

1 TRANSCRIPT OF PROCEEDINGS
2 BEFORE THE
3 TEXAS WORKFORCE COMMISSION
4 AUSTIN, TEXAS

5 PERFORMANCE MEASURES)
6 FOR THE TEXAS)
7 WORKFORCE COMMISSION)

8
9 COMMISSION MEETING

10 MONDAY, AUGUST 15, 2011

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17 BE IT REMEMBERED THAT at 1:28 p.m., Monday,
18 the 15th day of August, 2011, the above-entitled matters
19 came on for hearing at the Texas Workforce Commission,
20 TWC Building, 101 East 15th Street, Room 244, Austin,
21 Texas, before TOM PAUKEN, RONALD G. CONGLETON, and
22 ANDRES ALCANTAR, COMMISSIONERS, and LARRY TEMPLE,
23 EXECUTIVE DIRECTOR, of the Texas Workforce Commission;
24 and the following proceedings were reported by Lydia L.
25 Edwards, a Certified Shorthand Reporter of:

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APPEARANCES

TEXAS WORKFORCE COMMISSIONERS:

Tom Pauken, Chairman
Andres Alcantar
Ronald G. Congleton

TEXAS WORKFORCE COMMISSION STAFF:

Larry E. Temple, Executive Director
Tom McCarty, Director of External Relations
Jonathan Babiak, Director of Civil Rights Division
Richard C. Froeschle, Deputy Director of LMCI
David Nesenholtz, Budget Management
Larry Jones, Director of Workforce Development
Adam Leonard, Performance Analysis and Reporting

REPORTER'S CERTIFICATE 18

P R O C E E D I N G S

MONDAY, AUGUST 15, 2011

(1:28 p.m.)

CHAIRMAN PAUKEN: Okay. Mr. Temple, I think we're ready to go.

MR. TEMPLE: Yes, sir. Commissioners, we'll start with the state of the economy from Rick Froeschle, which is the truth.

MR. FROESCHLE: For the record, I'm Rich Froeschle, the director of the Labor Market and Career Information Department here at the agency. Afternoon, Commissioners, Fellow Attendees.

Every time I do a presentation on the economy, I sort of like to have a theme so that it's easier to follow along, and it's been sort of difficult to have a theme lately. And so my theme is Signal and Noise, and that is, there's a lot of things that are going on around us that are influencing our assessment of what's going on in the economy. And I want to really focus on what I think are just some of the core signals of things that we know are happening in Texas, and they're very positive and they're overall very positive. So I want to go through a few of those kinds of things, again, to highlight some of things that we see are going on.

1 The unemployment rate from June of 2010 to
2 2011 hasn't really gone anywhere, but it hasn't gone --
3 it hasn't really gone up. I think there's a lot of
4 discussion, and I will verify the fact that one of the
5 reasons why the rate hasn't fluctuated significantly or
6 trended downward even in the face of some fairly
7 significant job creation is simply the fact that the
8 Texas labor force continues to grow, and as the
9 population/labor force continues to grow, Texas has a
10 greater challenge to -- to grow the job base even more
11 to keep up with the population growth. And I guarantee
12 you there's about 49 other states that would like to see
13 the population and the labor force growth that Texas is
14 experiencing and has experienced over the last couple of
15 years. That said, what it does do is, it does tend to
16 make the number of unemployed people in the state
17 continue to stay fairly constant. It does keep the
18 unemployment rate fairly constant. And despite the job
19 growth, it -- you know, there are some people that would
20 look at some of those -- some of those performance
21 numbers and think less of what's going on in the state.

22 CHAIRMAN PAUKEN: Rich, why the -- I
23 understand that and that that's been the pattern. But
24 why this last month you have a decline in the labor
25 force and an increase in unemployment and an increase in

1 jobs?

2 MR. FROESCHLE: Well, clearly the increase
3 in jobs is real. The increase in the number of
4 unemployed people, we really can't parse any particular
5 reason for that. We do know that as the Texas economy
6 appears stronger that we have some of our own
7 discouraged workers and underutilized workers coming
8 back into the labor force. We know that among the
9 people that are coming to the state in terms of
10 in-migration not all of them are of labor force age, and
11 those that are labor force age are not necessarily
12 participating in the labor force. In other words, we
13 have a lot of retirees that are coming in that are of
14 age, but not necessarily again looking for jobs. So
15 we're trying to mitigate all of those kind of variables,
16 parse some of the causes. It's almost impossible for us
17 to do that. But I think what the --

18 CHAIRMAN PAUKEN: So the egg, two, is
19 really a snapshot. So it could be a little lower. It
20 could be higher.

21 MR. FROESCHLE: And that is true for every
22 one of our monthly statistics, and as we like to see
23 frequently, you'll see the number this month and next
24 month it will be revised and we'll talk about that
25 again. So all in all, I think the population growth and

