies adopted to create well-paying jobs, include the following strategies:

- Diversification of agriculture
- Cheap credit
- Provision of basic infrastructures and facilities
- Promotion of local industries

- Improvement in education (human capital development) & healthcare services
- Tourism & new services like IT & new clean energy technology.

Each of these strategies will be explored in the literature review and examined how well the state of Louisiana stack up with them in its effort to create new jobs. Meanwhile, according to Ken G. Morka Foundation (2019), jobs creation strategies are aimed at stimulating economic growth, reduce unemployment, and help reduce crime. The latter is particularly relevant in the state of Louisiana where the crime rate in its major cities, like New Orleans, is alarming. As part of assisting policymakers, and other key stakeholders interested in job creation and employment opportunities in the state of Louisiana, this study is to examine the jobs creation strategies, in both the private and public sectors, in the state of Louisiana and how synergetic there are to its economic competitiveness with the other 49 states of the nation (U.S.A).

LITERATURE REVIEW

Job creation is the process of creating new jobs, especially to provide work for people who are unemployed: Small business still generates 90% of the new jobs worldwide (Adam et al., 2011). The goal of all job creation strategies is to stimulate healthy economic growth. Economists agree that annual growth between 2%–3% is sustainable, which usually requires adding 150,000 new jobs per month to employ new workers entering the labor force (Adam et al., 2011).

Job creation is difficult to evaluate because it is difficult to measure. The proverbial golden egg of job creation policies is the “net new job”—the job that is created without displacing any other economic activity (Adam et al., 2011). While it is easy enough to measure whether a new job has been created at the macroeconomic level by looking at aggregate data from the Bureau of Labor Statistics, it is very difficult to determine if (1) the jobs created didn’t merely displace jobs in other locations or sectors, and (2) if the jobs were created because of a specific policy (Adam et al., 2011). Throughout this report, this dilemma emerges frequently; the theoretical mechanism for how a policy creates jobs may be well understood, but data showing that it actually did create net new jobs is ambivalent at best or, more commonly, simply non-existent.

Jobs creation strategies can be viewed through 4 perspectives, namely: *Federal- and State-Level Strategies*, which encompass strategies used to “grow the economic pie,” (Adam et al., 2011). They consist of fiscal and investment policies undertaken at the federal or state level to stimulate job creation and economic growth. The primary ways to influence job creation at these levels are: interest rate reductions, government hiring and purchases, infrastructure investments, short-time compensation programs, worker subsidies, and federal hiring credits.

Place-Based Strategies, which promote a range of activities at the local government level to attract and retain businesses for the purposes of increasing jobs in their locality and increasing the tax base. “Local strategies include: provision of local economic data, marketing, tax incentives, industrial protection zones, enterprise zones, and redevelopment areas to target tax benefits and subsidies to businesses in disadvantaged areas” (Adam et al., 2011, p. 2).

Business- and Sector-Based Strategies, which target small businesses and high-growth sectors, using programs administered by the Small Business Administration and U.S. Department of Agriculture, government procurement mandates, business incubators, and green job strategies (Adam et al., 2011).

Worker-Based Strategies which are focused on increasing equity and job quality.

Mazerov & Leachman (2016) have argued that to create jobs and build strong economies, states should focus on producing more home-grown entrepreneurs and on helping startups and young, fast-growing firms already located in the state to survive and to grow — not on cutting taxes and trying to lure businesses from other states. This strategy would enable businesses create jobs and where they create them. Their argument is supported by data that show:

- **The vast majority of jobs are created by businesses that start up or are already present in a state — not by the relocation or branching into a state by out-of-state firms.** Jobs that move into one state from another typically represent only 1 to 4 percent of total job creation each year, depending on the state. Jobs created by out-of-state businesses expanding into a state through the opening of new branches represent less than one-sixth of total job creation. In other words, “home-grown” jobs contribute more than 80 percent of total job creation in every state (Mazerov & Leachman, 2016).
- **During periods of healthy economic growth, startups and young, fast-growing companies are responsible for most new jobs.** During the Internet-driven boom of the late 1990s and early 2000s, for example, startup firms (those less than one year old) and high-growth firms — which are likely to be young — accounted for about 70 percent of all new jobs in the U.S. economy. Firms older than one year actually lost jobs on average; any new jobs they created were more than offset by jobs they eliminated through downsizing or closure. In short, startups and young, fast-growing firms are the fundamental drivers of job creation when the U.S. economy is performing well (Mazerov & Leachman,

2016).

