AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

HELP WANTED: EXPLORING HOW ALTERNATIVE PATHS TO STUDENT DEBT CAN HELP TO STRENGTHEN SMALL BUSINESS

HEARING

BEFORE THE

SUBCOMMITTEE ON INNOVATION, ENTREPRENEURSHIP, AND WORKFORCE DEVELOPMENT

OF THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

HEARING HELD
APRIL 26, 2023



Small Business Committee Document Number 118–010
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

51–877 WASHINGTON : 2023

HOUSE COMMITTEE ON SMALL BUSINESS

ROGER WILLIAMS, Texas, *Chairman*
BLAINE LUETKEMEYER, Missouri
PETE STAUBER, Minnesota
DAN MEUSER, Pennsylvania
BETH VAN DUYNE, Texas
MARIA SALAZAR, Florida
TRACEY MANN, Kansas
JAKE ELLZEY, Texas
MARC MOLINARO, New York
MARK ALFORD, Missouri
ELI CRANE, Arizona
AARON BEAN, Florida
WESLEY HUNT, Texas
NICK LALOTA, New York
NYDIA VELÁZQUEZ, New York, *Ranking Member*
JARED GOLDEN, Maine
KWEISI MFUME, Maryland
DEAN PHILLIPS, Minnesota
GREG LANDSMAN, Ohio
MORGAN MCGARVEY, Kentucky
MARIE GLUESENKAMP PEREZ, Washington
HILLARY SCHOLTEN, Michigan
SHRI THANEDAR, Michigan
JUDY CHU, California
SHARICE DAVIDS, Kansas
CHRIS PAPPAS, New Hampshire

BEN JOHNSON, *Majority Staff Director*
MELISSA JUNG, *Minority Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Hon. Marc Molinaro	1
Hon. Morgan McGarvey	3

WITNESSES

Ms. Patrice Lee Onwuka, Director, Center for Economic Opportunity, Independent Women's Forum, Winchester, VA	7
Mrs. Meloni Raney, President and Chief Executive Officer, TEXO, The Construction Association, Dallas, TX	9
Mr. Bruno Schickel, President, Schickel Construction, Dryden, NY	11
Mr. Eric Elzy, Assistant Business Manager, United Association of Plumbers and Pipefitters, Louisville, KY	12

APPENDIX

Prepared Statements:

Mrs. Meloni Raney, President and Chief Executive Officer, TEXO, The Construction Association, Dallas, TX	23
Ms. Patrice Lee Onwuka, Director, Center for Economic Opportunity, Independent Women's Forum, Winchester, VA	29
Mr. Bruno Schickel, President, Schickel Construction, Dryden, NY	38
Mr. Eric Elzy, Assistant Business Manager, United Association of Plumbers and Pipefitters, Louisville, KY	43

Questions for the Record:
None.
Answers for the Record:
None.
Additional Material for the Record:
None.

HELP WANTED: EXPLORING HOW ALTERNATIVE PATHS TO STUDENT DEBT CAN HELP TO STRENGTHEN SMALL BUSINESS

WEDNESDAY, APRIL 26, 2023

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INNOVATION,
ENTREPRENEURSHIP, AND WORKFORCE DEVELOPMENT,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:05 a.m., in Room 2360, Rayburn House Office Building, Hon. Marcus J. Molinaro [chairman of the Subcommittee] presiding.

Present: Representatives Williams, Ellzey, Molinaro, McGarvey, and Pappas.

[Prayer.]

Mr. WILLIAMS. All rise please for opening prayer. Heavenly Father, God of all people, thank You for the opportunity today to speak what we believe and ask great questions and help this great country. We are in a position this week alone to do great things for not only our country, our States we come from, but the world. Be with us as we go forward. In Your name we pray, Amen.

Chairman MOLINARO. Join us in the pledge.

ALL. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty small and justice for all.

Chairman MOLINARO. I wanted to do that for a while. Good morning, everyone. I would like to call the Committee on Small Business to order. Without objection, the Chair is authorized to declare a recess of the Committee at any time. The Committee is here today to hear testimony about alternatives paths to student debt, specifically surrounding career and technical education, and how it can strengthen small businesses. I thank you all for being here to testify, and I would like to recognize myself for some opening comments.

First, again, good morning, and thanks for joining us today. I want to thank our witnesses for joining today. Your time here is extremely appreciated, and I look forward to your testimony. I am very glad to have a constituent of mine, Mr. Bruno Schickel, the owner of Schickel Construction, as one of our witnesses today, joining a good number of others. Mr. Schickel, thank you for your time and traveling from Ithaca, New York, to Washington, D.C., to share your perspective on the various issues that our small business owners currently face.

Today, the Subcommittee on Innovation, Entrepreneurship, and Workforce Development hearing will focus on several critical issues that are holding mainstream America back.

First, there is no denying that small businesses, both in my district and, of course, every district across this country, are suffering from a workforce shortage crisis. As we travel around Upstate New York—and I know my colleagues as they travel around their districts, we continue to hear from local businesses about how they cannot find enough people to work. Despite offering higher wages, cash bonuses, or other incentives, they still are unable to attract workers.

Small businesses have limited resources at their disposal to recruit and retain the workforce they need. Every unfilled position represents a missed opportunity for small business to serve its local community, increase their bottom line, and grow their operation. This shortage is often exacerbated in rural communities, like the ones I represent.

This inability to fill jobs not only impacts storefronts on main street, but also employers of skilled trade workers. This includes our construction workers, plumbers, electricians, and so many more. With a shortage of available workers, employers are having difficulty finding qualified employees to fill open positions due to increased competition for available workers and having to offer higher wages to retain them.

According to U.S. Bureau of Labor Statistics, of the top 20 occupations projected to see the biggest change in employment over the next 10 years, the majority are in careers that require training beyond high school, but less than a 4-year degree. This means that millions of individuals who did not possess a 4-year degree could have well-paid careers and obtain the necessary skills to fill these jobs likely without needing to step onto a college campus. This is all happening as the cost of a traditional

4-year education continues to climb, reaching record highs.

This rise in cost of 4-year degrees have saddled nearly 43 million Americans with student loan debt equating to over $1.7 trillion. As a result, we are left to confront a massive student debt crisis and massive workforce shortage in skilled trades across the country.

We should be promoting alternative education paths that are both more affordable, and oftentimes more efficient than a typical 4-year college degree, such as registered apprenticeship trade schools and more. In our current economic environment, we have to think practically and encourage our young people, in particular, to aspire to achieve success.

As a former county executive in Dutchess County, New York, I have had firsthand experience creating training programs and seeing the benefits that these programs provide students. Under my tenure, we worked with various not-for-profit agencies, community centers, and other programs to help promote youth workforce development programs and overall worker readiness skills. This gave students the skills they needed to go into various professions, including skilled labor jobs.

One great alternative pathway to a 4-year degree is career and technical education. In addition to being shorter and less expensive than a traditional 4-year degree, CTE represents a complete range

of career fields across the entire economy and is driven by the needs and demands of employers.

Preparing students with technical skills needed to obtain higher paying jobs, in-demand jobs, will prove to be crucial to bridging our nation's skills and workforce gap. And as policymakers, we must improve our understanding of workforce issues so we can prepare the next generation of workers and our small businesses that rely on these workers for success.

I know today's hearing can help shape how Congress can work to promote these vital alternate paths to education, and by doing so, we will be working to solve our nation's workforce shortage crisis, while promoting less expensive, but oftentimes more successful educational opportunities.

I am very excited to have a diverse group of small business owners, some of whom have gone through CTE and other training programs. Today, our witnesses will have the opportunity to share their stories, current economic and workforce challenges, and how CTE and apprenticeship programs help them to become the business owners they are today. And so, again, I want to thank all of you for being here with us, and I look forward to today's conversation. And with that, I will yield to my distinguished Ranking Member from Kentucky, Mr. McGarvey.

Mr. MCGARVEY. Thank you, Mr. Chairman. I appreciate that. I echo your words. And thank you for holding this vital hearing on alternative educational paths that can develop our nation's workforce.

As you introduced one of your constituents who is here today, I would also like to introduce one of my constituents here today, Mr. Erik Elzy, who is a plumber and pipefitter with Local 502 in the great Louisville, Kentucky. And he and I have talked about this a lot over the years. It is an honor to have you here to share those insights with the Committee.

As we all know across this country, whether it is in New York, whether it is in Kentucky, our nation is experiencing a workforce shortage. Just last February, there were only 5.9 million unemployed people, and there were 9.9 million job openings. It means even if every person unemployed went to work, there would be 4 million job openings in this country.

Small businesses are really and truly feeling this labor shortage as much or more than anyone else. Everywhere I go in my district and talk to people, and I say what is the number one concern? They say it is getting and keeping the right people here.

As a result, I think these workforce development solutions are key. They are what we need to help businesses find the skilled labor they need, and will prepare Americans for a better future. They will do it without requiring individuals to make a substantial financial investment towards their education. That is why it is so important that we are talking about these other ways to get people employed, to get people into the skilled trades for good-paying jobs where we know we have openings.

So today, we will explore the workforce development programs from the lens of the construction sector, where these programs have been extremely successful in teaching people in apprentice-

ship programs and getting people into the trade trades and to work.

It is estimated that in 2023 alone, the construction industry will have to recruit 546,000 workers on top of its regular pace of hiring, just to keep up with the demand. And, as we implement the Infrastructure Investment and Jobs Act over the next decade, that demand for workers is only going to continue to grow.

So whether we are talking about apprenticeships, career and technical education, or any other workforce development initiative, it is imperative that we look for ways to incentivize their use and make them more attractive to new demographics of workers.

Congress' investments in infrastructure will create more jobs and reach far beyond the construction sector. So we need to figure out ways to extend these programs into areas of our economy that have not traditionally been covered by these efforts.

Finally, and most important for this Committee, we need to ensure that workforce development programs are accessible to small employers because they are the ones who stand to benefit most.

Last Congress, this Committee focused on this topic with a series of hearings. Today's hearing and the introduction of two bipartisan bills to improve the understanding and utilization of vital workforce pipeline programs confirm this remains a priority for the new majority.

I look forward to listening to the testimony of all of our witnesses, which will help inform our current and future efforts to build a strong pipeline of skilled workers. And I look forward to working with my colleagues to build a stronger, more robust workforce. Thank you, and I yield back.

Chairman MOLINARO. Thank you, Mr. McGarvey. At this point, I would like to recognize the Chairman of the Small Business Committee, Mr. Roger Williams from Texas, for his opening remarks. Mr. Chairman?

Mr. WILLIAMS. Thank you, Chairman. I appreciate it. Good morning to all of you. We appreciate you coming here. I, too, am a small business owner back in Texas. So we are all talking to the choir here as we proceed to do some great things. And I want to thank my colleague, Marc Molinaro, for holding today's Subcommittee hearing. Thank you, Mr. Chairman, for that.

And in my district in Texas and across the country, there are far too many windows plastered with Help Wanted signs. This has been especially challenging for many industries that require specialized skills from workers plumbers, electricians, and so many more. Our economy does not work without skilled workers. And I can tell you we need welders in Texas. So send them our way. We need them badly.

And not only are these vital trades struggling to fill open positions, they also can't keep up with replacing retiree workers. And for every worker entering the skilled workforce, five are leaving. This is simply unsustainable for an economy like ours. And there are too many young people who feel like they have no other choice but to attend a 4-year college and incur tens of thousands of dollars in debt. And the ones that don't—in Texas, we have 100,000 kids every year dropping out of school in the ninth grade. Imagine that. Because they are losing hope. They don't think they can be a doc-

tor, architect, or whatever. So we need to make sure that they know there is opportunities out there that can get them into some opportunities to do great things.

