



From the office of Texas Workforce Commission

Chairman Tom Pauken

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Testimony

Chairman Tom Pauken's Testimony to the House Economic and Small Business Development Committee on January 26, 2012

Thank you Chairman Davis, Vice Chairman Vo, and all the members of this committee for giving me the opportunity to testify before you today.

Texas has weathered the worst economic crisis since the Great Depression better than any other large labor market state both in terms of job creation and economic growth. Our status as an economic development leader is no accident but rather the result of a firm commitment on the part of our state's leaders to keep government spending restrained, taxes low, and regulations both reasonable and predictable. It's a recipe that makes Texas the number one state in America to do business.

In order to remain an economic leader, we must remain committed to these core principles. But that will not be enough. Growing the private sector with good paying jobs requires that we restore the manufacturing sector – a sector that has undergone a severe decline over the past decade, both in the U.S and even here in Texas.

In the past, the manufacturing sector provided working-class Americans with good-paying jobs that made it possible to for them to provide for a family and enjoy long-term stability. Moreover, a vibrant manufacturing sector was a sign of a growing economy in which innovation and productivity were rewarded. In order for Texas to lead the way in economic development, we must make the rebuilding of a strong manufacturing sector a top priority.

You may be tempted to ask whether or not anything can really be done at the state level to address the decline of manufacturing? After all, isn't the enormous hit that manufacturing has taken over the last decade the result of large-scale, macro trends at the national and worldwide level? It's true that our national business tax system is the most onerous in the world and that it results in jobs being shipped overseas. And it is also the case that globalization has made it easier to access cheap labor in the developing world. And yet, despite the fact that the U.S. shed five-and-half-million manufacturing jobs from 2001 to 2010 (250,000 of which were in Texas), manufacturing firms across the nation are complaining of a shortage of skilled workers. And this is precisely the area where Texas' policymakers can make a real difference.

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The skills shortage has received increased attention with the Associated Press, *The New York Times*, and *The Wall Street Journal* all publishing major stories in the last four months on the challenge faced by many companies looking to hire skilled workers. Our Texas employers express the same concern to me. The annual survey of Manpower Group for 2011 found that the hardest jobs to fill in the United States were for the skilled trades.

The Wall Street Journal recently reported that a survey by the consulting firm, Deloitte, “found that 83 percent of manufacturers reported a moderate or severe shortage of skilled production workers for hire.”

These jobs pay a good wage. In Texas, employees in the manufacturing sector earned, on average, \$1,200 a week. Here in Austin, it’s nearly \$1,800. And those working to produce computer and electronic products make almost \$2,000 a week on average.

In light of the demand for skilled workers and the earning potential such jobs provide, you would think we would be doing more to train students at the secondary level for a career in the skilled trades. Instead, we have steadily deemphasized vocational and technical training, preferring to pursue a one-size-fits-all approach which says that everyone should attend a four-year university.

For lawmakers committed to addressing that demand for skilled workers, one of the most important things we could do here in Texas is to reform our educational system so that we place greater emphasis on technical and vocational training at the secondary school level.

A number of school administrators tell me that they are supportive of that concern, but they are constrained from addressing it because performance and financial incentives imposed by the state are so linked to their students’ performance on the TAKS test and the recently introduced STAAR test. So much of our educational system is driven these days by this “teaching to the test” mentality from the third grade through high school. Resources, both dollars and time, are devoted to those classes which correspond to the subject matter tested by the TAKS and STAAR tests. However, vocational and technical classes remain largely neglected.

Why not recognize the reality that for many students, a four-year university is not the best path? About half the students who attend Texas’ public colleges fail to graduate in six years. Consider this disturbing statistic from career counselor Marty Nemko: “Among high school students who graduated at the bottom 40 percent of their classes and whose first institutions (they attended after high school) were four-year colleges, two-thirds had not earned diplomas eight and a half years later.” Plus, I suspect they – or their parents – have amassed a

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lot of college debt.

Perhaps, they don't enjoy or do well in a classroom environment; or maybe they just prefer working with their hands and are eager to enter the workforce and begin earning income instead of taking on the crushing debt that often goes along with 4+ years of attending college. But, instead of providing such students with skills training at the secondary school level that will allow them to enter the workforce upon graduation, we place them in classrooms where instructors are forced to teach to the test.

Are we setting young people up for failure by promoting the idea that a college education is their only ticket to the good life – young people who might have thrived had they been given opportunities for vocational and technical education in high school?

Let's replace the one-size-fits-all TAKS and STAAR tests that we use to evaluate all our students, with two different tests – one that measures college readiness for those that plan to pursue that route such as the ACT or SAT, and one that measures career readiness.

Community colleges play an important role in providing career education in the skilled trades. When employers come to our agency – or to the local workforce development boards – looking for employees with specific technical skills, we turn to the community colleges. That's why I've been such a strong supporter of these institutions during my time as chairman. But to have a truly trained and skilled workforce we need to do more than fill in the gaps on an ad hoc basis. We must have a long-term plan that begins educating young Texans in the skilled trades long before we get a call from an employer telling us that the local labor market isn't meeting its needs.

While it is true that the current condition of the national economy poses significant challenges for Texas, we need not despair. But we must not be naïve either. Growing the private sector and rebuilding manufacturing will require a deliberate strategy and the courage to implement real reform. I believe it is time for a whole new model of education – a model that will help to provide greater opportunities for many young Texans. Thank you for your time.

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The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in coordination with its network of local workforce development boards, call (512) 463-8556 or visit www.texasworkforce.org.