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MANUFACTURING IN THE USA: TRAINING AMERICA'S WORKFORCE

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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JOINT ECONOMIC COMMITTEE

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MANUFACTURING IN THE USA: TRAINING AMERICA'S WORKFORCE

TUESDAY, JULY 12, 2011

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, persuant to call, at 10:17 a.m. in Room 216, Hart Senate Office Building, the Honorable Robert P. Casey, Jr., Chairman, presiding.

Senators present: Casey and Klobuchar.

Representatives present: Brady, Burgess, Duffy, and Amash.

Staff present: Brenda Arredondo, Gail Cohen, Will Hansen, Colleen Healy, Jesse Hervitz, Madi Joyce, Christina Forsberg, Robert O'Quinn, and Michael Connolly.

OPENING STATEMENT OF HON. ROBERT P. CASEY, JR., CHAIRMAN, A U.S. SENATOR FROM PENNSYLVANIA

Chairman Casey. The Committee hearing will come to order.

Prior to our opening statements, I would like to introduce our first panel and then allow them to testify.

We have both a United States Senator and a United States Member of the House of Representatives with us today.

I first want to welcome Senator Jim DeMint from the State of South Carolina. Senator DeMint serves on the Commerce, Science, and Transportation Committee; the Banking, Housing, and Urban Affairs Committee; the Foreign Relations Committee; and of course is also a member of this, the Joint Economic Committee.

In late 2006, Senator DeMint was elected Chairman of the Republican Senate Steering Committee. He received his Bachelor of Science Degree from the University of Tennessee, and an MBA from Clemson University.

Welcome, Senator DeMint.

I would also like to welcome Representative Dan Lipinski of Illinois's Third Congressional District. Congressman Lipinski is a member of two House Committees: Transportation and Infrastructure; and Science and Technology.

Congressman Lipinski serves on the Subcommittee on Aviation and the Subcommittee on Railroads, Pipelines, and Hazardous Materials. In the Committee on Science and Technology, he is the Ranking Member of the Subcommittee on Research and Science Education and sits on the Subcommittee on Technology and Innovation. He received his Bachelor's Degree in Mechanical Engineering from Northwestern University, a Masters in Engineering Eco-

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nomic Systems from Stanford University, and a Ph.D. in Political Science from Duke University.

Welcome, Congressman.

Senator DeMint, why don't we start with you.

PANEL I

STATEMENT OF HON. JIM DEMINT, A U.S. SENATOR FROM SOUTH CAROLINA

Senator DeMint. Thank you, Chairman Casey, Vice Chairman Brady, Congressman Duffy. I appreciate the opportunity.

Training in the workplace is something I did professionally for a number of years, and I certainly know the importance of it and am thankful for the opportunity to talk a little bit about it today.

The training and skills of a workforce are perhaps more important than ever as our economy relies more and more on technological innovations and individual productivity. We have seen that, even in retail, if you can't operate a computer you can't even get a job as a cashier.

Training is key to continuing to develop our workforce. We know that new technologies drive economic growth and opportunity, but they present challenges—particularly when it comes to the training of our workforce.

The challenge of keeping pace with improving technology and innovation has been constant throughout our history, but we must always remember that innovation is still a good thing. Our embrace of innovation is a primary reason for America's century-long economic resilience and prosperity. Every economy periodically stumbles, but nations that embrace innovation recover more quickly and get back to work.

I will leave to the experts more of the explanation about particular government job training programs. I have my questions, but I will let them get into the details. Instead, I would like to focus my testimony on this simple lesson that I learned in the private sector:

The only sure-fire training and skill development program I know of is actually having a job. And it is in this area, job creation, that Washington has utterly failed in manufacturing and every other sector of our economy.

Businesses small and large have every incentive in the world to train their employees to develop their skills and to keep them current on the latest technologies. As I said, in my professional life many companies hired my company to come in and train on continuous quality improvement, team building, other aspects of their operation. They knew, once they have an employee they have invested a lot; they want to keep them current.

That is our best tool for getting training; for people to have a job. But unfortunately the current economic policies give those same businesses every disincentive in the world to actually create new jobs and hire new employees.

This week I came up on a plane with a man—a gentleman who works with community colleges across the Southeast. He says they are having difficulty now getting people who are in the workforce to do additional training at night because in order to avoid hiring new people, many employers are extending the hours of those who are already working. And it has created a situation where the new training that is needed is not happening because people are working not 35, 36, but sometimes 45 hours a week because they are afraid to hire new people.

This is very consistent with other meetings I have had with businesses. They do not know what their taxes will be, and they hear a lot of talk of increasing them; unemployment insurance rates are going up; the cost of new health plans is still undetermined. We don't know what's going to happen with trade agreements for manufacturers that are trying to anticipate new markets.

The liability of doing business in America seems to continue to increase, and periodic episodes like the National Labor Relations Board going after a company like Boeing just tell us that it appears that this Administration, and even this Congress, is intent on making it harder and more expensive to do business in America.

They are not paranoid. Every news report about ongoing debt limit negotiation reaffirms the Administration's insistence on new taxes.

As last Friday's job reports revealed, there are only so many people in businesses left who are doing well enough to create new jobs in this country, yet these are the very people now being targeted for tax hikes.

Meanwhile, we have free trade agreements with loyal allies awaiting ratification, agreements that will open new foreign markets for American products and create American jobs. Yet these agreements with Colombia, South Korea, and Panama remain on the shelf because of some add-ons that the President has to have before moving forward.

If you look at our $1.7 trillion regulatory state, according to the Small Business Administration, federal regulations add an average of $8,000 to the cost of every employee. And I have a feeling that is very old data, from what I am hearing from businesses today.

On taxes, spending, trade, and regulation, every signal from federal policymakers to job creating businesses and entrepreneurs is that success will be punished. There is no better illustration of these misguided ideas driving federal policy today than what I just mentioned: the National Labor Relations Board against the Boeing Company.

Two years ago Boeing decided to build a new airplane factory in north Charleston, South Carolina. It didn't replace one in Washington. In fact, they have added thousands of jobs since they built this. They have invested over a billion dollars in the plant. They have created more than 1,000 jobs, which will ultimately probably be well over 5,000 direct and indirect jobs. And they are one of the world's greatest exporters.

What could be a better case for creating American jobs? Yet, the NLRB, led by President Obama's own recess-appointed Acting General Counsel, filed suit against Boeing to shut down the new factory simply because they do not like South Carolina's Right To Work law.

People wonder where all the jobs are? Policymakers looking for someone to blame for America's high rates of unemployment, under-employment, and long-term unemployment need only find the nearest mirror. And it cannot be forgotten that those who bear the greatest burden of these policies are those who can least afford them: those Americans who grew up in dysfunctional communities, trapped in failing government schools in a cycle of dependency. Those with the fewest skills are the first to lose their jobs and the last to find work again.

These struggling Americans have not been left behind by the free market. They have been kneecapped by well-intentioned but catastrophic government policies. Jobs, growth, investment, innovation, and opportunity are what really train America's workers and develop their skills, and they are an inevitable byproduct of a free economy.

They are readily available to us, as they always have been, if only we reform policies here in Washington that have put handcuffs on our economy in the last several decades. I am not blaming this on this Administration or one party. If you look out over the last couple of decades, it appears we do everything we can to make it harder and more expensive to do business in America.

If we really want people to develop the skills, we need to get them in the workplace. Employers, working with community colleges and other training resources, will get their people up to speed and we can do it. Americans will work if we get them the jobs. But I don't think we can pretend that we are helping if we create these large government training programs when people do not have any place to take them.

We need to get the economy going. That will bring more workers. That will bring higher budgets from the private sector for training, and then those training resources in the government and private sector can help raise the skill level of our workers.

Thank you, Mr. Chairman. I appreciate the opportunity to share my thoughts.

Chairman Casey. Senator DeMint, thank you very much.

Congressman Lipinski.

STATEMENT OF HON. DANIEL LIPINSKI, A U.S. REPRESENTATIVE FROM ILLINOIS

Representative Lipinski. Chairman Casey, Vice Chairman Brady, Members of the Committee, I want to thank you for inviting me to testify today.

Americans need jobs. This fact was emphasized once again last Friday with the release of the June unemployment numbers. Americans are asking: Where are these jobs going to come from?

While some believe that America can no longer compete in manufacturing, I believe that robust job creation can and must come from manufacturing—from what we think of as traditional manufacturing such as Northstar Aerospace in Bedford Park, Illinois that makes parts for the Apache Helicopter, to Advanced Diamond Technologies in Romeoville, Illinois, that makes coatings for artificial heart valves. Manufacturing in all its forms is critical for America's economic future and for our national defense.

So how can we promote manufacturing job creation? One way is workforce education and training. It is simply not the case that when a manufacturer is ready to create a new position there will be an American ready to start the job.

I constantly hear from manufacturers in my district, which has a long and proud history of small manufacturers, that they are having an increasingly difficult time finding qualified workers—even in these times of high unemployment. This is true for all types of manufacturing, from steel to nanotechnology. And if there is no qualified worker, there is no job creation.

We need a two-pronged approach to address this problem. One is to improve the K–12 education system so that students have the necessary basic skills for the jobs of today and tomorrow; and the other is focused on postsecondary training and retraining to improve the skill sets of workers.

One way to identify and help devote the necessary resources for the Nation's manufacturing workforce is through the development of a national manufacturing strategy, something that this Committee explored last month. H.R. 1366, my National Manufacturing Strategy Act, would require government and private sector stakeholders to assess the current state of American manufacturing, look at future technologies and economic challenges, and develop a plan for keeping America's industry competitive. This bill passed the House last year overwhelmingly 339 to 38, and with the support of Vice Chairman Brady at the time.

Now, manufacturing strategies can work in a high-wage, free market democracy. Just ask Germany, which runs a robust trade surplus. But of course we cannot wait for a national strategy to address the workforce needs that our country currently faces.

In grades K–12, students must be better educated in Science, Technology, Engineering, and Math, commonly known as the STEM fields. We all have heard countless times how American students are falling behind others around the world.

Provisions of the America COMPETES Act, along with its reauthorization which passed last year, seek to improve STEM Ed by calling for a wide range of initiatives, including better teacher training and hands-on learning at National Labs to boost interest and improve education in STEM fields at all levels.

Private industry has also gotten involved. For example, Abbott Labs has invested more than $25 million over the last 5 years to support programs that advance STEM education from early elementary school to college. In classrooms, museums, and afterschool programs, these investments are tailored to build a workforce prepared for the increasingly technical job market.

Now, at the postsecondary level, training and retraining initiatives can produce workers capable of filling the growing number of highly technical manufacturing jobs. In June, President Obama expanded the Skills for America's Future Program to increase partnerships between manufacturing companies and community colleges.

This initiative will establish a standardized credentialing system, certifying community college students with industry-recognized credentials and making it easier for employers to find potential employees.

The America COMPETES Act also included a grants program aimed at expanding education and training in advanced manufacturing at community colleges and requiring Manufacturing Extension Partnership Centers to inform colleges of the skill areas manufacturers need so that students are prepared to join the workforce upon graduation.

American industry has also been a leader and innovator when it comes to workforce development at the postsecondary level. One example is the Steelworker for the Future Initiative, a public/private partnership, including Arceor-Mittal, the United Steelworkers, and community colleges, which will pay for students to receive the technical training necessary to fill skilled positions throughout the Nation. Not only does this program develop the skills needed for sustaining the increasingly high-tech steel workforce, it helps grow interest in manufacturing jobs.

But obviously we cannot rely on the private sector alone to make the investments and develop the programs that will ensure that the United States has the skilled workforce our economy needs. Through smart investments, incentives, and well-designed programs, we must continue to support workers gaining, sustaining, and improving the skills necessary to support American manufacturing success.

I am convinced that if we do not make a concerted effort to produce the workforce needed by manufacturers, that it will mean nothing less than giving up on much of the American middle class, throwing in the towel on "Made in America," and accepting that most of the products we buy—even those that are necessary for our national security—will be made somewhere else.

I don't believe, and I don't think any of us believe, that we can allow this to happen. Thank you very much again for the opportunity to testify, and thank you for your work in promoting manufacturing in the United States.

[The prepared statement of Representative Daniel Lipinski appears in the Submissions for the Record on page 38.]

OPENING STATEMENT OF HON. ROBERT P. CASEY, JR., CHAIRMAN, A U.S. SENATOR FROM PENNSYLVANIA

Chairman Casey. Thanks very much, Congressman. And we want to thank Senator DeMint and Congressman Lipinski for your testimony.

We will now move to our second panel. And as we do, I will go through my opening and then turn it over to Vice Chairman Brady.

Today's hearing is the second in a series that the Joint Economic Committee is holding to determine the best strategies to revitalize manufacturing in the United States of America.

At the first hearing we focused on the need for a comprehensive national manufacturing strategy and examined some of the policies needed to support manufacturing companies and workers.

We looked at policies such as cracking down on currency manipulation, making the R&D tax credit permanent, extending trade adjustment assistance to workers who lose their jobs as a result of foreign trade, as well as other strategies as well.

With today's hearing, our focus is on skill-building and preparing our workers in manufacturing and in other sectors to compete and win in the global economy. Arming our workers with new skills is critical to bolstering our U.S. competitive position and strengthening our economy.

Workers across the country continue to feel the effects of what we now know as the Great Recession. Unemployment is at 9.2 percent. We have regained just 1.8 million of the 8.8 million jobs lost during the Recession. There are 2 million—2 million—fewer manufacturing jobs today than when the Recession began.

A sustained and robust recovery will help many unemployed workers find new jobs, but it is clear that we have to do more to equip workers with the skills they will need for new jobs in the growth sectors of our economy.

And it is equally clear that workers in these sectors that have been hit hardest during the Recession, such as manufacturing and construction, face particular challenges. Our country is facing a skills gap. There is a mismatch between the skills employers need and those that workers have.

A 2011 survey by Manpower, the temporary staffing company, found that more than half, 52 percent of companies, are having difficulty finding mission-critical positions—I should say, filling mission-critical positions. The share of companies unable to fill key positions is at an all-time high. And it is not just a short-term problem.

By the year 2018 it is projected that the U.S. will have 3 million fewer people with postsecondary credentials than we need. With Congress expected to take up the reauthorization of the Workforce Investment Act, we know as WIA by the acronym W–I–A, WIA, this is a critical moment to focus on job training and to take a hard look at what works, what does not work, and where the Federal Government should put its limited dollars to get the greatest return on our investment.

We need to modernize and reform our job training programs to reflect recent knowledge on workforce development and to ensure that the programs are as efficient and as effective as possible.

Today's hearing can help us chart that course forward. We know a lot more than we used to know about job training. There are proven approaches and models that are delivering impressive results today. Yes, there is some good news out there in this tough economy.

Sectoral training programs are a prime example. These programs identify the sectors of the economy that are for the greatest potential, or the strongest growth opportunities in a particular community, and then work with nonprofit organizations and private sector employers to craft programs that build skills that will be in demand.

These programs are delivering earnings' increases of 20 to 30 percent. The increasingly important role that community colleges play in helping students earn industry-recognized credentials is another recent development that offers great promise.

Community colleges have solid relationships with local employers and are able to create certification and degree programs that build skills that are needed in their communities.

There are other successful models that pair unemployed individuals with employers. The starting point is that a job training program should be connected to specific needs of a specific corporation.

I know that a priority I have is ensuring that we scale up programs which are working and end those that are not delivering results.

One proven program is the Trade Adjustment Assistance Act, which helps workers who have lost their jobs to overseas foreign competition. It helps them build new skills for these workers, and it helps them find new jobs. In the past two years alone, Trade Adjustment Assistance has helped hundreds of thousands of workers get back on their feet.

I recently introduced legislation to extend TAA for another five years. Congress should extend this program, in my judgment, before considering any trade agreements.

Additionally, reauthorization of WIA provides an opportunity to apply proven metrics, proven metrics to any workforce program, and any workforce program that WIA supports ensuring that taxpayer dollars are spent efficiently and effectively.

Strengthening job training is critical to strengthening middle-income families, and that is why updating and improving our training programs is so important. We need to help workers develop new skills to find new jobs, and we need to ensure that employers are able to find the skilled employees they need to operate and expand their businesses.

The benefits run both ways: Employers and employees.

We are fortunate today to have with us a distinguished panel of experts who have deep knowledge of workforce development and a keen understanding of the most powerful and effective job training strategies. I appreciate our witnesses being here. I will introduce each of you in a moment before your testimony, but I want to turn it over to our Vice Chairman, Vice Chairman Brady.

