

EXPANDING OPPORTUNITY IN AMERICA'S SCHOOLS AND WORKPLACES

HEARING

BEFORE THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 4, 2015

Serial No. 114-1

Printed for the use of the Committee on Education and the Workforce



Available via the World Wide Web: www.gpo.gov/fdsys/browse/committee.action?chamber=house&committee=education

or

Committee address: <http://edworkforce.house.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

92-960 PDF

WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
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EXPANDING OPPORTUNITY IN AMERICA'S SCHOOLS AND WORKPLACES

**Wednesday, February 4, 2015
U.S. House of Representatives
Committee on Education and the Workforce
Washington, D.C.**

The Committee met, pursuant to call, at 10:04 a.m., in room 2175, Rayburn House Office Building, Hon. John Kline [chairman of the committee] presiding.

Present: Representatives Kline, Wilson, Foxx, Thompson, Walberg, Guthrie, Rokita, Messer, Brat, Carter, Bishop, Grothman, Russell, Curbelo, Stefanik, Allen, Scott, Hinojosa, Grijalva, Courtney, Fudge, Polis, Sablan, Wilson, Bonamici, Pocan, Takano, Jeffries, Clark, Adams, and DeSaulnier.

Staff present: Lauren Aronson, Press Secretary; Ed Gilroy, Director of Workforce Policy; Callie Harman, Staff Assistant; Christie Herman, Professional Staff Member; Marvin Kaplan, Workforce Policy Counsel; Nancy Locke, Chief Clerk; Zachary McHenry, Legislative Assistant; Daniel Murner, Deputy Press Secretary; Brian Newell, Communications Director; Krisann Pearce, General Counsel; Lauren Reddington, Deputy Press Secretary; Molly McLaughlin Salmi, Deputy Director of Workforce Policy; Mandy Schaumburg, Education Deputy Director and Senior Counsel; Emily Slack, Professional Staff Member; Alissa Strawcutter, Deputy Clerk; Juliane Sullivan, Staff Director; Alexa Turner, Legislative Assistant; Joseph Wheeler, Professional Staff Member; Tylease Alli, Minority Clerk/Intern and Fellow Coordinator; Austin Barbera, Minority Staff Assistant; Amy Cocuzza, Minority Labor Detailee; Eamonn Collins, Minority Education Policy Advisor; Denise Forte, Minority Staff Director; Melissa Greenberg, Minority Labor Policy Associate; Carolyn Hughes, Minority Senior Labor Policy Advisor; Eunice Ikene, Minority Labor Policy Associate; Brian Kennedy, Minority General Counsel; Brian Levin, Minority Press Secretary; Richard Miller, Minority Senior Labor Policy Advisor; Amy Peake, Minority Labor Policy Advisor; and Rayna Reid, Minority Labor Policy Counsel.

Chairman KLINE. A quorum being present, the Committee on Education and the Workforce will come to order.

Before we turn our attention to this morning's hearing, I would like to take care of an administrative matter. At the committee's January 21, meeting we welcomed our new members to the com-

mittee. Today, both the Republicans and Democrats have completed assigning members to the subcommittees.

I ask unanimous consent on behalf of myself and Mr. Scott, the committee's ranking member, to submit those assignments for the record.

Mr. SCOTT. Without objection—

Chairman KLINE. We will give you every opportunity.

[The information follows:]



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Steve Russell, Oklahoma
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Joseph J. Heck, Nevada

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Subcommittee Assignments
Page Two

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Mark Pocan, Wisconsin
Katherine M. Clark, Massachusetts
Alma S. Adams, North Carolina
Mark DeSaulnier, California
Marcia L. Fudge, Ohio

Chairman KLINE. Without objection, the subcommittee assignments are made.

Turning to our hearing, and Governor Pence is with us; he will be joining here in just a moment, but I would like to go ahead and get started.

So I am going to recognize myself for my opening comments.

Welcome, to witnesses and guests. I would like to extend a special welcome to our former colleague, Indiana Governor Mike Pence, who, I just mentioned, will be joining us shortly.

Last week, we were reminded once again of the persistent challenges facing the American people. The Department of Commerce reported that the economy grew a meager 2.6 percent in the last quarter of 2014. According to the Wall Street Journal, we have now experienced nine straight years of growth below 3 percent.

This anemic economy is hurting families across the country. It is hurting nearly 9 million workers who remain unemployed; it is hurting more than 6 million workers who need full-time jobs, but can only find part-time work; it is hurting moms and dads trying to pay the bills and put food on the table with smaller paychecks.

As workplaces continue to struggle, so do the nation's schools. One out of five students will drop out of high school before receiving a diploma.

Making matters worse, far too many students graduate without the knowledge and skills they need to pursue higher education or compete in the workforce. Meanwhile, college costs continue to soar and graduates are leaving college with too much debt and too few job prospects.

These are tough problems that have been around for years, and unfortunately, the President's policies are making them worse. The administration continues to pursue new rules and regulations that jeopardize employee rights, stymie growth, and make it harder for employers to raise wages and create new jobs.

A convoluted waiver system is creating more confusion and uncertainty in K-12 schools, and flawed regulatory schemes will deny students access to the college or university of their choice.

Just this week, the President put forward a budget proposal that calls for more spending, more taxes, and more borrowing to create new government programs. Middle-class families are being squeezed, and a larger federal presence in classrooms and workplaces is not the answer.

The President wants us to double down on the failed policies of the last six years. The American people deserve better. We need to do better.

We must provide employers certainty and flexibility so they can grow their businesses, create new jobs, and give workers the raise they have earned. We must help more students pursue the dream of a college degree without living in a nightmare of debt and unemployment.

We must advance K-12 education reform that empowers parents and places more control in the hands of teachers and local decision-makers. We must modernize our pension system and hold the administration accountable for policies that make it harder for individuals to succeed in school and the workplace.

The American people are desperate to move the country in a new direction. They are not willing to accept slow growth and stagnant wages as the new normal.

They deserve bold solutions that will lead to a strong, vibrant economy, more good-paying jobs, and higher incomes for working families. These are the priorities shared by most Americans and they must be our priorities as well.

In the coming months, we intend to advance responsible reforms that will help make a difference in the lives of students, employers, teachers, and working families. We have an excellent panel of witnesses to tell us what is working and what isn't and to help inform our efforts moving forward.

Again, I want to thank our witnesses for joining us, and I look forward to our discussion.

Before I recognize Ranking Member Scott, I would like to take just a brief moment to say a few words about one member who is unable to join us today. Congressman Phil Roe recently learned that a member of his family is battling a serious illness and has taken some time to support his family. I ask my colleagues to please lift up your prayers to Phil and the entire Roe family.

With that, I will now recognize the committee's ranking member, my colleague, Bobby Scott, for his opening remarks.

[The statement of Chairman Kline follows:]

**Prepared Statement of Hon. John Kline, Chairman
Committee on Education and the Workforce**

Good morning, and welcome to our guests. We have a distinguished panel of witnesses, including the First Lady of the Commonwealth of Virginia, Mrs. Dorothy McAuliffe. Mrs. McAuliffe, we are delighted to have you with us this morning as we discuss important policies affecting our nation's students and families.

Healthy meals are vitally important to a child's education. It's just basic common-sense that if a child is hungry then he or she is less likely to succeed in the classroom and later in life. That is why our nation has long invested in services that provide low-income students nutritious meals in schools. Those services are authorized through a number of laws, such as the Richard B. Russell National School Lunch Act and the Child Nutrition Act.

In just a few short months, these laws and the programs they authorize will expire, including the national school lunch and breakfast programs, the Supplemental Nutritional Program for Women, Infants, and Children or WIC Program, and several others. It's the responsibility of this committee and Congress to reauthorize these programs so that students and families receive the support they need in the most efficient and effective way.

Why is that important? Because no child should go to school hungry – it's that simple. Today's discussion is not about whether we agree on this basic principle; I am confident we all do. Instead, our discussion today is about beginning a larger effort we will continue in the coming months to ensure the best policies are in place to help reach this goal.

Last week, I had an opportunity to tour a school lunchroom at the Prior Lake High School in Savage, Minnesota. Students and faculty described what's working and what isn't working in federal nutrition programs. As a result of our conversation, two important realities became abundantly clear.

First, our school nutrition professionals are dedicated men and women doing the best they can under difficult circumstances, and no one should question their commitment to providing students nutritious meals. Unfortunately, rules and regulations put in place in recent years have made their jobs harder, not easier. The cost of the lunch and breakfast programs for schools are going up, yet fewer meals are being served. In fact, the number of children participating in these programs is declining more rapidly than any period over the last 30 years.

Second, as we reauthorize these programs, we have to provide more flexibility at the state and local levels. Those working in our schools and cafeterias recognize that

this has to be a priority. Even students understand the urgent need for more flexibility.

During my visit to Prior Lake High School, I talked with a number of students about their school lunch program. Right now, the federal government determines the number of calories, vegetables, and grains that are served to students, which means Washington is dictating how much food every child is served at every school meal. That is one reason why students are urging the school to drop out of the program. Many children are bringing food from home or buying more food because the portion sizes served at school are too small for a full meal. As one student, Corinna Swiggum, noted, "A lot of time, we're going back and getting junk food, not healthy food."

This isn't what these children want. This isn't what their parents or school administrators want, and it's not what we want either. We have to find a better way forward, one that continues our commitment to healthy, nutritious meals for America's students, while giving state and school leaders the flexibility they need to make it a reality.

Again, that is why we are delighted to have you here today Mrs. McAuliffe. Through your "Eat Smart, Move More" initiative, you are setting an example for other states to build upon. You are demonstrating that promoting healthy lifestyles is not just a federal priority, but a state and local priority as well.

Often we are told we need more federal involvement because states can't be trusted to help those in need. But through your leadership, you're demonstrating states can take the lead on tough issues in partnership with the federal government. Thank you for your work on this important issue, and to all our witnesses, thank you for participating in today's hearing and working with us to strengthen child nutrition support.

With that, I will now recognize the committee's ranking member, my colleague Congressman Scott, for his opening remarks.

Mr. SCOTT. Thank you, Mr. Chairman. And our thoughts and prayers are with our colleague, Dr. Roe, and I wish his family well.

Good morning, and I want to thank our witnesses for being here for the first full committee hearing of the 114th Congress, especially our former member from Indiana. Today's hearing allows us to hear testimony from a distinguished panel about steps that states and institutions of higher education and business are taking to improve the well-being of students, families, and workers in our country, and I look forward to learning more from our witnesses.

Mr. Chairman, I would point out that I had hoped that our first hearing would be to consider testimony on legislation that was introduced yesterday, H.R. 5, which would reauthorize the *Elementary and Secondary Education Act*. I am disappointed that the majority has chosen to move forward on the reauthorization without holding a single hearing.

Hearings provide the public with the opportunity to explore the research and evidence that is critical to making evidence-based policy decisions. When it comes to improving the academic achievement of our children, we need the best research to help form the basis for any reauthorization.