1 the growth in the labor force are very encouraging for
2 Texas. One of the things we do see across the nation as
3 a whole is a decline in the employment to population
4 ratios and the labor force participation rates. So we
5 have fewer people that are actually supporting the
6 employment base of the -- fewer people in the employment
7 base supporting the population as a whole. And we do
8 see a little bit of that in Texas as well. I think if
9 you --

10 CHAIRMAN PAUKEN: Repeat that. Fewer
11 people --

12 MR. FROESCHLE: The employment to
13 population ratio, which means the number of people that
14 are employed relative --

15 CHAIRMAN PAUKEN: Right. Fewer people --

16 MR. FROESCHLE: -- to the population as a
17 whole --

18 CHAIRMAN PAUKEN: Fewer people in the
19 employment base --

20 MR. FROESCHLE: Supporting the total
21 population.

22 CHAIRMAN PAUKEN: Supporting the total
23 population.

24 MR. FROESCHLE: And the labor force
25 participation rates also have declined slightly over the

1 last -- certainly over the last several years. So even
2 those people that are of labor force age aren't
3 necessarily participating in the labor force.

4 CHAIRMAN PAUKEN: Right.

5 MR. FROESCHLE: What you still see is that
6 the Texas unemployment rate continues to trend lower
7 than the -- than the U.S. as a whole. That's very
8 positive news. I think our leading -- two of our
9 leading economic indicators that we've discussed here
10 frequently, personnel supply services and trucking, both
11 of those over the last year and a half have continued to
12 trend positive and upward, especially trucking here over
13 the last couple of months. As the trucking/warehousing
14 industry starts picking up, it usually portends, again,
15 strong economic activity.

16 I think as we go through and we do compare
17 Texas to some of the other states there's no doubt that
18 Texas has led the nation over the last decade and over
19 the last several years in total job creation, and I
20 think you see some patterns of job creation continuing
21 in the post-recession period that are very strong here
22 in Texas. A lot of that job growth is led in a very
23 broad-based way across a lot of industries. The one
24 thing that we see sort of bringing up the rear has been
25 government employment and education, mostly in local

1 government and -- local government and education and
2 also state education and state government, nothing given
3 our budget situation that you wouldn't expect. You have
4 seen some strong rebound in the mining sector, a little
5 bit of rebound in the construction industry, but not --
6 not as robust as some of us would like to see, also a
7 little uptake in the manufacturing sector, mostly in
8 durable goods.

9 I've given you two views in your handout
10 to sort of look at where job growth has been by industry
11 based on the Governor's clusters and some of the sector
12 employment that we look at. I think what you can see
13 here is, all of the core industries in the Governor's
14 clusters have added jobs over the last year, again a
15 very positive sign. And I think when you look at the
16 employment sectors relative to Texas job growth
17 everything but essentially nondurable goods, like
18 leather and apparel and special trade and heavy
19 construction, have added jobs over the last year, again
20 a couple of very positive trends. And one last glimpse
21 of what we see going on in terms of occupational demand,
22 clearly health care is still at the top of that list,
23 also included a lot of IT-related positions and
24 sales-related positions, and those patterns have been
25 fairly consistent over the last three or four months.

1 And with that I think I'd be more than
2 happy to entertain any questions that you might have.

3 CHAIRMAN PAUKEN: Commissioner Alcantar.

4 COMMISSIONER ALCANTAR: I have no
5 questions.

6 CHAIRMAN PAUKEN: Commissioner Congleton.

7 COMMISSIONER CONGLETON: No questions.

8 CHAIRMAN PAUKEN: Okay. Thank you, Rich.

9 MR. TEMPLE: David Nesenholtz will give us
10 a budget picture.

11 MR. NESENHOLTZ: I'm sitting in for Randy
12 today who's on vacation, and I'm just -- I'm going to
13 give some brief remarks about budgetary performance at
14 least insofar as the expenditure of funds goes. This
15 performance is evaluated according to what's called
16 appropriation strategies, which are the units by which
17 TWC receives its -- its appropriations every two years.
18 What we've done in the handout is to show graphically
19 the expenditure of TWC budgetary strategies as compared
20 to an upper limit and a lower limit, and that's --
21 that's five percent which is required for all agencies
22 to provide an explanation when expenditures are lower
23 than -- than five percent or higher than five percent as
24 compared to the relative proportion of the year. And so
25 this -- this -- the meeting relates specifically to --

1 to June the 30th, and this in front of you shows
2 graphically how those strategies compare with that --
3 with that upper limit and lower limit.