OPENING STATEMENT OF HON. KEVIN BRADY, VICE CHAIRMAN, A U.S. REPRESENTATIVE FROM TEXAS

Vice Chairman Brady. Thank you, Chairman Casey, for convening this hearing on job training in manufacturing. I remember with fond memories one of my many college jobs on the manufacturing floor of Electromagic, punching and bending sheet metal to build air compressors, because it paid well.

Manufacturing in the United States has changed dramatically since then. Low-tech, labor-intensive goods such as apparel, shoes, sporting goods, and toys that were once made in America are now imported, while U.S. manufacturers sell high-tech, capital-intensive goods to the rest of the world.

Computer-driven machinery has replaced routine labor in manufacturing. This has boosted productivity growth, averaging 2.9 percent a year. What took 1,000 workers to manufacture in 1950 now takes only 184 workers. Consequently, manufacturing jobs as a share of the total nonfarm jobs have declined from over 30 percent in 1950 to a little under 9 percent today.

Six decades ago, a high school dropout with no special skills could get a job on an assembly line, work hard, and over time enter the middle class. Today, a job in manufacturing demands special skills and may even require a college degree.

The changing nature of manufacturing demonstrates the importance of job training for the success of both America's manufacturers and their workers. Congress enacted the Workforce Investment Act in 1998 to consolidate the Federal Government's fragmented job training system into a coherent one-stop system that could serve the needs of employers and workers.

However, the Government Accounting Office found continuing fragmentation, overlap, and potential duplication in job training programs run by multiple federal agencies. For fiscal year 2009, the GAO found 47 federally funded job training programs administered across nine different agencies. Almost all of these programs overlap with other programs in the provision of similar services but with differences in eligibility, objectives, and service delivery.

In addition to costly duplication, federal job training programs do not necessarily serve their purpose well either for those seeking jobs or workers seeking retraining. Job training programs that work best are employer-driven, not bureaucracy-driven. Manufacturers know what skills employees need to succeed better than bureaucrats.

The Senate will soon be reconsidering the Workforce Investment Act. Congress has an opportunity to consolidate and reform existing federal job training programs and to improve their value for U.S. taxpayers. I urge Republicans and Democrats in both Houses of Congress to seize this opportunity.

However, the best job training programs are meaningless if there are no jobs available for their graduates. The Employment Situation Report for June, which was released last Friday, confirms that the economic policies of the White House and some in Congress are failing to revive our moribund economy and create jobs—manufacturing or otherwise.

By the Obama Administration's own standards, its stimulus plan has failed spectacularly to create jobs. According to the June report, the United States still has 6.5 million fewer payroll jobs than promised. And June's unemployment rate of 9.2 percent is far above the promised 6.7 percent.

History demonstrates that business investment in new buildings, equipment, and software—not federal spending—drives the creation of new payroll jobs. U.S. businesses are sitting on nearly $2 trillion that they could invest here at home to create jobs for American workers, but they are refusing to do so.

So why does American capital seem to be "on strike"? The answer is that the Administration's economic policies keep businesses guessing what onerous burdens await them. As several Texas businessmen have told me: Predicting market conditions is tough enough in what we do for a living; predicting what the President and Congress may do? Forget it.

It now is widely understood that excessive federal spending, budget deficits, and debt accumulation mortgage our economic future and increase uncertainty over the size and form of future tax increases. However, we also have a regulatory explosion currently that thwarts business expansion and increases uncertainty.

Here are just a few examples of regulatory excesses:

The State Department's failure to issue a construction permit for the Keystone XL pipeline from Canada, a project estimated to create over 13,000 high-wage manufacturing and construction jobs across the country, stimulating significant additional economic activity.

The Administration's illegal moratorium on and subsequent slow rolling of permits for deep-water oil exploration and development in the Gulf.

The EPA's proposed regulations on greenhouse gas emissions.

And, as mentioned by Senator DeMint, the National Labor Relations Board's unprecedented actions against Boeing for locating one of its manufacturing facilities in South Carolina.

While solving our fiscal problems requires Congressional action, President Obama could end decisively his regulatory onslaught on American businesses on his own and without delay. If the President is serious about relieving unemployment—and I believe he is—he should act now to reverse his Administration's confidence-shattering, job-destroying regulatory policies—sooner rather than later.

Mr. Chairman, I look forward to hearing the testimony of today's witnesses, and appreciate your leadership on this issue. I yield back.

[The prepared statement of Representative Kevin Brady appears in the Submissions for the Record on page 39.]

Chairman Casey. Thank you, Vice Chairman Brady.

I wanted to introduce our panel, and then we will move to your testimony. I will be moving to my left to right.

First of all, Mr. Ron Painter is the CEO for the National Association of Workforce Boards, known by—we always have acronyms, don't we, in Washington——

[Laughter.]

NAWB. It's the leading workforce association that represents the Nation's nearly 650 business-led Workforce Investment Boards, also another acronym, WIBS, W-I-B-S. These Boards, so-called WIBS, plan and oversee state and local workforce development and training programs. Mr. Painter's previous work includes Chief Executive Officer of the Three Rivers Workforce Investment Board in my home State of Pennsylvania; the U.S. Department of Labor for the Enterprise Project; and the National Association of Business. He also served as Butler County, Pennsylvania's, elected Clerk of Courts. Welcome, Mr. Painter.

Mr. Charles T. Wetherington serves as President of BTE Technologies, Incorporated, a provider of technology solutions to the physical therapy market worldwide, with sales in 35 countries. Mr. Wetherington serves on the board of directors of the National Association of Manufacturers and has been trustee of the Foundation for Physical Therapy since 2006. Welcome, Mr. Wetherington.

Ms. Diana Furchtgott-Roth is a Senior Fellow at Hudson Institute and directs the Center for Employment Policy. From February 2003 to April 2005, she was the Chief Economist of the U.S. Department of Labor. Also, she was Assistant to the President and a Resident Fellow at the American Enterprise Institute from 1993 to 2001. Prior to that, she served as Deputy Executive Director of the Domestic Policy Council, and Associate Director of the Office of Policy Planning at the White House under President George H.W. Bush. Ms. Furchtgott-Roth, we welcome you here today, as well.

And finally, Dr. Harry Holzer is Professor of Public Policy at Georgetown University and a Founding Director of the New Georgetown Center on Poverty and Equality in Public Policy. He is currently a Senior Fellow at the Urban Institute, and a Senior Affiliate of the National Poverty Center at the University of Michigan, among his many other affiliations. Prior to coming to Georgetown, Professor Holzer served as Chief Economist for the Department of Labor in 1999. Welcome, Doctor.

Mr. Painter, we will start with you.

PANEL II

STATEMENT OF MR. RON PAINTER, CHIEF EXECUTIVE OFFICER, NATIONAL ASSOCIATION OF WORKFORCE BOARDS, WASHINGTON, DC

Mr. Painter. Thank you, Mr. Chairman, Mr. Brady, Mr. Duffy. It's a pleasure to be here this morning. I thank you for the invitation to testify.

On behalf of the National Association of Workforce Boards, NAWB, I am pleased to testify on how the Nation's workforce system is working to equip workers with the skills they will need to help ensure our Nation's long-term economic success.

Let me first provide a brief description of my organization, the country's workforce system, and the challenges that it has faced over the last several years.

Today there are over 550 Workforce Investment Areas across the country, all overseen by local, business-led, business-chaired Workforce Investment Boards.

As you mentioned, they have the responsibility for developing workforce policies and strategies for federal and state funding to meet the employment and skill needs of America's employers and job seekers.

NAWB represents these Boards by communicating with policymakers such as we are doing today, translating practice to policy, and providing information about promising practices and professional development to the Nation's Workforce Investment Boards, or WIBS.

We believe that many in the business community find the workforce system to be of value to their local communities and their economic regions. Over 12,000 employer representatives serve on local and state WIBS across the U.S., many of them in manufacturing.

NAWB's national board, chaired by Laurie Moran, the Executive Director of the Danville-Pittsylvania, Virginia, Chamber of Commerce, includes both large employers in manufacturing such as Microsoft, Boeing, and Ford Motor Company's Fund, as well as small manufacturers, financial planners, health care providers, community bankers, education, and the Philadelphia AFL–CIO.

Their common bond, like the local Boards, is to help America's employers compete through having a skilled and available labor force. Despite overall stagnant funding over the past 10 years and cuts in FY 2011, the workforce system has experienced an over 200 percent increase in demand for services over the past 2 years.

In the last reporting year, the workforce system served over 8 million individuals through its Adult Dislocated Worker and Youth

Programs, and over 4 million job seekers who were placed in employment, with hundreds of thousands more placed into training for new jobs and careers.

The workforce system has increasingly adopted sector-based strategies, as you mentioned, to not only support but in some cases to develop training programs designed to meet the specific skill requirements of those employers.

Let me cite one example of where the Workforce Investment system has played a vital role. In your home State, Mr. Chairman, of Pennsylvania, manufacturing employees in Berks and Lancaster County were losing their skilled industrial maintenance workers to retirement and were concerned about what they viewed as an inadequate pipeline of new entrants.

In addition, the job requirements were changing drastically. These new jobs, which are now called "mechatronics," are high-tech jobs that combine mechanical, electrical, and controls' engineering with computer science. Driven by employer input, the Berks and Lancaster County WIBS teamed with the Reading Area Community College to develop and offer Advanced Manufacturing, Integrated Systems Technician Certification Program through the community college and the region's secondary career and technical centers.

More than 400 workers have earned their certification in Mechatronics through this collaborative effort. The competencies that were developed are now a part of the National Packaging Institute's Competency System. As well as producing an Associate Degree Program at the community college, graduates of this program can now transfer credits to one of three baccalaureate programs—one at Penn State Berks, one at California University of Pennsylvania, and one at Perdue Calumet in Hammond, Indiana.

This is an example—and there are many more on a website called "workforceinvestmentworks.com" that has stories from every state across the U.S. about the impact that your investment, this Congress, in workforce development is working.

WIA was enacted in 1998 in a very different economy, and we recognize that it is in need of updating, to factor in not only the significant changes in the economy, changes in the occupations we have, anticipation of occupations or emerging jobs and skills, and to incorporate lessons that we have learned over the 12 years of WIA.

NAWB strongly supports the HELP Committee's bipartisan efforts to reauthorize WIA, and we would urge you to do the same. In addition, funding for WIA is also of deep concern. These programs should be seen as investments in our human capital, critical to getting people back to work and rebuilding our economy.

The workforce system at the local level leverages many multiple funding streams, including critical funding through Pell and TAA, as funding from the private sector as well, and from foundations and other sources. Some of these resources could be at risk if we continue to watch funding reductions.

We do appreciate and recognize the importance of deficit reduction, but we also recognize that the skills of America's workforce are directly related to our economic recovery and future competitiveness.

NAWB and the Nation's Workforce Investment System are in the front lines of helping America's business access a labor force with the skills they need to be competitive and helping job seekers to make often difficult transitions to new jobs in what are some of the most stressful times of their lives. We stand ready to continue to serve, and I appreciate the opportunity to have been here today.

[The prepared statement of Mr. Ron Painter appears in the Submissions for the Record on page 41.]

Chairman Casey. Thank you, Mr. Painter. And I should have mentioned at the beginning that of course we try to keep witnesses to five minutes, and you actually did it. It doesn't happen every day. But obviously as part of that agreement, if you have a statement that you want submitted for the record, it will be. So each of your statements will be made a part of the record, in addition to your testimony that summarizes the statement.

So, Mr. Wetherington.

STATEMENT OF MR. CHARLES WETHERINGTON, PRESIDENT, BTE TECHNOLOGIES, INC., HANOVER, MD

Mr. Wetherington. Good morning, Chairman Casey, Vice Chairman Brady, and Congressman Duffy.

I am Chuck Wetherington, President of BTE Technologies based in Maryland. My company is widely regarded as the leading provider of advanced technologies for physical testing and rehabilitation, as well as solutions for workplace injury reduction for large employers.

I am pleased to testify on behalf of the National Association of Manufacturers. The NAM represents manufacturers in every industrial sector and in all 50 states. Manufacturing supports an estimated 18.6 million jobs in the U.S., about 1 in 6 private sector jobs.

To put this into perspective, that is about the total of the population of the cities of New York City, Los Angeles, Chicago, Houston, and Phoenix combined. The NAM appreciates Congress's interest and support of manufacturing. Jay Timmons appeared before this Committee a couple of weeks ago and shared with you our manufacturing strategy for jobs and a competitive America.

I support that strategy, and I urge you to adopt it as a guiding document for legislation you consider. The strategy is focused on things Congress can do to make America the best place in the world to headquarter a company, manufacture, and innovate.

A key issue for manufacturers is the need for a skilled workforce, as everyone has said here today. Manufacturers have applauded President Obama for his support of partnerships between manufacturers and community colleges to make manufacturing credentials available nationwide and to help close the skills gap.

The NAM encourages the Senate to refine the draft Workforce Investment Act reauthorization to promote and emphasize the adoption of portable industry-recognized skills credentials within the legislation.

However, I think it is important to note that the economy as a whole needs to grow in order for manufacturers to create new jobs and fill those currently available. I urge you to look more broadly at factors impeding job growth.

To highlight the need to address issues affecting the economy, I would like to submit for the record a letter signed by nearly 500 CEOs, including myself, encouraging Congress to act in the Nation's best interest and reach an agreement on the debt ceiling.

Chairman Casey. That will be made part of the record.

Mr. Wetherington. Thank you very much, sir.

Manufacturers and businesses across the Nation face considerable uncertainty, which stifles growth and discourages hiring. For example, actions such as the National Labor Relations Board complaint against Boeing Company, proposed regulations from the NLRB, Department of Labor, the EPA, the FDA, and others will raise the cost of conducting business and further inhibit the creation of jobs.

The NAM recently polled over 8,000 of its members about the impact of the NLRB's complaint and other actions by the Board. The survey asked the following question:

Would this complaint and other recent NLRB reactions negatively impact your ability to create jobs?

The results should get everyone's attention. Of the more than 1,000 responses, almost 69 percent said: Yes, it will impact their capital investment and hiring decisions; 18 percent said "no," and 13 percent were not sure. Clearly these actions are of great concern to manufacturers.

An issue of great importance to me and my company is the FDA's 5–10K approval process used by medical device manufacturers. Last year the FDA suggested significant changes to this approval process that would have devastated companies like mine.

The prospect of these changes being implemented, despite an exemplary safety record for the current process, hangs over the heads of manufacturers and other companies, creating a sense of uncertainty about capital investment and hiring additional employees.

Mr. Chairman, the United States remains the world's largest manufacturing economy, producing 21 percent of the global manufactured products. As manufacturers, we face many challenges due to intense global competition. We would do well to make sure our own government is not one of the challenges manufacturers and employers need to overcome in order to be successful and create good, well-paying jobs for Americans.

Thank you, Mr. Chairman. Thank you, Vice Chairman. And under five minutes.

[The prepared statement of Mr. Charles Wetherington together with letter dated July 12, 2011 from American CEOs to members of the United States Congress appears in the Submissions for the Record on page 46.]

Chairman Casey. Thanks very much. Well under. You get extra credit for that.

[Laughter.]

Ms. Furchtgott-Roth. Thank you.

STATEMENT OF MS. DIANA FURCHTGOTT-ROTH, DIRECTOR, CENTER FOR EMPLOYMENT POLICY, HUDSON INSTITUTE, WASHINGTON, DC

Ms. Furchtgott-Roth. Mr. Chairman and Mr. Vice Chairman, thank you so much for inviting me to testify here today. With your permission, I would like to submit my written testimony for the record and summarize right now in just under five minutes, I hope, like Mr. Wetherington.

Training is immensely important. I myself have coauthored papers on the importance of community college training in economic mobility, looking at a large data set in the State of Florida. But the problem is, right now there are very few job openings, and so training has limited effects in reducing our unemployment rate.

Today, at ten o'clock, the Bureau of Labor Statistics brought out its monthly Job Openings and Labor Turnover Survey, which I have right here before me, and it showed the changes from April to May in job openings, hires, separations, and layoffs.

The job openings rate stayed the same between April and May at 2.2 percent. In 2008 it was 2.6 percent. Total hires stayed the same, 3.1 percent in April versus 3.1 percent in May. The total separations rate—that is people who have left their jobs—rose from 2.9 percent in April to 3.1 percent in May. And the total layoff rate went up from 1.2 percent in April to 1.4 percent in May.