State economic development policies that ignore these fundamental realities about job creation are bound to fail (Mazerov & Leachman, 2016). For example, state tax cuts are largely irrelevant to owners of young, fast-growing firms because they generally have little taxable income. Also, tax breaks, a favorite jobs creation strategy by many state policymakers, aimed at luring companies from other states have little appeal to startups and young, fast-growing firms which already have presence in the state. Rather states should work to expand and retain in-state businesses by promoting a culture of innovation by small businesses.

In the private sector, businesses create and eliminate jobs as demand for the goods and services they produce rises and falls. A state sees a net increase in private sector employment in a given period when businesses create more jobs in the state than they eliminate during that period. *Gross job creation* in a state arises from four conceptually distinct processes, (Mazerov & Leachman, 2016): (a) Job creation from startups - new, free-standing businesses start up with a certain number of initial employees, (b) Job creation from expansions - whereby existing businesses in a state hire more people at an existing business location, (c) Job creation from branching - whereby existing businesses create jobs by establishing a new business location. The new branch may be created by a business that is headquartered in the state or in another state, and (d) Job creation from relocation - whereby existing businesses in another state move jobs into the state. That relocation may be of either the entire business or a portion of it.

Similarly, *gross job elimination*, otherwise referred to as job "destruction" results from three distinct processes (Mazerov & Leachman, 2016): (a) Job deaths - whereby existing firms or entire branches of existing firms shut down completely, (b) Job contractions - whereby existing firms or branches reduce their employment levels, and (c) Job elimination from relocation - whereby existing firms or portions of firms shut down in one state and move to another state.

The amount of *net* job creation or elimination that occurs in a particular state over a particular period of time is the combined outcome of all of these processes.

Louisiana State Jobs Creation Strategies

1) *New clean energy technology*

Gov. John Bel Edwards of Louisiana was among the thousands who gathered in November 2022 in Glasgow, Scotland to attend the United Nations Climate Change Conference, known simply as COP26. There he acknowledged that while his state remains a key producer of oil and gas, Louisiana is also poised to lead the way on clean energy. A move, he said, will lead to a cleaner environment and, importantly, thousands of jobs.

According to Schindelheim (2022), Louisiana has the twin objective as it looks to new clean energy technology to heal the environment and create jobs. The state's emphasis on new cleaner energy has created a big opportunity for job seekers and workers, through education and skills training programs at its Louisiana's Community and Technical College System (LCTCS), (Sullivan, 2022).

A broader shift from being historically a fossil fuels economy to the emergence of natural gas in manufacturing processes is occurring in Louisiana. It's transitioning Louisiana's economy further from the energy of old to a new energy base with a huge component being workforce-related.

Solar energy is also a big focus in southeastern Louisiana. Six new solar farms - ranging in size from 60 to 200 acres - are being constructed in the area. All of them are embryos for creating new well-paying jobs.

2) *Collaborative initiatives with private sector businesses and higher education institutions in IT education.*

The state of Louisiana promotes education in IT services through its support to enable businesses in the information technology in the state. For example, DXC Technology, a global end-to-end IT services provider, announced in November 2017 it would create 2,000 new direct jobs in New Orleans over the next five years in what will become Louisiana's largest technology-focused economic development project to date. This initiative cemented Louisiana's position as one of the fastest-growing software and IT destinations in the U.S., following major projects by EA, CenturyLink, IBM, CSRA, CGI, GE Digital and others in the past decade. DXC will hire approximately 300 IT and business enterprise professionals during 2018, then ramp up to 2,000 jobs over five years and an annual payroll exceeding \$133 million by 2025 (Arend, 2018). The combined number of initial DXC technology center jobs plus resulting new indirect jobs in Louisiana's Southeast Region was estimated at 4,257 (Arend, 2018).