So college, we all know, isn't for everybody. And there are other learning avenues that can help young people pursue a rewarding career. So we cannot address the underlying issues in education with a one-size-fits-all strategy. And I hope today's discussion, which I know it will, can shine a light on how important these alternate paths of education are to both small businesses, our nation's youth, and the future of our country. And that is the most important thing. A check from a job is much better than a check from the government, and we need to fix that.

So with that, thank you, Chairman Molinaro, and I yield back my time. Thank you.

Chairman MOLINARO. Thank you, Mr. Chairman. You said that better and more brief than I did.

Mr. WILLIAMS. I can be brief as long as you were.

Chairman MOLINARO. That is right. You make up for it. Let's begin by introducing our witnesses. It is my honor to introduce our first, Patrice Onwuka. Ms. Onwuka is the Director of the Center for Economic Opportunity at the Independent Women's Forum. Leading a national women's organization that is dedicated to developing and furthering policies that enhance women's freedom, opportunities, and overall well-being. The organization celebrates women's accomplishments and works to expand opportunities for women by supporting policies that include cutting down and burdensome federal regulations. Ms. Onwuka has over a decade of experience working on economic, technological, philanthropic, and criminal justice system issues.

In addition to her work at the Independent Women's Forum, Ms. Onwuka cohosts WMAL FM's morning show O'Connor & Company, the leading talk radio station in the D.C. area every Friday.

Ms. Onwuka is also involved in several philanthropic groups, including serving as a senior fellow with the Alliance for Charitable Excellence, a project of the philanthropy roundtable, and as Tony Blankley's fellow at the Steamboat Institute—did I get it all.

Born in the Caribbean, Ms. Onwuka grew up in Boston after immigrating with her family. She holds a bachelor's in economics and political science from Tufts University, as well as a master's in international relations from Boston College. Her expertise and passion to furthering opportunities for women make her an excellent voice to hear from today.

Ms. Onwuka, thank you for joining us this morning, and we look forward to the conversation that we will have.

At this point, I would like to recognize my colleague, Mr. Ellzey from Texas, to introduce his constituent who is appearing before us today.

Mr. ELLZEY. Thank you, Mr. Chairman. It is all my honor to introduce my first witness, Mrs. Meloni Raney. Ms. Meloni Raney is the President and CEO of TEXO, a Texas-based construction association.

Founded in 2009, TEXO was created to build a strong and vibrant construction community in north and east Texas. Comprised of over 300 Members who contribute over $15 billion to the greater

economy, TEXO is one of the largest construction trade association in Texas and one of the largest in the country.

Since Ms. Raney joined TEXO in 2013, she has played a key role in growing the association where she led member programs and service efforts until being promoted to President and CEO in 2015. A graduate of VOU, in Oklahoma, Ms. Raney majored in architecture and minored in construction science management.

In 2016, Ms. Raney was an honoree at 40 Under 40 in the country for Building, Design, and Construction's National Magazine Award. She has also been an active Member of the Foundation for Young Women's Leadership Committee in Fort Worth for over a decade, with a focus on STEM education.

With her extensive experience and passion for advancing the construction industry, Ms. Raney is well-situated to provide important insight into how we can strengthen workforce development in America.

Ms. Raney, thank you for joining us this morning. I am looking forward to our conversation.

Mr. Elzy, you are missing a couple of letters. I yield back.

Chairman MOLINARO. Thank you, Mr. Ellzey. And with that, let me introduce today's third witness and a constituent of mine, Mr. Bruno Schickel. Mr. Schickel is the president of Schickel Construction, a small business located in Dryden, New York. Founded in 1985, Schickel Construction has worked on over 200 residential commercial and like commercial projects in Tompkins County, including Ithaca, New York, and at Trumansburg, Hector, and Aurora.

Mr. Schickel employs 15 people at his company, and has well over 30 years of experience in the construction industry. His company works on everything from dream houses to cottage communities and rental properties that have garnered universal acclaim.

In addition to helming his own business, Mr. Schickel served as president of the local Builders Association as well as president of the New York State Builders Association, and as national vice president of the National Association of Home Builders.

His experience working on a diverse set of projects as well as his passion for the construction industry makes Mr. Schickel an excellent witness for us here today, and to hear from on the evolving challenges facing his industry, particularly, with workforce development.

Mr. Schickel, I appreciate you being here. Thank you for joining us this morning. We look forward to our conversation. And with that, let me recognize again Ranking Member Mr. McGarvey to introduce the minority's witness for today's hearing.

Mr. MCGARVEY. Thank you very much, Mr. Chairman. And for Mr. Erik Elzy, there might be a few letters missing, but I know notice the haircut's hereditary.

Our final witness today is Mr. Erik Elzy, assistant business manager for the United Association of Plumbers, Pipefitters, and Service Technician and Local 502 here in Louisville, Kentucky. Originally trained through Local 502's apprenticeship program, Mr. Elzy has been a journeyman plumber for more than 20 years. For more than a decade, he has also been heavily involved in educating other professionals in his field, serving both as an instructor and as a

training coordinator where he was responsible for approximately 350 trainees.

Mr. Elzy has been appointed to the Kentucky State AFL-CIO General Executive Board and the Kentucky Department of Housing, Building, and Construction Advisory Committee. He also serves as the vice president for the Greater Louisville Building and Construction Trades Council.

Mr. Elzy is also a friend. And I have been out to his facility, watched the respect he has and on the people he has trained and people whose lives he has changed. He does an amazing job in what he does for his field and our community. And I am so proud to have him representing our hometown and Local 502 here in Washington, D.C.

Thank you for being here, Mr. Elzy, and I yield back.

Chairman MOLINARO. I just remind my colleagues not to call into question the follicly-challenged. I am just saying, regardless of last names.

So we appreciate you all being here. Thanks, Mr. McGarvey.

Before recognizing the other witnesses for your testimony, I just want to remind you that your oral testimony is restricted to 5 minutes in length. There will be a little red light in front of you. And when that light clicks on, if you would not mind concluding your comments and beginning to wrap up. Otherwise, they have given me a modestly-sized gavel to make use of only if necessary. And with that, I now recognize Ms. Onwuka for her 5-minute opening remarks. Thank you.

STATEMENTS OF PATRICE LEE ONWUKA, DIRECTOR, INDEPENDENT WOMEN'S FORUM, CENTER FOR ECONOMIC OPPORTUNITY; MELONI RANEY, PRESIDENT AND CEO, TEXO, THE CONSTRUCTION ASSOCIATION; BRUNO SCHICKEL, PRESIDENT, SCHICKEL CONSTRUCTION; ERIK ELZY, ASSISTANT BUSINESS MANAGER, UNITED ASSOCIATION OF PLUMBERS AND PIPEFITTERS.

STATEMENT OF PATRICE LEE ONWUKA

Ms. ONWUKA. Thank you so much, Chairman. Thank you, Ranking Member, and the Committee Members who are here. My name is Patrice Onwuka, and I am the director of the Center for Economic Opportunity at Independent Women's Forum.

You know, we advocate for policies that enhance people's freedoms and opportunities, as well as their well-being as the Chairman mentioned. So I will give you a broad picture of where we are in the economy when it comes to labor force challenges.

Today, more Americans hold a college degree than ever before. However, fewer students are coming from lower-, middle-, and working-class backgrounds. Both younger and older adults feel the pressure to pursue higher education, and unfortunately are accumulating high debt to fund it. However, employers and workers increasingly question the value of degrees in terms of the costs and workforce preparedness. Some 70 million workers actually don't possess a college degree at all, and their labor force outcomes are being challenged right now.

Now, we have a pandemic labor market that is beginning to ease, but employers are still grappling with widespread, long-term labor shortages, driven by cultural and demographic changes that as well as well-intentioned policies that have limited opportunities. So I will explain a little bit further.

Now, as we have heard today, American businesses are facing an unprecedented challenge, stemming from labor shortages. We have got 9.9 million open positions, 5.8 million unemployed Americans, there is a mismatch there. Labor force participation, interestingly, is below prepandemic levels and below pre-Great Recession levels. So people are falling out of the labor force. This is stunting economic growth for small businesses.

According to the National Federation of Independent Business, 1 in 3 small business owners has openings for skilled workers, and 1 in 5 has openings for unskilled workers.

The national implications are very obvious: Productivity, growth, supply chain, all of these interrelated factors are affected by this labor shortage. However, we see these labor shortages more pronounced in some industries more than others. The skill, the technical occupations, these are middle-scale jobs that deliver middle-scale and middle-class opportunities and lifestyles. And very often, they don't require a college degree necessarily.

You will hear from my colleagues on the panel who are immersed day-to-day in the construction industry, for example, where there is a half a million gap of workers. But as I researched, it is not limited just to the trades. All of these industries across the economy are suffering.

So how did we get here? Well, I will posit three different forces: Number one, the every-kid-to-college movement. This education evolution imagined a fully college-educated workforce. But this is a one-size-fits-all approach that doesn't take into consequence the unintended consequences. It stigmatized the trades, directed students away from entry-level careers in industries that can actually deliver middle-class lifestyles with ample opportunities and entrepreneurship's potential, which a lot of young people love without the debt.

The cost of college became untethered from the value of the degrees, and unfortunately we have got to acknowledge this. Government-subsidized student loans are fueling this increase in college cost today.

Number two, we have heard a little bit about the retirements. About 10,000 baby boomers reach retirement age every day in the United States. According to the Census Bureau, by 2030, the entire generation will have retired. Potentially. But this creates opportunities, obviously. It also creates a loss of knowledge and experience.

And then the third big force: Degree inflation. This is the proliferation of degree requirements for jobs that didn't have those requirements before. Very often, employers routinely use college degrees to screen out applicants.

According to Harvard Business School, 61 percent of employers polled rejected applicants who had relevant skills and experience because they didn't have a degree. Talk about a barrier to opportunity. Men have been hurt by degree inflation, and Blacks and

Hispanics, people who don't necessarily have high college graduation rates, also suffer.

Employers, though, pay the price as well. Middle-scale jobs that are difficult to fill, feeding this worker shortage, and wage-inflation drives up the cost for business because you have to spend more to attract high-degree earners.

Unfortunately, a degree is not also or always a signal of the soft skills that you may be looking for. So what can we do? With my last 39 seconds, I have got some policy solutions, but I will just name them.

Number one, we have got to fight degree inflation. And this is already underway, but there are opportunities for Congress and lawmakers at every level to participate, on a bipartisan force.

Number two, reform excessive credentialing. Credentialing can be great. It can be a great alternative, but it can also be a barrier to opportunity. Again, there is bipartisan agreement there.

And number three, protecting independent contracting. Many young people want to be their own small business owners. They should be allowed to do so. And there are ways for Congress as well as States to protect that. Government policies can be well-intended, but they can create barriers to opportunity. And that is where we want to stop that. Thank you.

Chairman MOLINARO. Thank you for that very much.

And with that I would like to recognize Ms. Raney for her 5-minute remarks.

STATEMENT OF MELONI RANEY

Mrs. RANEY. Chairman Molinaro, Ranking Member McGarvey, and Members of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development. Thank you for inviting me to testify on the importance of a well-trained workforce for the construction industry and the value of a career in the industry.