These might not seem very large changes, but these indicate that employers are not increasing their hiring; rather, they are keeping their hiring the same and increasing their layoffs.

So what we need to do is look at what can we do right away in order to change this picture for employers? Because right now we have, as you know, discussions on the debt ceiling, deficit problems, and we need to look at what we can do in a costless manner that can help employers hire right now.

The President can control his Cabinet Secretaries, and the whole Executive Branch. I would just like to mention briefly four areas where he could help.

As was mentioned before, the National Labor Relations Board (its actions as was mentioned previously today towards Boeing's decision to expand in South Carolina) has sent a chilling signal to any employers who want to start plants, especially in unionized states. If they build a plant somewhere, and they want to expand elsewhere and the National Labor Relations Board doesn't allow them to do so, this is a big disincentive to locating in a unionized state. This actually hurts unionized states more than right-to-work states. Firms know if they locate initially in a right-to-work state, will be allowed to move.

Boeing, for the record, hasn't laid off any workers in Washington State. It has kept its entire workforce. But with a backlog of over 800 Dreamliners, it needs another plant. The NLRB action is something the President could change immediately. He could replace his Acting General Counsel, or withdraw the nomination of Mr. Lafe Solomon, and he could express his regret with what's happened, or change the policy. He hasn't done that.

Environmental Protection Agency. Just last week it brought out a new set of regulations that they called the Clean Air Transport Emissions Rule, about emissions going over state lines. We have increasingly cleaner air since 1980. Our air has got cleaner every single year. Why don't we just hold off on additional EPA regulations for a couple of years until maybe our unemployment rate is down to 7 percent? Our air is continually cleaner, so we would not be making our air dirtier, because with every new plant we put in place, every new car Americans buy, our air gets a little bit cleaner because we're using new technology.

Labor Department. The Mine Safety and Health Administration is bringing out new regulations on dust in coal mines. Those are going to decrease the potential for employment in these coal mines, especially in hard-hit states in the Midwest. It is bringing out new regulations for affirmative action for women on construction sites. And, by the way, for the record, women's unemployment rate is 1.1 percentage points lower than men's right now.

DOL is bringing out new affirmative action regulations for veterans and new affirmative action regulations for the disabled. Again, it is very hard for employers to comply with all these different regulations.

Department of the Interior. Not allowing any new drilling in the Gulf of Mexico. Again, this is something that could be changed right away at no cost.

Along with these different regulations that could be changed, there are laws that we have in place that also discourage hiring, such as the new $2,000-per-worker penalty for employers if they don't have the right kind of health insurance, beginning in 2014.

But I see my time has expired, and I would be glad to expand on those in the question and answer, if anyone is interested.

[The prepared statement of Ms. Diana Furchtgott-Roth appears in the Submissions for the Record on page 70.]

Chairman Casey. Thank you for being cognizant of the time. Dr. Holzer.

STATEMENT OF DR. HARRY HOLZER, PROFESSOR, GEORGETOWN PUBLIC POLICY INSTITUTE, GEORGETOWN UNIVERSITY, WASHINGTON, DC

Dr. Holzer. Thank you. Good morning, Chairman Casey, Vice Chairman Brady, and Mr. Duffy.

I would like to make five major points today about manufacturing, employment, the U.S. labor market, and the Nation's education and workforce development system.

Point number one: Despite the loss of over 2 million jobs in manufacturing in the last four years and high unemployment among these workers, employers still have difficulty filling jobs created in that industry—at least partly due to a lack of workers with the appropriate technical skills.

The single clearest piece of evidence on this is that the ratio of job vacancies to new hires in manufacturing is higher than we see in any other major industry group, suggesting employers are having difficulty filling those job vacancies. And descriptive evidence from several different sources reinforces this viewpoint.

Point number two: In order for America's prosperity to be widely shared, and in order to help reduce currently high levels of unemployment, the skills that Americans bring to the labor force will have to increase. At over 9 percent, today's high unemployment does mostly reflect cyclical factors, or a shortage of jobs, but a piece of it is structural, again with employers having difficulty filling job vacancies requiring technical skills. And several important analyses recently by Professor Michael Elsby at the University of

Michigan, Professor Bill Dickens of Northeastern University and others support this claim.

The large fraction of unemployed workers who have been out of work for six months or longer will reinforce the structural component of unemployment because the long-term unemployed always have more difficulty reentering the labor market after an absence of work.

Over the long term, the gaps between the skills demanded by American employers in good-paying jobs and those supplied by American workers contributes to the enormous levels of inequality that we have in the U.S. today. So unemployment could be reduced and prosperity more widely shared if Americans had more of the post-secondary credentials that employers seek both in middle-skill technical jobs and in high-skill jobs requiring a BA or more.

Point number three: While the public and private systems of K–12 and higher education in the U.S. and private sector on the job training do contribute to the skills of the workforce, a very robust public system is still necessary for meeting these needs.

On their own, our system of higher education will not produce enough of the skills needed by American workers. The drop-out rates at our two-year and four-year colleges are very high. Students who manage to finish a credential often don't get the credentials that our labor market happens to reward.

This is partly because our education workforce systems largely operate in isolation from one another, with too few students gaining access to career counseling and other employment services.

Private employers do provide some of the training they need on the job, but they are reluctant to provide general skills or occupational training for a variety of reasons. So a strong publicly funded workforce system is still necessary to meet these skill needs.

Point number four: Though it clearly provides employment services and training cost effectively, the publicly funded workforce system right now has too few resources to be fully effective, and these resources should not be further reduced.

A very rigorous body of research evidence indicates that our public workforce system provides services to job seekers and training that is clearly cost effective, but the funding of the system has declined by as much as 90 percent over the last three decades.

Title I of the Workforce Investment Act now receives under $3 billion of funding in a labor force with 150 million workers, and an economy that has a GDP of $15 trillion per year. I believe the concerns over duplication raised by the recent GAO report have been wildly overstated, since most of the 47 programs they cite use very small sums to target very detailed worker populations.

Even if you include all of those funding sources, virtually no other industrial nation in the world spends as little on employment services and training as a percentage of its GDP as we do in the U.S.

Finally, point number five: The U.S. needs to develop a set of more coherent education of workforce systems, mostly at the state level, but with federal support that is better integrated with the demand side of the U.S. economy and with the labor market.

Performance of the WIA system could be improved along a number of dimensions. WIA could provide more support to states and localities that use the kinds of sectoral strategies that Chairman Casey talked about earlier. Indeed, the evidence on the cost effectiveness of sectoral programs is very, very compelling.

A number of states—like Pennsylvania, Michigan, Oregon, Washington, and Wisconsin—have made enormous strides in tying their education of workforce systems to areas of strong industry demand. I believe a major new competitive grants program to fund state activities, perhaps modeled on the Race to the Top Program in education, could be very helpful to encourage more states to better integrate their education in workforce system with industry demand. But any such program should represent a net addition to, and not a carving out, of current WIA funding.

Thank you very much.

[The prepared statement of Dr. Harry Holzer appears in the Submissions for the Record on page 78.]

Chairman Casey. Doctor, thanks so much. Everyone was on time. That is impressive.

Doctor, I want to take you back to your final point about the sectoral training programs, not only because you mentioned Pennsylvania, but that certainly doesn't hurt, because there is a good track record there. But tell us about what are the, for lack of a better word, the characteristics, or features of those kinds of programs that have worked at the state level.

You mentioned in your testimony five states, in addition to Pennsylvania—Michigan, Oregon, Washington, Wisconsin—where they have made great strides and, as you say, quote, "tying their education of workforce systems to industry demand," unquote. How does that work?

What are the features of the programs that have worked on the ground? Because we have to get away from just, you know, theory in Washington. We need to point to strategies that are working in the real world, and I want to get your sense of that, especially as we are about to reauthorize the Workforce Investment Act.

Dr. Holzer. Well I want to distinguish, Senator, between programs that work in individual industries, that target key industries, versus state-level systems that effectively encourage these partnerships. And just for the sake of bipartisanship, I also want to note that some of the most successful programs, like Project QUEST in San Antonio, and Capital Idea, have occurred in the State of Texas, and those are also very good programs.

Chairman Casey. It is important to mention Texas here, too.

Dr. Holzer. I noted that.

[Laughter.]

Chairman Casey. But separate from these programs, and I think these programs actively encourage intermediaries to work with employers to target key sectors of the economy where demand is growing, where good paying jobs are available, and employers are engaged in the process of creating the education and training programs, and often actively commit to hiring the workers that come out with the appropriate credentials.

So they do that at the programmatic level. I think what they do at the state levels that is important is they create systems of looking broadly across the different sectors of their economy, identifying the industries where demand is projected to be strong, where there might be unmet needs for skilled workers, and then creating the partnerships between employers, skill providers, and the workers in those industries in a more systematic way.

I think those states, among many others, have taken the lead in creating those systems on a broader scale.

Chairman Casey. Is there anything that we do here, or can do by way of WIA or otherwise, legislation or strategies that we can employ here that will incentivize or foster that kind of, I guess for lack of a better word, engagement between the particular business community at the local level and this strategy on a particular sector?

Dr. Holzer. I would say two things. First of all, I think there are some changes in WIA that could encourage more of that kind of activity.

For instance, simplifying the performance measurement system and putting more weight on the attainment of industry-recognized credentials within the performance measures of WIA I think would be very helpful.

Right now, sectoral programs are allowable under WIA but not particularly encouraged by WIA, and I think we could do more to encourage their development.

But the other thing, as I mentioned before, I personally would advocate a competitive grants program as part of WIA, but not carved out of WIA funding, to provide funding to those states that are taking a lead in that area, that have shown evidence of doing it so far that are willing to use existing pots of money that they already have, to tie them together more effectively, to create systems at the state level that reach out to these growing industries and better serve their needs.

Chairman Casey. Because any suggestions now are helpful because we have got the reauthorization that is coming in the next—well actually we're working on it this week and over the next couple of months within the Committee, and hopefully we will get it to the Senate Floor as well as in the House.

I am going to be running short on time, but I wanted to, Mr. Painter, I wanted to raise a question with you that I might hold for the second round, but about the Westmoreland County Community College, which is of course a community not too far from Pittsburgh, who received a $4.9 million grant. I wanted to have you talk about that. But I see I am close on time and we will pick that up in the second round.

Vice Chairman Brady.

Vice Chairman Brady. Thank you, Chairman. Thank you all for your testimony. Ms. Furchtgott-Roth, thanks for your points about uncertainty. We had real impacts in southeast Texas. At one point just several years ago we had the need for about 10,000 welders due to refinery and chemical plant expansions.

Many of those are now on hold. One of them, I think the Motiva Plant, cancelled their expansion due to both global factors and the concerns about some of the cap and trade legislation we were looking at. That was 1,500 construction jobs, 250 permanent jobs.

And it was interesting, as our local companies sought to find welders for these expansions, one, the skills were not there. And secondly, many could not pass the drug testing requirement at the outset. It was very frustrating. And these are jobs that pay between \$60- and \$80,000, above the median work scale in America. And it is one of those challenges that, as the economy picks up we hope to have that challenge going forward as well. But your point about uncertainty is real.

Mr. Painter, before coming to Congress, as a Chamber of Commerce executive I served on our Private Industry Council that oversaw job training programs in the Houston Region. My impressions were, one, it was very bureaucratic. We did spend a lot of the time trying to, you know, fit into the boxes of the plans; but we also had a variety of contractors, some who were extremely effective in their job training efforts in their communities, and others not so much.

I want to talk to you in a minute about what those characteristics are of successful programs.

Mr. Wetherington, thank you for being here. Have you hired—as an employer, have you hired a worker trained through the Federal Job Training Program?

Mr. Wetherington. I know I am supposed to be here to paint the dire picture, but—and we are a small company, only 80 employees—this year we have increased employment by 9 percent, so 7 new people this year. But I do have some issues.

I have open jobs that are very difficult to fill right now. So I have three positions that have been open for a month where my skill sets are very difficult to find in the market that I play.

Vice Chairman Brady. Have you worked, or hired through a Job Training Program, federally funded?

Mr. Wetherington. I have not, no. I have hired ex-military. That tends to be a great place for me to go. I get both great skill set training as well as great work ethic.

Vice Chairman Brady. Is this new? This inability to fill these positions? I don't know what you're looking for, but this mismatch between skills and jobs, is it something that is growing wider?

Mr. Wetherington. I believe it is growing wider. For us, our jobs are getting more technical. These are electrical technician positions that I need. It is an issue that BRAC is just down the street from me and is sucking up a lot of the technical capabilities that I need to have. So I think there's some microeconomic issues as well as macro.

Vice Chairman Brady. Where do you recruit from for those positions? Is it done locally, for the most part?

Mr. Wetherington. It's done locally. My plant is close to BWI up in Baltimore, so I do local recruiting, and I occasionally have to go broader.

Vice Chairman Brady. Dr. Holzer and Mr. Painter, the same question. Is the skills' gap getting wider? And if so, why? I mean, it seems like the mismatch between skills and jobs today seems greater than—or at least appears to be greater than it has in the past. Is that the case? And if so, why?

Mr. Painter. I'll take the first part of that, Congressman. I think in many parts of the country, as I talk to the Workforce Boards, I think the answer is—Is it getting wider? I'm not sure. But I think it is this convergence of, with technology, with innovation, with changing in the production processes.

I think even I hear from local Boards that say companies that laid off maybe two, three years ago and are now starting to rehire, even the jobs that they are rehiring for are different jobs. So the skill sets are changing dramatically. And I think that a lot of it is also trying to encourage people to go back and get the kinds of training.

Workforce Boards, we support the drive for certifications and for competencies, and industry-recognized certification is part of the process. So I can't tell you definitively it is getting wider. It is not uncommon for me to hear that as I travel the country.

Vice Chairman Brady. Thank you. Doctor.

Dr. Holzer. Congressman, I believe it is getting wider. And I think there are two reasons for that, and it parallels what Mr. Painter said.

First of all, I think economywide forces of new technology are raising the demand for skills in the economy—"skills" broadly defined, above the secondary level—and I think the supply of skills is failing to keep up with that growing demand. This has been true for a while for a lot of different reasons: The fraction of young people finishing some kind of, not only postsecondary credential but a relevant credential has been falling off, even though many more people are attending community college, four-year colleges, et cetera.

And I think, frankly, as the Baby Boomers retire, that gap will grow even more, that gap between skills' demand and supply.

I think the other issue is we are in an economy where the exact specific skill sets are changing very rapidly. There are these structural changes in the economy associated with the Great Recession, and I think our education and training system is not very nimble in this country.

So, for instance, employers will talk about they need welders. There are tens of thousands of unemployed welders out there, but they don't have the particular kind of skill that those employers are looking for. And we do not have a very good system to help those employers retrain, or retool the welders who are out there, to get them to meet their specific skill needs.

So I think both because of the general lack of supply keeping up with demand, as well as this specificity problem, this mismatch problem, I think it tends to be growing over time.

Vice Chairman Brady. Thank you all very much. Mr. Chairman.

Chairman Casey. Thank you, Mr. Vice Chair. Senator Klobuchar.

Senator Klobuchar. Well thank you very much, Chairman Casey, and thank you, Vice Chairman Brady, for holding this hearing today.

My State has hung in there during the economic downturn because of manufacturing and companies like yours, Mr. Wetherington. I remember that I noticed there was a marked difference at the beginning of this year when I was back on the weekends and they were running 24/7, a lot of companies with 1 to 200 employees, and that is partly why we are at a 6.6 percent unemployment rate. We will see what the shutdown does to that, but 6.6

percent unemployment rate, and a lot of it has to do with manufacturing.

And one of the things I have learned from visiting five or six technical colleges in the last few months is just what I am hearing today. And that is, that there is this mismatch. And in fact some of them—Alexandria Tech, which is one of the best ones in the country—has a 96 percent placement rate right now. Yet we have students that are going and getting four-year degrees that are unable to get jobs.

So there is clearly a devaluing, I think, in our system right now of some of these two-year technical degrees. The math and science preparation that you were talking about, I have a bill with Senator Scott Brown called "Innovate America" that is cosponsored by Senator Warner and Lamar Alexander, to number one, double the STEM high schools, but number two, to look at the kind of equipment we have at technical schools. And if there is a way to make it easier with tax credits for businesses to donate equipment so that they are being trained on the top equipment.

I heard that exact story when I was in AgCo about the welders. Dr. Holzer, AgCo has nearly 1,000 employees in Jackson, Minnesota. They make agriculture equipment. And I asked, you know, he said we can't find a welder in Minnesota right now to fill this job.

