



From the office of Texas Workforce Commission

# Chairman Tom Pauken

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Opinion/Editorial

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## **Address of Chairman Tom Pauken to the 15<sup>th</sup> Annual TWC Conference in Houston, Texas, November 30, 2011**

I want to welcome all of you to this TWC annual conference and thank you for all you do to help make the Texas' labor market the strongest in the nation.

When I spoke to you one year ago, we faced a bleak national unemployment rate, sluggish growth in the private sector, and stagnant wages. Sadly, things haven't improved much as our national economy seems to be treading water. For every economic indicator providing modest signs of hope, there are other signs pointing to continuing high rates of unemployment and little economic growth. We have to figure out a way to start growing the economic pie again rather than fight over a shrinking pie. Neither business nor labor is a winner in a no-growth economy.

In spite of the negative direction of the national economy, Texas continues to buck the trend. While it's true that our unemployment rate has gone up, it remains a fact that Texas is below the national average and regularly adding private sector jobs – nearly 290,000 in the last year. And we are doing this while our labor market grows, as more people are moving to Texas because of our positive economic climate.

And it's not just job seekers that are making their way here. Employers are also coming because our low taxes and sensible regulations make Texas a business friendly environment. That's why Mike Saint Amand finally left California this year and moved his business, EDM Laboratories Inc., to Corpus Christi.

EDM, which makes precision metal parts for demanding clients like NASA, made southern California its home for more than 40 years. I'm sure Mr. Saint Amand would have preferred to stay another 40 years in the beautiful southern California climate where his trained and experienced employees had put down roots. But he said he had been "taxed out." The numerous taxes and fees he had to pay "just got silly," he said.

In Corpus Christi, EDM was able to purchase a building twice as big as its California plant and all of its operation costs have gone down – not just the taxes it pays, but business costs also are lower. Even their utility bill is half of what it was in California.

EDM is an illustration of something we see across this state: despite the hollowing out of our manufacturing sector that has taken place in the United States over the last decade, there remains a real demand for skilled workers. Indeed, there is a deficit of such workers and if we are to continue to attract the EDMs and other small and midsize manufacturers to Texas, we ignore that skills deficit to our detriment.

For there to be a true and lasting recovery from the economic crisis our nation faces, we must see real growth in the private sector. Not the kind of illusionary growth that comes from gaming the system in the manner of many

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of the Wall St. financial engineers. But the growth that takes place when Main St. businesses in the private sector are producing something of real value. That's why bringing manufacturing back home to America is not just something worthwhile, but absolutely essential to making America economically vibrant again.

It was very gratifying to learn that our Speaker of the House here in Texas feels the same way about the importance of manufacturing. When Speaker Joe Straus released his interim charges in October to the various committees of the House of Representatives, there were only two topics that he called upon every committee to examine. One was increasing transparency and efficiency in government. The other was for each committee to "study and make recommendations for significantly improving the state's manufacturing capability."

I am hopeful that our representatives will take a long look at what our educational system can be doing to prepare a workforce suited for manufacturing in the 21st century. Rebuilding our manufacturing base will require a number of significant changes to our current way of doing things, including the wholesale reform of the way we tax business at the national level. But, one thing we can and must do is address the deficit of skilled workers.

Many of the industries where skilled workers are essential currently have an aging workforce that will soon need to be replaced by younger workers with a skill set that matches the needs of the industry. There should be a greater emphasis on vocational and technical education at both the secondary and post-secondary levels to prepare young people for that demand.

When I returned from Vietnam after completing my military service, I was appointed to serve on the National Advisory Council on Vocational Education in 1970. At that time there was a strong emphasis on vocational and technical education at the high school level for those students with the interest and aptitude for mechanical and technical occupations.

That is no longer the case.

I had been out of government – and in the private sector – since leaving the Reagan Administration after the President's first term when Gov. Perry asked me to chair the Texas Workforce Commission in 2008. One of the biggest surprises to me coming back into government was a mindset that had taken hold in certain educational circles that all high school students should strive to go to a four-year university. Combine that with an elitist attitude that "blue collar" jobs and jobs that require people to work with their hands are somehow less worthy positions in the workforce, and you have the makings of a huge mismatch between the areas of study students are pursuing and the skilled jobs in the workforce that have become increasingly difficult to fill.