According to Arend (2018), the State of Louisiana funded a \$25-million higher education initiative to expand the number of degrees awarded annually in computer science, management and STEM-related fields (science, technology, engineering and math). The Louisiana State University System, University of Louisiana System, Southern University System and the Louisiana Community and Technical College System will guide the initiative through their campuses. Patterned after prior software and IT initiatives in Louisiana, the DXC Technology project represents the state's largest single higher-education investment in a private-sector workforce partnership.

Another collaborative initiative was CGI, a global IT and business consultancy. It expanded its Lafayette IT Center of Excellence that created 400 new direct jobs, bringing employment to 800 over the coming years at the University of Louisiana at Lafayette Research Park. Statewide, CGI's employment was projected to reach 900.

Austin, Texas-based Accruent, a developer of physical resource management software, is active in creating new direct jobs in New Orleans at its technology center of excellence in the city's Central Business District. Louisiana Economic Development estimated the project resulted in 338 indirect jobs, and a total of more than 680 new jobs in Louisiana's Southeast Region (Arend, 2018).

3) *Attract foreign direct investments and grow international trade*

This is one of the 9 integrated jobs creation strategies by the Louisiana Economic Development, a body charged with developing and implementing policies to promote the economic growth of the state, by promoting the state's robust business advantages and economic competitiveness.

METHODOLOGY

This study is based on desktop research and information from publicly available statistics in both the state of Louisiana and the U.S. Department of Labor, Bureau of Labor Statistics. The study used this research methodology because it enables the researcher to review existing research for information relevant to the project's needs. This method is very much appropriate because it assists the researcher to do the following: (a) to identify specific or useful qualitative or quantitative data relevant to project needs; (b) to develop an understanding of current policy and business needs; (c) to identify gaps in existing data requiring further research; and (d) to understand how a project may contribute back to a larger body of knowledge. The review captures articles, journal publications, and websites post about the subject matter. In all 100 articles, journal publications, and websites post about the subject matter were included in this study. As stated earlier, the economic data used in this study is derived from national sources in the United States of America, State of Louisiana, the U.S. Department of Labor, Bureau of Labor Statistics, and other employment statistics regarding the state of Louisiana from the internet across the globe.

FINDINGS AND DISCUSSION

The state of Louisiana employed 2,041,106 people in 2022, which ranks it 27th out of the 50 U.S. states. Employment in Louisiana grew at an annualized rate of 0.8% over the five years to 2022, underperforming the national average of 3.7%. Major sectors by employment in Louisiana include Healthcare and Social Assistance, Retail Trade and Accommodation and Food Services, which employed 334,800, 266,847 and 205,264 people in 2022, respectively. Louisiana's unemployment rate was 4.0% in 2022, which ranks it 33rd out of the 50 states. Louisiana's unemployment rate has trended downwards at a rate of -5.0% over the five years to 2022, underperforming the US economy as a whole.

Employment trends in the state of Louisiana indicate a significant degree of tightness in the labor markets which implies low level of unemployment (3.3 percent). They bode well to the overall strength and rate of growth of the economy.

Louisiana's Employment by Sector

The Healthcare and Social Assistance, Retail Trade and Accommodation and Food Services sectors contributed the most to employment in Louisiana in 2022, representing a combined 40.7% of state employment (see table 1 below). Employment trends by sector are an important indicator of which sectors are growing or contracting most rapidly relative to the state economy as a whole.

Table 1: Employment by Sector in Louisiana in 2022

Sector	Employment	Growth 2022 (%)	Annualized Growth 2017 - 2022
Healthcare & Social Assistance	334,800	1.9%	1.0%
Retail Trade	266,847	3.1%	0.7%
Accommodation and Food Services	205,264	7.2%	1.0%
Educational Services	202,752	0.0%	0.1%
Construction	153,404	-0.4%	0.6%
Professional, Scientific, and Technical Services	142,445	1.0%	1.1%
Administration, Business Support and Waste Management Services	136,627	3.4%	3.4%
Information	103,755	2.2%	-0.1%
Transportation and Warehousing	99,977	6.7%	2.9%
Other Services (except Public Administration)	88,450	1.3%	-0.5%
Wholesale Trade	73,018	1.7%	-0.6%
Real Estate and Rental and Leasing	57,996	1.0%	0.9%
Arts, Entertainment and Recreation	46,325	6.6%	2.8%
Mining	38,988	0.3%	-2.1%
Utilities	23,522	4.2%	2.2%
Agriculture, Forestry, Fishing and Hunting	10,255	3.5%	-0.5%