So for anyone watching on C-Span, they need a welder in Jackson, Minnesota. And they cited the reason as the nearby technical school had stopped training in that area.

So my question is a more general one. I would just add one little footnote, that I do agree that these rules, a lot of the rules we are dealing with, I see it every day with medical devices, have to be changed. We are no longer competing in a vacuum in this country; we are competing against companies in other countries in Europe, for example, that may have just as safe a system but things go faster. Approvals get made quicker. They have found a way to do it, and we are better than Europe in other ways, as well. But I just think that we need to look at our whole regulatory system and make it work better.

But I want to focus more on the training today. So my question would be: This idea of when kids are in high school and they want to go into—they are trying to decide what to go into, how do you think we can better integrate our high schools with the two-year degrees and get more kids focused on these two-year degrees?

I know it works best on the community college level. Rochester, Minnesota, they say, oh, we need 20 new nurses at Mayo. So that community college trains those nurses. But how do you think we can do it better?

I guess we'll start with you, Dr. Holzer.

Dr. Holzer. Senator, I think we have really devalued high-quality career technical education in America, and I think that is very unfortunate. What we used to call "vocational education" is not necessarily what I have in mind.

What I am talking about is the career academies, apprenticeships. What I envision is a system where the kids who get that career technical education are not getting tracked out of college. They should come out with college-ready skills out of high school to prepare them for two-year or four-year. But also some career-ready credentials right now. And the career academies and high schools have been rigorously evaluated and are very, very effective at doing that, and many apprenticeship programs as well.

I think in our fear of tracking we have not effectively developed that, and we have focused too narrowly on four-year college as the necessary route for everybody.

I think the other thing, at the level of community colleges, I think sometimes we have too little information available to students at community college about what careers are in high demand. In fact, I have learned some of this from Ms. Furchtgott-Roth's papers with Lou Jacobson and others. Too little information, too little career counseling is available. And also, the incentives are not very strong on the institutions to be responsive.

Now you think of most community colleges in the country, they get the same subsidy per student from the state, regardless of whether that student is getting technical training or basket weaving. And maybe we need to realign the incentives, as well as the information, to make sure that those systems are better aligned with the demand side of the economy in those states.

Senator Klobuchar. So you would do something where the subsidy would be tied to, what, the graduating people that are getting jobs?

Dr. Holzer. Right. And I think you need to be careful because badly designed performance systems can do a lot of harm.

Senator Klobuchar. We were just dealing with this with some of the for-profit colleges. But how you do that is to direct those subsidies to actually getting results.

Dr. Holzer. Looking at the placement rates, the earnings, et cetera.

Senator Klobuchar. Okay. Does anyone want to add?

Mr. Painter. Senator, I would just add that in many places dual enrollment, where a young person can be in high school and can be taking college-level courses, has produced outstanding results, where students are—I was at a meeting last week, and someone was telling me about a project where the student actually walked across the stage to get their associate's degree before she walked across the stage later in the week to get her high school diploma.

I think there are examples of that throughout the country. I think one of the other things is that many Workforce Boards throughout the country have developed great expertise around labor market information, in part because they are pursuing sector strategies.

They are now working with the PK through 12 system and into the community colleges, and with them, so that students better understand what is the labor market that is happening in their region.

When I was in Pittsburgh, we actually did work with the Career and Tech Center in Allegheny County to look at what are the curricula that they are offering. What are the industries? What are the skill sets that are being required across the region to better align what it is they were doing, to what we saw as the labor market needs.

So I would agree. I think in the reauthorization version that we have seen, elevating the responsibility and charging, directly charging the Workforce Boards to provide that kind of labor market information and that kind of work with the PK–12 system is also a significant way that we can increase people's understanding of what are the options and opportunities in their regions.

Ms. Furchtgott-Roth. In our data from Florida where we looked at low-performing C students, we saw that if they got an AA or a community college degree in one of the health care professions, or a similarly high-return field, they were earning $45,000 a year after two years, or $60,000 after about seven years—$45,000 when they got out after their degree.

But if these same students started on four-year degrees, they were likely to drop out. And even at the end of the four-year degree, their salary would not be as high.

So the question is: Why aren't more of these kids going to these high-return fields? They need more advice. They need to be told: If you do this degree, then you would be able to get this job. They need advice on financial aid. And many of these kids come from families that cannot give them advice, and they don't have the proper guidance counselor.

If I could add one more point about the structural situation, it used to be when home values were high it would be easier for all these welders that Senator Klobuchar is talking to on C-Span to move to Minnesota. But for some of them, their homes have lost value, and it is much harder to sell houses right now. So mobility, geographic mobility has declined, and that is a structural problem.

Senator Klobuchar. Good point. Thank you.

Chairman Casey. Thank you, Senator Klobuchar. Congressman Duffy.

Representative Duffy. Thank you, Senator. Quickly, I have northwestern Wisconsin as my district. Our economy is based for the most part on farming and manufacturing. So manufacturing is a very significant part of what we do in central and northern Wisconsin.

When I'm talking to our manufacturers, I hear a couple of different things. I am hearing things about how there is a need to find skilled labor. And there is an issue of finding skilled labor that can address the needs that they have in their industries.

In addition to the uncertainty that you have all referenced, there is also the uncertainty that is coming from Washington. I am hearing all of these concerns coming from manufacturers and how this makes things more difficult for them to expand, and grow, and hire.

Getting to the points that we are talking about today with regard to education, if we were to point blame, if you want to call it "blame," on a certain sector, don't we want our education institutions to look to the manufacturing base to say what skills do you need? And then provide these educated kids that are coming to their institutions with the proper education? Where are we pointing the blame here, is basically my question, if there's blame to be thrown around?

Mr. Holzer.

Dr. Holzer. I would rather not throw blame, but frankly, I come from the world of higher education. It is not a system that is oriented towards industry, towards meeting industry needs. The liberal arts system, which often prepares undergraduates for further graduate study—and there are things to be said about that, because they get strong general skills—but you might think that our two-year colleges, and actually Wisconsin has one of the best technical college systems that is well-oriented towards industry. But so many of our community colleges do not think of themselves as institutions feeding industries and the labor market. They think of themselves as institutions of higher education, and their primary aspiration is to feed the four-year system with students.

So I don't know if I would blame them, but again I would prefer to see a set of incentives developed where they pay more attention to the industries in their states. As Mr. Painter said, the data are increasingly available, if people want to look at it, and the incentives could perhaps be realigned to encourage more of that.

Representative Duffy. And I've witnessed systems target education toward industry. Specifically, North Central Technical College in Wausau is one who reaches out to the manufacturing base and says: What needs do you have? How can we provide a program to our students that are going to meet the needs of your business?

And I guess I don't know that we need to provide more programs from government to encourage other institutions to target education to industrial jobs. Hopefully they would look at different states where technical colleges are successful and try to modify their programs or like the programs that are successful in other areas of the country.

Ms. Furchtgott-Roth. These community colleges can turn on a dime. They don't have the tenured professors. If people sign up for the courses, then frequently the courses are offered. But if they don't sign up for the courses, then it is difficult for community colleges to offer them. We need more information to get to these students and to young people saying, "If you want to be a welder, that is going to pay $60,000 a year." I think most kids don't know that.

There is, however, a problem with some community colleges turning away applicants for high-return fields such as nursing. They are overwhelmed with nursing students. And they cannot meet that demand. And that would be something that they need to look at.

Representative Duffy. And to that point, I hear some of my manufacturers say: Listen, you are driving in a certain quality of student into this field when we need some smarter, higher-educated kids to come into manufacturing because they are high-skill jobs.

I don't know if it is our high schools or our colleges not driving some of the better-performing students into these fields. Mr. Wetherington.

Mr. Wetherington. Yes. Your question was on blame. As a manufacturer and engineer, I like to think about root cause.

Representative Duffy. There you go.

Mr. Wetherington. And I don't——

Representative Duffy. Much better.

Mr. Wetherington [continuing]. It's a very complex problem, so I don't think there is one cause. But I am very encouraged that the question was raised about the supply side into the technical schools and the community colleges, and that being high schools.

We have gotten to a metrics system, as Dr. Holzer mentioned, a well-meaning metrics system that has driven our high school administrators to be totally measured on the number of students in GT programs, AP programs, and their performance in getting kids into four-year colleges.

Congressman Lipinski raised Germany as an example earlier today of a market that has not lost the skill set. They have not lost the manufacturing base. In Germany, it is a very desirable thing to go down that path of becoming a journeyman technical person that works in the welding industry, the electronics industry, the running CNC machines, being a tool and die maker. We have gotten to where there has been a stigma on the fact that, if you don't go to a four-year college, you are a failure, and that is really I think very fundamental in getting at the demand piece for what the junior colleges are teaching.

If people are coming to them and wanting the trades, they are going to offer that.

Representative Duffy. I yield back.

Chairman Casey. Thanks, Congressman. We will go to a second round now.

I wanted to go back to Mr. Painter to focus on an issue that I raised with regard to one of our community colleges, Westmoreland County. The grant that they received is focused on what is now basically a new industry in our state with the Marcellus Shale gas extraction, which is leading to a lot of job creation and really a new industry in addition to a new, relatively new, or at least new to Pennsylvania in great quantity, source of energy.

What you have is an emerging industry that is creating jobs, but one of the concerns in the job creation area is that it will be job creation but maybe not enough of a nexus to job creation strategies that start with or have their origin in what happens in a community college.

So this particular community college got a grant for a pilot program. I wanted to ask you about that in terms of the value of that, having a pilot program that is housed in a particular community college that is tied to a specific industry—in this case, hydraulic fracturing in the Marcellus Shale Region.

What is your sense of that? And how do you think that works as it relates to other communities and other pilot programs?

Mr. Painter. Let me say first that Westmoreland Community College is a very familiar institution for me, having come from Pittsburgh. Westmoreland Community College, along with the Westmoreland Fayette Workforce Board and my former Board at Three Rivers helped anchor an industry sector partnership around energy that included Workforce Boards from western Pennsylvania, eastern Ohio, and northern West Virginia.

So the grant was a collaborative effort of about six community colleges from three states, and about seven Workforce Boards from those same three states. So there was a lot of work that preceded that grant application around understanding the market, lots of employer engagement in terms of where were the occupations inside the energy industry. The Marcellus Shale Project, as you mentioned, is one that is emerging. Part of what is happening in Westmoreland County is a very strong partnership with Valerus, which is an oil and gas company out of Texas that is working in the Marcellus Shale Region in Pennsylvania. That is a project where the training is about four months. It is very specific to that industry, so the industry was involved in designing that curriculum that they are working on.

To the broader partnership with the community colleges, it is very essential. Community colleges are the favorite training place for the workforce development system. In part, as was mentioned earlier, they are very flexible; they can adapt programming. We can look at industry-recognized certifications, so they are a great partner for us to have in the system.

What we try to do at NAWB is to take those lessons that we are seeing from those pilot projects and, through both our annual forum and through workforceinvestmentworks.com, and other sites, is to help people understand that those kinds of promising practices are out there.

Westmoreland is not alone. Again, as I travel the country—which I do about 25 weeks a year—there are examples of where that has happened all over the country.

Chairman Casey. And I guess undergirding that kind of decision where you have a grant funding that is provided to a pilot program, what undergirds that I guess is a lot of intensive engagement between and among not just community colleges and employers but a lot of folks in a region. And you described it in southwestern Pennsylvania, even going beyond the state lines of southwestern Pennsylvania into other states.

Mr. Painter. It was, and part of that was, again, we believe that the Boards are very critical. Because when it takes a community looking at the different issues about having people prepared for learning, Workforce Boards working with the PK–12 system, working with community- and faith-based organizations, so that the community understands: here is the labor market we're in, and here is the potential. Workforce Boards work closely with economic development to understand where those investments are being made, so that again we look at the labor market as we see it. But also Boards increasingly are looking at the labor market to understand where are the skills going in the industry sectors that drive our economy.

So we're closely working with economic development, closely working with education.

Chairman Casey. Thanks very much. Vice Chairman Brady.

Vice Chairman Brady. Thank you, Chairman.

Is it cold in here, or is it me?

[Laughter.]

Chairman Casey. High level of air conditioning.

Vice Chairman Brady. I think we need to hand out Snuggies here lately.

[Laughter.]

And they have sleeves, so we will be able to continue to work. Is this Minnesota weather we've got here?

Senator Klobuchar. Budget cuts.

[Laughter.]

Vice Chairman Brady. I would like to thank the witnesses for pandering to our state interests. We appreciate it a great deal.

[Laughter.]

Vice Chairman Brady. Thank you for raising the issue of energy manufacturing. It's a major part of our economy. And while Washington likes to sort of play the blame game on U.S. energy companies, the truth of the matter is that in a huge part of the economy most of the work is done by independents—you know, smaller companies that have a big impact on our economy.

There is an industry, a manufacturing industry, where their workers are aging out. There is a great demand, continued demand, not just in the oil shale discoveries but in the traditional oil and natural gas, where the broad range of skills that are needed—not just the oil rig worker you're thinking about—but from R&D to technical skills, geophysical analysts, all that, really is remarkable. And we would miss a bet if we don't apply some job training resources to moving people into that field, which again is very high paying.

I wanted to ask each of you. Right now I am just not convinced we are doing the job training the way we ought to. The number of programs we have got, the eligibility requirements, the bureaucracy of it, the fact I do not think it is customer-driven like it ought to be, is a concern. I am convinced we can do better.

I would like to ask each of you, we had 8½ million people seek job-training services last year in America. About half of them got jobs over the next—or will get jobs over the next two years.

What is the one change we need to make in Washington to make those programs more successful? I will start with you, Mr. Painter. What is the one change you would make?

Mr. Painter. Thank you, Congressman. We would go back and say that local, business-led Workforce Investment Boards who are held responsible for strategically planning for the federal and state investments in workforce, and who are afforded the opportunity to have input into the planning for other funding, and have the results come back to the Boards. So that we can look at where the alignment and the coordination of these resources are happening for the best interest of job seekers and businesses in our regions.

Vice Chairman Brady. Can I tell you, at the local level, having served on one of those Boards, the feeling is just the opposite. You are living in deathly fear of not being within the boxes that are required from Washington. And, you know, if we can increase the amount that's generated from the local level and the feeling that they have that ownership, I think you're right that that would be helpful.

Mr. Wetherington.

Mr. Wetherington. Yes, I would say standardized, industry-recognized, industry-developed job skills credentialing would be very critical. So that not only do you get the customer's voice in what is needed, but then as a manufacturer when I am out in the job place looking to hire, I have got a credentialing that helps me to know that this guy is not just a welder. He is the welder I need for this job.

Vice Chairman Brady. Thank you. Thank you. Great idea.

Ms. Furchtgott-Roth. I would block-grant the funds and give them to individual states. We in Washington cannot tell what each of the 50 states need. They all have different needs. They should be able to set up their own systems at the state, or at the local level and figure out how to make the best use of the funds.

Vice Chairman Brady. Thank you.

Dr. Holzer. I would also target grants to the states to better integrate their education systems at the two-year and four-year level, their workforce development with their economic development.

There are a set of changes that can be made in WIA, simplifying the performance measures and supervising these industry credentials more. I don't think it can be done without resources, frankly. I think the resources right now are too low.

Vice Chairman Brady. On a scale of 1 to 10, with 10 being employer-driven, locally driven job training programs, where do we rate right now, would you guess? With 10 being what we ought to be doing?

Mr. Wetherington. The need, or what we have?

Vice Chairman Brady. What we have today.

Mr. Wetherington. A 2 or a 3.

Vice Chairman Brady. Thank you. Yield back, Mr. Chairman.

Chairman Casey. Thank you, Vice Chairman Brady. Senator Klobuchar.

Senator Klobuchar. Thank you very much. When I asked my open-ended question, I know, Mr. Wetherington, you were just dying to answer it. So if you wanted to add anything about this idea of how you integrate better the high school system with the technical colleges?

Mr. Wetherington. I have to admit that I hijacked Congressman Duffy's question a little——

Senator Klobuchar. I heard.

Mr. Wetherington [continuing]. Bit to get my answer in.

Senator Klobuchar. Okay. Good.

Mr. Wetherington. But I do appreciate that you recognized those ties between the starting earlier in that demand process.

Senator Klobuchar. Right. The other thing I wondered about, if any of you had any comments about, I'll raise briefly the equipment that these students train on. Because I have had several of our companies talk about how, you know, they are two or three years ahead. They end up donating sometimes, and how we could better incentivize that.