Failure to seek input from experts and various stakeholders and embarking on an expedited process is a disservice to the 50-year bipartisan history of ESEA, and, more importantly, a disservice to our nation's children. So tomorrow we will be holding a forum on ESEA, to which all members of the committee are invited. This forum will serve as one opportunity to explore what works to improve education.

But on the issue of the opportunity for students and our workers, our country has come a long way since the depths of the Great Recession. Unemployment has dropped to 5.6 percent, its lowest rate

since 2008. The private sector has experienced a record 58 consecutive months of job growth, and each of the past 11 months the economy has added over 200,000 private sector jobs, a growth rate not seen since the 1990s.

But success in the labor market has yet to translate into higher wages for the majority of workers, and the gap between the haves and have-nots continues to expand. This chart points out that wages for the top 1 percent since 1979 have grown over 138 percent, while the bottom 90 percent just grew 15 percent.

[The information follows:]

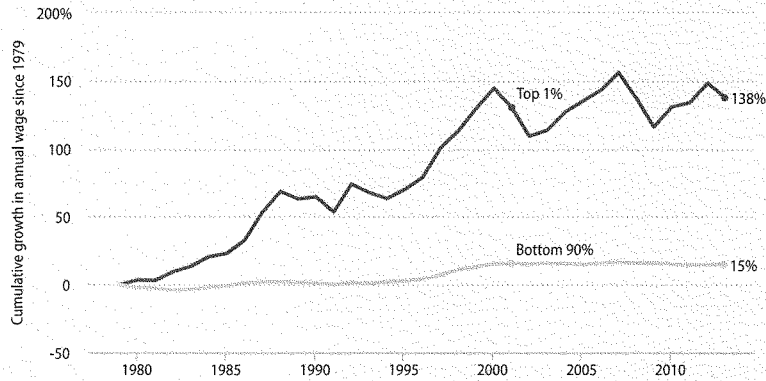
Wage growth of the top 1%

The ability of those at the very top to claim an ever-larger share of overall wages is evident in this figure. Two things stand out. First is the extraordinarily rapid growth of annual wages for the top 1 percent compared with everybody else: Top 1 percent wages grew 138 percent, while wages of the bottom 90 percent grew just 15 percent. If the wages of the bottom 90 percent had grown at the average pace over this period—meaning that wages grew equally across-the-board—then the bottom 90 percent’s wages would have grown by 32 percent, more than double the actual growth.

FIGURE 3 [VIEW INTERACTIVE on epi.org](#)

When it comes to the pace of annual pay increases, the top 1% wage grew 138% since 1979, while wages for the bottom 90% grew 15%

Cumulative change in real annual wages, by wage group, 1979–2013



Source: EPI analysis of data from Kopczuk, Saez, and Song (2010) and Social Security Administration wage statistics
 Reproduced from Figure F in *Raising America's Pay: Why It's Our Central Economic Policy Challenge*

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And the income for the top 1 percent rose from \$871,000 in 2009 to \$968,000 in the course of just the last year. But for the remaining 99 percent, the income rate has actually declined over the same period.

This next chart gives a better idea of what has happened to the middle class wages from 1979 to 2013. Middle class wages have grown a mere 6 percent, while low-wage workers actually declined 5 percent.

[The information follows:]

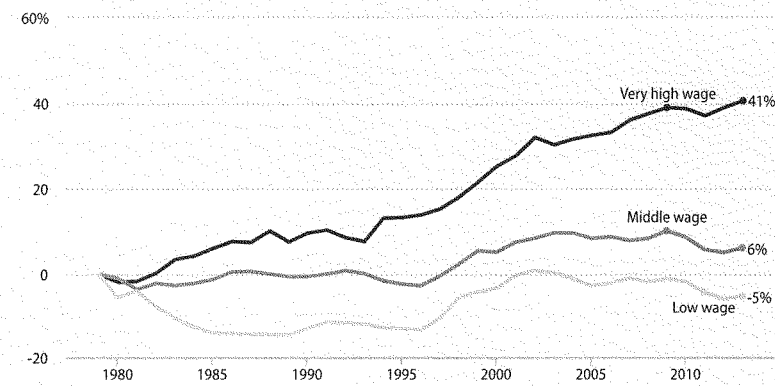
Stagnant wages for middle-wage workers, declining wages for low-wage workers

Over the entire 34-year period between 1979 and 2013, the hourly wages of middle-wage workers (median-wage workers who earned more than half the workforce but less than the other half) were stagnant, rising just 6 percent—less than 0.2 percent per year. This wage growth, in fact, occurred only because wages grew in the late 1990s when labor markets got tight enough—unemployment, for instance, fell to 4 percent in 1999 and 2000—to finally deliver across-the-board hourly wage growth. The wages of middle-wage workers were totally flat or in decline over the 1980s, 1990s and 2000s, except for the late 1990s. The wages of low-wage workers fared even worse, falling 5 percent from 1979 to 2013. In contrast, the hourly wages of high-wage workers rose 41 percent.

FIGURE 4 [VIEW INTERACTIVE *epl.org*](#)

Middle-class wages are stagnant—Middle-wage workers' hourly wage is up 6% since 1979, low-wage workers' wages are down 5%, while those with very high wages saw a 41% increase

Cumulative change in real hourly wages of all workers, by wage percentile, 1979–2013*



* Low wage is 10th percentile, middle wage is 50th percentile, very high wage is 95th percentile.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata.

Reproduced from Figure F in *Why America's Workers Need Faster Wage Growth—And What We Can Do About It*

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Congress must ensure that all workers see our economy's improvement reflected in their paychecks. This includes raising the national minimum wage, increasing overtime pay protections, and strengthening workers' ability to collectively bargain on their behalf.

We also must continue to expand the bipartisan achievements of the *Workforce Innovation and Opportunities Act* to promote and develop skills which lead to in-demand, higher-paying jobs. Our investment in our country's workforce must start early. The success of our children directly relates to the long-term health of our workforce and our economy.

In fact, a study just released by the Washington Center for Equitable Growth shows that improving our educational performance could substantially increase our gross domestic product over the next 35 years. Only through continued investment in high-quality education and through working to reduce inequality in our educational system can our country continue to thrive. We must make sure that all students are receiving an education that prepares them for college or a career.

And we must also improve access to higher education. Research from the Georgetown University Center on Education and the Workforce shows that by 2018 we will need 22 million new college degrees, and at the rate we are going we are going to fall short by 3 million.

A college education is important not only for our economy, but also for students' future wages. College graduates earn an average of \$46,000 a year, where those with only a high school diploma earn less than half of that.

But the cost of pursuing a college degree has become even more daunting. Skyrocketing college costs have forced students and families to incur greater and greater loan debt.

Seven in 10 graduating seniors in 2013 had to borrow money averaging \$28,000 or more. Student debt now stands at over \$1.2 trillion and is certainly a drag on our economic growth.

I hope the committee can find areas of common ground to address these challenges, and I look forward to hearing from witnesses on how we can expand opportunity for students and our workers.

Thank you, Mr. Chairman, and I yield back.

[The statement of Mr. Scott follows:]

**Prepared Statement of Hon. Robert C. "Bobby" Scott, Ranking Member,
Committee on Education and the Workforce**

Thank you, Mr. Chairman.

Good Morning, I want to thank our witnesses for being here today for our first full committee hearing of the 114th Congress.

Today's hearing allows us to hear testimony from a distinguished panel about the steps that states, institutions of higher education and business are taking to improve the well-being of students, families and workers in our country. I look forward to learning more from the witnesses.

However, Mr. Chairman, I had hoped that our first hearing would be to consider testimony on the legislation you introduced yesterday, H.R. 5, which would reauthorize the Elementary and Secondary Education Act.

I am disappointed the majority has chosen to move forward with their Elementary and Secondary Act reauthorization without holding a single hearing. Hearings provide the public with the opportunity to explore the research and evidence that is critical to the making evidence-based policy decisions. And when it comes to improv-

ing the academic achievement of all children, we need the best research to help form the basis of any reauthorization.

Failure to seek input from experts and various stakeholders, and embarking on an expedited process is a disservice to the fifty-year, bipartisan history of ESEA and, more importantly, a disservice to our nation's children.

So tomorrow, we are holding a Democratic forum on ESEA to which all members of the committee are invited. This forum will serve as one opportunity to explore what works to improve education.

Our country has come a long way since the depths of the Great Recession. Unemployment has dropped to 5.6 percent, its lowest rate since 2008. The private sector has experienced a record 58 consecutive months of job growth. Each of the past 11 months, the economy has added 200,000 private sector jobs—growth not seen since the 1990s.

But success in the labor market has yet to translate into higher wages for the majority of workers and the gap between the “haves” and “have-nots” continues to expand.

As the first chart points out, wages for the top 1% have grown 138% since 1979, while wages for the bottom 90% grew at just 15%. And the average income for the top 1 percent rose from \$871,100 in 2009 to \$968,000 over the course of 2012 and 2013, but for the remaining 99 percent, average income actually declined slightly over the same period.

The next graph gives us a better idea of what has happened to middle-class wages: from 1979 to 2013, middle-class wages have grown a mere 6%, with low-wage workers' wages actually declining 5%.

Congress must ensure that all workers see our economy's improvements reflected in their paychecks. This includes:

- * Raising the national minimum wage;
- * Increasing overtime pay protections; and
- * Strengthening workers' ability to collectively bargain on their behalf.

We also must continue to expand on the bipartisan achievements of the Workforce Innovation and Opportunities Act (WIOA) to promote and develop skills that lead to in-demand, higher-paying jobs.

However, investment in our country's workforce must start early: the success of our children directly relates to the long-term health of our workforce and our economy. In fact, a study released just this week by the Washington Center for Equitable Growth shows that improving our educational performance could substantially increase our gross domestic product over the next 35 years. Only through continued investment in high-quality education and through working to reduce inequality in our education system can our country continue to thrive. And we make sure all students are receiving an education that prepares them for college or career.

We must also improve access to higher education. Research from the Georgetown University Center on Education and the Workforce shows that by 2018, we will need 22 million new college degrees, but we will fall short by at least 3 million.

A college education is important not only for our economy, but also for a student's future earnings. College graduates, on average, earn \$46,900 a year, whereas those with only a high school diploma earn less than half that.

But the cost of pursuing a college degree has become even more daunting. Skyrocketing college costs have forced students and families to incur greater and greater loan debt. Seven in 10 graduating seniors in 2013 had to borrow loans averaging \$28,400. Student debt now stands at over \$1.2 trillion and is a drag on our economic growth.

I hope the Committee can find areas of common ground to address these challenges.

And I look forward to hearing from our witnesses about how we can expand opportunity for students and workers.

Thank you and I yield back.

Chairman KLINE. I thank the gentleman.

Pursuant to committee rule 7(c), all members will be permitted to submit written statements to be included in the permanent hearing record. Without objection, the hearing record will remain open for 14 days to allow such statements and other extraneous material referenced during the hearing to be submitted for the official hearing record.

