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Speech in Corpus Christi, Texas to the Tuloso-Midway ISD Education Foundation

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By Tom Pauken

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While the topic of my speech today is “Shaping the Workforce Through Education.” I first want to address briefly the two hurricanes which have hit our shores in recent weeks – the physical Hurricane Ike, which caused such devastation in the Southeast portion of our state and the financial hurricane which has hit us nationally.

Texas has been blessed with a low unemployment rate, compared with other large states and our nation. Our unemployment rate in Texas for August was 5 percent compared to 6.1 percent nationally. California had 7.7 percent unemployment for that month – Florida 6.5 percent, Ohio 7.4 percent, Michigan 8.9 percent and Pennsylvania 5.8 percent – those were all ten year highs for those states.

That is all about to change. Since Hurricane Ike hit Texas a few weeks ago, the Texas Workforce Commission has processed more than 100,000 initial claims for unemployment. Of those more than 65,000 were due to the disaster. These claims are more than triple what a typical two week period would look like.

Combine Hurricane Ike with the national recessionary environment fueled by the credit crisis and (all of a sudden) Texas begins to feel the effects of the national slowdown. While our state has gained over 200,000 jobs this past year, our job growth is slowing and we had better be prepared for a more difficult economic environment going forward.

Fortunately, Texas is better prepared than virtually every other large state in the nation to weather the difficult times that lie ahead. Thanks to Gov. Rick Perry and our state Legislature, we have kept our fiscal house in order. Our state leaders resisted the temptation to go on a spending spree and raise taxes during the recent “boom” times. As a result, Texas has a \$10.7 billion surplus. By contrast, California has more than a \$15 billion budget deficit. New York has a \$6 billion deficit – and that was before the Wall Street meltdown.

Speaking of the chaos in our financial markets, this could have been avoided if we had not put credit policies in place more than a decade ago that encouraged the excesses of a “bubble economy” fueled by large levels of leveraged debt. As my old venture capital boss Bill Bowen liked to say, those are “sunk costs.” While we can’t undo what has already taken place, we can act responsibly going forward as we put policies in place to get us out of this economic mess. That’s why I favor the Paulson plan to address this issue – no, not the Henry Paulson plan which would use \$700 billion in taxpayer dollars to bail out shareholders of many of these financial institutions. In principle, I just don’t like the idea of “socializing the risk,” (passing the risk onto taxpayers) while “privatizing the gain.”

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Instead, the plan of John Paulson, a New York investment banker makes a lot more sense to me. Called the "Preferred Plan," it would inject "\$700 billion of taxpayer preferred stock in the troubled financial institutions that pose systematic risks." This is similar to what we have done with Freddie Mac and Fannie Mae – put the taxpayers first in line for any future recovery. Let's follow the lead of premier investor Warren Buffet, who has used a similar approach in making major investments in Goldman Sachs and General Electric recently.

Now, let me focus my attention on the topic at hand – developing a more skilled workforce in Texas. Why? Because that is where the good jobs are – and will be in the future – and that's where the demand is from our employers.

To that end, we have to align career and technical education with what is needed in the workforce. What do employers tell me? We need high school graduates with the foundational skills for college and work. That means a solid emphasis on core subject matter to prepare young people for work or college. Workers going into the trades need that basic foundation in reading, writing, math, and science to prepare them for skills training just as much as students planning on attending a four-year college. Otherwise, they are going to remain "unskilled workers" with lower pay and fewer opportunities for their futures.

And the same principle is applicable for students pursuing four-year college degrees. There is a huge mismatch between the areas of study and the jobs being created.

It is a discouraging trend that, as Tom Luce points out, "America now graduates more sport exercise majors than electrical engineers." Moreover, we have half as many physics graduates today that we did in 1956. Not an encouraging sign for a nation that prides itself on being the world leader in technology and innovation.

From engineering to skilled trades, the opportunities for young people are there – particularly in Texas where there is a tremendous demand for energy-related workers across the board.

As the Wall Street Journal recently noted, there is increasing worldwide demand for new supplies of crude oil and natural gas. The Journal points out that the energy industry is looking for workers who "can make precision welds, fit pipes for pipelines and oil refineries, and understand the complex electrical wiring in modern power plants."

The needs are particularly critical, since we are in the process of replacing an aging workforce. As Ann Fisher pointed out in Fortune magazine, "By the end of this decade, it is estimated that 40 percent of the workforce will have retired or be eligible to do so."

What an opportunity for young Texans if they are prepared for it. That leads me to my next point. When are we going to recognize that attending a four-year college does not make sense for all high school graduates – many of whom would be better served in the long run by getting skills training at two-year technical institutes or through advanced certification programs? Again, the Journal notes the case of a 25-year old electrician who earns \$34 an hour working in renewable energy, "while some of his friends who went to college are having a hard time finding jobs."

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The skills required for these so-called “blue collar” jobs are impressive and the rewards they offer allow young workers to make a good living and raise a family in a stable economic environment. Even in an economic downturn, the demand for skilled workers will remain strong – because there is such a shortage. This will be particularly the case in the core energy cluster as the United States seeks to lessen our dependence on unstable sources of foreign energy.

Compare those opportunities for good-paying jobs in the skilled trades arena with this disturbing statistic cited by career counselor Marty Nemko: “Among high school students who graduated in the bottom 40 percent of their classes and whose first institutions were four-year colleges, two-thirds had not earned diplomas eight and a half years later.” Are we setting young people up for failure by promoting the idea that a college education is the “ticket to the good life” for all high school graduates while saddling them and/or their families with high levels of college debt?

Let me address another pressing issue – you cannot have a skilled workforce without a strong work ethic. As I talk with employers around the state, they describe to me the difficulty of finding and retaining good workers. I keep hearing over and over again that we seem to be losing that strong work ethic which was such a distinctive feature of the American character. It is hard to put the genie back into the bottle once a different mindset towards hard work gains ascendancy in our culture. It is easy to find fault with the current generation for this declining sense of a strong work ethic, but my own ’60s generation bears a large share of the blame.

The so-called “counterculture of the ’60s” with its emphasis on rights instead of responsibilities – “if it feels good, do it” – and a sense of entitlement rather than the acceptance of obligations, has done much to undermine the importance of hard work as a key to success in life.

Finally, we have to change a business tax policy which incentivizes companies to outsource and ship jobs overseas while helping to fuel the credit crisis here at home. Our current tax system rewards loading up companies (doing business in the U.S) with debt while penalizing them for encouraging savings and investment in the U.S. This has to change if we are to develop an effective strategy designed to lessen our dependence on foreign energy and rebuild our manufacturing base.

A lot of what we need to do to turn our national economy around is just “common sense.” We have to do a better job of teaching the basics at the elementary and secondary school level, encourage more of our young people to take advantage of the opportunities awaiting them in the skilled trades, and restore a strong work ethic which promotes the idea of working hard for future rewards.

We Americans are a funny lot. Sometimes, it seems like it takes a crisis to wake us up to the serious nature of the challenges we face. Obviously, the credit crisis has hit us with the force of an economic hurricane. The time for action – along with a new direction in economic policy – is now.

Let’s work together to ensure that the United States remains the greatest nation in the world for our children and grandchildren – just as it was for us.

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