And then secondly, this idea—which I found captivating—of how the community colleges/technical colleges have changed how they view the world. Because I have found the ones most successful in our state, they literally view these businesses as their customers. And so not only do they ask them where they should be training, they actually go on site and train, or do it by video with these rural manufacturing companies. And so they train existing workforce on how to run the next computer system that is running the new assembly line at the paper mill. Because that was another thing I was struck by, by—I think was it your testimony, Ms. Furchtgott-Roth? So I wondered if you could comment on those two things: the equipment, and then also how you get the technical colleges to better fit this model that some of us have been talking about.

Mr. Wetherington. I can give a quick example. In my prior life, I was with General Electric. We opened up a new plant, and one of the things we did with the local community college was actually invested in putting equipment into that facility before we moved it into the plant.

We moved it into the community college so that we could do job training there, and actually running eight-hour shifts. So you even did work hardening, getting people ready to do that job on a regular basis.

So I think it is an example of where there is a partnership between the industry that needs the job, the local community college, and even the suppliers of the technologies themselves who are going to benefit from having end-users buy their equipment working together at a local level to make sure that they're firing rifle shots, not shotguns.

Ms. Furchtgott-Roth. And we unfortunately have a 75 percent graduation rate in high schools. If we could take some of these students who might otherwise drop out and put them into community college-type programs in 11th and 12th grade, some of them who might not want to study Excel spreadsheets in the classroom might want to do it if they are thinking about automobile parts on an assembly line. That might excite their interest more.

But again there does seem to be a bias against having students go into vocational education at that age. Even though we are willing to let them drop out of high school——

Senator Klobuchar. Right.

Ms. Furchtgott-Roth [continuing]. We are not willing to set up vocational education programs.

Senator Klobuchar. Didn't we use to have those? I mean, I remember in high school——

Ms. Furchtgott-Roth. Yes, we used to——

Senator Klobuchar [continuing]. In public high school in the suburbs, we had a number of kids that would go to votech training in their junior and senior years. And back then it was not nearly as technical and—based on what I've seen, it was mostly about repairing cars and things. And obviously it has gotten much more expansive than that.

And what happened? Did we stop doing that because we're afraid of the tracking? Is that what——

Ms. Furchtgott-Roth. Exactly. We are afraid of the tracking, but we do not seem to be afraid of 25 percent of high school students dropping out.

Senator Klobuchar. No, it does not make any sense.

Ms. Furchtgott-Roth. It is a national tragedy.

Senator Klobuchar. I agree. Dr. Holzer.

Dr. Holzer. Senator, I agree with these comments. But you asked about equipment, and what you often find is that, in some of the high-demand fields like health technology, the equipment is expensive, and the instructors are expensive, more so than in a lot of the other fields.

So again it is a resource issue that community colleges, who are very cash-constrained and facing a lot of different pressures right now, they do not face the incentives, and they do not have the resources to invest in the higher-cost structures and the higher-cost equipment right now.

And again, students who are trying to take the health tech classes, or the nursing classes, and the classes are oversubscribed. The institutions do not have the resources or the incentives to expand capacity in those areas because it is expensive to do.

So again, unless we either provide more resources or create a set of incentives for the community colleges to spend their money that way, I don't think that they have a particular interest in doing that. And so we have to look at the resource needs and the incentives to invest in capacity in these areas.

Mr. Painter. Senator, I would simply say that I think part of this issue is not even a federal issue. It is that community colleges in many cases are funded under formulas of one-third student/one-third local/one-third state, or some combination of that. And in many cases, or in some cases what is reimbursed is higher for academic than it is for what we are talking about here today for workforce development skills.

So I think we have a long way to go to convince people of the perception that this is not, you know, our fathers' votech; this is in many cases a very sophisticated system that students are running into. And I think you have examples of some schools where they have kind of turned a corner by adding courses like robotics, adding courses like engineering as part of not their academic program, but as part of their vocational program, to point out that these programs do require higher-level academic skill sets.

And I think there has been good research that shows students who come through those two years of vocational education do very successfully when they go on to college. So I think we need to tell people more of that. They need to hear more of that.

Senator Klobuchar. Well they also can be successful with their degree, I mean from what I've seen in some of these places.

Mr. Painter. Absolutely. We work with a local high school that did Cisco Certification, and those students graduated from high school, no postsecondary, and successfully went into the labor market.

Senator Klobuchar. Exactly. All right, thank you very much.

Chairman Casey. Thank you, Senator. Congressman.

Representative Duffy. Thank you, Senator. I think it is pretty clear we are under immense competition from around the world, right? India, China, Vietnam, Mexico. And we want to maintain a great level of payment to our folks who are working in our manufacturing industries.

Is it fair to say that the best way we do that is to make sure that our manufacturing base is the most educated, smartest, most productive base in the world? And if you look at what we are doing here in America, as opposed to the previous mention to Germany in the past and other industrialized nations that have good-paying jobs, how are they doing it different than we are? Are they more successful than we are in marrying out the skilled labor force to the jobs market?

To anyone on the panel.

Dr. Holzer. Well I think Germany does have a system of a strong apprenticeship system, a strong system of technical education that is more industry-oriented. A couple of others, as a matter of fact. I think frankly students coming out of the equivalent of their K–12 system probably come out on average with stronger basic skills. And you do need a solid base of basic reading and writing skills to be able to handle some of this more technical training.

So I think, especially if we look at the bottom quartile of our students, they often do not have that base of solid—and again I am not talking about algebra 2. Too many states have worried about algebra 2. The issue is not algebra 2. It is solid basics of reading, writing, and communicating. So I think that is one area where we fall behind.

But, secondly, some of these places like Germany are not scared of having a strong technical system at the secondary and post-secondary level, a strong apprenticeship system, and they are not so narrowly focusing on higher ed the way we do here.

Representative Duffy. Do you guys agree with that?

Ms. Furchtgott-Roth. Well I would also like to say that we have many regulations here that they do not have in some of these other countries. And if we look at where manufacturing is increasing, in China, you know that if Boeing had moved its plant to China then the NLRB would not have been able to go and close it down.

Foreign companies are drilling for oil right over our side of the line off the coast of Florida. There is a Sino-Cuban oil drilling operation. China is importing our coal. We exported about 80 million tons of coal last year. China is buying our corn. And they do not have many, many of these regulations that our manufacturers have to comply with.

We need to think about making our country the most business-friendly place to operate.

Representative Duffy. And to that point, there was a recent study that came out of the National Association of Manufacturers that indicated that it is 18 percent more expensive to manufacture in America, even after you take out the labor costs. And I think that goes to your point that our regulation side is so much higher than other parts of the world.

And that does not mean that we do not want to have clean air and clean water, but when it is so much greater than other countries it creates a drag. Is that fair to say?

Ms. Furchtgott-Roth. Yes, that is absolutely right. And Boeing, for example, is going to have to go through two years of litigation to find out whether it will be able to keep its plant in South Carolina. The Kauffman Foundation just brought out a 400-page volume called Rules for Growth, showing different ways that litigation is reducing our GDP growth, the ways that that can change relatively costlessly to enable us to create more high-growth companies.

Representative Duffy. And I think you made the point earlier where if Boeing was going to leave Washington State and go to China, the NLRB cannot do anything about it.

Ms. Furchtgott-Roth. Exactly. And Boeing would not be involved in two years of litigation, costing millions of dollars.

Representative Duffy. But they moved to one of the other 49 states, and here they are tied up in two years of litigation. And I find it interesting that we do not see businesses leaving right-to-work states, like Georgia, Tennessee, South Carolina, and Texas, and going to our heavily unionized states. We actually see the reverse happening. We see, you know, the heavily unionized states seeing a loss of their manufacturing base going to right-to-work states because it seems to be more competitive. Is that a fair statement?

Ms. Furchtgott-Roth. Yes. That is a fact. The 2010 Census shows the movement of Americans also, not just jobs, but Americans following jobs from the unionized states to the right-to-work states. That is why right-to-work states are going to be picking up more Congressional seats.

Dr. Holzer. I have to disagree. Let's be honest. We have the private-sector workforce unionization in the United States now at 7 percent.

It has dropped from 35 percent back in the 1950s, and to somehow argue that the 7 percent unionization rate is responsible for declining manufacturing employment doesn't make sense. Frankly if you compare it to Germany, we all agree that Germany has been much more successful at maintaining its manufacturing base and the rate of unionization there is much higher.

Many of the regulations protecting workers in Germany are higher than here, so I think sometimes we are whipping a horse that's already dead—not completely dead, but that has shrunk dramatically in size.

And I think if you look at the pressure American manufacturing is under compared to the trends in unionization, they move in fairly opposite directions.

Representative Duffy. Can I just have 30 more seconds?

Chairman Casey. Yes.

Representative Duffy. If you look at the facts, though, we are seeing our manufacturing base leave the Michigans, New Yorks, Ohios, and Pennsylvanias and truly are going to right-to-work states. If it is not the union issue, what do you attribute that to?

Dr. Holzer. I think those manufacturers may prefer—yes, so we are having a shell game. And when you set up a situation like that, sure, they would prefer the lower costs. But when you do a fair analysis across countries, we have all lauded the wonderful German system. Germany has higher rates of unionization than the United States and does not have particularly lower regulations.

So I think, frankly, you know, we can talk about the Boeing case, but that is a tiny part. That is one case. We have lost millions and millions of manufacturing jobs, and I do not think we can attribute that nationwide—not a shifting from Michigan to South Carolina—nationwide, and I simply do not think we can blame that on unionization.

Representative Duffy. But is it one case that has a truly chilling effect on the whole manufacturing industry as a whole, as a test case, that manufacturers have to consider where they set up shop because of this new rule?

Dr. Holzer. Again, I would argue when you look at the long decline in manufacturing in the United States, at a time when unions have been declining, you simply cannot explain the decline in manufacturing employment with the trends in unionization. It simply does not work.

Mr. Wetherington. But it is a bit like handing a man who is drowning a 100-pound weight. It certainly is not helping the process. And I think the issues of regulatory predictability, more than anything else, is really the key for manufacturing.

Manufacturers are resilient. We can figure out how to get it done, but we need to know what the landscape is going to be. But with constantly shifting regulatory landscape, manufacturers are hesitant to invest in growth here.

Representative Duffy. Thank you. I would yield back.

Chairman Casey. Thanks, Congressman. Sometimes it is good to let the time go by a little bit. That was a good debate, and I would put myself in Dr. Holzer's side of that debate, for the record, if anyone would be surprised to know.

Dr. Holzer, I wanted to go back to a point you made earlier. I do not have a sense of what you would say about this link I will make, or this connection I will make. You talked before about we often have trouble with linking or coordinating programs. And one of the urgent problems we have in the country now is not just unemployment, more than 14 million people out of work, but the long-term number is above six, I am told, somewhere in the 44 percent of those unemployed.

In other words, long-term out of work six months or longer. So it is a horrific problem and a nightmare for individual workers and their family. And one of the casualties of that of course are children.

Do you have any thoughts you have on making that kind of a link or coordination where you have strategies, workforce strategies, to get people into the workforce, or job creation incentives to get people to find a job? Sometimes it's not coordinated well with other aspects of either federal or state government investment.

I am thinking about Head Start, or programs like that. Is there a way to, or should we figure out or strategize in a way so that you are linking programs that will help a child with programs that are focused on the long-term unemployed of a particular adult in that family? Any thoughts you have on that?

Dr. Holzer. I am not sure how those need to be coordinated. I agree with you that children in the families where the heads of the households that have become permanently dislocated from their jobs, those children do often suffer. And there is strong research evidence that shows that their own educational attainment suffers later. The stress on the family hurts them.

So I think we need to be mindful of that and to have a set of supports in the schools for those children. There is a separate issue about what we do for their long-term unemployed parents, and they are going to have a harder time getting back in the workforce.

I think, until job creation picks up a little bit and we have a better sense of where the growth is going to be, we have to sort of help the local Workforce Boards and the local one-stops to again better anticipate where those jobs are going to be and see where they can help place some of these long-term unemployed—depending on the skill sets that they themselves bring in. So it is a little hard to predict that in advance right now, but I think it is something that the Workforce Boards and the one-stops have to be cognizant of that it is going to be an important issue, just given the numbers you cited.

Chairman Casey. Well I am grateful. I know we are out of time, and we are little bit over—not too much over—but I want to thank each of our witnesses for your testimony. As I mentioned before, your full testimony will be made part of the record. And of course if you wanted to supplement it with further testimony or information, you can certainly do that.

The record will be open as well for members of the Committee to submit questions. We will try not to burden you with too many extra questions that you answer in writing, but if members of the Committee want to submit either testimony—I should say statements, or questions, we can do that. And unless my staff tells me I have not done anything or I missed something, we will stand adjourned. Thank you very much.

[Whereupon, at 12:02 p.m., the committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF REPRESENTATIVE DANIEL LIPINSKI

Chairman Casey, Vice Chairman Brady, members of the committee, thank you for inviting me to testify at today's hearing.

Americans need jobs. This fact was emphasized once again last Friday with the release of June's unemployment numbers. And Americans are asking: "Where are these jobs going to come from?" While some believe America can no longer compete in manufacturing, I say robust job creation *can* and *must* come from manufacturing—from what we think of as traditional manufacturing, such as Northstar Aerospace in Bedford Park, Illinois, that makes parts for the Apache helicopter, to Advanced Diamond Technologies in Romeoville, Illinois, that makes coatings for artificial heart valves. Manufacturing in all its forms is critical for America's economic future and for our national defense.

So how do we get there? One piece is clearly workforce training. It is simply not the case that when a manufacturer is ready to create a new position there will be an American ready to start the job. I constantly hear from manufacturers in my district, which has a long and proud history of small manufacturers, that they are having an increasingly difficult time finding qualified workers. This is true for all types of manufacturing—from steel to nanotechnology. If there is no qualified worker, there is no new job.

This dynamic creates the need for a two-pronged approach to worker training and workforce development: one that is focused on improving our K–12 education system so that students have the necessary basic skills for the jobs of today and tomorrow and the other focused on posthigh school training and retraining that improve the skill sets of workers.

One way to identify and devote the necessary resources for the nation's manufacturing workforce is through the development of a national manufacturing strategy, something that this committee explored in a hearing last month. HR 1366, my National Manufacturing Strategy Act, would require government and private sector stakeholders to assess the current state of American manufacturing, look at future technologies and economic challenges, and develop a plan for keeping America's industry competitive. Manufacturing strategies can work in high-wage free market democracies; just ask Germany which runs a robust trade surplus.

But of course, we cannot await a national strategy to address the workforce needs that our nation currently faces.

In grades K–12, students must be better educated in Science, Technology, Engineering, and Math, commonly known as the STEM fields. We all have heard countless times how American students are falling behind others around the world. Provisions of the America COMPETES Act, along with its reauthorization which I helped author and pass last year, seek to improve STEM ed by calling for a wide range of initiatives, including better teacher training and hands-on learning at National Laboratories, to boost interest and improve education in STEM fields at all levels. Private industry has also gotten involved. Abbott Labs has invested more than $25 million over the last 5 years to support programs from early elementary to college that advance STEM education. In classrooms, museums, and after-school programs, these investments are tailored to build a workforce prepared for the increasingly technical job market.

At the posthigh school level, training and retraining initiatives can produce workers capable of filling the growing number of highly technical manufacturing jobs. In June, President Obama expanded the Skills for America's Future program to increase partnerships between manufacturing companies and community colleges. This initiative will establish a standardized credentialing system, certifying community college students with industry-recognized credentials and making it easier for employers to find potential employees.

The America COMPETES Act reauthorization also included a provision to implement grants aimed at expanding education and training in advanced manufacturing at community colleges and requires Manufacturing Extension Partnership Centers to inform colleges of the skill areas manufacturers need so students are prepared to join the workforce upon graduation.

American industry has also been a leader and innovator when it comes to workforce development at the posthigh school level. One example is the Steelworker for the Future initiative, a public-private partnership including ArcelorMittal, the United Steelworkers, and community colleges, which will pay for students to receive the technical training necessary to fill highly skilled positions throughout the nation. Not only does this program develop the skills necessary for sustaining the increasingly high-tech steel workforce, it also helps grow interest in manufacturing jobs.

But we cannot rely on the private sector alone to make the investments and develop the programs that will ensure that the United States has the skilled workforce our economy needs. Through smart investments, incentives, and well-designed programs, we must continue to support workers gaining, sustaining, and improving the skills necessary to support American manufacturing success.