And I know Governor Pence has heard that phrase 1,000 times. Seems a little strange to have you down there instead of up here.

But to that end, we are going to move to introducing our distinguished witnesses, and I will start by recognizing Mr. Rokita, followed by Mr. Messer, to introduce their governor.

Mr. Rokita?

Mr. ROKITA. Well, good morning. And thank you, Mr. Chairman, for the privilege of introducing our good friend and one of Indiana's favorite sons, a true leader, Mike Pence.

Many of us have worked with Governor Pence here in the House, and we are pleased to see his public service continue.

He is a cutting-edge policymaker. He is a solution-oriented leader.

And perhaps most obvious to many of us, he serves with a servant's heart in all versions of that definition. Governor Pence deserves a great deal of credit for fostering education and economic opportunity in our great state.

And, Mr. Chairman, I will simply let him tell us more about that.

It is an honor to have you here with us today, Governor. Thank you for your service.

Mr. MESSER. Thank you, Mr. Chairman.

Thank you, Mr. Rokita.

It is my honor to be able to introduce a proud son of Indiana's 6th Congressional District, my friend—I am proud to call Mike Pence my governor, but I am even prouder to call him my friend. He is, as you will learn today, an incredible innovator in the area of education, somebody who is expanding vocational opportunities in our state, somebody who is a great champion for school choice initiatives in our state, somebody who understands that we cannot rest as a nation until every child in America has an opportunity to go to a great school, and understands the simple principle that no child in America should have a wait list to their future.

Thank you for being here today, Governor. We are proud to have you.

Chairman KLINE. I thank the gentleman.

I would now like to recognize Mr. Wilson to introduce our second witness.

Mr. WILSON of South Carolina. Thank you, Mr. Chairman.

And this is really a special day for the Wilson family. My wife is going to be here in a minute, because two of her favorite people on earth are sitting up front: Mike Pence and Provost Michael Amiridis. Hey, she loves to see Chairman Kline, but this is much better, so—

Chairman KLINE. Too late.

[Laughter.]

Mr. WILSON of South Carolina. No, no this is good.

But as a grateful graduate of the University of South Carolina myself, I really appreciate Dr. Michael Amiridis being here today and for his service to the University of South Carolina, its students, as provost and executive vice president of academic affairs.

Dr. Amiridis has been an integral part of the University of South Carolina since 1994, when he started as an assistant professor. He has served as provost since 2009.

As a continuing professor of chemical engineering, Dr. Amiridis has taught several courses in kinetics, reactor design, and catalysis, and has received numerous college and university awards recognizing his teaching ability and research efforts.

Though the University of South Carolina will surely miss him, we wish him well in his future endeavors as the new chancellor of the University of Illinois at Chicago, beginning next month.

Godspeed, Dr. Amiridis.

Thank you.

Chairman KLINE. I thank the gentleman.

Now it is my turn to introduce the next two witnesses.

Dr. Lawrence Mishel is the president of the Economic Policy Institute, EPI. During his time at EPI he has focused on U.S. living standards and labor markets. Prior to joining EPI, he held a number of research roles, was a faculty member at Cornell University School of Industrial and Labor Relations, and was an economist for several unions, including the United Auto Workers, the United Steelworkers, AFSCME, and the Industrial Union Department of the AFL-CIO.

Welcome.

Mr. Drew Greenblatt is president and CEO of Marlin Steel in Baltimore, Maryland, a company of 30 employees that manufactures materials handling baskets, sheet metal fabrications, wire forms, and machine products for aerospace, automotive, medical, pharmaceutical, industrial, and military applications. Mr. Greenblatt served on the board of the National Association of Manufacturers from September 2007 to September 2009 and is currently the chair of their Small Business Tax Policy Task Force.

We have a new policy, which I think has been explained to the witnesses, that we have adopted across the committees in the House based on a Department of Justice recent ruling, and so I am going to ask the witnesses to stand and raise your right hand.

[Witnesses sworn.]

Chairman KLINE. Thank you. Please be seated.

And let the record reflect the witnesses answered in the affirmative.

Before I recognize you to provide your testimony, let me briefly explain our lighting system. It is not all that innovative or unusual so I don't think this will be too hard.

You have five minutes to present your testimony. When you begin, the light in front of you will turn green; when one minute is left, the light will turn yellow; when your time is expired, the light will turn red.

At that point, I will ask that you wrap up your remarks as best you are able. It has been a very long time since I have gavelled down a witness because they ran over, but please be aware that there are the four of you and that we want the opportunity to ask questions.

When it comes to member questions, I am much quicker to drop the gavel, as I will try to hold my colleagues to their five minutes.

So, Governor Pence, you are recognized.

STATEMENT OF HON. MIKE PENCE, GOVERNOR, STATE OF INDIANA, INDIANAPOLIS, INDIANA

Governor PENCE. Thank you, Chairman Kline, and to Ranking Member Scott. Thank you for the invitation to come before you today and talk about what it is to be a part of a state that works, and particularly works for education.

I am grateful to have the opportunity to appear before all the distinguished members of this committee, many of whom I had the great privilege of serving with in the House of Representatives. And so let me thank all of you for the ongoing sacrifices that you personally and your families make as you serve the American people in this important time in the life of our nation.

Obviously, I am extremely grateful for the service and the leadership and the esteem of Congressman Rokita and Congressman Messer.

Thank you for your kind comments. More importantly, thank you for your outstanding service to the people of Indiana and the people of our country.

I have been in office as governor for a little over two years, and, Mr. Chairman, I would say with the deepest respect to my former colleagues that I am persuaded, having spent 12 years in the Congress and two years as a governor, that the cure for what ails this country will come as much from our nation's state capitals as it ever will from our nation's capital.

And I am very grateful for the efforts of this Congress, last Congress in the *Workforce Investment Act*, and as you move forward in reaffirming and restoring local control in education, that there is a clear recognition of that.

In Indiana, in the category of education, we believe our state has the privilege of really being one of the leading innovators in education and expanding opportunity for all of our kids in this country. We are a state that is growing economically: more than 100,000 net new jobs since I took over; unemployment has dropped from over 8 percent to now 5.8 percent in Indiana.

But we realized early on in our state that if we can't succeed in the classroom, we won't succeed in the marketplace. And so Indiana has been driving education innovation, funding our traditional K-12 schools, and promoting public charter school innovation.

We are proud in the Hoosier state to be home now to the largest educational voucher program in the United States of America. In K-12 education, I am pleased to report to you graduation rates are up, test scores are up, and the state of Indiana recently ranked second in the nation in total growth on the Nation's Report Card, known as the NAEP.

Our charter schools serve more than 35,000 students across the state of Indiana, and, as I mentioned, our voucher program not only encompasses now some 30,000 students, but four out of five of our voucher students attend schools that are ranked "A" or "B" in the state's accountability system.

Our current session of the general assembly is underway and we have reached a broad consensus that it will be an education session. We put forward a series of initiatives, the goal of which is to arrive at the fall of the year 2020 and have 100,000 more kids attending "B" or better schools in the state of Indiana.

To accomplish that, we are calling for a significant increase in traditional K–12 funding, with a special emphasis on giving greater flexibility in our classrooms to pay good teachers more. As the chairman remembers, I have been married to a school teacher now for 30 years this year, and I learned a long time ago that good teachers make the difference.

And I said recently to our general assembly that if you want more good teachers then pay good teachers more. We are going to work to do that in the state of Indiana and give schools the flexibility to do that. We are also going to raise the foundation under our public charter program and lift the cap on our voucher program.

Most enthusiasm in our state, I believe, centers not just around those initiatives, but I believe Indiana will be the first state in America to make career and vocational education a priority in every high school again. We have been working with unanimous bipartisan support in our general assembly to both redesign career and technical education at the high school level in Indiana, and now in this session of our general assembly we will be funding it.

So my word is, as I watch the clock and know the chairman well enough to know the gavel is close, my word to all of you is a word of thanks for your leadership. I look forward to a dialogue today.

But my request simply is that Indiana has demonstrated the kind of innovation that is benefiting our children; it is expanding educational choices both within our public systems, as well as private school choice in our state, so as you go through the process of legislating this year that you think of resources, not red tape. I really do believe that to the extent that this Congress can give states like Indiana more freedom, more flexibility to innovate, our children, our states, and our people will be the beneficiaries.

So thank you very much, and I yield back.

[The statement of Governor Pence follows:]



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Michael R. Pence
Governor

**TESTIMONY BEFORE THE U.S. HOUSE OF REPRESENTATIVES
EDUCATION AND THE WORKFORCE COMMITTEE**

Hearing on "Expanding Opportunity in America's Schools and Workplaces"

**Governor Michael R. Pence
Indiana**

February 4, 2015

Chairman Kline, Ranking Member Scott, Members of the Committee, particularly Representatives Rokita and Messer from the great state of Indiana, thank you for the invitation to testify before the committee today. I see many friends on the dais this morning, and I welcome the opportunity to meet the Members who have joined the Congress and this committee since I left for Indiana at the end of 2012.

I have now been in office as Governor of Indiana for a little over two years, and I come before you today to discuss the success Indiana has had in improving school choice, freeing up teachers and schools to be more innovative, and offering new pathways to success for all of Indiana's students through enhanced career and technical education opportunities.

But first, if you'll permit me, I'd like to update you on some of the progress Indiana has made.

Unemployment has dropped from over 8 percent when I was elected to 5.8 percent today. We have added over 100,000 jobs in the last two years, and Hoosiers, encouraged by this improvement, have been returning to the labor force in record numbers. In fact, since December 2013, Indiana's labor force has grown by over 83,000 individuals—a gain that ranks 7th in the nation and nearly doubles any other Midwestern state.

We believe fiscal stability is the foundation of our state's success, and in Indiana we have the basics covered. We have worked hard to contain spending and pass honestly balanced budgets, all while maintaining reserves of over \$2 billion dollars.

We are consistently working hard to create the best environment in the nation to start and grow a business. In 2013, I signed the largest state tax cut in Indiana history, and continued in 2014 by passing legislation to reduce our corporate income tax to 4.9% over a period of years. Currently I have a proposal before our General Assembly that will simplify and streamline our tax code. Similarly, we have worked to reduce unnecessary regulatory burdens—on my first day in office I placed a moratorium on any state

regulation and started a process to review and remove outdated and burdensome laws from the books.

Indiana has long been known as a manufacturing powerhouse. We continue to have the highest concentration of manufacturing jobs in the U.S. and led the nation in manufacturing job growth in 2014. Yet people often do not realize that we are at the cutting edge of technological advancement and one of the leading States for medical device and life science companies. We believe Indiana is at the crossroads of innovation and growth because we pursue novel ways for our companies to collaborate with our universities and identify solutions together. In 2013, we announced the creation of the Indiana Biosciences Research Institute, the first industry-led biosciences research institute in the nation. The partnership of our leading life sciences companies and research institutions will help attract world-class talent to the state, facilitate collaborative research endeavors, and increase commercialization.