4 By the way, we've in the meantime, of
5 course, received all the data as of the end of July, and
6 let me -- let me say that without showing you that
7 graphically as well I just want to point out that as of
8 the end of July the outliers are flattening a little
9 bit, which means that the lower spending programs are
10 coming into the middle a little bit more soundly as well
11 as the -- as the upper spending ones because it's
12 essentially allowing those programs to line up with the
13 fiscal year as the year draws down. As you can see, we
14 don't have any particular problems except those problems
15 that we were aware about before, particularly one, and
16 that is the self-sufficiency fund expenditures are low;
17 but that doesn't really come as any surprise.

18 There's a complication, by the way, that
19 I'd like to mention about these expenditures, and that
20 is that these include not only the regular
21 appropriations in the General Appropriations Act but
22 about \$180 million of spending of Recovery Act funds.
23 And what that does is essentially places a strain,
24 especially when you're going to compare spending
25 efficacy purely and simply. And, for example, most of

1 these funds -- these funds are in the child care
2 program, and I think that it's a challenge for a program
3 to get the funds -- get extra -- extra monies like this
4 spent effectively in a relatively short period of time.
5 But I think that, again, those programs seem like
6 they're -- they're certainly up to the challenge.

7 And so that really concludes my remarks.
8 I'll be happy to answer any questions.

9 CHAIRMAN PAUKEN: Commissioner Congleton.

10 COMMISSIONER CONGLETON: No questions.

11 CHAIRMAN PAUKEN: Commissioner Alcantar.

12 COMMISSIONER ALCANTAR: No questions.

13 CHAIRMAN PAUKEN: Okay.

14 MR. TEMPLE: Okay. Adam.

15 MR. LEONARD: For the record, Adam
16 Leonard, Performance Analysis and Reporting. There's a
17 handout in front of you, two-sided, some color graphs on
18 it, that I'll be using to kind of focus my remarks about
19 the performance measures for the -- that we just
20 reported for the June period. And there are a few extra
21 copies in the audience on the right here for those that
22 didn't get one.

23 Looking at the highest level, performance
24 measures are pretty much where they have been in terms
25 of the overall numbers. That is, we've got 10

1 measures -- 10 LBB measures that we're not meeting quite
2 at the moment, but 7 of those are non-key measures,
3 which means they are kind of lower-focused. And the DOL
4 perspective, we're only missing one of our measures at
5 the moment, and for the most part, we're talking about
6 things that are affected by the economy like the overall
7 unemployment rates and things like that where obviously
8 the unemployment rate is making it difficult for some
9 folks to find jobs quickly.

10 We are seeing our numbers continue to drop
11 in terms of the number of job seekers coming into the
12 system. So we're down 8.44 percent over the prior year,
13 and we're actually down a little over 2 percent over two
14 years ago. And that's the first such drop that we've
15 seen there, that we're finally starting to come down
16 into -- much more towards our pre-recessionary levels.
17 The graph shows a steady decline. Each of the last nine
18 months the earlier analysis shows a reduction, and,
19 again, the percent reduction year over year continues to
20 accelerate, gets a little bit bigger each time. So
21 those numbers are coming down faster again.

22 When we look at reemploying claimants, the
23 measure we focus on is the 10-week measure, and what
24 we're seeing is that for the last 16 monthly cohorts
25 when you look at those same months one year earlier

1 performance is better now than it was the same period
2 one year earlier. Now, the percent difference has
3 started to slow in the last two months, but we are still
4 seeing year over year improvement over where we were
5 last year, and that's continued for 16 months.

6 Looking at the job openings in Work In
7 Texas, we are continuing again to see improvement there,
8 that when you look year over year at monthly numbers of
9 new openings, we're seeing 17 straight months where the
10 number of openings in the system is higher than the
11 same -- the period below -- or the period earlier. And
12 really we've seen kind of a very significant jump the
13 last several months when you compare Calendar Year 2011
14 to Calendar Year 2010 and especially Calendar Year 2009
15 which is the heaviest part of the recession in terms of
16 the slowdown in the job and the hiring activities. In
17 fact, if you look at the July, 2011 performance or the
18 number of openings, it's about the same as the number of
19 new openings in that July of 2007. So we really are
20 starting to see some numbers move back to where things
21 were before.

22 As I mentioned, entered employment is down
23 on a couple of our measures there, both of our LBB
24 measures and one of our DOL measures. These aren't
25 surprising numbers. We are starting to see some

1 improvement there, I think, but, again, it's coming back
2 up slowly.

3 One thing that's new that I wanted to walk
4 through with you-all was, we wanted to do an analysis
5 that focuses on people remaining employed, if you will.
6 We have the employment retention measure which just
7 tells you the percent of people who have jobs for three
8 consecutive quarters, but not necessarily whether or not
9 they're still employed with the same employer. And
10 obviously from an employer perspective, they're hoping
11 that they make a good hire and that that person is going
12 to be able to stick around for a while and work for them
13 since there's costs associated with turnover and
14 training and things like that.