I am convinced that if we do not make a concerted effort to produce the workforce needed by manufacturers that it will mean nothing less than giving up on much of the middle class, throwing in the towel on "Made in the USA," and accepting that everything we buy—even equipment needed for national security—will be made somewhere else. We cannot allow this to happen.

PREPARED STATEMENT OF REPRESENTATIVE KEVIN BRADY, VICE CHAIRMAN, JOINT ECONOMIC COMMITTEE

I am pleased that Chairman Casey convened this hearing on job training and manufacturing.

Manufacturing in the United States has changed dramatically over the last 60 years. Low-tech, labor-intensive goods such as apparel, shoes, sporting goods, and toys that were once made in America are now imported, while U.S. manufacturers export high-tech, capital-intensive goods to the rest of the world.

Computer-driven machinery has replaced routine labor in manufacturing. This has boosted productivity growth, averaging 2.9 percent a year. What took 1,000 workers to manufacture in 1950 now takes only 184 workers. Consequently, manufacturing jobs as a share of total nonfarm jobs have declined from 30.6 percent in 1950 to 8.9 percent in 2010.

Six decades ago, a high school dropout with no special skills could get a job on an assembly line, work hard, and over time enter the middle class. Today, a job in manufacturing demands special skills and may even require a college degree.

The changing nature of manufacturing demonstrates the importance of job training for the success of both America's manufacturers and their workers. Congress enacted the Workforce Investment Act in 1998 to consolidate the federal government's fragmented job training system into a coherent one-stop system that could serve the needs of employers and workers.

However, the Government Accountability Office (GAO) found continuing fragmentation, overlap, and potential duplication in job training programs run by multiple federal agencies. For fiscal year 2009, the GAO found 47 federally funded job training programs administered across nine agencies. Almost all of those programs overlap with other programs in the provision of similar services but with differences in eligibility, objectives, and service delivery.

In addition to costly duplication, federal job training programs do not necessarily serve their purpose well either for those seeking jobs or workers seeking retraining. Job training programs that work best are employer-driven, not bureaucracy-driven. Manufacturers know what skills employees need to succeed better than bureaucrats.

The Senate will soon be reconsidering the Workforce Investment Act. Congress has an opportunity to consolidate and reform existing federal job training programs and to improve their value for U.S. taxpayers. I urge Republicans and Democrats in both Houses of Congress to seize this opportunity.

However, the best job training programs are meaningless if there are no jobs available for their graduates. The Employment Situation Report for June, which was released last Friday, confirms that the economic policies of President Obama and Congressional Democrats are failing to revive our moribund economy and create jobs—manufacturing or otherwise.

By the Obama Administration's own standards, its stimulus plan has failed to create jobs. According to the June report, the United States still has 6.5 million fewer payroll jobs than promised, and June's unemployment rate of 9.2 percent is far above the promised 6.7 percent.

History demonstrates that business investment in new buildings, equipment, and software, not federal spending, drives the creation of new payroll jobs. U.S. businesses are sitting on nearly $2 trillion that they could invest here at home to create jobs for American workers, but they are refusing to do so.

Why does American capital seem to be "on strike"? The answer is that the Administration's economic policies keep businesses guessing what onerous burdens await them. As several Texas businessmen have told me, "Predicting market conditions is what we do for a living, but predicting what the President and Congress may do—forget it!"

It now is widely understood that excessive federal spending, budget deficits, and debt accumulation mortgage our economic future and increase uncertainty over the size and form of future tax increases. However, we also have a regulatory explosion under President Obama that thwarts business expansion and increases uncertainty.

Here are just a few examples of regulatory excesses that discourage job creation:

- The State Department's failure to issue a construction permit for the Keystone XL pipeline from Canada, a project estimated to create over 13,000 high-wage manufacturing and construction jobs in 2011–2012 across the country, stimulating significant additional economic activity.
- The Administration's moratorium on and subsequent slow rolling of permits for deep-water oil exploration and development;
- The EPA's proposed regulations on greenhouse gas emissions; and
- The National Labor Relations Board's unprecedented actions against Boeing for locating one of its manufacturing facilities in South Carolina.

While solving our fiscal problems requires congressional action, President Obama could end his regulatory onslaught on American business on his own and without delay. If President Obama is serious about relieving unemployment, he should act now to reverse his Administration's confidence-shattering, job-destroying regulatory policies.

I look forward to hearing the testimony of today's witnesses.

Joint Economic Committee
Hearing on Manufacturing in the United States: Training America's Workforce
July 12, 2012
Written testimony of Ronald D. Painter, CEO, National Association of Workforce Investment Boards (NAWB)

Introduction

On behalf of the National Association of Workforce Boards (NAWB), I am pleased to submit the following written testimony to the Joint Economic Committee. NAWB is comprised of our nation's business majority, locally led, workforce investment boards (WIB's) that are charged with developing workforce related policies and strategies to help meet the current and future needs of both employers and jobseekers in their local and regional economies. NAWB's national board, Chaired by Laurie Moran, Executive Director of the Danville-Pittsylvania VA Chamber of Commerce, includes both large employers such as Microsoft, Boeing, and Ford Motor Company's Fund, and as well as small employers such as manufacturers, financial planners, community banking, education, and AFL-CIO councils.

Nationally, there are over 550 local WIB's, with each state also having a state workforce investment board. These boards are required to be both business majority and have a business chair. The business community clearly finds WIB's to be of value to their local communities, as over 12,000 employers volunteer their time to serve of local and state WIB's.

The vast majorities of these local WIB members are small employers and reflect the local/regional labor markets the WIBs oversee. While these volunteer business leaders represent all the sectors of the economy, they have one common bond, putting Americans back to work and helping employers compete. They help meet the needs of business through local labor market analyses to better understand the demands and trends in the market and communicate their findings to policy makers, employers, training providers, and job seekers to prepare their workforce for the skills needs of their local and regional economies.

Certainly the employment report issued on Friday July 8th gives us an indication that we are in the midst of a long term employment crisis which will not be quickly remedied. I believe the Workforce Investment Act (WIA) is an important piece in our long term recovery by addressing the mismatch between the skills needs of employers and current skills in our workforce by providing our workers with the employment related services and training they need to help employers grow and compete globally.

How is WIA helping in the current economy?

Despite at best stagnant overall funding over the past ten years, our nation's workforce development system is a tremendous success story, assisting an unprecedented number of jobseekers. This past year, we experienced a 234% increase in participation rates in WIA programs over just two years ago. Over 8 million individuals were served through Title I programs alone and despite a ratio for job seeker to job vacancy of over 4:1, over half of the

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jobseekers who utilized WIA services, more than 4 million individuals, were placed in employment.

A number of states have also done their own Return-on-Investment analyses of their WIA funding and found rates of return ranging from a low $1.52 to a high of over $3.50 per federal dollar invested. Additional work in Texas, which integrates all funding through the Texas Workforce Commission and the local WIB system, suggests that the payback for the Federal investment is less than 8.5yrs.[1]

WIBs have increasingly adopted a sectoral approach, targeting their limited funding by identifying the industries with the strongest upcoming need for skilled workers and overall potential for growth and training their workforce to meet these demands. Some states have supported these initiatives with funds beyond WIA. In Pennsylvania, the Commonwealth funded not only training in some of the sectors, but also funded the organizing these sector conversations, a critical function in better understanding the industry needs for economic development and workforce development.

What have been the results of this sectoral approach? Two examples come to mind. In Pennsylvania, manufacturing employers in the Berks County region were losing their skilled industrial maintenance workers to retirement, and there was an inadequate "pipeline" of new entrants. In addition, the job requirements were shifting, requiring cross-trained technicians that had more advanced technical skills. The employers partnered with Reading Area Community College (RACC), secondary career and technology centers, and the Berks and Lancaster County Workforce Investment Boards to address the need for workers skilled in "mechatronics" - a high-tech job that combines mechanical, electrical and controls engineering with computer science.

Driven by input from prior employer partnerships with employers in a variety of fields, the Berks and Lancaster Workforce Investment Boards teamed with RACC, to develop and offer an advanced manufacturing integrated systems technician certification program. More than 400 workers earned certification in mechatronics through this collaborative effort. The initiative expanded to include an associate degree program at RACC. Graduates of the associate degree program now also have the opportunity to transfer credits to one of three baccalaureate programs: Electromechanical Engineering Technology at Penn State Berks; Mechatronics Engineering Technology at Purdue Calumet in Hammond, Ind.; or Industrial Technology at California University of Pennsylvania.

In Illinois, Joule Technologies is a small manufacturing company in McHenry County Illinois, struggling to keep its employees' skills competitive in the market. Joule received an Incumbent Worker Training Grant from the McHenry County Workforce Network to update its current employees' skills, resulting in the company's shut down for three days toy focus on extensive on-site training in Lean Enterprise. This funding provided Joule with the opportunity to completely restructure its production processes and philosophies, resulting in reduced lead times for their products by 60%, increased their on-time delivery by 94.5% and reduced customer returns by over 80%. Their workforce is confident and is now taking ownership over their

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[1] Smith, King and Schroeder. (May 2011) Local Investments in Workforce Development: 2011 Evaluation Update. Austin: Ray Marshall Center

products and customer relationships in a way that they could not have imagined twelve months ago.

The need to reauthorize federal job training programs

The Federal involvement in the skills of our nation's workforce has a long history dating back to the 1860's and the Morrill Act[2] that created land grant colleges. In that era, business was concerned with to train large numbers of people who had been farmers, but were now needed to man the growing factories in the war effort. Michigan State University being the nation's first and Pennsylvania State University the second. Later Congress created the nation's cooperative extension system to help disseminate the knowledge gained through the land-grant colleges to the farmers and others in rural America.

The Federal involvement in workforce programming has been historically bipartisan as exemplified by the current eighteen (18) month dialogue led by Senators Murray, Harkin, and Enzi that has recently produced the Workforce Investment Act of 2011 now being considered in the HELP Committee. Before this current discussion, Senators Kennedy, Jeffords, Quayle and Hatch provided evidence that federal investments in workforce development can be a bi-partisan issue in which the principles of our nation's competitiveness rests on healthy businesses, whose foundation is a skilled workforce. I am hoping that we can achieve that same spirit in re-authorizing the Workforce Investment Act this year.

WIA was enacted in 1998 in a very different economy than we are experiencing today. One major indicator of that change is that of the unemployment rate. In June 1998 the unemployment rate as 4.5%, less than half of today's 9.2% unemployment rate down from June 2010's rate of 9.5%. While many economists indicate the recession ended last year, jobs are in the decade of the 2000's is growing at only 1/2 the historical rate of previous decades.[3]

Recognizing these significant changes in the economy, NAWB is very appreciative of the HELP Committee's effort to reauthorize WIA, which is the umbrella job training law that is clearly charged with the bulwark of career planning and employment related assistance for the US labor force, especially in these difficult times. WIA provides far more than job training programs alone, it also includes a range of employment related services to help put jobseekers back to work who need some guidance, but not training, to regain employment. The HELP Committee's bipartisan discussion draft makes a host of changes to improve the effectiveness and efficiency of the workforce system and we hope this legislation will be swiftly adopted.

[2] The Morrill Act of 1862 7 USC § 301 The purpose of the land-grant colleges was, without excluding other scientific and classical studies and including military tactic, to teach such branches of learning as are related to agriculture and the mechanic arts, in such manner as the legislatures of the States may respectively prescribe, in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life

[3] McKinsey Global Institute - An economy that works: Job creation and America's future, June 2011(pg. 19) with data source: US Bureau of Economic Analysis; US Bureau of Labor Statistics

WIA funding at continued risk

This year, we have seen an unprecedented assault of funding for workforce programs. The House passed HR 1 would have eliminated funding for all WIA formula funded programs, providing no place for the 8 million jobseekers who utilized WIA services this past year to turn for assistance. While the FY 10 agreement did not end up eliminating funding for WIA, it did cut funding for formula programs relied on by states and localities around the nation to help employers and jobseekers in need.

However, the current outlook for WIA funding in FY 12 looks bleak as well, as the Labor-HHS Appropriations bill will need to cut at least $18 million below current levels and nearly $30 billion when funding necessary to continue current funding for Pell grants is included.

The impact of some of the reductions to the workforce system are already being felt. Despite this being the worst summer for youth employment since World War II, with only three of ten young people expected to find employment, this is the first summer in the past three years when no additional federal funding for summer employment was available. These programs, which assisted nearly 300,000 at risk youth in the summer of 2009 alone, provide many youth with their first exposure to an employment environment and the opportunity for increased educational enrichment.

These programs should be viewed as investments– not costs. More than 7,000 young people a day leave education - - approximately 1 million per year. To re-engage these young people, we must provide them the skills they need to be productive in the labor market, which is an enormous task that must be grounded in labor market data that connects their interests and their training to the labor market. This is a challenge that can be lead by WIBs and will most certainly involve employers, educators, and communities – but has to happen locally, rather in Washington.

WIBs leveraging funds to further assist employers and jobseekers

While WIA funding is an absolute imperative investment in our workforce, many WIB's also access other funding streams to help pay for occupational training. WIBs and one-stops by necessity have broadened their funding sources and their knowledge of financial aid to help the jobseekers who come to the workforce system for help and guidance.

Pell grants are one of the most important funding resources and help thousands of people building upon their current skills or developing market-level skills, the one-stops are where they learn about financial aid and how to apply. Well over 50% of the WIBs also provide counseling and assistance in sources of and applying for financial aid. WIBs leverage over $5 billion in Pell funding on behalf of America's businesses in our pursuit the world's most competitive labor force.

TAA is also a critical component of funding skill training that WIBs rely on the local level to meet the need and demand for skill training. Our research tells us that TAA participants are often at the lower end of the market in terms of education & training, so the more generous set of

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benefits TAA impacted workers receive helps retain the worker in training and cover the cost of the more advanced learning often required for them to re-enter the labor market.

Some states have also consolidated through state law their entire workforce related programs under the authority of the WIB's. In Texas, local WIB's received the fiscal and administrative responsibility for planning, oversight and evaluation of all public employment programs. Texas WIBs focus on customer engagement – business and job seeker, streamlined service access and continuous improvement all so that job seekers can transition from using taxes to paying taxes and businesses find the workers they need to increase production and profitability.

NAWB and the nation's workforce investment system are on the front lines of helping America's businesses access a labor force with the skills to make them competitive globally through skills training and employment related assistance. If you would like to learn more about the system, the internet can take you to; WorkforceInvestmentWorks.com which is a compilation of stories from every state in the US about the impact your investment in workforce is making.

Thank you for your consideration of my remarks.

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NATIONAL ASSOCIATION OF
Manufacturers

Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Chuck Wetherington
President
BTE Technologies
on behalf of National Association of Manufacturers

before the Joint Economic Committee

on Manufacturing in the USA: Training America's Workforce

July 12, 2011

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COMMENTS OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

BEFORE THE

JOINT ECONOMIC COMMITTEE

JULY 12, 2011

Chairman Casey, Vice Chairman Brady and members of the Committee, thank you for the opportunity to testify on behalf of the National Association of Manufacturers (NAM) at this Joint Economic Committee hearing on labor and job training.

My name is Chuck Wetherington, and I am the president of BTE Technologies, based in Hanover, Maryland. BTE Technologies is widely regarded as the leading provider of advanced solutions for physical testing and rehabilitation. My company's advanced physical therapy, occupational therapy and athletic training equipment improves clinical decision-making, generates measurable outcomes and enhances the success of the modern orthopaedic hospital, physiotherapy clinic, occupational therapy practice and athletic training facility.

We proudly manufacture our products in Maryland, and export them to 40 countries worldwide, including 9 of the 10 countries where the U.S. has the largest negative trade balance. In addition, BTE Technologies' Employer Payer Services provide large employers and insurers with programmatic solutions that drive down the cost of injury and disability in the workplace. With pre-hire testing programs and functional capacity evaluation, we help prevent injuries in the workplace, which saves our clients millions of dollars a year and keeps workers on the job. If an injury does occur, BTE's post-injury evaluation and expert management of functional recovery expedite employees' safe and cost effective return to function and the workforce.

I am pleased to testify on behalf of the NAM today. The NAM is the nation's largest manufacturing trade association, representing manufacturers in every industrial sector and in all 50 states. Manufacturing has a presence in every single congressional district providing good, high-paying jobs.