Indiana is poised to continue to grow and lead the nation in opportunity. And, Mr. Chairman, I know you will agree with me that opportunity begins in the classroom. If our students can't succeed in the classroom, they won't succeed in the marketplace.

In Indiana our schools and students are improving. Our graduation rates are up, our test scores are up, and Indiana ranked second in the nation in total growth on NAEP—the nation's report card.

I've always said there's nothing that ails education that can't be fixed by giving parents more choices and teachers more freedom to teach. Students will be better served if we give parents and students more choices within our public schools and through public charter and private school choice.

I was honored to issue a proclamation declaring last week as School Choice Week in Indiana, and I know many of you celebrated it here in Washington.

In Indiana, we are especially pleased to report that four years after its launch, Indiana has the largest school voucher program in America, serving nearly 30,000 students. Four out of five of these voucher students are enrolled in schools ranked A or B by the state's accountability system. Indiana has more than 35,000 students attending public charter schools, and an additional 28,000 students exercising public school to public school choice.

We all know that great teachers make a difference, and we must ensure that our best teachers can have the greatest influence on improving student success. Part of that involves getting bureaucracy at both the state and federal level out of the way for good teachers and allowing teachers and principals to be innovative and refocus resources on the classroom, which is why I have urged the Indiana General Assembly in the current legislative session to give this kind of flexibility through the creation of Freedom to Teach Schools.

While we give more freedom to families and teachers, states must also ensure that our public dollars are being properly invested in schools that improve student success. In Indiana, we hold schools accountable through A-F school grades based on student achievement and take action to ensure that those schools improve. Although that strategy is what works best for the students of Indiana, the needs and challenges of our state are different from those in other states. We must ensure that states have as much flexibility as they can to hold their schools and teachers accountable. Accountability is critical to educational success. But there is no one accountability system that is right for every state, and I commend you for recognizing that in the Student Success Act reauthorization of the Elementary and Secondary Education Act.

Finally, we cannot forget that a critical goal of our educational system is to enable students to succeed in a 21st century economy and to ensure that students are prepared for college and careers. For some students, this means a four-year college degree. While completing college is a goal which we need more students to attain, going directly into a career may prove the better option for many others.

This is not about a Plan A and a Plan B. This is about two Plan A's. For those students who are not bound for the traditional four-year college, we must still ensure that they can thrive in their future careers, and one way to do this is to again make career and technical education a priority.

In Indiana, we are increasing our investment in career and vocational programs, encouraging schools and private industry to partner in order to develop new curricula that prepares students for the jobs of today and tomorrow, and basing our funding on performance and relevance instead of enrollment alone.

We have created both the Indiana Career Council and the Indiana Regional Works Councils, which have laid out a strategic plan to transform Indiana's workforce and built important community partnerships.

Our eleven Regional Works Councils have forged new partnerships between businesses and schools and have awarded \$3 million in Innovative Curriculum Grants to eighteen (18) projects across the state. The private sector matched those dollars and more—with \$4 million—to establish new career and technical training opportunities that match regional business needs. More than 1700 students will participate in the first year of programs.

We have set a goal to have a five-fold increase in students who graduate high school with an industry-recognized credential by 2020. This goal recognizes that individuals can be successful in life and earn a good wage without graduating from a four-year university.

Indiana is using federal, as well as state, resources in this endeavor, and we are grateful for the flexibilities provided in the Workforce Innovation and Opportunity Act that

became law last year. As the Committee considers legislation to reauthorize ESEA, the Perkins Act, the Higher Education Act and more, I want to encourage you to keep in mind that at its heart, education in this country is, and should be, primarily a state and local function.

I would like to close by giving you an example of how our efforts at workforce training and collaboration have turned into success in Indiana, right in Rep. Rokita's district. --

In March of last year, it was my honor to welcome the world's largest jet engine manufacturer, GE Aviation, to Indiana to build a new \$100 million dollar jet engine facility and create up to 200 new, good-paying jobs by 2020. GE Aviation recognized Indiana's great strengths: our tradition in manufacturing, education, and innovation, especially our focus on world class higher education and workforce.

It is my sincere belief that by continuing to put forth innovative education and training initiatives and maintaining our dedication to the Hoosier workforce, that more companies are going to choose to locate in Indiana and employ the citizens of our great state.

Thank you for inviting me to testify today, and I look forward to your questions.

Chairman KLINE. Thank you very much, Governor.
Now I would like to recognize Dr. Amiridis for five minutes.

STATEMENT OF DR. MICHAEL AMIRIDIS, PROVOST AND EXECUTIVE VICE PRESIDENT FOR ACADEMIC AFFAIRS, UNIVERSITY OF SOUTH CAROLINA, COLUMBIA, SOUTH CAROLINA

Mr. AMIRIDIS. Thank you, Mr. Chairman.

Chairman Kline, Ranking Member Scott, and distinguished members of the committee, it is an honor and a privilege for me personally and for the University of South Carolina to appear in front of you today.

The changes we have experienced in higher education in the last five years are unprecedented. It is not only the operational and funding models that are changing drastically, but it is also the expectations of the public, of our students, and their parents that have shifted dramatically.

Given this environment, some of my colleagues in academia are actually pessimistic about the future of our universities.

In contrast, I believe that the best days for our public research universities are ahead of us. I believe that the public's demand for transparency and accountability gives us a wonderful vehicle to demonstrate the great success we have had in educating the sons and daughters of our country and preparing them for the workforce.

I believe that the expectations of the students and parents for job skills and employability have motivated us to reexamine and modernize our programs. And I believe that the current environment is ideal for the establishment of public-private partnerships to support critical functions of our public universities, taking advantage of the experience and efficiency of the private sector.

And yes, all of this can be achieved while we continue to increase efficiencies and control costs so that we remain accessible and affordable.

There is no doubt that we will also continue to face significant challenges in higher education. Decreased funding both for instruction at the state level in many states, and for research at the federal agency level, has resulted in significant financial pressures on the operation of our universities.

An increasingly larger fraction of the cost of undergraduate instruction has been passed to the students and their families through increases in tuition, creating a situation where we are pricing out, even from our public universities, a growing percentage of our high school graduates. At the same time, it has become more difficult for the research universities to sustain financially the efforts that have contributed to the world-leading position of our country in technology and creating an innovation deficit.

Finally, due to a growing regulatory framework both at the state and federal levels, the amount of time and effort needed to satisfy report requirements has grown exponentially with clear cost consequences for us.

In this environment there are going to be universities that thrive at the same time that others will struggle to maintain status quo. The difference will be the ability to come up with and implement

innovative ideas quickly, and I am here today to offer a few examples of such innovative programs in South Carolina.

Our Palmetto College provides the opportunity to place-bound South Carolinians to complete their undergraduate degrees online after they have studied for two years in a university, a community college, or a technical college. It allows students in vocationally oriented degree programs to develop the skills needed for available jobs in their local communities; it provides local advising, career counseling services, utilizing the existing network of campuses in our system; and most importantly, it reduces cost of attendance and student debt by maintaining affordable tuition.

In the two years since its inception in 2013, more than 1,000 students have enrolled in these degree programs, and 200 of them have already graduated.

Our “On Your Time” initiative utilizes the full calendar to give our students more flexibility in academic planning to facilitate timely graduation. It expands the traditional summer programs to a full semester; it allows students to take advantage of work, service, or other opportunities year-round without the risk of extending their time to graduation and their debt; and it creates summer immersion institutes in high-demand areas for students who want to enhance their marketable job skills in a short period of time.

The added flexibility allows for over 50 percent of the bachelor’s degrees offered by the University of South Carolina to be completed on an accelerated timeframe, consistent with the preference of over 40 percent of our freshmen and sophomore students who would like the opportunity to complete their baccalaureate degree in less than four years.

Additional examples—our USC Connect program and Gamecock Guarantee programs—are described in detail in the written testimony.

We pledge to continue developing such ideas, as I know many of our colleagues also do across the country, but we also need your help. We need your help in continuing to support need-based federal funding for our students. We need your help in continuing to provide federal support for academic research so that we close the innovation deficit.

And finally, we need your help in controlling a growing regulatory framework—put in place, in most cases, with good intentions in order to control a few bad actors—although the tools are already in place to do so.

Mr. Chairman and members of the committee, I thank you for the opportunity to join you today. And on behalf of our students, their families, and our faculty and staff members, I thank you for your commitment to and support of higher education, and in particular, the public higher education sector that I come from.

Thank you.

[The statement of Dr. Amiridis follows:]

**Testimony of Michael D. Amiridis
Executive Vice President for Academic Affairs and Provost
University of South Carolina**

**United States 114th Congress
Committee on Education and the Workforce**

Hearing on "Expanding Opportunity in America's Schools and Workplaces"

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Wednesday, February 4, 2015

Chairman Kline, distinguished members of the committee, ladies and gentlemen, it is an honor and a privilege for me personally and for the University of South Carolina to appear in front of your committee. I have been in higher education 21 years and I can tell you with a great degree of confidence that the changes we have experienced in the last decade, and more so in the last five years, are unprecedented. It is not only the operational and funding models that are changing drastically, but it is also the expectations – some may even say demands – of the public, our students, their parents and our overseers, that have shifted dramatically. Given this environment, some of my colleagues in academia – and many more of our friends in the press – are actually pessimistic about the future of our universities.

In contrast, I believe that the best days for our public research universities are ahead of us. I believe that the public's demand for transparency and accountability gives the majority of our institutions a wonderful vehicle to demonstrate the great success we have had in educating the sons and daughters of our country and preparing them for the workforce – and if a few institutions have not done so, then we are obligated to hold them accountable. I believe that the expectations of the students and parents for job skills and “employability” at the end of their studies have motivated us to reexamine and modernize our curricular and extracurricular programs. I believe that advances in technology are not a threat to our traditional campuses but provide great new tools for us to reach a new generation of learners and to improve their experience.

I believe that the current environment is ideal for the establishment of public-private partnerships to support critical functions of our universities and through these partnerships we can take advantage of the experience and efficiencies of the private sector, while maintaining the high quality standards and expectations of our academic communities. And finally, I believe that our American universities continue to represent the gold standard of higher education internationally, they can enter a period of even faster globalization in higher education from a position of strength and they can benefit from this position. And yes, all of these can be achieved while we continue to increase efficiencies and control costs so that we remain accessible and affordable.

There is no doubt that we will also continue to face significant challenges in higher education. Decreased funding both for instruction at the state level and for research at the federal agency level has resulted in significant financial pressures on the operation of our universities. An increasingly larger fraction of the cost of undergraduate instruction has been passed to the students and their families through increases in tuition. This has created a situation where we are “pricing out” even from our public universities a growing percentage of our high school graduates. In fact, we are “pricing out” those who need higher education the most in order to be able to break out from generational cycles of poverty. At the same time, it has become more

difficult for the research universities to sustain financially the efforts that have contributed to the world-leading technological position of our country in previous decades, thus, creating a situation that some of my colleagues are calling an “innovation deficit.”