My name is Meloni Raney. I have spent my career in the construction industry, beginning as an architect, and now as president and CEO of TEXO, the largest commercial contractors association in Texas, representing construction member companies that do more than $14 billion of work annually in the Dallas-Fort Worth region.

I am testifying on behalf of the Associated General Contractors of America, AGC, the leading association in the construction industry representing more than 27,000 firms.

The country is experiencing the greatest labor shortage in generations, with acute shortages in the construction industry. The good news is the industry is making great investments and local workforce development, and Congress can help. Recent federal infrastructure investments in combination with expected private sector investments will provide many future workers with good-paying jobs and long careers, if we can find a way to encourage more people to pursue construction careers.

Congress can help put more high school and college graduates into high-paying construction careers by increasing funding and local flexibility. Doing so will not only provide essential construction skills, but also serve as valuable recruiting tools by signaling to students and young adults that construction is a career path

worth considering. By giving construction the starring role in rebuilding the economy, a new generation of workers can be brought into the construction trades for careers where they can economically advance and prosper.

According to an AGC Autodesk 2022 Workforce Survey, construction workforce shortages risk undermining infrastructure projects as most contractors struggle to fill open positions. According to the JOLT Survey from the Bureau of Labor Statistics, contractors wanted to hire more than twice as many workers as they were able to hire. In Texas, the industry struggles to fill positions for record-sized projects. The reason firms have difficulty finding workers, even though hourly pay in construction averages 19 percent or more than the overall private sector is the country has essentially dismantled the once robust pipeline for recruiting and preparing new construction workers.

In Texas, TEXO has prioritized recruiting workers to the construction industry and providing a skilled workforce. The multifaceted tactics include workforce development initiatives and craft-training programs.

The TEXO Foundation is active in Dallas-Fort Worth area schools connecting students to the industry, and much of its success is due to involvement of employers. The Construction Education Foundation, the craft training arm of TEXO, has over 2,600 students enrolled in training programs with 140 participating employers across eight trades.

The earn-and-learn model offers graduates a recognized credential that certifies proficiency in one of eight trades. The participants are paid by an employer. Employers gain access to a skilled talent pool that improves productivity and reduces turnover. Meanwhile, new workers learn valuable and portable skills without having to accumulate college debt. Instead, employers bear much of the cost for training. This is a very different model than our current approach to collegiate education where students bear most of the cost regardless of employment prospects.

Federal officials are spending far more to encourage new workers to go to college instead of pursuing rewarding careers in construction. For every dollar the federal government spends urging students to enroll in college and enter the service sector, it invests 20 cents in career and technical education. This higher education bias is doing a disservice to our nation's youth by encouraging a massive accumulation of debt that doesn't often lead to a career in their field of study.

CTE programs are among the most valuable education programs. However, programs are expensive to administer and fund with cost-intensive classrooms, and equipment and quality instructors in short supply.

Finally, recent major infrastructure investments from Congress, such as the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and the CHIPS Act, are intended to address many documented needs. However, some other programs are imposing workforce requirements that further limit the ability of construction contractors to perform their work.

Imposing arbitrary workforce requirements that further narrow the pools of workers that qualify to work on federal infrastructure

projects will only make it harder, longer, and costlier for these projects to be built.

Thank you again for inviting AGC to testify before the Committee today, and I look forward to answering any questions you have.

Chairman MOLINARO. Thank you, Mrs. Raney.

And now, Mr. Schickel, for 5 minutes opening comments.

STATEMENT OF BRUNO SCHICKEL

Mr. SCHICKEL. Good morning. I am an owner of a small business in the Ithaca, New York, area. My company, Schickel Construction, specializes in residential and light commercial work.

Now, I am the first person in my family in many generations to have not gone to college. Being the ninth child of 13 children, I think my parents were relieved when I decided to take a different path, given the financial burdens of college tuition. I would like to say that going to college is not the only way to get an education, it just happens to be the easier way, but the more expensive way.

I attended shop class in high school, and I built a lot of great furniture then. I wanted to make things. I did not want to go to college. After high school, I joined the carpenters' union and did residential construction for a while. Then over the next 10 years, I worked for a variety of different companies in on-the-job training.

At 28, I decided that I was ready to go out on my own, and I started my own company in 1984, and I have consistently employed 10 to 15 people for the past 39 years.

Recently, I polled my employees to see how many went to shop class in high school. Sixty percent of them did. Hands-on and on-the-job training is how I learned the construction industry. I would like to say that anybody can learn how to build a house, hands-on, but not everybody can easily learn how to run a business.

I learned how to run a business by attending the annual International Builders' Show sponsored by NAHB, or the National Association of Home Builders. Every year, I would take part in their seminars that they had to offer.

There is little difference between the unemployment rate of workers that get a college degree and workers that don't, but there is a big difference in their debt burden. This debt burden sets young people back decades in terms of their economic security.

Now, if you go back to the mid-eighties, early eighties, I was hiring for a construction company, and we had workers lined up out the door, literally, looking for work. Fast forward to 2008 and 2009, that recession, I was lucky if I would get one or two applicants a week. Now the situation currently is literally nobody will apply. And sometimes I just simply give up altogether and just stop trying.

In my mind, we have a short-term problem and we have a long-term problem. The short-term problem is we are facing a historic labor shortage right now. Everyone reports the same problem. There is nobody to hire. Just think about how much more our economy could be expanding and growing if businesses could hire the people they need. I know my business, personally, could increase 20 or 30 percent, easily.

The National Association of Home Builders estimated the next 2 years, we are short 2.2 million jobs. And without those, a million homes won't be built. Currently, this country has an unprecedented number of jobs going unfilled. At the same time, we have an unprecedented number of people not working and collecting government benefits. Clearly, something is seriously out of whack.

The long-term problem, over the past 50 years, the workforce balance has shifted. Few people want to make things now. Too much emphasis has been put on attending college and too little on the rewards of jobs in the trades. Resources for vocational training and technical training have declined. Many schools stop offering shop classes altogether. The vocational tract has become the poor cousin of the college tract. We need to restore some balance.

I would say that hands-on and on-the-job training is a good place to start. Let's bring back shop class to high schools. Thank you.

Chairman MOLINARO. Thank you, Mr. Schickel.

And now for 5 minutes, the other Mr. Elzy.

STATEMENT OF ERIK ELZY

Mr. ELZY. Good morning, Committee Members. Thank you to honor of speaking before you today. My name is Erik Elzy, and I am a proud 26-year Member of the United Association of Plumbers, Pipefitters, and HVACR Service Technicians, Local 502 in, Louisville, Kentucky. I have held various positions in my local union, including apprentice plumber, journeyman plumber, general foreman, superintendent, apprentice instructor, training coordinator for Local 502's training center, instructor nationally for the United Association, And business representative, the job I currently hold.

I am here today to speak to you on the importance of apprenticeships in the construction industry, especially the industry that I represent.

My experience started in 1997, as a registered apprentice. I worked under the tutelage of many passionate, educated plumbers and plumbing instructors for 5 years until I met the requirements to graduate in 2002. The passion these Members have shown me led me to return the passion to young men and women currently making up Local 502's membership as an apprentice instructor, and as a training coordinator so that I could have a hands-on experience in their education. Some of these Members are still my mentors today, and I am forever indebted to them for the education they provided to me when I was a young man.

I have been appointed to several boards representing Local 502 in the State of Kentucky, either by business manager or Governor Andy Beshear. Some of these being Greater Louisville Building and Construction Trades Council vice president, Kentucky State AFL-CIO Executive Board Member, the Department of Housing, Buildings, and Construction Advisory Committee.

And I can assure you that among other topics covered in these meetings or these committees, the conversation always seems to always find its way to worker shortages in the State of Kentucky. We bounce ideas around the room on how each organization is planning on making sure manpower requests are met now and in the future, which always includes apprenticeships.

Apprenticeships are required to register with the state in which they are located as well as the Department of Labor. Thus having them prove how money is spent, retention rates, provide curriculums for approval, among other things. This helps ensure that registered apprenticeships meet required levels of quality, and that Members' contributions, or in some cases, federal and state grants are used responsibly.

With my experience as an apprenticeship instructor and training coordinator locally, I have personally witnessed how valuable the education provided to our apprentices shows versus when someone who has taken a 6-week course to pass a license exam or someone who has some field education, but that is all they have shines through.

Most union apprenticeships have earn-while-you-learn programs. This allows the apprentice to take classroom, workshop learning, and translate it into their field of work and vice versa. This is also a great way to learn for someone who is more of a hands-on learner all while maintaining full-time employment and benefits to provide for themselves, and if applicable, to their families.

Apprenticeships have proven to be very beneficial to businesses, both large and small. Larger businesses, in some cases, are capable of developing in-house apprenticeships. While smaller businesses may not be able to afford this type of training on their own.

In the case of Local 502, we partner with contractors that have anywhere from 350 Local 502 Members down to just two Members. We are able to help all contractors, notwithstanding their size, following one guiding principle: We train apprentices to perform a job skill, not a job skill for a certain type of contractor.

Some smaller businesses in years past have been intimidated to approach unions with a fear of cost of becoming a union contractor. In recent years, Local 502 has seen a rise in smaller contractors become a signatory to us. This is from the education that they are receiving at our apprenticeship. We offer a class to every Member on starting a new business and how Local 502 can assist in the financial burden of someone just starting out. Since implementing this class, we have had several Members take this class and have had five new Members start businesses.

Recently, Congress enacted legislation regarding infrastructure. This one bill will require hundreds of thousands of qualified workers for the foreseeable future. One way Congress can help with this shortage, I believe, is to help promote apprenticeships in the workforce as a career choice the same way a 4-year degree is promoted.

In my profession, people have chosen to become a plumber, pipefitter, or HVACR Service Technician. No different than choosing to become a doctor or a lawyer. The education is different, but not less important. In fact, in our opinions, the education is more important to the health and safety of Americans.

Again, thank you for the opportunity to speak to you today. It has truly been my honor and privilege.

Chairman MOLINARO. Thank you, Mr. Elzy. We appreciate you all being here with us today. At this point, we will move on to Members' questions. And I would have like to yield myself 5 minutes to begin.

Mr. Schickel, I want you to dive a little bit deeper into rural America and upstate New York. Could you speak to a degree about the specific challenges you face in recruiting and finding applicants for work?

Mr. SCHICKEL. Thank you. I think the biggest problem right now is that nobody is applying. It is a very vexing situation. Not literally nobody is applying, but figuratively it is. I have hired a couple of people recently that, you know, over maybe 3 or 4 months, some people did come forward. And I offered them a job, and they never showed up. They literally never showed up for work. Never called and never contacted. I am not sure why that is. I think the balance is just out of whack. And I don't know why that is, but thank you.

Chairman MOLINARO. So let's dive a little bit. What, specifically, though, do you think is keeping folks from coming to work? You know to be—with some detail, what are you hearing in certainly your area of the industry?

Mr. SCHICKEL. You know, it is a vexing question because there—I think the assumption is that they are being well-rewarded. The incentives not to work are so great or too generous that the alternative of working is not attractive enough. That is what I hear.

Chairman MOLINARO. And you can say it. In our State, there are government supports that are discouraging people to reenter the workforce.

Mr. SCHICKEL. Without question. Without question.

Chairman MOLINARO. Okay. Other than perhaps using those tools to incentivize work, what could government's role be to get folks back, at least, again, rural New York in your line of work?