That's why during my time as chairman, I've been such a strong supporter of our state's community colleges and our career training institutions. 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 who play an important role in providing training in those key areas.

Community colleges are also leading the way in welcoming home our veterans from Afghanistan and Iraq the right way. Central Texas College in Killeen, joined by six other community colleges, is a participant in the

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Texas College Credit for Heroes program which helps our returning veterans receive college credit for the work experience, education, and training they obtained during their time of military service. Central Texas College has developed a web portal that streamlines this process and makes it easy for college advisors to easily translate a military transcript into an academic transcript.

Veterans bring valuable knowledge and experience to the workplace and thanks to community colleges like Central Texas, our Vets will more easily make a successful transition into the civilian workforce in Texas.

I'm very grateful for this part of our state's educational system and believe our legislators should make the opportunity for skills training at the secondary and post-secondary levels a greater priority in the next legislative session.

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. I believe that it may be time for a whole new model of education ... a model that starts by changing how we do things at the high school level.

I recently had the privilege to visit the Craft Training Center in Corpus Christi where they are accomplishing some amazing things. At Craft, they are bringing in high school students from a number of school districts in the Corpus Christi area – many of whom otherwise might have dropped out of high school before getting their degree -- and providing them with top notch training in a variety of skilled and technical trades. The students study to be welders, pipefitters, electricians, and other trades – all of which are in high demand, particularly given the explosion of job opportunities in the wake of the Eagle Ford shale play in South Texas. One young man, I am told, who was struggling in high school before enrolling in a welding program at the Craft Training Center not only got his degree but now is making \$1700 a week as a welder. A high percentage of the young people who complete their training get work in their chosen fields after graduation. This program is a great example of a successful public-private partnership. Local businesses provide the training facility and the equipment necessary for the training. The local school districts work together in sending students to a single location which is a cost savings to the districts. The local community college also partners with the Craft Training Center for adult training in the evening.

This is a “win-win” situation for all involved. High school students are trained during the day while adults complete industry-certified training programs in the evening. The Center provides skills training to many students who otherwise might never have completed high school while giving them an incentive to learn the basic math and English necessary to prepare for these technical jobs.

It is a time to end the “one size fits all” mindset in certain educational circles that all our students should be pushed to go to a university.

What about those who start college because they have been told repeatedly that it is a key to a successful life, but lack the aptitude to do well at that level. Career-counselor Marty Nemko cites a disturbing statistic on this topic: “Among high school students who graduated at the bottom 40 percent of their classes and whose first

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institutions were four-year colleges, two-thirds had not earned diplomas eight and a half years later.” Are we setting young people up for failure by promoting the idea that a college education is their only ticket to the good life?

And what kind of student debt are these young people and their families running up in pursuit of this illusory college degree? We already know from a recent statistical study that the average college graduate has accumulated more than \$25,000 in debt which will have to be repaid after graduation.

We need more Americans who are skilled in the trades, including electricians, welders, pipefitters, auto mechanics, plumbers, nurses, and carpenters. The list goes on. The skills required for these positions are impressive, and they allow young workers to make a good living and raise a family. Even in an economic downturn like we are experiencing now, the demand for skilled workers remains strong because there is such a shortage. Moreover, mastering a skills trade makes one self-sufficient, and these are good jobs that can’t be outsourced to China and India.

But, let me be frank. We have to do something about the scourge of illegal drugs which not only is so destructive of the lives of those young people who get entrapped in the drug culture, but also is setting them up for a career path to nowhere. We recently held a Summit in San Antonio to determine how best to respond to the demand for skilled workers as a result of the Eagle Ford Shale play. One of the employers has a huge demand for truckers with a commercial drivers license. At a job fair, the company pre-approved over a hundred applicants but they had to pass a drug test first pursuant to DOT regulations. A majority failed.