Finally, we are experiencing a growing regulatory framework both at the state and federal levels. At the federal level in addition to the statutory requirements, the information dissemination requirements have extended in scope and grown significantly in volume in the recent past. I fully understand and support the role of government in monitoring and ensuring quality standards, safety of our students and good financial practices in our institutions and I embrace the obligation to be held accountable. However, there are numerous regulatory requirements and processes that can become “smarter” and save time and money. Specific examples include the verification of the information provided by students in their applications for Federal Student Aid (FAFSA forms), the state authorization requirements for distance education programs, as well as the discrepancies in crime reporting definitions between the Departments of Justice and Education. The amount of time and effort needed to satisfy report requirements has grown exponentially with clear cost consequences, estimated to vary between hundreds of thousands and millions of dollars per institution depending on size. And in some cases there is no apparent benefit either to the students or to the public at large.

In this environment of great opportunities but also significant challenges I believe that there are going to be universities that thrive, at the same time that others – even large public research universities – will struggle to maintain status quo. The key differentiator, in my opinion, will be the ability to come up with innovative ideas and to implement such ideas quickly. And I believe that I was selected by your staff to be here today because I can offer a few examples of such innovative programs created and implemented in recent years at the University of South Carolina that may also be applicable in other parts of the country.

Our Palmetto College for example, provides the opportunity to place-bound South Carolinians to complete their undergraduate degree online after they have studied for two years in a university, a community college or a technical college; it utilizes the expertise of all faculty across institutions and campuses in our University of South Carolina system of eight institutions to maintain high quality and to increase efficiencies; it allows students in degree programs such as nursing, education, business or criminal justice to develop the skills needed for available jobs in their communities; it provides local student advising and support, career counseling services and access to extra-curricular activities by utilizing the existing network of local campuses regardless of the student’s official institutional affiliation; and, most importantly, it reduces cost of attendance and student debt by maintaining affordable tuition.

Palmetto College was created after a system-wide study conducted in 2011-2012 identified the need for an on line program to serve non-traditional students juggling work and parenting or

facing socio-economic challenges that prevent them from completing their degrees in one of our campuses. The results of this study further indicated that students and future employers value the brand and quality of a University of South Carolina degree, but need accessible, affordable and flexible programs. Finally, the study showed that there are a large number of individuals with some college credit who are already in the workforce and who would benefit significantly by completing a University degree. The program has been enthusiastically supported by the South Carolina General Assembly and the Governor.

Palmetto College was initiated in 2013 with seven baccalaureate degree programs in vocationally-oriented majors. Since inception more than 1,000 students have enrolled in these degree programs and 200 of them have already received their degrees. Palmetto College students reside in 43 of the 46 South Carolina counties, while 48% of them are from underrepresented minority groups. While the initial efforts focused exclusively on South Carolina residents consideration is given now to expand to neighboring states.

Our On Your Time initiative utilizes the full calendar to give our students more flexibility in academic planning and to facilitate timely graduation; it expands the traditional two- or three-term summer program into eight sessions of varying length that function collectively as a full semester; it allows students to take advantage of internship, research, community service and study abroad opportunities year around without the risk of extending their time to graduation; it creates one-week time frames in January and May for lower-level science lab sections that create more flexibility in the students' weekly schedule during the regular semester, while extending the overall capacity of our laboratory courses without the cost of additional construction; and it creates summer immersion institutes in high demand foreign languages (e.g., Chinese, Spanish and Portuguese) as well as business fundamentals for non-business majors for students who want to enhance their marketable job skills in a short period of time.

The onset of the implementation efforts for this initiative in 2013 represented a massive structural and cultural change across our University. New definitions regarding full-time students were implemented; state – with the overwhelming support of the South Carolina General Assembly and the Governor – as well as university scholarship programs were modified to provide student financial aid during the summer; numerous new courses were either developed or offered for the first time – some in an online format; modified faculty workload and compensation models were introduced; and additional on-campus services, including summer housing, were provided for the increased class size.

Student demand was gauged through surveys of the student body before the program was initiated. Flexibility in course scheduling and a wider array of available courses were the main needs identified by the students. The On Your Time initiative addressed these needs and as a result, student enrollment for the summer of 2014 increased by more than 10%, while the

number of students enrolled for 12 or more credit hours increased by a 7-fold even before the state scholarships became available for the summer (to be implemented in 2015). Furthermore, the added flexibility allows for over 50% of the bachelor degrees offered by the University of South Carolina to be completed on an accelerated timeframe. This is consistent with the preference of over 40% of our freshmen and sophomores surveyed, who would like the opportunity to complete their baccalaureate degree in less than four years for obvious financial reasons. Accelerated options are also available in more than 20 Master's programs. Information about these opportunities is disseminated to our students and their families through our signature University 101 freshman gateway course, as well as a designated group of professional advisers tasked with overseeing the progress of students interested in graduating in less than four years.

Our USC Connect program integrates traditional in-the-classroom instruction with out-of-the-classroom learning experiences by assisting our students as they improve their skills and prepare to enter the workforce; it assists students in connecting their extracurricular activities in research, global engagement, community service and professional development with the content of their coursework; it documents and verifies for future employers the level of participation in such activities through the creation of university-reviewed electronic portfolios; it supports a culture of engagement on campus but also in local government, businesses and non-profit organizations; and finally, it recognizes hundreds of graduates – more than 250 in just the second year of the program – who have successfully surpassed expectations in and beyond the classroom and are therefore, graduating with leadership distinction in one of the four areas as stated in their official transcripts.

Finally, during the last six years our Gamecock Guarantee program has guaranteed full financial aid to approximately 900 academically qualified students with family incomes below the poverty level; it supports the academic and professional development of these students through the establishment of a living learning community; it identifies opportunities and covers the cost for their engagement in extracurricular activities; and it provides career counselling and financial literacy services for them. We have enough information by now to know that these students progress through their studies and graduate in significantly higher percentages than the average in our institution.

We pledge to continue developing such ideas, as I know many of our colleagues do across the country as well, but we also need your help. We need your help in continuing to support need-based federal funding for our students, so that we can avoid further segregation of higher education based on financial ability, and hopefully, enable even more academically qualified students to experience the benefits of a university degree. And if you do it year round for students who are making progress towards their degrees then you can help improve on-time

graduation and reduce debt. We need your help in continuing to provide federal support for academic research so that we close the innovation deficit and we ensure that this country will continue to be the world leader in new discoveries and applications of science and technology. And finally, we need your help in controlling a growing regulatory framework put in place in most cases in order to control a few "bad actors" – although the tools are already in place to do so – but having significant consequences for all of us.

Mr. Chairman and members of the committee, I thank you for the opportunity to join you today, and on behalf of our students, their families and our faculty and staff members I thank you for your commitment to and support of higher education, and in particular, the public higher education sector that I come from.

Chairman KLINE. Thank you, sir.
Now, Dr. Mishel, please? You are recognized for five minutes.

**STATEMENT OF DR. LAWRENCE MISHEL, PH.D., PRESIDENT,
ECONOMIC POLICY INSTITUTE, WASHINGTON, D.C.**

Mr. MISHEL. Thank you very much.

Chairman Kline, Ranking Member Scott, members of the committee, I appreciate the opportunity to address the state of the economy and the prospects for America's workers.

My testimony today will focus on the key economic challenge we face, which is middle-income stagnation. It is just common sense that wage trends lay at the heart of this issue.

After all, middle-income families are essentially those who rely almost entirely on their jobs for what they get to spend. They don't have financial assets that produce income. This is also true for low-income households, so lifting people out of poverty and strengthening the middle class is essentially that wage growth.

Let me offer a few facts to start the discussion. First, as Mr. Scott noted, the top 1 percent saw their wages rise by 138 percent since 1979, while the bottom 90 percent saw a rise of just 15 percent, most of that in the late 1990s.

Secondly, we have seen substantial productivity growth since 1973, up 74 percent. But a typical worker's pay only rose 9 percent. So this is a very long-term issue and it is not about generating productivity; it is about making sure that productivity is shared by the vast majority.

Last, it is also worth noting that wages have been stagnant for the last 10 years in the last recovery as well as this one, for both blue-collar and white-collar workers, both college graduates and high school-educated workers.

Some people think that these problems stem from a so-called skills mismatch, that somehow those without a college degree just don't have the skills needed for today's economy. That is simply not true.

Evidence from many studies shows that since 2000 the jobs that we have been creating have been concentrated at the very low end. The jobs in the upper half of the wage scale, which require the most education, have not expanded their share of employment whatsoever. In fact, we see college wages stagnant, new graduates from colleges taking jobs with fewer wages and fewer benefits.

So what are some of the things that can be done by this committee to actually address this problem? First, you should raise the minimum wage to \$12.50 by 2020, which will benefit a third of the workforce directly and indirectly.

Second, we need to update the overtime rules. It used to be that two-thirds of salaried workers qualified for overtime; now it is only 11 percent. Hopefully the administration will raise the threshold and add 6 million people to that protection.

Third, we need to strengthen the rights to collective bargaining. The biggest shock to wages over the last 30 years has been the erosion of collective bargaining, which has hurt the wages of those who used to benefit from collective bargaining, but even more so those who benefited, non-union workers, whose wages were lifted

by their employers who were fearful that they would leave the job and take a better-paying job.

Fourth, we need to regularize undocumented workers. These workers are exploited. They earn lower wages. Regularizing them will raise their wages and also lift the wages of those in similar fields of work.

Fifth, let's end forced arbitration, systems where employers force workers to not be able to go to agencies or courts for remedies—for wage and hour violations or discrimination.

Sixth, we need to modernize our labor standards. It is not enough to just protect the New Deal standards; we need to bring new standards to allow families to mesh work and family. We need paid sick leave, paid family leave, and standards like that.

Seventh, we need to close race and gender inequities. Many of the policies I have discussed will do that, but we also need consistent, strong enforcement of antidiscrimination laws.

Eighth, we need fair contracting, like what the President has proposed. These new rules will help reduce wage theft, obtain greater racial and gender equity, and generally support wage growth.

Last, we need to tackle misclassification, wage theft, and protect prevailing wages. These are all things that will help lift wages.

What won't help is tax cuts. Tax cuts won't generate economic growth. The growth they will benefit will not necessarily trickle down to wages.

The taxes paid by a middle-class family, according to CBO, used to be 18 percent in 1979. It is now down to 11 percent. That is not the problem we have faced.

Last, it is not so much getting more people to go to college. It is about making sure that those people, with whatever degree they have, see rising wages.

Thank you very much for this opportunity.

[The statement of Dr. Mishel follows:]



EPI TESTIMONY

TESTIMONY OF

Lawrence Mishel, Ph.D.
President
Economic Policy Institute

BEFORE THE
U.S. HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE
“EXPANDING OPPORTUNITY IN AMERICA’S SCHOOLS AND WORKPLACES”

WEDNESDAY 10:00 AM, FEBRUARY 4, 2015
Rayburn House Office Building

Economic Policy Institute. 1333 H Street NW, Suite 300, Washington, D.C. 20005. (202) 775-8810
www.EPI.org

Chairman Kline, Ranking Member Scott and Members of the Committee, thank you for the opportunity to testify today on the state of our economy and the prospects for America's workers.