Mr. SCHICKEL. I think people have to understand that careers in the trades are a very noble and good profession, and they pay well. And I think it is a promotional thing. I think that so much emphasis has been put on getting a college education. So many resources are committed to that, and not enough is put on hands-on work and making things. And I think that balance just has to be changed. And that is the long-term goal or long-term challenge. And then the short-term challenge is getting people to step forward.

Chairman MOLINARO. Thank you. These are good actually a segue for me to ask Ms. Raney a question. I often say my step dad's a brilliant mathematician. A brilliant mathematician, so long as he is under the hood of a car. And test-taking and the challenge certainly in public school—I should probably say Skip Van Anden (ph) was—is and remains a great mechanic. My dad doesn't often get in the Congressional Record anyway, so I should probably acknowledge that.

But the challenge from high school and test-taking and so on was overwhelming. And, ultimately, you know I will say, in his day, and now, and certainly today, the demand to only learn a certain way, to be educated a certain way is demoralizing. What your efforts through the TEXO High School Outreach Committee, I think is an important sort of connection in creating that pipeline.

Can you talk a little bit about what the Committee does and how you might inspire young people to actually move down this path.

Mrs. RANEY. I can. I think that is what is so exciting about what we are doing is we are taking people who have incredible careers in construction, and we are putting them in front of these high school students who are—they are studying CTE, but they actually don't know how to get into the industry. So there is a disconnect between you are studying CTE in high school, but you don't know how to go into the industry, and you don't necessarily know—there is a perception issue with construction, it is your last resort. So if you fail at everything else, then you can get into construction.

And so, we are putting people in front of them to change that perception and give them hope that this is a bright career for you. We show them the salary ranges. We show them people who have progressed through the trades. We put people in front of them that look like them, so that they know construction is open to anybody. And so, we are giving them hope by getting in front of them early. We start in middle school, and then we are with them all along the high school journey, and we are bringing them into the industry.

Chairman MOLINARO. Thank you for that. I just think the one-size-fits-all education structure is not only depleting the workforce, it is demoralizing some of our brightest minds. I am grateful for the work that you do. With that, my time has expired. I will recognize Ranking Member McGarvey for your 5 minutes.

Mr. MCGARVEY. Thank you, Mr. Chairman. We will start off with a point of agreement where we shouldn't have the one-size-fits-all model. I think that is what we are doing here.

And, Mr. Schickel, I really appreciate what you said about showing that the trades are a noble career. And I want to stress that. What we are highlighting here today is it is not just a job, it is a career in the trades where you can learn to do something, make something, really contribute to our society, and provide a good life for you and your family.

Mr. Elzy, I appreciate you being here today, for being such a mentor and teacher in the trades and our community. We know that apprenticeships offer an effective model of workforce development, especially in the construction industry, where you do have to have that hands-on training, Mr. Schickel.

Mr. Elzy, can you explain why these apprenticeships are so widely used in the construction industry and why apprenticeships outmatch other forms of training?

Mr. ELZY. Thank you. I think that when, in my situation, again, we employ plumbers, pipefitters, HVACR service technicians. So our contractors, when they call us and want—are looking for someone—they can call for a specialty—I want a plumber, apprentice, first-year, 2nd-year, 3rd-year, 4th-year, 5th-year. Whatever year you want, that is what we are going to send you. We are going to send you that type of an apprentice in whatever trade that you are looking for.

And I would like to also say, referring back to what she down at the end said, I mean, you know, it is hard to reach these young kids, too, and make them understand how to get into a field. So, you know, we are doing a lot of outreach in these schools now, you know, in the high school level with our coordinators, and showing

them what it is like to be plumber, a pipefitter, an HVACR service technician, and where they can go with it.

Mr. MCGARVEY. And you mentioned businesses calling you asking for a certain thing. Well, one of the things you talked about in your testimony was sometimes hesitancy of smaller contractors to use union labor. But that recently, you have seen an uptick in some of these contractors saying that they want to become a union. Can you elaborate on that a little bit about the value of apprenticeships from the employer perspective and how that is helping with the unions?

Mr. ELZY. Yeah, like the smaller contractors. Like I said in my testimony, in the years past, smaller contractors were very leery of saying I want to be a union contractor for the simple cost of the fringe benefit package with the wages also. And it scared them away thinking that there is another cost attached to it just to say I am a union contractor. Well, there is not a cost attached to that. You know, but in order to pay the wages in the fringe benefit packages, that does come at a cost. But you are getting a more well-trained individual, and you can always have someone when you need someone.

So what we have done is we have what is called a market recovery fund that our Members have decided to start in order to grow our local and our market share in our area. So if a Member decides—or not just a Member, any small contractor in our area decides, Hey, I want to be a union contractor, they come in, sit down and talk to us, and we say, Hey, we can help you for the first 6 months to a year with your fringe benefits with this market recovery fund, and we will help you get your feet on the ground and get some money established for yourself before you—we don't want to see you fail. We want to see you succeed and stay a union contractor for the next 100 years.

Mr. MCGARVEY. Your story is very compelling, too. You decided to pursue a career in the trades and turned down a scholarship to go to college. What made you change course, and how has pursuing apprenticeship helped your professionally? And I guess, you know, in the last couple of minutes, what advice do you have for young people considering joining an apprenticeship program?

Mr. ELZY. I would say, I did go to college. I was on a baseball scholarship. And it did not take me long to understand that I was not a college student, I was a baseball player. And you can't do both. I mean, you have to do both at the same time. You can't pick one. You got to do both. So my grades were not good enough. My baseball coach said, Hey, you are not going to be able to keep your scholarship. And I was from a family that—God bless my dad. You know, he worked hard, but he didn't make a good living, and he couldn't afford to send me to school anymore. So I had to come back and get a job. And I was actually found on a softball field. As a college baseball playing slow pitch softball, you know, you are found pretty easily.

So I was picked up by the union team, and the union team said, Hey, would you like to be a preapprentice. And I didn't know what that was. They handed me a packet. They said take it home and talk to your parents about it. I am a 19-year-old kid. I went home

and showed it to my dad. My dad told me I was an idiot if I didn't take advantage of this.

So 26 years later, here I am. And it has been great to me because in my younger years as I talked about my mentors, you know, as a 19-, 20-, 21-, 22-year-old kid, I didn't care about a retirement. I didn't care about health benefits. But 26 years later, I have a pension that is going to provide for me and my wife. When I retire, I am going to be eligible to retire at the age of 57. I mean, you can't hardly say that anymore in this day and age.

So this union, my education has provided very well for me and my family for the last 26 years. And I am proud to say that I am from that.

Mr. MCGARVEY. Thank you very much, Mr. Elzy. I appreciate your testimony. And like you stood out on the softball field, this is a bipartisan Committee, but we have a partisan event on June 14, which is a congressional baseball game. If you still have any eligibility left, we can get you in.

Mr. WILLIAMS. It is hardball.

Mr. MCGARVEY. That is right. It is the hardball. I yield back.

Chairman MOLINARO. Thank you, Mr. McGarvey. It is hardball, and we also cannot recruit from the Committee. I think it is in Ethics.

Mr. MCGARVEY. Okay. I thought I would try.

Chairman MOLINARO. Thank you, though. A very good effort. And with that, I would like to recognize Mr. Ellzey from Texas for 5 minutes.

Mr. ELLZEY. Thank you, Mr. Chairman. Thank you all for being here today. I love having my staff prepare all these questions. And as I hear the conversation, I love where we end up going. And this whole generation that we are talking about you guys are trying to find to fill these jobs, there are a number of issues that have occurred over the last 5 years that have led to a decline in our workforce, and everybody is struggling from it. When I go try to find folks to apply to the military academies, we can't find them, to enlist in the military, to become first responders, to—any number of trades. And if we are going to talk about fathers, I would like to say my father-in-law, Bob Hoback, is a master builder as well. So he is now in the register. So he is proud. But it is really to find these people.

And then COVID really kind of upset the apple cart, and then video games did, too, and whatever they are doing online, and the monitorization of the internet has made it difficult for you to find that 18- to 22-year-old who you need right now. They are going to probably stay with that path for the rest of their lives.

But it also occurs to me that we have a guidance counselor problem, I think, nationwide. It doesn't matter what region you are in, guidance counselors need to be finding these kids in school and say, you know what, do you want to go to college? Well, yes, I do. Or, no, I don't. Well, in case you don't, here he is where you need to be going.

But to your point about wood shop, I think it was you that mentioned wood shop. Yeah, we need that stuff back in junior high and show the people working with your hands and having a career for

your whole life is extremely important. So I will get to the questions now. So everything is a struggle to find folks.

Mrs. Raney, are you finding a light at the end of tunnel after we have come out of COVID, moneys are starting to be pulled back, and people are kind of looking around trying to find a job. Are we seeing a light at the end of the tunnel? And if not, when do you think we will see that?

Mrs. RANEY. I think we are seeing glimmers of light. We have pockets of huge success stories coming from schools. If we are active in the schools and we build relationships with these students for 4 years, they were coming into our industry. So I can tell you success—Congressman Williams talk about needing welders in the State. We have a school that sends us about 25 welders every single year. They graduate, and they come into our industry. But that is a very specific school that we are targeted, and we are in partnership with for 4 years to get those graduates. So we are seeing glimmers. What we have to do is make it a scalable approach. DFW has 8 million people in our metroplex. It is a massive—there is massive schools that we have to go find. So making that scalable is what we have to do and continue to educate those counselors so that they are pushing people into our programs.

Mr. ELLZEY. But you are starting to see it get better.

Mrs. RANEY. We are.

Mr. ELLZEY. Ms. Onwuka, what policy change do you believe would have the most significant impact on fixing this labor force shortage?

Ms. ONWUKA. Where do I begin?

Mr. ELLZEY. You have got 30 seconds to solve the whole world's problems.

Ms. ONWUKA. I know. I mean, I think, number one, related to what we are talking about here which is just the pushback between the every-kid-to-college movement. Part of the reason why guidance counselors have been pushing kids to college is because there has been some financial incentives, and there is this idea that schools want to have a college graduation rate or a college participation rate for their high school students going to college. And so, there is some financial incentivize there. There is also just this idea that we were sending lots of kids to college. That is changing. And I think because we have $1.7 trillion in student loan debt, younger people are recognizing that they don't want to go down the path that I as a millennial did and incur a lot of debt.

And so, what can we do? I talked about fighting degree inflation. Absolutely. Private employers are getting rid of their degree requirements for positions that they don't need to see—that they don't need that. It has preceded the pandemic and accelerated during the pandemic, which is great. Policymakers, state-level and federal, have an opportunity to look and take an audit of every single open position and decide does this actually need a degree? Can this job be done without that? We are seeing in States like Maryland—I believe it is Utah and one other State where those governors decided we are going to eliminate all degree requirements.

That opens up jobs for people who may have years of experience in the workforce, but have been locked out of those positions. So that is one way of attacking this problem.

Mr. ELLZEY. Thank you very much. Mr. Chairman, I yield back. Thank you.

Chairman MOLINARO. Thank you, Mr. Ellzey.

With that, I would like to recognize Mr. Pappas from New Hampshire for 5 minutes.

Mr. PAPPAS. Thank you very much, Mr. Chairman. And I thank our panel for their contributions for the discussion here today. I think this is the most important conversation happening here on the Hill here today. And I see this all across my district. I was at a steel fabricator not too long ago in Cambian, New Hampshire, Atlantic Bridge and Engineering. And they are obviously looking for workers. They are utilizing every square inch of their facility as they seek to scale up to meet the demand with respect to major public works, projects, and a construction boom that we are seeing in southern New Hampshire and the greater Boston area. But that is good news, but it presents a serious challenge to this company to be able to compete.