Source: Ibisworld - 1999-2023 Louisiana Economic Profile

Louisiana Employment Trends



Source: Ibisworld – 1999-2023 Louisiana State Economic Profile

Louisiana is famous for its culinary and hospitality sector, a major contributor to its economic development. In 2022, the accommodation and hospitality sector registered the highest growth of 7.2 percent, with an annualized growth of 1.0 percent during the 2017-2022, in employment. The construction of new hotels, especially in the Greater New Orleans area, accounted for this growth. This sector was followed by Transportation and Warehousing (Logistics) 6.7 percent, with an annualized growth of 2.9 percent during the 2017-2022, Arts, Entertainment and Recreation 6.6 percent, with an annualized growth of 2.8 percent during the 2017-2022, and Utilities 4.2 percent, with an annualized growth of 2.2 percent during the 2017-2022. The growth in employment in the transportation and warehousing sector may have been due to the global supply chain challenges that required new truck drivers, for example, rather than the result of the state’s jobs creation strategies.

Of a particular note, was that the Mining sector in 2022 had an annualized negative growth of 2.1 percent in employment, compared with the period 2017 to 2022, indicating that the oil and gas sector was still having severe challenges because a number of oil rigs in the Gulf of Mexico had been laid up and the crew onboard were let go, partly because of the outbreak of COVID-19 pandemic and the earlier oil supply glut in the international oil market.

Table 2 - Louisiana Data Series

	June 2022	July 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022
Labor Force Data						
Civilian Labor Force (1)	2,107.7	2,104.5	2,096.1	2,089.9	2,083.8	(p)2,084.8
Employment (1)	2,027.9	2,027.6	2,022.2	2,019.6	2,015.8	(p)2,016.5
Unemployment (1)	79.8	76.9	73.9	70.3	68.0	(p) 68.4
Unemployment rate (2)	3.8	3.7	3.5	3.4	3.3	(p) 3.3
Nonfarm Wage and Salary Employment						
Total Nonfarm (3)	1,908.5	1,923.9	1,931.4	1,936.9	1,933.6	(p)1,937.4
12-month % change	2.1	2.0	2.5	5.2	2.8	(p) 2.6
Mining and Logging (3)	30.9	30.6	31.0	31.3	31.1	(p) 31.6
12-month % change	4.0	1.7	3.7	6.1	4.7	(p) 5.0
Construction (3)	132.2	130.4	127.7	127.6	125.0	(p) 128.4
12-month % change	4.0	0.9	-0.6	-0.1	-6.2	(p) - 1.0
Manufacturing (3)	135.8	135.9	137.6	138.6	138.8	(p) 138.2
12-month % change	5.7	5.3	6.9	9.0	7.3	(p) 6.1
Trade, Transportation and Utilities (3)	368.8	368.8	368.4	369.0	368.3	(p) 368.8
12-month % change	1.0	0.8	0.7	2.3	1.1	(p) 1.1
Information (3)	22.8	22.9	23.3	23.5	23.7	(p) 23.7
12-month % change	7.5	5.5	6.4	14.6	1.7	(p) -0.4
Financial Activities (3)	88.6	89.4	89.5	89.4	89.8	(p) 90.4
12-month % change	0.3	0.1	0.3	0.4	-0.2	(p) -2.0
Professional and Business Services (3)	221.0	227.9	229.0	229.1	227.7	(p) 227.7
12-month % change	4.8	7.2	7.6	8.7	5.0	(p) 4.7
Education and Health Services (3)	320.7	324.9	325.2	326.6	328.5	(p) 329.8
12-month % change	0.7	1.6	2.1	6.4	5.0	(p) 4.7
Leisure & Hospitality (3)	213.1	214.3	218.6	220.9	221.8	(p) 219.9
12-month % change	7.0	3.7	6.4	17.0	9.2	(p) 6.6
Other Services (3)	69.8	70.3	70.1	70.8	69.9	(p) 69.8
12-month % change	-0.7	1.6	1.6	5.0	2.3	(p) 0.1
Government (3)	304.8	308.5	311.0	310.1	309.0	(p) 309.1
12-month % change	-1.6	-1.3	-1.3	-0.6	-0.2	(p) -0.2