My testimony today will focus on the key economic challenges we face and highlight the policies that do and do not address them adequately.

It is encouraging that there is now widespread agreement across the political spectrum that the key economic challenge is middle-class income stagnation. To address this stagnation we must confront two underlying trends. The first is to address the ongoing but incomplete jobs recovery from the financial crisis that Wall Street inflicted on the global economy. The second trend is the stagnation of wages for the vast majority of workers since the late 1970s, an era of "wage suppression." That wage trends lay at the heart of income stagnation is just common sense. After all, middle-class families rely almost completely on what they earn from their jobs to support their consumer spending. These families do not own many financial assets that produce income; at best they have a little stock (only one-third of households have more than \$5,000 of stock), and their home accounts for most of their wealth. This is also true for low-income households, who obtain 70 percent of their income from wages and related items (such as the Earned Income Tax Credit). Raising households into the middle class and fueling middle-class incomes thus boils down to generating widespread wage growth.

The goals that economic policy must focus on are, thus, creating jobs and reaching robust full employment, generating broad-based wage growth, and improving the quality of jobs.

Jobs

The good news is that 246,000 jobs were created each month in 2014, faster than any year in the last recovery and since 2000. This job growth allowed us to lower unemployment to 5.6 percent in December. Unfortunately, we still have far to go before we recover from the financial crisis of 2008 and the recession that started after December 2007. Specifically, 'the Great Recession and its aftermath has left us with a jobs shortfall of 5.6 million—that's the number of jobs needed to keep up with growth in the potential labor force since 2007 and current job creation rates will get us to 'pre-recession labor market health in August 2016'.¹ And even attaining this pre Great Recession labor market health is an insufficiently ambitious final goal – instead we should strive to reach genuine full employment with roughly 4 percent unemployment. Much is at stake.² If we do not attain a robust full employment then many communities, particularly those of color, will be left out of the recovery. Moreover, under current policy conditions significant wage growth for the vast majority may only occur when we achieve much lower unemployment than we now have.

Policies that help to achieve full employment are the following:

1. *The Federal Reserve Board needs to target a full employment with wage growth matching productivity.*

The most important economic policy decisions being made about job growth in the next few years are those of the Federal Reserve Board as it determines the scale and pace at which it raises interest rates. Let's be clear that the decision to raise interest rates is a decision to slow the economy and weaken job and wage growth. There are many false concerns about accelerating wage growth and exploding inflation based on the mistaken sense that we are at or near full employment. Policymakers should not seek to slow the economy until wage growth is comfortably running at the 3.5 to 4.0 percent rate, the

wage growth consistent with a 2 percent inflation target (since trend productivity is 1.5 to 2.0 percent, wage growth 2 percent faster than this yields rising unit labor costs, and therefore inflation, of 2 percent). The key danger is slowing the economy too soon rather than too late.

2. *Targeted employment programs*

Even at 4 percent unemployment, there will be many communities that will still be suffering substantial unemployment, especially low-wage workers and many black and Hispanic workers. To obtain full employment for all, we will need to undertake policies that can direct jobs to areas of high unemployment. The tool for this is the public and non-profit employment programs that several members of Congress have introduced in the last several years that create jobs by meeting unmet needs.

3. *Public investment and infrastructure*

There is widespread agreement that we face a substantial shortfall of public investment in transportation, broadband, R&D, and education. Undertaking a sustained (for at least a decade) program of public investment can create jobs and raise our productivity and growth. In the early years this program would most effectively create jobs if we borrowed to finance it, but as we approach full employment we can raise revenues to cover its costs. In this way budget policy can be a tool to allow us to raise productivity and bring us closer to full employment.

Policies that do not help us reach full employment include:

1. *Corporate tax reform*

There are many false claims that corporate tax reform is needed to make us competitive and bring us growth. First off, the evidence is that the corporate tax rates U.S. firms actually pay (their "effective rates") are not higher than those of other advanced countries. Second, the tax reform that is being discussed is "revenue neutral," necessarily meaning that tax rates on average are actually not being reduced; for every firm or sector that will see a lower tax rate, another will see a higher tax rate. It is hard to see how such tax reform sparks growth.

2. *Cutting taxes*

There will surely be many efforts in this Congress to cut corporate taxes and reduce taxes on capital income (e.g., capital gains, dividends) and individual marginal tax rates, especially on those with the highest incomes. It's easy to see how those strategies will not work. Look at **Figure 1**, which shows that these taxes have been reduced over the last 35 years since 1980. Yet, economic growth was slower since 1980 than in the preceding 30 years, when tax rates were much higher. Another useful comparison is to the last recovery following the Bush era tax cuts, which had slower job growth than the current recovery.

3. *Raising interest rates*

There are those worried about inflation who are calling on the Federal Reserve Board to raise interest rates soon and steadily thereafter. Their fears are, in my analysis, unfounded. But we should be clear that those seeking higher interest rates are asking our monetary policymakers to slow economic growth

and job creation and reflect a far-too-pessimistic assumption of how far we can lower unemployment, seemingly aiming for unemployment at current levels or between 5.0 and 5.5 percent. We can do better than that, and the failure to seek significantly lower unemployment would toss away the opportunities for wage growth and employment for many who otherwise would not benefit from this recovery.

Wage growth

It is a welcome development that policymakers and presidential candidates in both parties have now acknowledged that stagnant wages are a critical economic challenge. This will create a very useful debate on the best way to lift wages for the vast majority. It is useful to establish some of the basic facts. **Figure 2** illustrates the tremendous gap between the 138 percent wage growth enjoyed by the top 1 percent since 1979, while the wages of the bottom 90 percent grew just 15 percent, with most of that growth occurring in the late 1990s. **Figure 3** presents the divergence between productivity—the growth of the output of goods and services per hour worked—and the pay of a typical worker. Over the 40 years since 1973, there has been productivity growth of 74 percent, yet the compensation (wages and benefits) of a typical worker grew far less, just 9 percent (again, mostly in the latter 1990s). Thus wage and benefit stagnation is a long-term trend (**Figure 4**) and one that is not due to insufficient economic growth, since the economic growth over the last four decades did little to produce rising pay for the vast majority. Last, it is important to note that there has been widespread wage stagnation for the last 10 years or so, affecting both blue-collar and white-collar workers and both high school and college graduates. Wage stagnation occurred over the last recovery from 2002–2003 until 2007 as well as during the Great Recession and its aftermath.

Wage stagnation is conventionally described as being about globalization and technological change, explanations offered in the spirit of saying it is caused by trends we neither can nor want to restrain. In fact, technological change has had very little to do with wage stagnation. Such an explanation is grounded in the notion that workers have insufficient skills so employers are paying them less, while those with higher wages and skills (say, college graduates) are highly demanded so that employers are bidding up their wages. We know that these trends have not been in play over the last 15 years. Many studies (including those by Frank Levy and Richard Murnane; by David Autor; by Beaudry, Green, and Sands; and by Mishel, Schmitt, and Shierholz) have shown that the best-paying occupations have not expanded their share of employment since 1999–2000, and that job growth has been centered among low-wage occupations.³ The so-called job polarization that has been much discussed (eroded jobs in middle-wage occupations but expanded jobs at the top and bottom) has not been present in the United States since the 1990s. So, employers are not creating jobs at the “high end,” yet we see wages grow far faster for those at the top (the top 1 percent as well as the top 10 percent) than in the middle or bottom of the wage scale. It is also important to note that the inflation-adjusted wages of college graduates have been stagnant since 2002–2003, the wages and benefits earned by recent college graduates have been plummeting for every new cohort since 2000, and the Federal Reserve Bank of New York has documented an increasing share of recent college graduates work in jobs that do not require a college degree.⁴ Last, there are hundreds of thousands of college students and recent college graduates working in internships that provide no wage. A number of these unpaid internships in the private sector are likely illegal, but that is another matter. For our purpose here it is only necessary to note that the presence of college graduates in a wide variety of fields working for free indicates that there is not a generalized excessive unmet demand for their skills, a skill shortage that is generating wage inequalities.

Globalization has, in fact, served to suppress wage growth for non-college-educated workers (roughly two-thirds of the workforce). However, such trends as import competition from low-wage countries did not naturally develop; they were pushed by trade agreements and the tolerance of misaligned and manipulated exchange rates that undercut U.S. producers.

There are two sets of policies that have greatly contributed to wage stagnation that receive far too little attention. One set is aggregate factors, which include factors that lead to excessive unemployment and others that have driven the financialization of the economy and excessive executive pay growth (which fueled the doubling of the top 1 percent's wage and income growth). The other set of factors are the business practices, eroded labor standards, and weakened labor market institutions that have suppressed wage growth. I will examine these in turn.

Aggregate factors

1. Excessive unemployment

Unemployment has remained substantially above full employment for much of the last 40 years, especially relative to the post-war period before then. Since high unemployment depresses wages more for low-wage than middle-wage workers and more for middle-wage than high-wage workers, these slack conditions generate wage inequality. This reinforces the need to achieve full employment, as delineated above.

The excessive unemployment in recent decades reflects a monetary policy overly concerned about inflation relative to unemployment and hostile to any signs of wage growth. Budget policy has sometimes exacerbated our unemployment problem, as it has in the last few years at the state and federal level by failing to adequately focus on job creation to counter downturns and weak recoveries.

2. Unleashing the top 1 percent: finance and executive pay

The major forces behind the extraordinary income growth and the doubling of the top 1 percent's income share since 1979 were the expansion of the finance sector (and escalating pay in that sector) and the remarkable growth of executive pay (CEO pay grew more than twice as fast as profits and three times faster than the pay of other very high-wage earners—the top 0.1 percent of wage earners).⁵ The increased incomes in finance and for executives do not reflect a corresponding increase in national output. Thus, restraining the growth of such income will not adversely affect the size of our economy. Moreover, the failure to restrain these incomes leaves less income available to the vast majority, the 90 percent of wage earners who have seen little wage growth since 1979. In this way we cannot ignore the top 1 percent as we seek to increase wages for the vast majority, since what the top 1 percent takes in income growth largely has come at the expense of other income groups.

There are various policies that can help to accomplish this. Tax preferences for executive pay can be eliminated or their use tied to the executive's firm giving wage increases equal to productivity growth. Others have recommended tying corporate tax rates to the ratio of executive-to-median worker pay. Imposing a financial transactions tax can steer investments toward productive uses and away from speculation and restrain unproductive financial activity.

Labor standards, labor market institutions, and business practices

There are a variety of policies within the direct purview of this committee that can greatly help to lift wage growth:

1. Raising the minimum wage

The main reason wages at the lowest levels lag those at the middle has been the erosion of the value of the minimum wage, a policy undertaken in the 1980s that has never fully been reversed. The inflation-adjusted minimum wage is now about 25 percent below its 1968 level, despite the fact that productivity has doubled and the education and skills of those in the bottom fifth have greatly improved. Moving the minimum wage to \$12.50 by 2020 would benefit about a third of the workforce directly and indirectly.