One thing I wanted to ask Mrs. Raney about is a career in technical education. You talked a little bit about building pipelines, which are crucially important, that partnership between the private sector and CTE programs is necessary to be able to highlight the opportunities that are out there to young people. But, of course, our CTE programs need funding, they need modern equipment, they need adequate instruction to be able to facilitate the kind of change that we need to see in this country.

So can you talk about a successful model in terms of a career in technical education program, and the kind of partnership with the private sector that is necessary?

Mrs. RANEY. Yeah, I think you actually just hit on one of the biggest challenges we have is when these students—in the State of Texas in 8th grade, you have to choose whether you are going to go the CTE route in high school or a college-bound rate in high school. So if you choose the CTE program, you choose a specific thing you are going to study. So the construction labs are very expensive because the equipment is expensive. And then finding instructors, because the industry is hiring all of the instructors right now.

So when we go in and partner with a school and supply the equipment, and we help them find instructors, and we are physically in the classroom at least once a week or, you know, once every couple of weeks, that is a partnership. And so, when those students graduate, we are finding success. And then working at the firms that are in those classrooms. So to us, it is a partnership where the industry is physically recruiting middle school and high school students and changing that perception of what it is like to be in construction, and then they are hired out of high school to join the apprenticeship training program. So there are pockets of success stories we are seeing all across DFW.

Mr. PAPPAS. Yeah, well, thanks for those thoughts. And, Mr. Elzy, I appreciate your presence here. And I think you did a great job highlighting registered apprenticeship programs. And I have gotten to know some in my district. I have met people who are changing career paths mid-career. I met a woman who was a paraprofessional; had trouble paying her bills. She was working in the

school system, but she got trained up as a union carpenter and is looking forward to a great lifetime in that industry.

So I am wondering if you can talk a little bit about some of the barriers that people might face to access these programs. I know a lot has been said about why people are on the sidelines for workforce. I know, based on my conversations, that it is a number of things that come into play. But how can we open up more of these opportunities to folks who are either just starting out or mid-career or are looking for a chance to get ahead and stay ahead?

Mr. ELZY. I know that Congress doesn't promote, you know, 4-year schools, colleges, and trade schools, but just a promotion. In our area, what we are trying do is we are spending lots of money advertising in our city. And Congressman McGarvey can probably say, you can't drive anywhere in the city of Louisville without seeing a billboard that says Local 502, or a commercial on television, or a commercial on the radio that says Local 502. And, again, like you said, that is just some people say, Well, what is Local 502?

So it is hard. It is a very difficult task to reach these young people because for so long, they have been told the 4-year degree is the way to go. So we are in a process, I think, of—the vocational school is coming back around. And, you know, while it is coming back around, these organizations like us need to take advantage of being able to go and visit these schools, set up to these schools, and get rid of the barriers, and make these kids understand that this is a good living, good pay, good benefits. So the barriers—I guess what you are trying to get me to answer is, you know, the barriers are there, and I don't really know the answer other than to continue to put it in front of their face. To continue to say, This is a good living. Just because you are working in the heat and the cold, and you are hot and sweaty and you are dirty doesn't mean it is not honorable, and you cannot provide for your families. Because I am a testament that that is wrong. I used to be the dirty guy that came home and played with my children in the yard with dirty clothes on.

Mr. PAPPAS. Well, I think that is important then. Look, there are a number of things we have to address as we build capacity and skills in our workforce, including immigration, including the addiction of mental health crisis that we are experiencing in this country. But we also need to continue to work together on this mindset shift. There is no one right path. And there are great careers out there in the trades. And so by working together and highlighting those opportunities and making sure we are getting to kids early is a great way to do it. So thanks for your thoughts here today. I yield back.

Chairman MOLINARO. Thank you, sir. And with that, I would have like to recognize Chairman Williams for 5 minutes.

Mr. WILLIAMS. Thank you, Mr. Chairman. This is great panel. I appreciate all of you. And as mentioned earlier, back in Texas, 100,000 kids a year dropping out of the 9th grade. 100,000—that is just in Texas alone. Losing hope, don't think they can be something they don't want to be. And I think we all hit it on the head is that we need to promote this, because the truth of the matter is we all know that once they get into career opportunities and do some things, that they make more money than the guys that are—

that everybody thinks got money. And I remember back—remember the cold snap we had 2 years ago? Nobody that I know of, nobody I know called the plumber or the welder or the carpenter and said, How much are you going to charge me if you come out here? It was zero degrees, for crying out loud. Just save me.

So there's not many businesses like that. So we need to promote that. And we need to make sure these kids understand that there is a lot of hope after the 9th grade in these industries. And, you know, a lot of them don't even know that current technical current education programs exist. And I know before I got here, I heard somebody talk about the fact that plumbers—metal shop and wood shop, you had to take that when I was in school in the fifties, and we need to get back to that.

So, Mr. Raney, can elaborate on the work of TEXO to educate young people about the opportunities that are out there. Oh, I am sorry, Mrs. Raney. We flew up on the plane together.

Mrs. RANEY. We did. So TEXO Foundation is active in around 75 high schools in the Dallas, Fort Worth region. And we are working with around 7,000 students in the DFW area. And when you look at how many ISDs, that is a small amount compared to how many we have to go reach. But we are active on advisory councils. We are active in the classrooms. Like I said earlier, we are changing the perception of what it is like to be in construction and showing them a path forward.

Mr. WILLIAMS. Great. You are doing a good job.

Ms. Onwuka, you talked about how college is getting more expensive. We know that, right? And, yet, I haven't seen any additional return on investment for students. So what is driving this disconnect, do you think, in our education system?

Ms. ONWUKA. Well, the disconnect when it comes to every-kid-to-college model is, from the cost standpoint, I think, you look at funding. And part of it is just that the ability for students to access federal funds, and the fact that the federal government really is subsidizing the rising cost of college.

Let me give you an interesting statistic here. For every dollar that the federal government puts into college in the subsidized loans, colleges raise their cost by 60 cents. So, there is this cycle of, well, you can charge more because the federal government is going to subsidize. At the same time, young people feel, well, college is the only route, so I have got to take out the student loans. And that is where you are getting the vicious cycle.

Mr. WILLIAMS. You know, I have got a bill that would have information about these programs on the Department of Education's website right before a student submits their paperwork to take out student loans and make them aware that there is options out there.

Ms. ONWUKA. Transparency, right.

Mr. WILLIAMS. Mr. Schickel, you have got a great story about taking a leap of faith when you were 28 to start your own business now. There is no universal path you can take to start your own small business, we know that. But for all young people who are nervous about going off on their own, starting a small business, can you describe the steps you took to start your business all those

years, all those years ago, right, and how you learned the intricacies of operating your own business?

Mr. SCHICKEL. Thank you. You know, I think—as I said in my testimony, it is pretty easy, relatively easy to learn how to build a house, but it is tough to run a business successfully. And I took advantage of the educational opportunities every year that the National Association of Home Builders provided with their annual International Builders Show. It was a 3-day extravaganza of probably 100 to 150 different seminars that you can take about every imaginable thing. And I really mind that for the knowledge and the expertise and the networking that was available on those occasions. And then every year, I just honed my skills and worked and worked and worked to improve my abilities.

Mr. WILLIAMS. And you opened up in the morning, and you locked it up at night, didn't you?

Mr. SCHICKEL. Oh, absolutely.

Mr. WILLIAMS. Well, Ms. Onwuka, I will quickly here ask you a question. Can you talk about credentialing issues that prevent people from going into certain careers?

Ms. ONWUKA. Sure. Occupational licensing refers to just the licenses for someone to, you know, participate in any type of occupation. It is really a State-level issue. It is supposed to signal that someone has the training or knowledge or education that they need. Sometimes it can become a barrier to opportunity, particularly, for immigrants, for people who have criminal records, which a lot of young people have unfortunately today, and for women particularly, military spouses who cannot transfer their licenses from State to State.

Mr. WILLIAMS. Well, my time is up. I will just say that the circle of an economy or a business or anything else is not completed until you fill the gap of the people we are talking about. There will always be an issue that we need to continue to fight. I yield back my time back. Thank you.

Chairman MOLINARO. Thank you, Mr. Chairman, and thank you for your leadership with the Small Business Committee and your faith in this Subcommittee's work.

I want to thank all of our witnesses for being here with us today. I agree with Mr. Pappas, this perhaps is maybe one of the most important conversations occurring on the Hill. In order to rebuild the American economy, we have to inspire folks not only to work, but to achieve success, rather that is through the trades or developing your own business, encouraging that, and breaking down some of those obstacles is critically important.

So with that, without objection, Members have five legislative days to submit additional materials and written questions for the witnesses to the Chair, which will be forwarded to the witnesses. And at this point, I would ask witnesses to please respond promptly should that occur. And if there is no further business, without objection, the Committee is adjourned.

[Whereupon, at 11:10 a.m., the Subcommittee was adjourned.]

APPENDIX

Written Statement of

Meloni Raney
President & CEO
TEXO

On behalf of

The Associated General Contractors of America

to the

United States House of Representatives

Committee on Small Business Subcommittee on Innovation, Entrepreneurship, and Workforce Development

For a hearing on

"Help Wanted: Exploring how Alternative Paths to Student Debt Can Help Strengthen Small Businesses"

April 26, 2023



The Associated General Contractors of America (AGC) is the leading association in the construction industry representing more than 27,000 firms, including America's leading general contractors and specialty-contracting firms. Many of the nation's service providers and suppliers are associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, levees, locks, dams, water conservation projects, defense facilities, multi-family housing projects, and more.

2300 Wilson Boulevard, Suite 300 • Arlington, VA 22201 • Phone: (703) 548-3118

Written Statement of Meloni Raney
TEXO, Dallas, TX
Committee on Small Business Subcommittee on Innovation, Entrepreneurship, and Workforce Development
United States House of Representatives
April 26, 2023

Chairman Molinaro and members of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development, thank you for inviting me to discuss the importance of a well-trained workforce for the construction industry and the value of a career in that industry.

My name is Meloni Raney. I am the President and CEO of TEXO, the largest commercial contractors' association in Texas representing construction member companies that do more than $14 billion of work annually in the Dallas / Fort Worth region. TEXO provides its members with innovative programs, quality services, and strategic alliances. The association maintains a strategic focus on three primary service areas: governmental representation; safety and skill-craft training; and professional development and leadership training.

I am testifying on behalf of the Associated General Contractors of America ("AGC"), of which TEXO is a chapter. AGC is the leading association in the construction industry representing more than 27,000 firms, including America's leading general contractors and specialty-contracting firms, many of which are small businesses. Many of the nation's service providers and suppliers are also associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, levees, locks, dams, water conservation projects, defense facilities, multi-family housing projects, and more.

The country is experiencing the greatest labor shortage in generations. Those shortages are particularly acute in the construction industry because few young people currently choose construction as their career of preference. The good news is the construction industry is making great investments in local workforce development efforts and Congress can help address this problem. Recent federal infrastructure investments in combination with expected private sector investments will provide many future workers with good paying jobs and long careers if we can find a way to encourage more people to pursue construction careers.

Congress can help put more high school and college graduates into high-paying construction careers by increasing funding and local flexibility. Doing so will not only provide essential construction skills, but also serve as valuable recruiting tools by signaling to students and young adults that construction is a career path worth considering. By giving construction a starring role in rebuilding the economy, a new generation of workers can be brought into the construction trades for careers where they can economically advance. The construction industry

offers lifelong careers with career advancement opportunities. Importantly construction jobs cannot be outsourced and have been key to our nation's economic prosperity.

