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Katrina's victims swell jobless ranks

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New jobless claims spiked last week to their highest level in more than two years as tens of thousands of people displaced by Hurricane Katrina filed for benefits.

About 432,000 people filed claims last week, up modestly from the previous week but 37 percent higher than a month ago — with most of the increase tagged to the massive effects of the hurricane, which pounded the Gulf Coast in late August.

Even as economists, businesses and policy-makers grapple with the impact of Katrina, a new uncertainty looms over the U.S. economy: Hurricane Rita is expected to slam into the Texas coast late tonight.

Local impact is likewise shrouded by an influx of job-seeking Katrina evacuees and by Thursday's announcement that Delta Air Lines will eliminate 7,000 to 9,000 jobs, up to a quarter of them in metro Atlanta.

The area's job market has already added more than 12,000 people who have moved from the Gulf since the hurricane and filed for jobless benefits here, said state Labor Commissioner Michael Thurmond.

While that makes job searching in Atlanta more competitive, many of the new residents are well-educated and experienced — and that has encouraged hiring, Thurmond said.

"I think jobs follow the work force as much as the work force follows jobs," he said. "If you are fishing [and] there's more fish in the pond, you have to feel good about it."

Also encouraging is an assessment from Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University, that the surge of new job-seekers seems to have peaked. "The damage is there," he said. "But it doesn't seem to be accelerating."

Atlanta does not typically confront the job impact of a storm in the Gulf. In the best of times, layoffs caused by a natural disaster are a regional problem that is made up for within a few quarters.

Post-hurricane rebuilding — even after killer storms like Andrew in 1992 — generally boosts an area's job market. Optimists continue to hope that Katrina's economic story will echo those of other storms.

But no previous storm has caused such extensive damage, shutting down a major American city and port while scattering jobless residents across the nation. About 300,000 jobs were lost in the storm and its aftermath, according to Kathryn L. Kobe, director of price, wage and productivity analysis at Washington-based Economic Consulting Services.

"Hurricane Andrew didn't shut down cities for weeks on end," she said. "I think this is a different situation."

What makes Katrina — and now Rita — dangerous to economic growth is their timing, said economist Campbell Harvey of the Fuqua School of Business at Duke University. The economy already faced high energy costs and worries about the housing market, inflation and an uncertain war, he said.

The hurricanes have struck at production and delivery of oil, gasoline and natural gas. Prices have shot up — as well as worries about having enough.

"For the first time, energy prices are the No. 1 worry in our survey," Harvey said.

Jobs also are a concern. By year's end, the national job market will likely have to absorb more layoffs from the airline industry than ever before, according to outplacement firm Challenger, Gray & Christmas Inc.

With the latest Delta job cuts, the sector will likely surpass its 2003 record of 57,295 positions slashed, said John Challenger, company chief executive.

Demand for skills remains uneven, said Kevin Gantt, president of Perimeter Staffing, a Lilburn-based placement firm. "Manufacturing is pretty much flat, but we see an upward trend in industrial warehousing like forklift operators."

His company, founded in 2003, has been recruiting evacuees from the Gulf, he said. "We've got more jobs than we have people to put to work."

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