In recent years we have had national campaigns to warn young people of the dangers of smoking. Isn’t it time we focused on pointing out to this generation of young Americans the dangers – and consequences – of illegal drug use like what we did in the Reagan Administration with the “Just Say No to Drugs” campaign whose chief spokeswoman was First Lady Nancy Reagan.

Discouraging young people from getting trapped in the Drug Culture and reestablishing a strong work ethic – which once was a distinctive feature of the American character – are crucial elements in an overall strategy to get our economy – and our nation – back on the right track.

I am particularly proud of two programs we have established here at the Texas Workforce Commission (TWC) to address these needs of our returning veterans from Iraq and Afghanistan and to help get Texans off the unemployment rolls and back to work.

The first initiative is the Texas Veterans Leadership Program (TVLP). Led by Jason Doran, a former Marine who was awarded the Silver Star for bravery in Iraq, this program is run by returning veterans themselves to help their fellow veterans make a successful transition to civilian life.

Texas proudly touts itself as the number one place in America to do business. We also need to be the number one state in America in welcoming back the right way our veterans who answered our country’s call at a difficult time. Thanks to Jason and his team, the Texas Veterans Leadership Program has done a stellar job in providing needed assistance to our veterans as they return to civilian life.

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Secondly, our *Texas Back to Work* Program provides incentives for Texas-based companies to hire Texans who have lost their jobs through no fault of their own and find themselves on the unemployment rolls or who have fully exhausted their benefits. Over 20,000 people have been hired as a direct result of this initiative, and I want to thank all of our local workforce boards for your leadership in this effort to put Texans back to work.

I want to touch briefly on the American economy. No matter how well we do here in Texas in poaching jobs from high tax, high regulatory states, it ultimately is a zero sum game if America continues to lose jobs to other nations. We have the most onerous corporate tax system in the world which rewards loading companies up with debt while punitively taxing capital investment, employment, and savings which are the engines of economic growth. It is this generation of young Americans that will be most adversely affected by the hollowing out of our manufacturing base and the structural unemployment that results from these trends.

It is not inevitable that unemployment remains persistently high, or that our U.S. manufacturing base continues to deteriorate. Americans – and Texans, in particular – have always risen to the occasion whenever our nation faced serious challenges before; and we can do so again if we have the political will and civic courage to make bold decisions for the long term good of the country.

We can begin with an economic policy designed to put Americans back to work while rebuilding our manufacturing base. Let's quit exporting prosperity and bring good jobs back to America with a tax policy that rewards capital investment and savings here at home in order to create private sector jobs in the United States, particularly with small businesses where most new jobs are created.

“A rising tide lifts all boats” was the motto of the late Congressman Jack Kemp. Congressman Kemp was the architect of the Kemp-Roth Job Creation Act which was passed in 1981 during the first year of the Reagan Administration at another time of high unemployment, and it worked as our private sector bounced back from hard times and unemployment rates dropped. The principle of encouraging capital investment in order to grow the private sector and create jobs worked then and will work again to get us out of our current economic crisis.

Our nation faces more serious challenges than at any time in my lifetime. A time like this demands more than political talking points or rhetoric that pits one group of Americans against another. We have our political, philosophical, and religious differences. But, in these difficult times, we have to find a way to bring people of good will, in our state and in our nation, to work together for the good of our country.

At such a moment, the words of a dying father to his son in Brenham, Texas seem particularly appropriate. Here is an excerpt from *One Father's Words* written to Tiemann Dipple:

“The time that we spend on earth is relatively small in comparison with the great movement of history. All we can do in our life span is to make the world better than we first arrived. All fortunes ultimately are dispersed, but the ideas and values that you leave to society can live forever... we must try to make every generation's character better than the one before it and build a higher standard of living through wise policies.”

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It is not about Right vs. Left. It is about Up or Down. If nothing is done the American dream will die for future generations. Are we going to change course and make America an even greater land of opportunity than it was for us and those who came before us? Or, are we going to go the way of so many other great nations throughout history that stumbled, declined, and fell – never to recover.

The choice is ours.

*Tom Pauken is Chairman of the Texas Workforce Commission and author of Bringing America Home.*

Media Contact: Lisa Givens (512) 463-8556

*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](http://www.texasworkforce.org).*

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