Workforce Needs of the Construction Industry

According to an AGC of America & Autodesk 2022 workforce survey, construction workforce shortages risk undermining infrastructure projects as most contractors struggle to fill open positions. The widespread labor shortage in the industry is undermining the industry's ability to complete projects on time and on schedule, including the infrastructure and manufacturing projects being funded with federal support.

Ninety-three percent of construction firms report they have open positions they are trying to fill. Among those firms, 91 percent are having trouble filling at least some of those positions – particularly among the craft workforce that performs the bulk of onsite construction work. All types of firms are experiencing similar challenges. Nearly identical results were reported by contractors that use exclusively union craft labor and by firms that operate as open-shop employers; by firms with $50 million or less in annual revenue and ones with more than $500 million in revenue; by companies in all four regions of the country; and by contractors doing building construction, highway and transportation projects, federal and heavy work, or utility infrastructure.

One of the main reasons labor shortages are so severe is that most job candidates are not qualified to work in the industry. The most common explanation for difficulty in hiring, cited by 77 percent of firms, is that available candidates lack the skills needed to work in construction or cannot pass a drug test. Construction firms are also boosting investments in training programs. Forty-seven percent of construction firms are increasing spending on training and professional development programs, 25 percent are enhancing their on-line and video training capabilities and 16 percent are using augmented and virtual reality technology to better train workers.

According to the Job Openings and Labor Turnover (JOLTS) Survey from the Bureau of Labor Statistics there were 384,000 job openings in construction at the end of February. That exceeded the 315,000 employees hired during the entire month—implying that contractors wanted to hire more than twice as many workers as they were able to bring on board. The tight labor market underscores the demand for skilled workers. Career and Technical Education (CTE) is the critical component of the workforce pipeline for industries such as construction. Additional support for CTE will ensure that our nation's construction contractors will have the robust and sustainable workforce they need to fulfill current and future federal infrastructure investment.

In Texas, the workforce shortage is acute and faces unique circumstances as the industry struggles to fill positions for record-size projects such as the chip fabrication plants, known as "fabs," outside of Austin and multiple natural-gas liquefaction facilities on the Gulf Coast.

Value of Career in Construction Industry

Construction firms continue to have a hard time finding enough qualified workers to hire. The reason, despite the high wages, is that the country has essentially dismantled the once robust

pipeline for recruiting and preparing new construction workers. Decades ago, most school districts operated robust vocational educational programs. However, as educational trends shifted toward pre-collegiate skills, many school systems stopped teaching craft skills.

Today, few school districts offer CTE programs or provide instruction in construction skills. This signals to many students and their families that construction is not a career worth considering, even though hourly pay for nonsupervisory workers in construction averages nearly 19 percent more than in the overall private sector. As the current construction workforce continues to retire in large numbers, more firms will be forced to cope with the challenge of having to replace workers when there are relatively few new ones available.

For many construction firms, workforce shortages are very real and extremely significant. The problem will not go away without broader changes to the nation's approach to education and workforce preparation. There are a range of steps policymakers should take to make it easier to set up construction recruiting and training programs.

Local Workforce Development and Craft Training

TEXO has prioritized recruiting workers to the construction industry and providing a skilled workforce for local construction contractors. The multifaceted tactics include the TEXO Foundation for workforce development initiatives and the Construction Education Foundation for craft training programs.

First, the TEXO Foundation has been addressing the construction labor shortage and encouraging the best and brightest students to pursue careers in construction since 2017. The organization has three main focus areas for outreach – high school; college; and diversity, equity, and inclusion. The TEXO Foundation is active in the local Dallas / Fort Worth area middle schools as well as CTE programs in several regional high schools. The goal is to interact with these students throughout their high school career and, when they graduate, they either go the 4-year college route or they are hired by a TEXO contractor member and go into the apprenticeship program.

TEXO Foundation is involved in 75 high school CTE programs. These programs serve approximately 7,000 students in the Dallas/Fort Worth region, exposing them to career opportunities in the industry. The program is largely successful due to the involvement of 45 construction employers active in the DFW area. The Dallas Independent School District P-Tech sponsored program allows students to graduate with High School diplomas and a Construction Technology Associates Degree, conferring dozens of degrees and certificates per year.

Second, the Construction Education Foundation is the craft training arm of TEXO. The alliance of employer organizations including members of AGC, operates training programs that provide the local industry with qualified, technically trained craft workers. Over 2,600 students are currently enrolled in TEXO's training program with 140 participating employers across 8 trades. Those trades are: Commercial Field Engineering; Electrical; HVAC; Pipefitting; Plumbing; Roofing; Sheet Metal; and Welding. Over the last decade, 536 employers have participated and seen 27,047 students participate in our program.

The craft worker program is successful as it involves employers throughout the training process. Employers' hire workers, then send them through the 4-year apprenticeship program across the different trades. The workers amass zero education debt though the multi-year program, and they are paid during the four years. The program graduation rates exceed general education programs, where few students actually graduate, and work in the programs of their study. The graduates of the program earn higher wages compared to non-graduates.

Success of Apprenticeship Model

The earn and learn model being utilized by TEXO contractors offers graduates a recognized credential that certifies proficiency in one of eight trades. The participants are paid by an employer on a scale that increases as their proficiency in the trades improves. Participating employers gain access to a skilled talent pool that improves productivity, reduces turnover, and fosters diversity. Meanwhile, new workers learn valuable and portable skills without having to accumulate college debt. Instead, employers bear much of the costs for training, including covering program startup costs, training materials, instructors and overhead. This is a very different model than our current approach to collegiate education, where students bear most of the costs regardless of employment prospects.

Policies to Meet Local Workforce Needs

Workforce development is an essential ingredient of economic success and growth. Many Americans currently lack the skills needed to qualify to work in the construction industry and the many opportunities that are being supported by new federal infrastructure investments. It doesn't help that federal officials are spending far more to encourage new workers to go to college instead of pursuing rewarding careers in construction. For every dollar the federal government spends urging students to enroll in college and enter the service sector, it invests only 20 cents in CTE. This higher education bias is doing a disservice to our nation's youth by encouraging a massive accumulation of debt that often doesn't lead to a career in their field of study and fails to provide employers with a skilled and trained workforce. The current federal funding approach for workforce development actually discourages future workers to pursue the very career opportunities the federal government is spending so much money to create.

CTE programs are among the most valuable education programs for exposing students to construction skills and even to a lifelong career in the industry. However, CTE programs are expensive to administer and fund, with cost-intensive classrooms and equipment, and quality CTE instructors in short supply. This is especially true in construction where there is a shortage of quality instructors, as they are often recruited to work in the private sector at higher salary levels than school districts can provide. The modest funding increases for the Carl D. Perkins Career and Technical Education Act (Perkins) in recent years is a good start, as it's the primary source of federal support for CTE programs. But needs are still not being met because of the funding limitations of the program and tighter local school district budgets.

Historically there have been barriers, especially for small employers, to tap into other government programs like Workforce Innovation and Opportunity Act (WIOA). The paperwork

involved can overwhelm a small employer. There is also a disconnect between the industry needs and what the government provides. The programs serving employers are too slow to adapt and lack the urgency many employers need. Further, many employers are unaware of federally supported programs. Many of them are well funded, but the funding is neither targeted to employer needs, nor is there consistency in the quality of services provided from market to market. Currently, much of the federal funding does not cover programs and skills most in need.

Investing in the workforce and changing the delivery system of skills training is an ongoing challenge. However, contractors and employers across the country also look at market-based immigration reforms as necessary. There is universal agreement that the U.S. immigration system is broken, placing national security in jeopardy, leaving more than a hundred thousand current construction workers with uncertain futures in the hands of the court system, leaving no legal option for lesser skilled immigrants to meet workforce needs. All of these are factors in the industry's workforce shortage. Immigration is a complex issue that impacts many individuals, industries, and employers but the issues are too important for another decade of inaction. AGC strongly supports employment-based vias, either as standalone legislation or in any future immigration reforms.

Finally, recent major infrastructure investments from Congress, such as the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the United States Chips and Science Act (CHIPS Act) are intended to address many documented needs. However, some of the programs are imposing workforce requirements that further limit the ability of construction contractors perform the work. Imposing arbitrary workforce requirements that further narrow the pool of workers that qualify to work on federal infrastructure projects will only make it harder, longer, and costlier for those projects to be built. Federal officials should instead ensure that as many people as possible can work on infrastructure projects. Instead of excluding workers and starting construction education, federal officials should be including workers and boosting funding for career and technical education. In order to maximize this federal infrastructure investment, the construction industry needs a robust construction workforce. Simply put, if we want the work, we have to fund worker training and education programs.

I appreciate and thank the Committee for its continued efforts to help improve our nation's infrastructure, help small businesses, and enact policies that create good paying jobs in America. I look forward to answering any questions you may have.

Independent® Women's Forum

Testimony to the United States House of Representatives
Committee on Small Business
Subcommittee on Innovation, Entrepreneurship, and Workforce Development

Hearing: "Help Wanted: Exploring How Alternative Paths to Student Debt Can Help to Strengthen Small Business."

Patrice Onwuka
Director, Center for Economic Opportunity
Independent Women's Forum

Washington, D.C.
April 26, 2023

Chairman Williams, Ranking Member Velazquez, and Members of the Committee thank you for inviting me to appear today.

My name is Patrice Onwuka, and I am the director of the Center for Economic Opportunity at Independent Women's Forum. We are a nonprofit organization, committed to increasing the number of women who value free markets and personal liberty. We advance policies that enhance people's freedom, opportunities, and well-being.

Steady employment serves as the most basic building block for economic mobility. Unfortunately, work can be elusive for millions of workers who lack employers' desired combination of education, skills, training, or experience. For employers such as small businesses, the shortage of qualified candidates limits their ability to keep up with customer demand and grow their businesses. Although the tight pandemic labor market may be easing, employers are still grappling with widespread, longer-term labor shortages driven by demographic changes and other forces.

Sometimes, government policy, even when well-intentioned, erects barriers to opportunity for individuals and contributes to the labor supply challenges that employers face. It's incumbent upon policymakers to work in a bipartisan manner to dismantle those barriers if we want to ensure economic growth for businesses and prosperity for all.

Costs of Higher Education

For generations, a high school diploma was a sufficient level of education to obtain gainful employment that could be augmented with skills training for a specific occupation. Increasingly, a high school diploma and years of experience or skills are

not enough to obtain employment that can provide a middle-class life or a path to upward mobility.

Today, more Americans hold a college degree than ever before. As of 2021, **37.9 percent** of adults held a bachelor's degree, according to data from the Census Bureau. This is up from just **7.7 percent** in 1960. Gen Z is on track to displace millennials as the **most college-educated** generation. Women are **more likely** than men to graduate from college. However, fewer students come from lower-middle and working-class backgrounds.

Still, some **70 million** workers do not possess a college degree at all and their labor force outcomes are diminishing. The unemployment rate for high school graduates is twice as high as the rate for college graduates and above the overall unemployment rate (**4 percent**, **2 percent**, and **3.5 percent**, respectively). The labor force participation rate of non-grads is **56.3 percent** compared to **73.1 percent** for bachelor's degree holders.

Both younger and older adults feel the pressure to pursue higher education in order to secure their first job, next job, or a promotion to a higher-paying job. If collegiate courses of study provide knowledge specific to a person's occupation or if liberal arts degrees arm students with soft skills that employers find desirable, then a four-year degree can be beneficial to both students and employers. However, employers and workers increasingly question the value and worth of a degree in terms of cost and workforce preparedness.