2. Updating overtime rules

The share of salaried workers eligible for overtime has fallen from 65 percent in 1975 to just 11 percent today.⁶ Someone who spends a small share of her time supervising others can spend the bulk of her time doing work that hourly workers do (e.g., unload trucks, fill shelves with products) and work far in excess of 40 hours and receive no overtime pay. This is because the salary threshold (the salary level beneath which you are guaranteed overtime pay) has eroded such that only those earning \$23,600 or less (a poverty-level wage) are covered by the Fair Labor Standards Act. Fortunately, President Obama has instructed the Department of Labor to revise the salary threshold. Moving that threshold to the value it held in 1975—roughly \$51,000 today—would provide overtime protections to 6.1 million workers, providing higher pay, more leisure, and more time with their families.⁷

3. Strengthening rights to collective bargaining

The single largest factor suppressing wage growth for middle-wage workers over the last few decades has been the erosion of collective bargaining (which can explain one-third of the rise of wage inequality among men, and one-fifth among women). One of the greatest impacts of the decline of collective bargaining has been that nonunion workers in industries or occupations that previously had extensive collective bargaining no longer receive the higher pay that their employers used to provide (given concerns that their best workers might leave for a union job or for fear their workers would choose collective bargaining). So, the erosion of collective bargaining has affected both union and nonunion workers alike. We know that many more workers want collective bargaining than are able to benefit from it: If all who wanted to pursue collective bargaining could in fact do so, the United States would have as much collective bargaining as Germany. There are a wide variety of proposals to strengthen and rebuild our collective bargaining system.⁸

4. Regularizing undocumented workers

Undocumented workers are vulnerable to exploitation. Consequently, they earn lower wages than workers who have greater access to legal protections and are able to switch jobs more readily. Executive actions, such as those the administration is pursuing, or comprehensive immigration reform that provides a path to citizenship are policies that will lift wages. Regularizing undocumented workers will not only lift their wages but will also lift wages of those working in the same fields of work.

5. *Ending forced arbitration*

One way for employees to challenge discriminatory or unfair personnel practices and wages is to go to court or a government agency that oversees such discrimination. However, a majority of large firms force their workers to give up their access to court and government agency remedies and agree to settle such disputes over wages and discrimination only in arbitration systems set up and overseen by the employers themselves. Such practices limit workers' options and facilitate discrimination and violations of wage and hour laws.

6. *Modernizing labor standards: sick leave, paid family leave*

We have not only seen the erosion of protections in the labor standards set up in the New Deal, we have also seen the United States fail to adopt new labor standards that respond to emerging needs. In particular, there are standards needed to assist workers and their families to achieve a better balance between work and family. The most prominent examples are standards relating to sick leave and paid family leave. More support for child care is also necessary to assist workers and their families, especially low- and moderate-wage workers whose child care choices are limited and of uneven quality.

7. *Closing Race and gender inequities*

Generating broader-based wage growth must also include efforts to close race and gender inequities that have been ever present in our labor markets. Many of the policies already mentioned -- raising the minimum wage, updating overtime rules, pursuing full employment, legalizing undocumented workers, and increasing workers' bargaining power -- though not overtly race- or gender-based, would disproportionately raise wages for women and people of color who are more likely to work the kinds of jobs impacted by such policies. Beyond these broader efforts, we need consistently strong enforcement of antidiscrimination laws in the hiring, promotion and pay of women and minority workers. This includes greater transparency in the ways these decisions are made (including improved collection of pay data by race, ethnicity and gender) and insuring that the processes available for workers to pursue any violation of their rights are effective. Finally, we have to tackle social issues like mass incarceration that limit employment opportunities and pay for countless ex-offenders, particularly African American men. Improving adult education opportunities can help better integrate immigrant workers into our economy and our communities.

8. *Fair contracting*

Last summer, the President signed The Fair Pay and Safe Workplaces Executive Order, setting a new framework governing the awarding of federal contracts that the Department of Labor estimates will apply to twenty-four thousand businesses employing twenty-eight million workers. These new rules "will require prospective federal contractors to disclose labor law violations and will give agencies more guidance on how to consider labor violations when awarding federal contracts." The framework "also ensures that workers are given the necessary information each pay period to verify the accuracy of their paycheck and workers who may have been sexually assaulted or had their civil rights violated get their day in court by putting an end to mandatory arbitration agreements at corporations with large federal contracts."⁹ These new contracting rules can help reduce wage theft, obtain greater racial and gender equity and generally support wage growth.

Since "a 2010 Government Accountability Office report found that almost two-thirds of the 50 largest wage and hour violations, and almost 40 percent of the 50 largest workplace health and safety

penalties, issued between 2005 and 2009 were at companies that went on to receive new government contracts". One could go further than the new executive order and bar violators from Federal contractors, as amendments attached to the defense and transportation bills in the House last year required.

9. *Tackling misclassification, wage theft, prevailing wages*

There are a variety of other policies that can support wage growth. Too many workers are deemed independent contractors by their employers when they are really employees. This is called "misclassification," though Secretary of Labor Perez rightly labels this "wage fraud." The consequence is less revenue collected by state and federal governments as well as workers lacking the important protections of the unemployment insurance and worker compensation systems. These practices are particularly severe in construction. Rampant misclassification also undercuts the ability of employers who follow the law to win bidded contracts, thereby lowering the wages of workers in their firms. Misclassification is perhaps best seen as part of the larger phenomena of "wage theft" where workers are not paid for the work they have done or are cheated out of overtime pay. We have also seen efforts to undercut prevailing wage laws at the federal and state levels. Efforts to improve labor standards enforcement, end misclassification (the Department of Labor has a multi-state initiative on this), and protect and strengthen prevailing wage laws can end wage theft and support wage growth.

Policies that will not facilitate broad-based wage growth:

1. *Tax cuts: individual or corporate*

The failure of wages to grow cannot be cured through tax cuts. Such policies are sometimes offered as propelling long-run job gains and economic growth (though they are not aimed at securing a stronger recovery from a recession, as the conservatives who offer tax cuts do not believe in counter-cyclical fiscal policy). These policies are not effective tools to promote growth, but even if they did create growth, it is clear that growth by itself will not lift wages of the typical worker. After all, we have seen plenty of productivity growth since 1973, but very little wage growth for the vast majority of workers. That is, tax cuts are a tried and failed policy that does not change the dynamics of the labor market so that workers will gain from productivity. Corporate tax reform, as discussed above, holds little promise of promoting economic growth, let alone generating wage growth. One should be mindful that while workers' pay has been stagnant, we also have corporate profits reaching the highest levels in over four decades. In short, there is no basis for believing that expanded corporate profitability will necessarily benefit the typical worker.

Providing tax cuts is also seen as a way to provide some cash to ease the financial struggles of families. This is understandable, as such policies seem readily doable to congressional policymakers. The problem is that wage stagnation is an ongoing challenge and one-time tax cuts are, at best, a short-term Band-Aid. Moreover, tax cuts erode revenues needed for many unmet needs, such as increasing public investment and supporting social insurance programs.

2. *Increasing college or community college completion*

Facilitating more people attending and completing higher levels of education, or other types of training (e.g., apprenticeships) is very good policy. It can help fuel economic growth in the future, and it can expand access to better jobs for low- and middle-income children who would not otherwise have those

opportunities. That is, improving education quality and attainment is critically important to promoting upward mobility, assuring today's children have the opportunity to rise further up the income ladder than have their parents. The issue is not whether completing more education is "worth it" for certain individuals, but whether rapidly increasing the share of workers with greater education is an important tool to generate broad-based wage growth.

But advancing education completion is not an effective overall policy to generate higher wages. Some who attain higher credentials will earn more. Recall that the wages of college graduates have been stagnant for over 10 years and the wages accepted by recent college graduates have been lower than those graduating in earlier years and with fewer employer-provided benefits. Let's presume these trends persist for the next 10 years. This means that increasing college completion to any great degree will mean that the wages of college graduates will be falling, especially among men and newer graduates. This will lead to less inequality, but it is not a generalized recipe for wage growth. There is no reason to believe that everyone who completes a college degree will be able to obtain a job that requires such an education. If not, college graduates will increasingly be used in jobs that those with less education now perform.

The same analysis is true for community college completion. Providing access will help many attain the opportunities for jobs previously unavailable to low- and moderate-income students, facilitating intergenerational mobility. Community college graduates now earn 7.5 percent less than they did in 2004 and earn comparable wages to those in 1992, the earliest year for which we have data. The share of the workforce with community college degrees has expanded from 7.3 percent in 1992 to 10.8 percent in 2014, so the economy has absorbed substantially more of them. At the same time, the fact that the wages of community college graduates relative to high school graduates (i.e., the wage premium) has fallen and that the wage levels of community college graduates have fallen indicates that there is not a swelling unmet need for such graduates. This is an avenue to help some workers, but not a generalized approach to raising wages. What is needed are policies that lift wages of high school graduates, community college graduates, and college graduates, not simply a policy that changes the amount of workers in each category.

3. Deregulation

There is no solid basis for believing that deregulation will lead to greater productivity growth or that doing so will lead to wage growth. Deregulation of finance certainly was a major factor in the financial crisis and relaxing Dodd-Frank rules will only make our economy more susceptible to crisis.

4. Policies to promote long-term growth

Policies that can substantially help reduce unemployment in the next two years are welcomed and can serve to raise wage growth. Policies aimed at raising longer-term growth prospects may be beneficial but will not help wages soon or necessarily lead to wage growth in future years. This can be seen in the decoupling of wage growth from productivity over the last 40 years. Simply increasing investments and productivity will not necessarily improve the wages of a typical worker. What is missing are mechanisms that relink productivity and wage growth. Without such policies, an agenda of "growth" is playing "pretend" when it comes to wages.