The NAM appreciates Congress and the Administration's bicameral, bipartisan recent discussions on manufacturing policy. To assist policymakers in understanding what manufacturers need to remain competitive in the global marketplace and create jobs, the NAM developed its "Manufacturing Strategy for Jobs and a Competitive America." The Strategy makes the case for a broader, more far-reaching and strategic approach toward manufacturing to help ensure that the United States will be:

- The best country in the world to headquarter a company and attract foreign investment;

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- The best country in the world to innovate and perform the bulk of a company's global research and development; and
- A great place to manufacture, both to meet the needs of the American market and to serve as an export platform for the world.

This strategy also lays out specific policies to encourage the dynamic labor market that is one of America's great competitive advantages. Companies must move quickly to meet the demands of a rapidly changing marketplace, and the continuing expansion and shifting sands of federal mandates and labor regulations undermines employer flexibility. In addition, increasing costs discourage investment in our businesses, including the hiring of new employees.

I strongly urge the Committee to support the NAM's Strategy to address many of the challenges faced by manufacturers and the broader U.S. economy.

Job Training

The NAM is encouraged by the Senate Health, Education, Labor and Policy Committee's recent release of a draft version of a reauthorization of the Workforce Investment Act (WIA). The draft is the result of over two years of bipartisan negotiations to update programs contained under the WIA, which have not been updated since 1998. With advancements in technology and the current state of our economy, the WIA is overdue for reauthorization, and the Committee's work represents an important first step in improving and strengthening employment, education, training and vocational rehabilitation services in our country.

One of the key issues for manufacturers is the need for a skilled workforce. Manufacturers have applauded President Obama for his support of partnerships between manufacturers and community colleges to make manufacturing credentials available nationwide and help close the skills gap. The NAM encourages the Senate to refine the draft WIA reauthorization to promote and emphasize the adoption of portable, industry-recognized skills credentials within the legislation as well as other workforce development programs. Manufacturers need access to the right workers with the right skills. Efficient training programs that are responsive to the needs of employers are critical improvements to programs such as the WIA and will help create a skilled workforce ready for the future.

However, the economy as a whole needs to grow in order for manufacturers to create new jobs and fill those currently available. We need to look more broadly at the factors impeding job growth.

Regulations

Manufacturers across the United States face considerable uncertainty that stifles economic growth and discourages hiring. In addition to laws, there are often scores of burdensome regulations that impose substantial compliance costs – burdens often never anticipated by the lawmakers who passed the legislation.

Recent actions by the National Labor Relations Board (NLRB), the Department of Labor and the Occupational Safety and Health Administration (OSHA) are of particular

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concern to employers and will impact their willingness to make capital investments and create jobs here in America.

In April, the NLRB filed a complaint against the Boeing Company for expanding operations to South Carolina, where the company has invested $1 billion and created over 1,000 jobs. The NLRB's effort to dictate where companies can locate new facilities and create jobs will have a chilling effect on decision-making.

The NAM recently sent an e-mail poll to its members about the impact the NLRB's complaint and other actions by the Board will have on their capital expenditures and hiring. The survey asked, "Would this complaint and other recent NLRB actions negatively impact your ability to grow jobs?" The results of the survey should get everyone's attention. Of the more than 1,000 members who responded, nearly 69 percent responded yes, 18 percent responded no and 13 percent were not sure. Clearly, manufacturers are watching what the NLRB is doing and waiting to make decisions based on the outcome of proposed regulations, case decisions and legal actions.

On June 20, the Department of Labor announced it is proposing new regulations on the disclosure of so-called "persuader activity of employers," which will cause employers to second-guess whether they should contact a lawyer or labor relations consultant when faced with a unionization effort. This would be particularly concerning to smaller-sized manufacturers who often rely on the counsel of outside attorneys to comply with current law. The very next day, the NLRB announced its intent to speed up the process of union certification elections to as little as 10-14 days from the time an election petition is filed. Equally as troubling, the Board is proposing to severely restrict, delay or take away certain due process rights of employers undergoing certification elections. These two actions, while supposedly independent of each other, constitute the most radical change in union certification elections in 75 years.

Businesses also are concerned about some of the cases the NLRB is considering. One case, *Specialty Healthcare*, will significantly alter the long-established concept of "community of interest" as it relates to the bargaining unit. To put it succinctly, by changing the community of interest doctrine, organizers will be able to cherry-pick small groups of employees for certification and subject employers to the prospect of negotiating with a multitude of unions, all of which would have the capability of making operations nearly impossible.

OSHA has also taken an aggressive posture in recent years by essentially gutting compliance assistance programs and engaging in enforcement tactics which only serve to penalize employers rather than create safer workplaces. In addition, OSHA has proposed regulations and sub-regulatory actions that add costs to employers while achieving little to no benefit in workplace safety. We are pleased that OSHA announced the withdrawal of some of its proposed actions, but we remain concerned that significant, costly regulations are just around the corner.

Another issue of great importance to my company is the 510(k) process, which is an abbreviated approval method used by the Food and Drug Administration (FDA) to approve devices based on previously approved devices. Last year, the FDA suggested potential changes to the 510(k) process that would have devastated companies like mine by forcing us to go through a lengthy and costly pre-market application process that would stifle innovation and limit the availability of the best technologies for U.S.

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patients. While the FDA has withdrawn some of the suggested changes, there is significant concern among the device manufacturing community that it was a temporary reprieve, and we wait for a report from the Institute of Medicine sometime this fall on the changes that were withdrawn.

The current 510(k) process has an exemplary safety record that does not demonstrate a need for sweeping reforms that would add to manufacturers' burdens in developing products and securing FDA approval. Again, proposals like these hang over the heads of manufacturers and other companies and create a sense of uncertainty about capital investment and hiring additional employees.

Finally, I would like to mention the health care law Congress passed a year and a half ago. Because of its complexity and far-reaching effect, employers continue to be concerned about making significant changes in their staffing and compensation packages with so much of the law subject to regulatory action.

Conclusion

Mr. Chairman, the United States remains the world's largest manufacturing economy, producing 21 percent of global manufactured products. U.S. manufacturing alone makes up 11.2 percent of our nation's GDP. More importantly, manufacturing supports an estimated 18.6 million jobs in the U.S. – about one in six private-sector jobs. This is roughly the equivalent of the populations of the five largest cities in the country: New York, Los Angeles, Chicago, Houston and Phoenix combined. Nearly 12 million Americans, or nine percent of the workforce, are employed directly in manufacturing. Manufacturing jobs also are high-paying jobs. In 2009, the average U.S. manufacturing worker earned $74,447 annually, including pay and benefits – 22 percent more than the rest of the workforce.

Congress is right to focus its attention on manufacturing because manufacturing means jobs. Proposals that increase taxes and impose costly and burdensome new regulations will make businesses in the United States less competitive. Manufacturers face many challenges to our competitiveness and job creation efforts – many of these challenges are from intense global competition. We would do well to make sure our own government is not one of the challenges manufacturers have to overcome in order to be successful and create good, well-paying jobs for Americans. Thank you.

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July 12, 2011

The President of the United States
The White House
Washington, DC 20500

Members of the United States Congress
United States Capitol
Washington, DC 20510

Dear Mr. President and Members of Congress,

We believe it is vitally important for the US government to make good on its financial obligations and to put its fiscal house in order. With our nation on a sound fiscal footing, we are confident that America's businesses and entrepreneurs will foster generations of high value, well paying jobs and contribute to a prosperous future. To this end, we believe now is the time for our political leaders to act.

First, it is critical that the US government not default in any way on its fiscal obligations. A great nation - like a great company - has to be relied upon to pay its debts when they become due. This is a Main Street not Wall Street issue. Treasury securities influence the cost of financing not just for companies but more importantly for mortgages, auto loans, credit cards and student debt. A default would risk both disarray in those markets and a host of unintended consequences. The debt ceiling trigger does offer a needed catalyst for serious negotiations on budget discipline but avoiding even a technical default is essential. This is a risk our country must not take.

Second, our political leaders must agree to a plan to substantially reduce our long-term budget deficits with a goal of at least stabilizing our nation's debt as a percentage of GDP - which will entail difficult choices. The resulting plan must be long-term, predictable and binding. As businesses make plans to invest and hire, we need confidence that, in the absence of a crisis, our government will not reverse course and return to large deficit spending.

Now is the time for our political leaders to put aside partisan differences and act in the nation's best interests. We believe that our nation's economic future is reliant upon their actions and urge them to reach an agreement. It is time to pull together rather than pull apart.

Yours sincerely,

Paul Jones
Chairman and CEO
A. O. Smith Corporation

Scott Asbjornson
President
AAON Coil Products, Inc.

Joseph Gingo
Chairman/President/CEO
A. Schulman Inc.

Enrique O. Santacana
President and Chief Executive Officer
ABB Inc. USA

Brian O'Donnell
President & CEO
A.W. Chesterton Company

John Kaylor
President US & Canada
Abicor Binzel

Continued

Kellie Johnson
President & CEO
ACE Clearwater Enterprises

Ron Knapp
COO
ACI Building Systems, Inc.

Charles E. Barnes, Sr.
President/Owner
Action Chemical, Inc.

John Hendry
President
The Adams Company

Matt Croson
President
Adhesive and Sealant Council

DeAnne Shallcross
Vice President
Advance Equipment Manufacturing Co.

Mark T. Bertolini
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Aetna Inc.

Martin Richenhagen
Chairman, President and CEO
AGCO Corporation

Royce Drennan
COO
AGE Industries, Ltd.

Kevin Ahaus
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Ahaus Tool and Engineering, Inc.

W. Michael Bailey
President
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Klaus Kleinfeld
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Chairman/CEO
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Richard J. Harshman
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Gary C. Bhojwani
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Patrick McCann
President
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Thomas J. Wilson
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Vice President
Amadeus North America

Richard Walker
President and CEO
American Architectural Manufacturers Association

Andy Doyle
President and CEO
American Coatings Association

Tom Dobbins, CAE
Chief Staff Executive
American Composites Manufacturers Association

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Michael Nussman
President and CEO
American Sportfishing Association

James Cracciolo
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Douglas Woods
President
AMT - The Association For Manufacturing Technology

Frederick Pfaff
President & CEO
Anchor Metal Processing, Inc.

Karen Buchwald Wright
President and CEO
Ariel Corporation

Randy Zook
President/CEO
Arkansas State Chamber of Commerce/Associated Industries of Arkansas

Wilma Dourney
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Arm-R-Lite Door Mfg. Co. Inc.

George L. Argyros
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Arnel & Affiliates

Ralph Dickman
President/Owner
Art Woodworking and Manufacturing Co.

Barney Bishop III
President & Chief Executive Officer
Associated Industries of Florida

Brian Gilmore
Executive Vice President, Public Affairs
Associated Industries of Massachusetts

Ray McCarty
President/CEO
Associated Industries of Missouri

Dennis Slater
President
Association of Equipment Manufacturers

Joseph McGuire
President
Association of Home Appliance Manufacturers

A. Steven Young
President
Association of Independent Corrugated Converters

Don Brunell
President
Association of Washington Business

Brian T. Horey
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Aurelian Management

Mike Shenigo
Vice President of Sales and Operations
Automated Conveyor Systems

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John Hayes
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Ball Corporation

Marijn E. Dekkers
Chief Executive Officer
Bayer AG

Greg Babe
President and CEO
Bayer Corporation

Continued

David Helbach
President
Baysek Machines Inc

Charles Johnson
Chairman, CEO and Partner
BC Partners, LLC

Riley P. Bechtel
Chairman & CEO
Bechtel Group, Inc.

William Belden, Jr.
Chairman
Belden Brick Company

Archie Strimel
President
Bell Containers

Robert Kosineski, Sr.
CEO
Benchemark Printing Inc.

Gary Bertch
President
Bertch Cabinet Mfg., Inc.

Scott Dols
President/CEO
Big Truck Rental, LLC

Laurence D. Fink
Chairman & CEO
BlackRock, Inc.

Stephen A. Schwarzman
Chairman, CEO & Co-Founder
The Blackstone Group

Roger Brackhan
President
Blazer Manufacturing Company, Inc.

Matthew K. Rose
Chairman and Chief Executive Officer
BNSF Railway Company

Timothy M. Manganello
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Regulatory and Statutory Barriers to Employment

Diana Furchtgott-Roth
Senior Fellow, Hudson Institute

Testimony before the Joint Economic Committee
July 12, 2011

Barriers to Job Creation

Diana Furchtgott-Roth
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Mr. Chairman, Mr. Vice-Chairman, members of the Committee, I am honored to be invited to testify before your Committee today on the subject of regulatory and statutory barriers to job creation. I have followed and written about this and related issues for many years. Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush.

Introduction

The Great Recession ended in June 2009, but, two years later, something is still terribly wrong. The annualized growth of gross domestic product is below two percent. June's unemployment rate stood at 9.2 percent, and 44 percent of the unemployed have been out of work for six months or more.

Some believe that there is a mismatch between jobs available for Americans and skills of those looking for work. According to this view, if training were only better, then workers would be better matched with jobs, and unemployment would decline. There are certainly some workers who could be usefully trained for existing jobs. But the majority of unemployment is caused by lack of available jobs. Labor Department data from the Job Openings and Labor Turnover Survey, released this morning, show that employer job openings and hiring rates are still at low levels.

It is most troubling that whereas jobs are the first priority for most Americans, the Administration's regulatory and legislative agenda has had the effect of reducing jobs rather than creating them. Energy and environmental regulation, new financial legislation, the new health care law, and proposed tax increases all serve to drive jobs abroad rather than foster domestic growth. As well as looking at training, it is vital to see why more employers are not creating jobs here in America.

This testimony is divided into three sections. The first section reviews America's current employment situation. The second describes how the administration's regulatory priorities—decisions controlled solely by presidential appointees--

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result in fewer jobs. The third shows how new laws in place, such as Dodd-Frank and the Patient Protection and Affordable Care Act, reduce hiring.

The Employment Situation

The economy created only 18,000 jobs in June, following a revised 25,000 jobs in May. The unemployment rate remains unacceptably high at 9.2 percent. The number of unemployed rose in June to over 14 million, and the percentage of the unemployed out of work for 27 weeks or longer stands at 44 percent. The civilian labor force participation rate declined to 64.1 percent, down from 64.7 percent a year ago, the same level as in March 1984. The Labor Department's broadest measure of unemployment, including discouraged workers and those at work part-time for economic reasons, rose to 16.2 percent from 15.8 percent in May.

The 9.2 percent overall unemployment rate masks other groups within the economy that are doing far worse. The African American unemployment rate is 16.2 percent. Teens' unemployment rates are even higher, at 25 percent, and the African American teen unemployment rate is 40 percent.

Increasing Job Growth through Regulatory Reform

The bad news is that our employment picture is so dire. But the good news is that it is not hard, or expensive, to make it easier for businesses to create jobs. By executive action alone, President Obama could create more jobs without spending another dollar of taxpayer money, generating billions of additional dollars in income tax revenues for Treasury coffers.

Regulations are controlled by presidential appointees at agencies such as the Environmental Protection Agency and the Labor Department, which are part of the executive branch, and at "independent" agencies, such as the National Labor Relations Board, which has quasi-judicial functions.

Tougher regulations lead to numerous economic woes, not least incentivizing employers to locate elsewhere. Friendlier regulations draw them back home.

Mr. Obama acknowledged this when, on January 18, 2011, he issued Executive Order 13563, entitled Improving Regulation and Regulatory Review.

Each agency is supposed to make a plan to "periodically review its existing significant regulations to determine whether any such regulations should be modified, streamlined, expanded, or repealed so as to make the agency's regulatory program more effective or less burdensome in achieving the regulatory objectives."

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While Mr. Obama knows that burdensome regulations crimp job creation, his agencies continue to interfere with private sector job creation. Here are just a few examples.

The acting general counsel of the National Labor Relations Board, Lafe Solomon, wants to stop the Boeing Company, which has a backlog of over 800 Dreamliner aircraft on order, from using its new aircraft manufacturing plant in South Carolina to build Dreamliners.

Mr. Solomon has charged that Boeing's decision to build a new plant at North Charleston, South Carolina, to expand production of its Dreamliner 787, was made in retaliation for strikes at its Everett, Washington plant in 2005 and 2008, even though Boeing has added workers in Washington state since the strikes.

Mr. Solomon's charge was brought in response to a complaint from the International Association of Machinists and Aerospace Workers, which represents Boeing employees in Washington State.

The NLRB's action is sending a job-chilling signal to foreign and domestic companies which might want to locate plants in America, especially in states with a strong union presence, such as Pennsylvania, Michigan, Illinois, and New York. Companies will know that if they build plants in unionized states, and then seek to move elsewhere, they could face two years of litigation, costing millions of dollars, as is the case with Boeing. If Boeing had built its new plant in China, the NLRB would lack any authority over it.