The cost of higher education is outpacing inflation, making a four-year degree unaffordable without incurring debt for most families.

Government-subsidized student loans are fueling this increase in college. For every dollar from the federal government that a university takes in, its tuition increases by **65 cents**. The rapid increase in the cost of college means fewer working-class and poor students can even afford to attend. Students from the lower two economic quartiles make up a **smaller percentage** than they did in the 1960s.

Today, Americans owe $1.7 trillion in outstanding student loan debt. Not only does this debt create cost pressures on household budgets struggling with stagnant inflation, but it delays younger borrowers from generational milestones of purchasing homes, getting married, and starting or growing families. Local small businesses miss out on the economic activity that household formation spurs.

Student loan debt also erects a barrier to opportunity, especially for working-class and middle-class parents, who want to send their children to college or pursue higher education themselves.

Younger generations question the value of a college degree especially if the return on the investment is negative. In a YouGov poll, a **third** of those with degrees say the debt was not worth it. According to a recent **report** by the Federal Reserve, nearly four in ten associate degree recipients and people with some college but no degree

who hold outstanding student loan debt said the costs of their education exceeded the benefits, compared with three in ten who view the benefits as greater than the costs. Among bachelor's degree holders with debt, 72 percent said the costs of their education were greater than the benefits, compared with only 46 percent of those who never had debt.

Higher education does pay off for many degree holders in terms of higher wages and lower unemployment, but the debt load acquired along the way is not negligible. For non-degree holders, the rise of degree requirements in the workforce leaves fewer opportunities available for them to achieve upward mobility.

Employers increasingly recognize that college diplomas are not necessarily signs of job preparedness or competence and can weed out quality job applicants who may perform on par or above college graduates.

Workforce Challenges

American businesses face unprecedented labor challenges: labor shortages and the skills gap. The Labor Department recorded **9.9 million** open positions in March 2023. Yet, there are **5.8 million** unemployed Americans and the labor force participation rate stands at 62.6 percent, below pre-pandemic levels and pre-Great Recession levels.

Labor shortages are pronounced in skilled and technical occupations such as the trades and healthcare sectors. So-called middle-skilled jobs such as plumbers, plant operators, railroad workers, machinists, and electricians require a specific skill set but not necessarily a college degree.

Today, the construction industry faces a gap of a **half million** workers. That gap is expected to widen as federal funding for infrastructure projects, such as upgrading roads and transit systems, flows across the country and demand rises for even more labor.

In health care, the demand for physicians will outstrip supply leading to a projected shortage of between **37,800 and 124,000 physicians** by 2034, including 48,000 primary care physicians according to the Association of American Medical Colleges. Federal projections suggest a **shortfall** of over 100,000 nurses.

As the population ages, the need for health services will increase, and treating long-term illnesses will strain the healthcare workforce. Meanwhile, aging doctors and nurses will exacerbate shortages of these healthcare professionals.

How did we arrive at this point? In part, an education revolution that imagined a fully college-educated workforce took a one-size-fits-all approach regardless of the unintended consequences. Tracing back to Lyndon B. Johnson's Great Society programs, federally-backed student loans were meant to provide everyone the opportunity to pursue higher education if they met academic requirements. Unfortunately, the cost of college became untethered from the value of the degree.

The "Every-Kid-To-College" movement promoted a four-year degree as the path to the middle class and focused high school students on college preparedness. By setting a four-year degree as the ideal path, it stigmatized trades and directed many students away from entry-level careers in industries that can actually deliver middle-class lifestyles with ample opportunities and entrepreneurship potential, but without debt. The median salary for plumbers, pipefitters, and steamfitters was $59,880 in 2021 and **$73,060** for farmers, ranchers, and agricultural managers. Job growth is slow and even negative for many of these positions.

Now, Gen Z and millennials are least interested in skilled trades and technical work. The number of applications for people seeking technical jobs—like plumbing, building, and electrical work—plummeted by 49 percent in 2022 compared to 2020, according to **data** published by NPR.

As fewer younger workers pursue skilled occupations, businesses struggle to find candidates with industry experience, the required training, or basic skills to fill open positions. As a result, their economic growth is stunted. Nearly half (47 percent) of small business owners polled by the **National Federation of Independent Business** reported job openings that they could not fill in January 2023. One in three small business owners has openings for skilled workers while one in five has openings for unskilled labor.

An analysis from the U.S. Chamber of Commerce found that just **10 percent** of the unemployed population has experience in financial activities, information technology, and transportation industries, which often require specialized skills and training.

To address shortages, private industries at the local and national levels have had to develop their own pipelines of talent from K-12. Working with local governments and schools, they have increasingly become more intentional about developing apprenticeships and training programs as well as partnering with middle and high schools to create pathways for students to obtain the training needed to pursue jobs in their industries.

Declining Labor Force Participation

Labor shortages also reflect labor force participation which has been on the **decline** since around 2000. The pandemic contributed to the downward trend, but several other factors remain dominant forces. Retirement of baby boomers and non-college grads—particularly young men—faltering in the workforce are trends that exacerbate current worker shortages and that will force downward pressure on labor force participation rates for years to come.

About 10,000 baby boomers turn 65—retirement age—each day. The Census Bureau **predicts** that the entire generation is expected to reach retirement age by 2030. The public policy implications are wide-reaching, but in the labor market, this is contributing to labor shortages. In 2020, at least an additional 1.1 million baby boomers retired from the workforce.

Baby boomers make up the majority of the skilled trade workforce, and there aren't enough qualified younger workers to replace them. As noted, younger workers have shied away from the trades in lieu of college.

A very recent counter-trend has **emerged** as employers are increasingly seeking out older workers because of their work ethic. People 55 and older are the fastest-growing segment of the workforce as some are coming out of retirement to fill critical shortages as they grapple with inflation and a weak stock market. Time will tell how large and lasting the impact of unretirement will be for the labor force.

Automation

The future of work will undoubtedly be affected by automation. ChatGPT is just the latest example of how automation can impact employment opportunities as artificial intelligence increases efficiency but also displaces labor.

One in four U.S. jobs is at risk of being replaced by automation according to the Brookings Institution. Those at "high risk" include about 36 million jobs in office administration, production, transportation, and food preparation. Jobs in these sectors with tasks that include physical labor, information collection, and routine processing activities expose them to automation risks. Meanwhile, positions that have non-routine or "abstract" activities and require social and emotional intelligence are less at risk.

Innovation begets innovation and, certainly, new jobs that aren't envisioned today will be created despite disruptions to employment in other sectors. However, it's imperative that policymakers prioritize reskilling the labor force especially for jobs that are at lower risk of being automated, expanding access to skills development, removing regulatory barriers to obtain certifications, and expanding entrepreneurial opportunities.

Degree Inflation

Some of the challenges that employers encounter in filling open roles with qualified candidates are self-inflicted. Employers routinely use college degrees to screen applicants and hire people for open positions, even if the degree is unconnected to job duties or performance. The proliferation of degree requirements is known as "degree inflation."

According to a 2017 Harvard Business School **study**, some 61 percent of employers have rejected applicants with the requisite skills and experience simply because they didn't have a college degree. The study analyzed more than 26 million job postings and identified about 8 million jobs that varied in educational requirements from a bachelor's degree or higher to no college at all for the same positions, signaling that a degree is not necessary for the function of the job. If current trends continue, the authors found, "as many as 6.2 million workers could be affected by degree

inflation—meaning their lack of a bachelor's degree could preclude them from qualifying for the same job with another employer."

As I explained, in a recent **white paper**, "Millions of non-college-educated people could be gainfully employed in upwardly mobile careers, but degree requirements stand in their way. Others could be trained to obtain desired skills without ever needing to step onto a college campus."

This impacts their earnings potential and their ability to transition into higher-paying opportunities. Men, in particular, have lost out on middle-wage jobs due to degree inflation as evidenced by the more dramatic decline of labor force participation among males without bachelor's degrees than among those with them. Degree inflation also hurts blacks and Hispanics aged 25 years and older, populations with college graduation rates that lag behind the national average. Unfortunately, a bachelor's degree joins other forms of credentialing, such as **occupational licenses**, in creating a significant barrier to opportunity for people.

The college diploma was adopted as a convenient hiring shortcut and alternative to competency tests or other hiring tests, which courts have found to be discriminatory. But degree inflation hides costs to employers.

In an economy with millions of available positions, degree inflation makes middle-skill jobs more difficult to fill, and that can, in turn, lead to wage inflation as employers pay a premium to attract degree holders. Employers pay college graduates between **11 percent and 30 percent** more for jobs that non-degree holders fill. Yet, non-grads perform as well or better than their degreed counterparts.

The college diploma has turned out to be a poor signal of soft skills such as critical thinking, teamwork, and writing skills among college graduates. Employers **report** that college grads have higher turnover rates, exhibit a greater propensity to defect to competitors, and are more likely to feel unengaged or underutilized compared with non-degree holders.

Encouragingly, a reset, that began during the Great Recession and accelerated during the pandemic, is underway. According to an **analysis** by Burning Glass Institute, between 2017 and 2019, degree requirements declined overall in 63 percent of occupations, but more specifically in 46 percent of middle-skill and 31 percent of high-skill occupations. Finance, business management, engineering, and health occupations experienced the most significant declines.

In 2020 employers suspended degree requirements in 27 percent of occupations with the most pronounced impact among middle- and high-skill occupations, particularly in the healthcare sector. If trends continue, a projected additional 1.4 million jobs could become available to non-degree workers over the next five years.

Members of Congress and other lawmakers have an opportunity to lead on this bipartisan issue. Public employers should consider removing degree requirements for public service positions unless the degree is germane to the job duties. In June 2020, President Donald Trump issued **Executive Order 13932** to reform civil service employment to replace degree-based hiring with skills- and competency-based hiring approaches. Several states have eliminated degree requirements for state jobs including **Maryland**, **Utah**, and **Pennsylvania**.

Credential Challenges

Skills-based credentialing can be an alternative to a four-year degree. However, government-imposed occupational licenses can also become an impediment to opportunity for individuals who don't want to incur debt while limiting competition and discouraging entrepreneurship.

Before beginning a job in certain occupations and fields, states require that individuals obtain an occupational license. This credential is supposed to verify that he or she has obtained a level of education, training, and testing to deliver a good or service. Over the past 60 years, the number of occupational licenses has risen from just 5 percent of workers in the 1950s to more than one out of four workers today.

Despite claims by supporters, some licenses have no connection to public health or safety at all. Instead, they serve to protect established businesses against new competition allowing them to keep prices for their services high.

Excessive occupational licensing has robbed our economy of nearly **3 million jobs**, cost the national economy $6 billion, and prevented workers who already face social and economic challenges from gaining access to opportunities and economic mobility.

The licensure system often holds back immigrant workers and those with criminal records. Half of the states impose blanket restrictions against individuals with a criminal record obtaining a license—even if the license is an occupation unrelated to the crime they committed.

Military spouses are uniquely affected by excessive licensing. Nearly all of the 600,000 military spouses in the U.S. are highly educated (89 percent have some college education) but experience an astoundingly high **33-percent** underemployment rate. Because states vary in the requirements for a given occupation, it is difficult for workers who move frequently, such as military spouses, to be gainfully employed.