Footnotes:

(1) Number of persons, in thousands, seasonally adjusted

(2) In percent, seasonally adjusted

(3) Number of jobs, in thousands, seasonally adjusted

(p) Preliminary

Data extracted on December 29, 2022

Source: U.S. Bureau of Labor Statistics

Louisiana was rated the top job-growth state in October 2021 by Fitch Ratings, although the firm's "adjusted" unemployment rate for Louisiana was nearly twice as high as the state's official October unemployment rate of 5.4%, (Patrick, 2021). Fitch-adjusted unemployment is a proprietary measure that reclassifies workers who have left the labor force as unemployed. According to the Department of Labor Bureau of Labor Statistics, "the labor force is made up of the employed and the unemployed. The remainder – those who have no job and are not looking for one – are counted as not in the labor force."

Fitch is considered one of the "big three" credit ratings agencies in the U.S., along with Moody's and Standard & Poor's. The agency singled out October as an employment benchmark since every state, except Hawaii and Wyoming, recovered at least 50% of the jobs lost from the peak of the pandemic last year.

Louisiana led all states with 12% job growth when comparing October 2021 to October 2020. The growth rate was aided by strong economic resiliency in the wake of Hurricane Ida, a category 4 superstorm that slammed into the southeast part of the state August 29.

"After historic job losses last spring, most U.S. states have seen sizable rebounds in employment," the report said. "Louisiana's full employment recovery from Hurricane Ida was immediate and strong, increasing above pre-Ida levels." The ratings agency added, however, Louisiana's adjusted unemployment rate was 9.4%, which ranked 43 out of 50 states. The median Fitch-adjusted unemployment rate for all states was 5.9%, the report said. An estimated 1,868,100 workers were employed in October, according to the Louisiana Workforce Commission, whereas the Bureau of Labor Statistics reported nearly 2 million workers in Louisiana in February 2020, or just before COVID-19 lockdowns led to mass job losses and business closures. According to the Bureau of Labor Statistics, employment was at 2.1 million level between June and November 2022 and unemployment remained at 3.3 per cent during the same period (see table 2 above).

CONCLUSION AND POLICY RECOMMENDATIONS

Recent data have changed our understanding of how new jobs are created. Startups, young and fast-growing companies create new jobs, even though many fail (Mazerov & Leachman, 2016).

Another key insight made possible by the data tracking firms' job creation over time is that the vast majority of jobs created in every state are "home grown" — they are produced by firms already located in that state (Mazerov & Leachman, 2016). Therefore, to create jobs and grow its economy, the state of Louisiana should focus on producing more home-grown entrepreneurs and on helping startups and young, fast-growing firms already located in the state to survive and to grow — not on cutting taxes and trying to lure businesses from other states.

Accommodation and hospitality, transportation and warehousing, and entertainment and recreation sectors are the main drivers of jobs creation to-date in the state of Louisiana. The state should promote these sectors so that they can continue to grow jobs.

In the long run, new clean energy technology, with its transformative effect on the environment, and IT development businesses are the future engines of jobs creation in Louisiana. Therefore, the state should undertake more collaborative initiatives with businesses and invest in these two sectors in order to create more high-paying jobs.

Finally, according to Mazerov & Leachman (2016), there is a growing consensus among the economists, such as Ian Hathaway, who have studied the dynamics of job creation about its implications for public policy: policy needs to focus on encouraging entrepreneurship generally, helping new businesses to survive, and enabling businesses with the potential to become high-growth firms to fulfill that potential.

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