Opinion/Editorial

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**Written Testimony for Senate Committee on Business & Commerce Hearing**
**April 10, 2012**
**By Tom Pauken**

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

In terms of job creation and economic growth, Texas has weathered the worst economic crisis since the Great Depression better than any other large labor market state. 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 stay 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, manufacturing provided Americans with good-paying jobs that made it possible to for our workers to provide for their families and enjoy long-term economic stability. Moreover, a strong manufacturing sector not only is important for economic reasons but also is critical to our national security.

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 hollowing out of our manufacturing base that has accelerated over the last decade the result of large-scale, macro trends at the national and worldwide level?

It is true that our national business tax system is the most onerous in the world and that it results in jobs being shipped overseas. It also is the case that globalization has made it easier to access cheap labor in the developing world. Nonetheless, a high wage nation like Germany has maintained a strong manufacturing base with a skilled workforce and has manufacturing trade surpluses, while the U.S. is running massive trade manufacturing deficits.

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According to Austin businessman David Hartman, the U.S. manufacturing trade deficit from 2000 to 2008 was $5.4 trillion. These negative trends are reversible, but it will take bold changes in U.S. tax policy to rebuild out manufacturing base and bring jobs home to America.

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.

The skills shortage has received increased attention with the Associated Press, *The New York Times*, *The Wall Street Journal* and *The Washington Post* all publishing major stories in the last several months on the challenges faced by many companies looking to hire skilled workers. 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 a survey by the consulting firm, Deloitte, which found that "83 percent of manufacturers reported a moderate or severe shortage of *skilled* production workers for hire."

I hear these same concerns echoed by employers in Texas with whom I visit.

These skilled 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 $1,700. And those working to produce computer and electronic products make almost $2,300 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.

Why not recognize the reality that for many students, a four-year university is not the best path? Less than a third of the students who start out at our state's public four-year institutions actually graduate in four years. About half do so 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 these students—and/or their parents – have amassed a significant sum of college debt.

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We all learn differently. Some students don't enjoy or do well in a classroom environment, but would excel by working with their hands in a skilled trade. Perhaps they are eager to enter the workforce. It could be that earning income as soon as possible is a much more attractive option than taking on the crushing debt that often goes along with four-plus years of attending college.

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 they are supportive of doing this, but face major impediments, which make that objective more difficult to accomplish. If state performance measurements are driven by how students do on the TAKS test and the new STAAR exams, then schools are pressured to place extraordinary emphasis on "teaching to the test." With this latest approach to testing, students will spend even more days of their school year preparing for, and taking, these state-mandated tests.

So much of our public education system in Texas is driven these days by this "teaching to the test" mentality from the third grade through high school. Not to mention the money involved in this obsession with testing. One private company has a state testing contract that reportedly pays it $450 million over a five-year period. Meanwhile, vocational and technical education gets neglected as time for taking career training electives is replaced by "prep classes" for the state-mandated tests.

It is time we challenge the assumption implicit in the "no child left behind" mindset that everyone should be "college ready." Too many of our high school students are becoming dropouts or throwaways because they are not given the opportunity for vocational and technical education at the secondary school level. We are setting young people up for failure with this insistence that everyone should go to a university.

Moreover, statistical data shows that students involved in career training in high school do better academically as well. We have the highest college dropout rate in the industrialized world, according to a recent Harvard study. The College Board, which produces the SAT exam, estimates that only about 40 percent of all college students complete their four-year degrees. What about the remaining 60 percent of people who might have thrived had they been given opportunities for vocational and technical education in high school?

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We should stop promoting the errant notion that a college education is a guaranteed ticket to the good life. To preach that message is to set well over half of our workforce up for failure. Rather, college should provide an opportunity to get ahead for those who have the desire or need the skills. College should not be a place where area high schools farm out the tasks they are unable to accomplish.

As a first step toward preparing our students for real-world expectations and the jobs that are out there, 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 test should continue to measure *college* readiness for those who plan to pursue that route, such as the ACT or SAT. A separate test should measure *career* readiness. In fact, in many instances a career readiness test could take the form of an industry-recognized exam that would not only demonstrate that the student has mastered essential concepts in their field, but would also provide those students with a tangible certificate that could be presented to employers as proof of their employability. As one example, the non-profit curriculum developer, NCCER (formerly the National Center for Construction Education and Research), provides training programs in fields like welding and pipefitting in which graduates obtain portable, industry-recognized credentials along with a wallet card that an employer can use to verify the level of training a student has received.

Secondly, let's give our high school students the facts about the job market. Young people who have successfully completed a skills training program at the secondary or post-secondary school level have a better opportunity to get a good-paying job than a college graduate with a general degree who, by the way, has on average debt of more than $25,000 in student debt after graduation.

If we are going to move in this direction of rebuilding our pipeline of skilled workers with increased opportunities for vocational education, we have to be creative in how we go about implementing these changes given our finite resources. Equipment is expensive for certain technical training programs, and we have to be resourceful in providing these opportunities to our young people.

The Craft Training Center in Corpus Christi is a model for how to maximize the resources for the delivery of technical training programs. For example, different high schools send their students to the Craft Training Center for their hands on work as would-be welders, electrician, and pipefitters. This economies-of-scale approach works well in what effectively is a consolidation of services for various school districts in that area. In addition, industry provides assistance on helping to pay for the equipment and the trained instructors.

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How do we put a state funding formula in place that will incentivize schools and school districts located near one another to work together to deliver vocational services for all of their students with the aptitude and desire for such opportunities?

We need to avoid expensive duplication of services wherever possible. Why can't local school districts partner with their nearby community colleges to deliver vocational and technical training? Local community colleges already have trained instructors and equipment for skills training. They may have underutilized capacity that could be made available to local high school students who want to take technical courses. Some of these courses may qualify for dual credit as well. Again, the devil is in the details; and there needs to be an appropriate financing mechanism that is acceptable to both sets of educational institutions.

The Chancellor of the Texas State Technical College system has proposed a bold approach to providing skills training that will get people jobs. Chancellor Mike Reeser has developed a model that bases the state funding received "on the job placements and projected earnings of graduates." As reported by the Texas Tribune, Chancellor Reeser noted, "You won't find a better example of total accountability because we won't get paid for a student until we put him in a job."

Finally, I would be remiss if I didn't note a major problem in meeting our demand for skilled workers. While this issue is the subject of serious discussion privately by companies that hire workers to operate expensive and complex equipment, it hasn't received much public attention. That needs to change. We have too many young people who have gotten themselves trapped in the drug culture. They can't pass a drug test and are setting themselves up for a career to nowhere. At a recent Eagle Ford Shale Summit on the skilled trades issue, one representative of an energy company operating in South Texas described how they had pre-approved over 100 workers at a recent job fair for hiring as commercial truck drivers. Then, the company drug-tested them as required by Department of Transportation regulations, and more than 50 percent of them failed the test.

We need a new program somewhat akin to what we did in the Reagan Administration with the "Just Say No to Drugs" program in order to discourage young people from getting involved in illegal drugs in the first place—letting them know of the harm it does to them not only personally, but in terms of their future economic success.

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The time has come to return to an educational model, which recognizes the value of career education and encourages the young people of Texas to have such learning opportunities at the high school and post-secondary school levels. It really is just a matter of common sense. We have accepted for too long this misguided notion that everyone should go to a university and that all students have to be "college-ready." That flies in the face of reality and human nature.

We have different talents and different abilities. Let's design a school finance and accountability system, which recognizes that and re-establishes local control over education. We have too many state and federal mandates as it is. The current system isn't working. Let's return the power and control over education to our local communities and schools.

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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.*