Over the past few years, bipartisan support for occupational licensing reform has unified Presidents **Barack Obama** and **Donald Trump** and governors of red and blue states. There is no national standard, nor should there be as it could unintentionally force states to create licenses that did not exist before or to increase licensing requirements that were not as high to the new national level. However, the federal

government can provide resources and encouragement—such as through the Federal Trade Commission—for states to design their own reforms.

Individuals who want to start their own businesses should not be limited by onerous, excessive licensing requirements that serve only to limit competition instead of encourage it.

Independent Contracting

People who do not want to attend college or have the skills and experience to become their own boss should not be cut off from entrepreneurship. Freelancing offers opportunities for individuals to launch small businesses across the country, but that entrepreneurial spirit is at risk from legislative and regulatory challenges.

In 2022, an estimated **65 million** people freelanced. Unlike traditional employees, independent contractors (including freelancers, gig workers, and consultants) control when, where, and how they work. This flexibility is one reason that contracting jobs are increasing in popularity, especially among women.

Technology has expanded independent contracting opportunities as digital platforms match workers to businesses looking to hire them for tasks and projects such as ridesharing, secretarial work, or delivery services, in what is known as the gig economy.

Independent contractors understand that there is a tradeoff with this arrangement. In exchange for a guaranteed salary and benefits, they receive the flexibility to determine their schedule and the autonomy to decide whom to work for, what work they do (or don't do), and how they get it done (i.e. being their own boss). Nearly 75 percent of freelancers are working independently by choice. Nearly **two out of three** women working in the gig economy (61 percent) would prefer to be independent while only 12 percent said they would want to be an employee of the company for which they gig.

In 2019, the California legislature passed Assembly Bill 5, a law that drastically changed the employment arrangements for at least one million independent contractors across the state. The law, which took effect on January 1, 2020, requires that employers prove they meet the **ABC test** for their workers to be lawfully classified as independent contractors. Proponents assumed that businesses will simply hire their contracted workforce as employees and offer them all the benefits of salaried workers. This ignored the substantial costs to businesses, as well as the preferences of workers. AB5's passage and enactment spawned the loss of income, contracts, and livelihoods of **thousands** of workers across the state.

Efforts to reclassify independent work nationally would have sweeping impacts on freelancers and the companies that hire them. A **study** by the American Action Forum estimates that the costs of reclassifying independent contractors as employees under a more stringent test could produce between $18.4 and $61.4

billion in additional weekly employment costs for businesses. A national version of AB5 could risk up to 8.5 percent (**$2.2 trillion**) of the U.S. GDP.

Congress and regulators should not nationalize labor policy that could destroy income-generating entrepreneurial pursuits for enterprising men and women, which do not require taking on a debt load.

Conclusion

Fulfilling work and a middle-class life have been closed off to too many Americans because well-intended public policies erect barriers to opportunity. One-size-fits-all approaches to educating our citizens for careers in the workforce have collided with demographic changes and technological advances to exacerbate worker shortages that will persist long after the pandemic is over.

Policymakers have an opportunity to start to turn the tide and prepare for the future.

- Consider how the government's financing of higher education impacts the rising cost of college and how private, free-market financing of loans would restore natural limits to cost increases in the education sector.
- Encourage alternatives to student loan financing such as innovative **Income Share Agreements**, which allow students to borrow on a percentage rather than on an absolute basis in exchange for a certain percentage of their income for a predetermined number of years.
- Fight degree inflation by removing degree requirements that are unconnected to job duties.
- Support states in pursuing occupational licensing reforms that hamper individuals from working and launching businesses in specific occupations.
- Reject unnecessary restrictions on freelancing that will destroy flexible independent work.

Thank you for your time.

Small Business Committee

Good morning. My name is Bruno Schickel. I own a small business in the Ithaca New York area.

My company, Schickel Construction, specializes in residential and light commercial construction.

I am the first in my family in many generations **NOT** to go to college.

Being the ninth child of 13 children, I think my parents were somewhat relieved when I chose a different path, given the financial burden of college tuition.

I like to say that going to college is not the ***only*** way to get an education.

Getting a college degree just happens to be the easier and the more expensive way to get an education.

I attended shop classes in high school, and built a lot of great furniture, which is still in use today.

I wanted to MAKE THINGS -- I did not want to go to college.

After high school I joined the carpenter's union and worked in residential construction for six months.

The next 10 years I worked for different construction companies, all of which provided on the job training.

I started my own company in 1984 and have consistently employed 10 to 15 people throughout the past 39 years.

I polled my employees, and the majority of them -- 60% -- attended shop class in high school.

Four of my employees have graduated from college. I do not see that as a prerequisite for employment. I don't think they do, either.

But the people who work in my company have done well enough in the building trade to send their own children to college, and many have done so.

Hands-on or on the job training is how I learned the ins and outs of construction.

I like to say that anyone can easily learn how to build a house, but not everyone can easily learn how to run a business.

I learned how to run a business by attending the annual International Builders Show, sponsored by the National Association of Homebuilders -- NAHB.

For 35 years I have been attending these extravaganzas and taking part in over a hundred different seminars that are offered over the course of the three-day convention.

Becoming a member of this trade group and attending their annual International Builders Show has been the secret sauce in my success, without question.

As I said before, going to college is not essential to career success or fulfillment; it just happens to be the easier and more expensive path.

There is very little difference in the unemployment rate for people who have a college degree and those who don't.

The big difference is the debt burden going to college imposes.

This sets young people back decades in terms of their own financial security and their ability to fully participate in our economy.

Historical perspective

Back in 1982 in the middle of a major recession I was working for a construction company and we were looking to hire more carpenters.

We put an ad in the local paper, and we were absolutely flooded with people looking for work.

I had the job seekers form a line out the door and would interview each for about five minutes and then move onto the next one.

Then in 2008 – 2009. Another major recession, this time, I was looking to hire workers.

I was lucky if I had one job applicant per week.

The situation today is even worse.

We are currently seeking carpenters to bring onto our teams.

But we receive very little or no response to advertisements, so we are seeking alternatives, such as using word of mouth and reaching out directly to local schools that have vocational training programs.

But sometimes I just give up looking all together.

Short term problem.

The building industry like all industries is facing historic labor shortages.

The labor shortage is nothing short of a crisis that must be addressed.

In the last few days preparing for this hearing, I have had the opportunity to speak with many small business owners and employees.

Everyone reports the same problem: **There is nobody to hire**.

Just think about how much more growth our economy could have if businesses could find and hire eager workers they need.

I know that for my business we could easily increase volume by 20 to 30% if we had more workers.

The National Association of Home Builders estimates that we will be short 2.2 million workers in the next two years.

Because of this shortage, we are being prevented from building approximately 1 million houses in that time frame.

Currently, this country has an unprecedented number of job openings unfilled, at the same time that we have an unprecedented number of people not working and relying on government benefits.

Clearly something is out of whack and needs to be adjusted.

Long term problem.

There has been a radical shift in the workforce way from MAKING THINGS and what people are willing to consider for possible careers.

This is ironic, because "making things" is now fashionable. Hipsters seem to want to make everything from craft beer to their own furniture.

Over the past 50 years, the workforce balance has shifted radically.

Too much emphasis has been put on attending college, and too little on finding a rewarding career in a trade.

Resources for Vocational and technical training have declined.

Many public schools no longer offer shop class, preventing young people like the kid I was from having access to a very rewarding variety of careers.

The vocational track has been seen as the poor cousin to the college track.

We need to restore balance.

Many of my long-time employees are now nearing retirement age. A few of their young-adult relatives have joined my workforce.

These young people have learned from the previous generation that making things and building things is a highly rewarding career path.

But I cannot count on my own workers to populate my work crews; for my company to build homes for all the people who want and need housing, we need for young people to understand that a college degree does not guarantee success.

How do we encourage more young people to take the non-college career path?

The option of hands-on work and on the job training is a great place to start.

Let's bring back Shop class!!!

Thank you,

Bruno Schickel

Committee Members,

Thank you for the honor of speaking before you today. My name is Erik Elzy, I am a proud 26-year member of United Association of Plumbers, Pipefitters, & HVACR Service Technicians of Local 502 in Louisville, Kentucky. I have held various positions in my local union including, apprentice plumber, journeyman plumber, general foreman, superintendent, apprentice instructor, training coordinator for Local 502's training center, instructor nationally for the United Association, and Business Representative, the job I currently hold.

I am here today to speak to you on the importance of apprenticeships in the construction industry, especially the industry I represent. My experience started in 1997 as a registered apprentice. I worked under the tutelage of many passionate, educated plumbers and plumbing instructors for 5 years until I met the requirements to graduate in 2002. The passion these members have shown me, led me to return the passion to young men and women currently making up Local 502's membership as an apprentice instructor, and as their training coordinator so I could have a hands-on experience in their education. Some of these members are still my mentors today, and I am forever indebted to them for the education they provided to me when I was a young man.

I have been appointed to several boards representing Local 502 in the state of Kentucky, either by the Business Manager of my union, or Governor Andy Beshear. Some of these being, Greater Louisville Building and Construction Trades Council (Vice-President), Kentucky State AFL-CIO Executive Board member, and Department of Housing Building and Construction Advisory Committee. I can assure you that among other topics covered in the meetings of these committees, the conversation seems to always find its way to worker shortages in the state of Kentucky and we bounce ideas around the room on how each organization is planning to make sure manpower requests are met now, and in the future, which always includes apprenticeships.

Apprenticeships are required to register with the state in which they are located, as well as the DOL, thus having them prove how money is spent, retention rates, and provide their curriculums for approval, among other things. This helps ensure that registered apprenticeships meet required levels of quality and that member's contributions- or in some cases federal and state grants- are used responsibly.

With my experience as an apprentice instructor and training coordinator locally, I have personally witnessed how valuable the education provided to our apprentices shows, versus when someone who has taken a 6-week course to pass a license exam or someone whom has worked in the field for a few years with no other education than field work, shines through. Most union apprenticeships, have "earn while you learn" programs. This allows the apprentice to take classroom/ work shop learning and translate into their field of work, and vice versa. This is also a great way to learn for someone who is more of a hands-on learner. All while maintaining full time employment and benefits to provide for themselves and if applicable their families.

Apprenticeships have proven to be very beneficial to businesses both large and small. Larger businesses, in some cases, are capable of developing "in house" apprenticeships, while smaller businesses may not be able to afford to perform this type of training on their own. In the case of Local 502, we partner with contractors that have anywhere from 350 Local 502 members, down to 2 members. We are able to help all contractors – notwithstanding their size- following one guiding principle: We train apprentices to perform a job skill, not a job skill for a certain type of contractor.

Some smaller businesses in years past have been intimidated to approach unions with the fear of the cost of becoming a union company. In recent years Local 502 has seen a rise in smaller contractors becoming signatory, this is from the education they are receiving at our apprenticeship. We offer a class to every member on starting a new business and how Local 502 can assist in the financial burden of someone starting out. Since implementing this class, we have had several members take this class, and have had 5 members start new businesses.

Recently, Congress enacted legislation regarding infrastructure. This one bill will require hundreds of thousands of qualified workers for the foreseeable future. One-way Congress could help with this shortage I believe, is to help promote apprenticeships in the work force, as a career choice the same way a four-year degree is promoted. In my profession, people have chosen to become a Plumber, Pipefitter, or HVACR Technician, no different than choosing to become a Doctor or Lawyer. The education is different, but not less important. In fact, in our opinions, the education is more important to the health and safety of Americans.

Again, thank you for the opportunity to speak to you today, it has truly been an honor and privilege.

○