Mr. Obama has not distanced himself from Mr. Solomon's actions, nor criticized them. He has not moved to withdraw Mr. Solomon's nomination for general counsel. Yet it is within his power, at no cost, to do any of these.

The same job-killing executive power can be seen in regulations affecting coal, which accounts for 45 percent of American electricity production. The Environmental Protection Agency is developing regulations to restrict coal ash emitted into the atmosphere. It wants to impose tighter standards for nitrogen dioxide, sulfur dioxide, and other particulates, and new standards for water and carbon. EPA asserts that these more restrictive limits are necessary to protect public health.

These regulations will raise the price of energy, discouraging energy-intensive manufacturing from locating in America. Again, the timing of these regulations appears unnecessarily harsh, especially because EPA states on its Web site that U.S. air quality has been steadily improving since 1980.

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"Since 1980, nationwide air quality, measured at more than a thousand locations across the country, has improved significantly for all six principal pollutants. These common pollutants are ground-level ozone, particle pollution, nitrogen dioxide, carbon monoxide, sulfur dioxide, and lead."

For President Obama, through EPA Administrator Lisa Jackson, to deprive Americans of jobs at this time for the sake of yet cleaner air seems unconscionable. Cannot further air improvements wait until the unemployment rate has declined two to four percentage points?

Furthermore, the links between improved air quality and health are unclear. At the same time as air quality has been improving, the incidence of asthma, a disease commonly associated with polluted air, has been increasing. Between 1980 and 2001, as measured air quality was improving, the prevalence of asthma tripled, according to the Centers for Disease Control.

Administrator Jackson's regulations will discourage coal from being burned in power plants, but it can still be mined and exported. Coal exports are significant, being 76 million tons in 2010, which is 23 percent higher than in 2009.

But, by coincidence or design, Secretary Hilda Solis at the Labor Department has been ratcheting up safety standards for coal miners. Proposed Labor Department regulations, if made final, would discourage coal from being produced at all. Over 30 new regulations for coal are on the Labor Department's regulatory agenda.

These regulations discourage coal production, causing unemployment of miners and others in mining communities. Moreover, by making the use of coal more expensive, the government discourages energy-intensive industries, such as manufacturing, from locating in the United States, which, in effect, encourages them to flee abroad.

Another proposed Labor Department regulation is affirmative action for women on construction sites. Discrimination is already illegal in the construction industry. In practice, this rule would require construction companies to employ less-qualified women.

With the construction industry still sick from the recession, and women's unemployment rates more than a full percentage point lower than men's, this is not the time to force construction companies to employ women.

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Then, consider drilling in the Gulf of Mexico. The BP oil spill occurred 15 months ago, and deepwater drilling has yet to resume in the Gulf, although some shallow-water activity has started. Secretary Ken Salazar at the Department of the Interior could approve permits tomorrow and bring back some of the jobs and oil rigs lost to the Gulf states.

The Administration is using its regulatory power over firms that do business with the federal government to push additional regulations on federal contractors. The Davis-Bacon and Service Contract Acts and their associated regulations have always required contractors to pay "prevailing wage rates." Now, in addition, "project labor agreements" ensure that workers in the construction sector are being paid rates even higher than Davis-Bacon rates, and the administration is discussing giving preference to "high road" contractors.

These regulations worsen unemployment by raising the price of labor, causing fewer workers to be hired.

Under project labor agreements, all employees have to receive union-approved wages and benefits, even if they do not belong to unions. This drives out small businesses from competing for these projects; raises their cost to the taxpayers; and funnels a larger stream of union dues from taxpayers' pockets to union treasuries.

On April 13, 2010, the administration issued final regulations for an executive order issued by Mr. Obama on project labor agreements.[1] The executive order favors union labor over nonunion shops on large federal construction projects—those worth over $25 million each.

According to the new rule, "every contractor and subcontractor engaged in construction on a construction project agrees, for that project, to negotiate or become a party to a project labor agreement with one or more labor organizations."

This executive order makes job growth in the private sector harder to achieve. Taxpayer dollars do not go as far because projects are more expensive, and small businesses hire fewer workers.

The Effects of Existing Statutes on Employment

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[1] "FAR Case 2009-005, Use of Project Labor Agreements for Federal Construction Projects (Rules and Regulations)." Federal Register 75 :70 (2010, April 13) pp. 19168-19179. http://edocket.access.gpo.gov/2010/pdf/2010-8118.pdf

Regulatory reform can proceed relatively quickly and at low cost. Changes in laws requiring congressional action take longer. But they are not impossible, as can be seen by the repeal of the Affordable Care Act's 1099 paperwork requirement.

The health care law would have required that businesses, large and small, file a Form 1099 with the Internal Revenue Service when they purchase more than $600 worth of goods or services in a year from any one supplier, whether at an office supply store, gas station, or utility. The volume of paperwork would have been ruinous for businesses, and even the Internal Revenue Service announced that it did not have the personnel to implement the new provision. Last April, President Obama signed H.R. 4, which repealed the requirement.

The health reform bill, which dominated Congress and the White House until its passage in March, will hurt rather than help employment. Beginning January 1, 2014, companies that do not provide the right kind of health insurance will pay $2,000 per worker per year, if they have more than 50 workers. Moving from 50 to 52 workers will cost a firm $44,000 per year (the first 30 workers being exempt from the penalty).

Firms are already getting prepared for the new penalties. Firms that have 48 workers are likely calculating the costs of hiring more than 2 more workers. Firms with 55 or 60 workers are thinking of how to shed 5 or 10 workers so they won't have to pay the penalty. The structure of the penalty discourages employment.

This requirement will cover employers with at least $500,000 in annual payroll costs, and it will add to employment costs for workplaces that do not now have the prescribed set of health benefits. Workers who are not laid off will receive lower wages to compensate for the higher benefits.

The law also prescribes what constitutes a qualified benefit plan. Such coverage will be expensive, because the law prohibits copayments for routine visits, such as annual check-ups and mammograms, and requires coverage for mental health and substance abuse, and dental care for children. Insurance companies will be required to cover everyone, regardless of preexisting conditions, with relatively low penalties for those who do not participate, which will lead many to purchase health insurance only when they get sick.

Income taxes on the most productive small businesses will increase, making them less willing to expand productions and employment. The top tax rate on business owners who pay taxes as individuals, not corporations, now is 35%. Under the new health care bill it will rise even higher, with the inclusion of an

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additional 0.9% Medicare tax on wage and salary income and a new 3.8% Medicare tax on investment income for singles and couples earning over $200,000 and $250,000 respectively. With state taxes, some combined rates will exceed 55%. That will discourage hiring and encourage retrenchment and use of contractors.

The proposed taxes on expensive policies, scheduled to take effect in 2018, are meant to discourage employers from providing a large tax-free benefit to workers. While that is a worthy purpose, the law prevents individuals from switching to lower-cost plans by forbidding high-deductible low cost plans. Since the mandated qualified plans are overly-generous, middle-class Americans will be sitting ducks for the tax collector, just as they are now paying an increasing share of the alternative minimum tax.

The increases in premiums would gradually raise the amount everyone would have to pay for health insurance, leaving less disposable income to buy other goods and services. Rather than bending down the health cost curve, the economy would be stifled by rising health insurance premiums.

In addition to health care reform, Congress could modify provisions of the Dodd-Frank and Sarbanes Oxley laws to reduce the accounting burden on companies. As can be seen with the implementation of Sarbanes Oxley, regulations have unintended consequences. Mergers have declined, and buyers are concerned about the potential liability of the companies that they acquire. Auditing costs have increased. The number of private companies launching Initial Public Offerings has declined. Dodd-Frank will have similar consequences on businesses.

Congress could enact fundamental tax reform to help jump start the economy. America has the highest corporate tax rate in the world. Congress could reduce it, together with the tax on repatriated earnings, which would bring back billions of dollars from abroad.

The Administration's legislative and regulatory agenda dampens overall job creation. President Obama's priorities discourage employers from hiring. With this agenda, the economy will not produce the jobs needed to reduce unemployment, including long-term unemployment.

With over 14 million Americans unemployed, 44 percent for six months or more, Congress and the Administration need to move on multiple fronts to remove obstacles to job creation. Then, workers can get training for the new jobs. The time to start is now.

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Testimony before the Joint Economic Committee of Congress

July 12, 2011

Harry J. Holzer, Professor of Public Policy, Georgetown University

I would like to make five major points today about manufacturing employment, the broader labor market in the US, and the relevance of the nation's education and workforce development systems to these issues.

1. **Despite the loss of over 2 million jobs in manufacturing during the past four years and high unemployment among these workers, employers still have difficulty filling jobs in the industry, at least partly due to a lack of workers with the appropriate skills.**

So far, net new job creation during the recovery has accounted for less than ten percent of all jobs lost in manufacturing during the Great Recession. Yet, the ratio of job vacancies to new hires in manufacturing is higher than we find in any other major industry group, suggesting that employers are having some difficulty filling their newly created jobs. Descriptive evidence from several sources reinforces this view.[1]

2. **More broadly, in order for America's prosperity to be widely shared, and in order to help reduce currently high levels of unemployment, the skills that American workers bring to the labor market will have to increase.**

At over 9%, today's high unemployment still mostly reflects *cyclical* factors (or a shortage of jobs relative to workers), but a piece of it is also *structural* – with employers having some difficulty filling vacancies in jobs requiring particular skills.[2] The large fraction of our currently unemployed workers who have been permanently dislocated from their jobs and without work for six months or longer no doubt will reinforce the structural component of unemployment during the next several years. Over the longer term, the gaps between the skills demanded by American employers in good-paying jobs and those supplied by workers also contribute to our enormous levels of earnings inequality in the US.[3] Unemployment could thus be reduced and

[1] Data from the most recent Job Openings and Labor Turnover Survey (JOLTS) from the Bureau of Labor Statistics show a vacancy rate of 1.9 percent and a new hires rate of 2.1 percent in manufacturing. No other broad industry grouping shows such a high ratio of vacancies to total hires. More informal evidence on the difficulties employers have filling these jobs has been reported by Uchitelle (2009) and Fletcher (2011).

[2] See Elsby et al. (2010) and Dickens et al. (2011).

[3] See Goldin and Katz (2008) and Carnevale and Rose (2011).

prosperity more widely shared if more Americans had the postsecondary credentials that our employers seek and reward in both "middle-skill" and "high-skill" jobs.[4]

3. **While the public and private systems of higher education in the US, along with private sector on-the-job training, contribute importantly to the skills of the nation's workforce, a very robust public workforce development system is also necessary for meeting these needs.**

On its own, our system of higher education will not produce enough of the skills needed by American works to prosper. Dropout rates at our 2-year and 4-year colleges are quite high, and too many students obtain credentials that are not highly rewarded in the labor market.[5] At least partly, this is because our education and workforce systems largely operate in isolation from one another, with too few students gaining access to career counseling and other employment services.[6] Not all workers can attend or succeed in college, and many need other forms of job training that prepare them for good-paying occupations and sectors. Private employers also provide some of the training they need, but they are reluctant to provide general skills or occupational training for a variety of reasons.[7] So a strong publicly funded workforce development system is still needed to provide employment services and training to all those who need it.

4. **Though it clearly provides employment services and training cost-effectively, the publicly-funded workforce development system already has too few resources to be fully effective. These resources should not be further reduced.**

A strong body of rigorous research indicates that our publicly funded workforce system provides core and intensive services to job-seekers as well as very limited training quite cost-effectively.[8] But its funding has already declined by as much as 90 percent over the past three decades. Title I of the Workforce Investment Act (WIA), the primary source of federal funding for employment services, now provides under $3B of funding for over 150 million workers in a $15T economy. And recent concerns (based on a report by the General Accounting Office) over duplication in

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[4] "Middle-skill" jobs include those requiring postsecondary training short of a bachelor's degree. See Holzer (2010) for a response to claims that the middle of the labor market is collapsing.

[5] See Bailey et al. (2005) for evidence on noncompletion rates at community colleges and Turner (2007) for evidence at colleges more broadly. Jacobson and Mokher (2009) document the various high variance in returns to community college degrees and certificates for young people while Carnevale et al. (2011) show this for four-year college graduates. The recent report by the Center for Best Practices at the National Governors Association (2011) also argues for better targeting college credential achievement to areas of labor market need.

[6] See Soares (2009). The fact that community and four-year college revenues are largely independent of the kinds of courses students take and the labor market rewards to the credentials they receive also limits the incentives of these institutions to be responsive to labor market demands.

[7] It is well known (Becker, 1975) that employers will be reluctant to fund any training for workers who might soon leave, whereby other employers would gain the returns on their training investments. More broadly, several "market failures" such as imperfect information and liquidity constraints might further limit employer willingness to make these investments.

[8] See Heinrich and King (2010) and Uhalde (2011) for reviews of this evidence.

service delivery have been overstated, with many programs using very small sums to target detailed worker populations. Even including all of these funding sources, virtually no other industrial nation spends as little on employment services and preparation as a percentage of GDP as we do in the US.[9]

5. **The US needs to develop a set of more coherent education and workforce systems, at the state level but with federal support, that is better integrated with the demand side of the US economy and labor market.**

Performance of the WIA system could be improved along a number of dimensions. For instance, performance measures could be simplified, with greater weight placed on the earning of credentials by workers; and services both for youth and hard-to-employ workers could be strengthened.[10] Also, WIA could provide more support to localities and states that use "sectoral" efforts and career pathways to target workers for industries with strong demand and actively engage employers or industry partnerships along the way. Indeed, the evidence on the cost-effectiveness of sectoral programs for both adults and youth is very compelling.[11] Furthermore, several states (such as Pennsylvania, Michigan, Oregon, Washington and Wisconsin) have made enormous strides in tying their education and workforce systems to industry demand. A major new competitive grants program to fund such state activities, perhaps modeled in some ways on the Race to the Top fund in education, could be enormously helpful in encouraging more states to develop well-integrated education and workforce systems along these lines. But any such program should represent a net addition to, and not a carving out, of current WIA funding.

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[9] See O'Leary et al. (2004). The US spends roughly .1% of its GDP on workforce services, as detailed in the GAO report.

[10] See Lerman (2007) and Bloom and Butler (2007).

[11] See Maguire et al. (2010) and Roder and Elliott (2011). The programs reviewed in these studies include Jewish Vocational Services in Boston, Per Scholas in New York, the Wisconsin Regional Training Partnership, and Year Up in Boston and elsewhere. Other very promising programs include Quest in San Antonio (Osterman, 2007) and Capital IDEA in Austin TX (King, 2008).

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PREPARED STATEMENT OF REPRESENTATIVE MICHAEL C. BURGESS, M.D.

Thank you Mr. Chairman for the recognition. I'm glad to be here today to discuss this important subject.

America needs a strong manufacturing sector. We have seen across the South new factories arise, built by foreign companies such as BMW, Mercedes, Hyundai, and Thyssen Krupp. We need more of this advanced, higher-paying manufacturing work. But we need to encourage more American companies like Boeing, who want to operate in the U.S., to expand by getting the government out of their way. We also need to encourage other American manufacturers like Caterpillar to expand in America and not overseas. Finally, we should ensure that smaller manufacturing companies can thrive in America as well.

My state of Texas is a right-to-work state, and we see employers and employees moving there from all over the country. Last month, in the USA Today, it was announced that Texas now has the second largest economy of any state in the country, overtaking New York. Texas GDP is now almost as large as the economy of Canada or Spain. This didn't happen overnight either. Texas was able to accomplish this because of no individual income tax, low taxes overall, and right-to-work laws so that employers and employees aren't compelled to join unions when they don't want to. In other words, this economic growth hasn't been the result of strong-arm tactics but flexibility.

Every day when you drive around North Texas you see licenses plates from California. And trust me, they aren't just there to sightsee. Rather, people are moving in droves to a place that is welcoming for jobs and companies. If we want to increase our manufacturing base as a nation, we need similar approaches elsewhere. The service sector is important and is a huge part of our economy. But manufacturing creates a tangible product that you can be proud of and also lets you exploit your comparative advantage. In America we have an entrepreneurial base that no other country does. Combined with an educated workforce, we can maintain and grow a strong manufacturing sector. But a better education system, flexibility for employers and employees, plus job friendly governments surrounding our entrepreneurs will be the determining factors to America remaining a manufacturing power. Of these three important factors, the topic we will be discussing today is training for workers. I hope to hear from today's panelists about how training and education can improve our manufacturing industry.

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