15 And so what we looked at was, we looked at
16 our job seekers and when they are able to -- they get a
17 new job and whether they're employed in the next two
18 quarters for that same employer, and then we compared
19 that to the overall rates of all the possible new hires
20 in Texas, not just from our job seekers, but from just
21 what we see in the wage records. And what we found is
22 that generally when you compare the performance of our
23 exiters to the overall extended employment that
24 generally speaking we're running anywhere from 5 to 10
25 percentage points better than the kind of labor force as

1 a whole. And this is something new that we've just
2 started looking at, and we're going to want to drill
3 down into it a little bit more and see what we can learn
4 about it going forward. But it's certainly kind of an
5 encouraging bit of data that we'd just like to try to
6 understand better, see if when we do it by industry and
7 things like that whether we see similar positive
8 comparisons.

9 Looking at the board performance, we
10 haven't seen a dramatic change in the numbers there.
11 The -- most of the instances where boards are not
12 meeting -- and this is in Tab 4 -- are pretty much in
13 the same two sets of measures that they have been. That
14 is, 43 out of 66 instances are related to either the
15 federal claim and reemployment measure or the two
16 choices participation measures. And as you know, these
17 are measures that we have been looking at for possible
18 elimination or replacement for the upcoming board
19 contract year, and we'll be talking about that a little
20 bit more tomorrow when we present measures and targets
21 for your consideration.

22 Those were the things that I wanted to
23 talk about in terms of what we're seeing in the numbers
24 right now, and I'll see if Larry has got any comments
25 that he wants to make on any individual boards or

1 activities there.

2 MR. JONES: Good afternoon, Commissioners.
3 The only comment I wanted to make is that at this time
4 of year our biggest effort right now is directed toward
5 closing out ARA contracts. We have probably a couple
6 hundred million dollars in contracts that are in
7 close-out right now. The only contracts that are
8 remaining that are active are our child care quality
9 contracts. Those will close out at the end of
10 September. So that's a huge effort right now down in
11 Workforce. I'm very pleased to report to you that on
12 behalf of all of our staff and a lot of folks over here
13 in the main building who have been working jointly none
14 of our ARA contracts are going to have money sent back.
15 So we expect full expenditure on all of our ARA funds,
16 so really good news and a lot of hard work on a lot of
17 people's part.

18 CHAIRMAN PAUKEN: Questions, Commissioner
19 Congleton?

20 COMMISSIONER CONGLETON: No.

21 CHAIRMAN PAUKEN: Commissioner Alcantar.

22 COMMISSIONER ALCANTAR: No questions.

23 CHAIRMAN PAUKEN: Okay. Next.

24 MR. TEMPLE: Jonathan, if you could go
25 over -- I know we have a couple of not meeting in Civil

1 Rights. I know you've been working on that, but there's
2 a couple of pink ones there. I'd like for you to kind
3 of let the Commissioners know what we're doing on that.
4 I know you've been working Saturdays. So --

5 MR. BABIAK: Well, we've been really
6 examining everything, and without knowing how the
7 targets were derived, it's -- it's difficult for me to
8 say why we aren't meeting the targets. We have had a
9 fair amount of turnover. Out of 30 staff, we have lost
10 a total of five people. Three have left altogether, and
11 two more have left their existing positions to move to
12 new positions. And so we've had a substantial amount of
13 training of new staff that we've had to accomplish just
14 since November.

15 MR. TEMPLE: Steve, anything on UI?

16 MR. RILEY: (No audible response.)

17 MR. TEMPLE: Tom, anything?

18 MR. McCARTY: No.

19 MR. TEMPLE: Commissioners, any questions?

20 CHAIRMAN PAUKEN: No. Thank you. Tom, I
21 just have a question for you afterwards.

22 (At this time, the proceedings were
23 adjourned at 1:46 o'clock p.m.,
24 Monday, August 15, 2011.)

25

1 STATE OF TEXAS)

2 COUNTY OF TRAVIS)

3 I, LYDIA L. EDWARDS, certified shorthand
4 reporter for the State of Texas, do hereby certify that
5 the above-captioned matter came on for hearing before
6 the TEXAS WORKFORCE COMMISSION as hereinafter set out.

7 I FURTHER CERTIFY that the proceedings of said
8 hearing were reported by me, accurately reduced to
9 typewriting under my supervision and control, and, after
10 being so reduced, were filed with the TEXAS WORKFORCE
11 COMMISSION.

12 GIVEN UNDER MY OFFICIAL hand of office at
13 Austin, Texas, the _____ day of August, 2011.

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16

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Lydia L. Edwards
Certification No. 2567
My Commission Expires 12/31/12

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