Figures

Figure 1

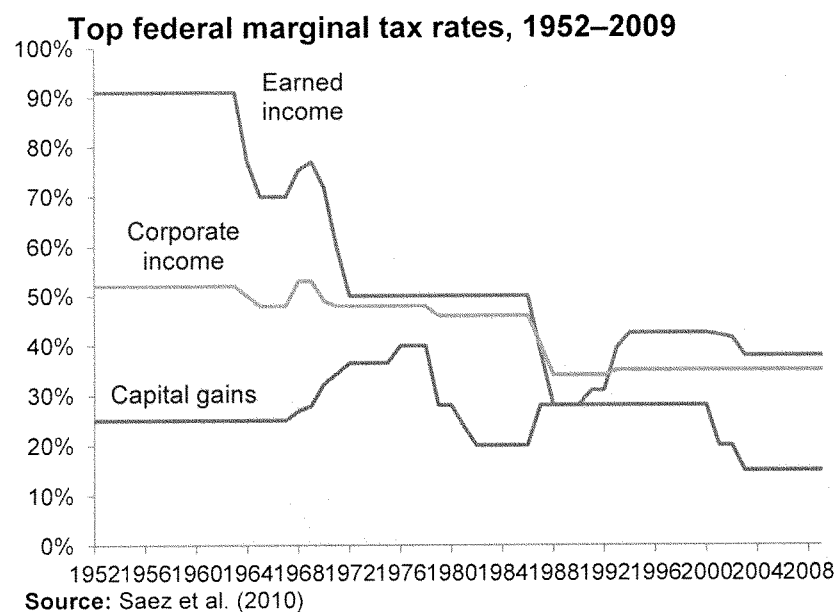


Figure 2

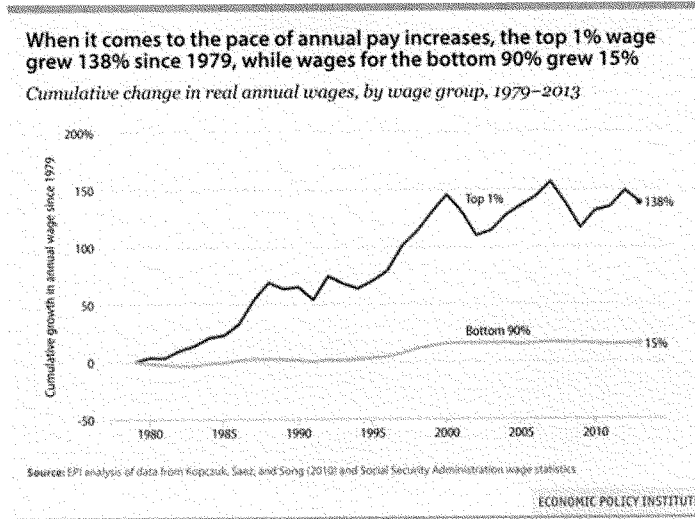


Figure 3

Workers produced much more, but typical workers' pay lagged far behind
Disconnect between productivity and typical worker's compensation, 1948–2013

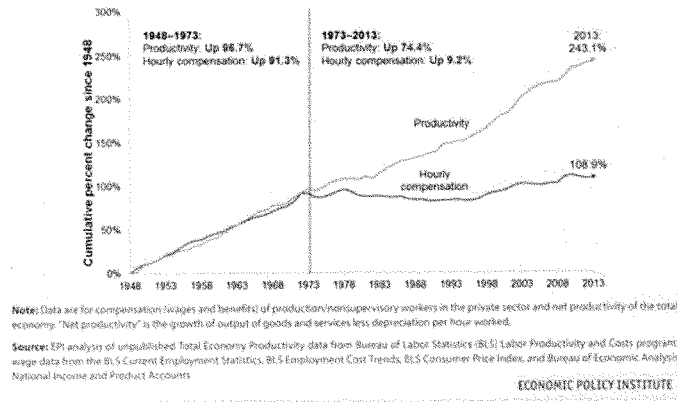
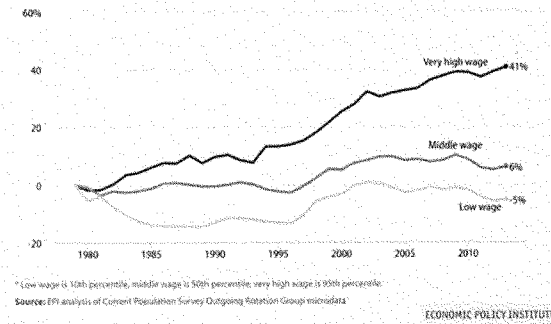


Figure 4

Middle-class wages are stagnant—Middle-wage workers' hourly wage is up 6% since 1979, low-wage workers' wages are down 5%, while those with very high wages saw a 41% increase

Cumulative change in real hourly wages of all workers, by wage percentile, 1979–2013*



Endnotes

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Chairman KLINE. Thank you, sir.
Now, Mr. Greenblatt, you are recognized for five minutes.

**STATEMENT OF MR. DREW GREENBLATT, PRESIDENT AND
CEO, MARLIN STEEL WIRE PRODUCTS, BALTIMORE, MARY-
LAND**

Mr. GREENBLATT. Good morning, Chairman Kline, Ranking Member Scott, and distinguished members of the committee. Thank you for the opportunity to appear before you and for holding this hearing today.

My name is Drew Greenblatt, and I am the president and owner of Marlin Steel. I am currently on the executive committee of the National Association of Manufacturers and serve as the vice chair of its Small and Medium Manufacturers Group.

Here are some facts about U.S. manufacturing: conventional wisdom is wrong. The United States is the world's largest manufacturing economy. We produce 21 percent of the global manufactured products created.

More than 12 million Americans—that is 9 percent of our workforce—are employed directly in manufacturing. That is almost the population of Minnesota and Virginia combined.

The American manufacturing renaissance is real. As president of Marlin Steel, I am optimistic about the future, and I know many of my colleagues on the board of directors of the National Association of Manufacturers share my view. We are bullish.

At Marlin Steel we are expanding our factory floor space 53 percent. We will be investing in new infrastructure, which will allow my factory to draw seven times more power—we are bringing in a huge copper wire—so we can grow more technology, more robots, more automation in our factory. Seven times more power.

This automation will give us new technology, so we can hire more additional high-priced talent to meet our new demand.

Marlin Steel employs 30 people, and we make custom wire material handling baskets, wire forms, sheet metal fabrications like this one right here, and we service the markets of automotive, pharmaceutical, medical, all kinds of industrial markets.

Six of our employees are degreed mechanical engineers, and their innovations are what make our products first-class. They create our secret sauce. That is what differentiates us so we are not a commodity player.

They are so talented we actually export to 37 countries, including my favorite country to export to, China. We are really proud of that. We import nothing, and we make everything in Baltimore City, Maryland.

I am proud of my team. They are exceptional and by far my most important asset. I am also very proud to say we have gone more than 2,243 days without a safety incident.

My optimism for the future of manufacturing generally, and Marlin Steel in particular, is tempered, however, due to government policies that are hindering our dynamic growth.

In order for us to succeed, manufacturers need our elected leaders to choose policies that make our nation a better place to invest, to innovate, to headquarter, and from which to export. They must

choose policies that strengthen our workforce so it meets the need of manufacturing in the 21st Century.

Manufacturers seek a coherent strategy from policymakers in Washington that focus on ways we can ensure the future success of manufacturing in our country. We need policies that are grounded in free enterprise and competitiveness, individual liberty, and equal opportunity.

To achieve this target, the National Association of Manufacturers has established four goals. We believe they are achievable, and if we can maintain these we will strengthen our country's economic advantage.

Number one: The United States will be the best place in the world to manufacture and attract foreign direct investment.

Number two: Manufacturers in the United States will be the world's leading innovators.

Number three: The United States will expand access to global markets. We need to sell to more countries. 95 percent of the world's consumers live overseas.

Number four: Manufacturers in the United States will have access to the workforce that the 21st Century economy demands.

The National Association of Manufactures growth agenda can bring our country together and put more people to work, ensuring the United States always remains the brightest beacon of hope, optimism, and opportunity in the world. The agenda before the Education and Workforce Committee is an essential part of achieving these goals.

Whether the work you are doing is focused on workforce, training, health care, immigration, labor, employment, please know you are shaping the trajectory of manufacturing. Manufacturers can compete globally, but we should not have to compete as an economic priority here at home.

Thank you very much for this opportunity to testify today, and I am happy to answer any of your questions.

[The statement of Mr. Greenblatt follows:]



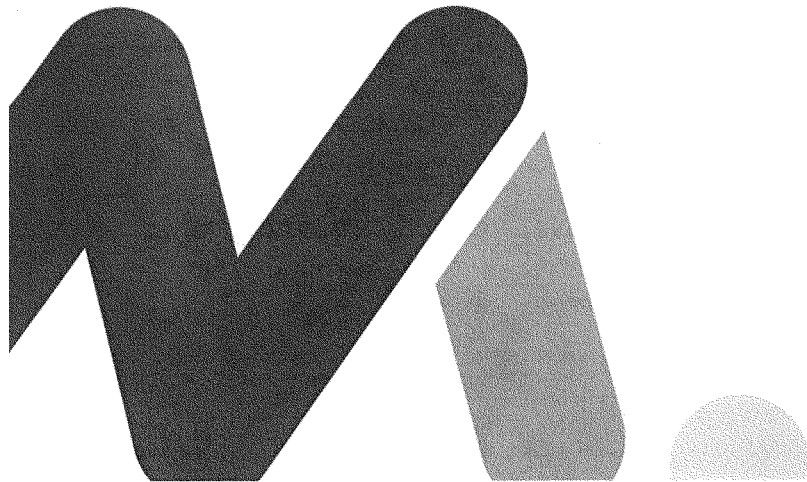
Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Drew Greenblatt
President
Marlin Steel Wire Products LLC

before the House Committee on Education and Workforce
on "Expanding Opportunity in America's Schools and Workplaces"

February 4, 2015



**TESTIMONY OF DREW GREENBLATT
PRESIDENT
MARLIN STEEL WIRE PRODUCTS LLC**

Good morning Chairman Kline, Ranking Member Scott and distinguished members of the committee. Thank you for the opportunity to appear before you and for holding this hearing today.

My name is Drew Greenblatt, and I am president and owner of Marlin Steel. I am currently on the Executive Committee of the National Association of Manufacturers (NAM) and serve as the vice chair of its Small and Medium Manufacturers Group.

The American manufacturing renaissance is real. Marlin Steel is optimistic about the future. We are expanding our factory floor space by 53 percent and will be investing in new infrastructure that will allow my factory to draw seven times more power from the grid so we can grow our cutting-edge technology—robots and automation. We will need to hire high-priced talent to meet demand and run these productive machines.

Marlin Steel makes custom wire material handling baskets, wire forms and sheet metal fabrications for the automotive, pharmaceutical, medical and industrial markets. Twenty percent of our employees are degreed mechanical engineers, and their innovations make our products fixtures in American factories. They are so talented that we actually export to 37 countries, including my favorite country to export to, China. We make everything in Baltimore City, MD, and import nothing.

I am very proud of my team. They are exceptional and by far my most important asset. I take care to provide as safe and rewarding of a workplace as I can. As a matter of fact, we have gone more than 2,241 days without a safety incident.

However, our government's policies are hindering the growth we are experiencing. We can surge faster and hire more talent (unemployed steel workers in the city) if we can refine some of our current laws and regulations so that we have an opportunity to win more sales.

The United States is the world's largest manufacturing economy, producing 21 percent of global manufactured products. Manufacturing supports an estimated 17.0 million jobs in the United States— or about one in six private-sector jobs. More than 12 million Americans, 9 percent of the workforce, are employed directly in manufacturing. This roughly equates to the entire populations of Pennsylvania, Illinois or Ohio. Or, if you prefer, a little less than the population of Minnesota and Virginia combined.

Many manufacturers today see a bright future ahead for our country, their communities and their companies. In the most recent *NAM/IndustryWeek* survey, 91.2 percent of manufacturers said they were either somewhat or very positive in their company's outlook. Sales, capital spending and hiring expectations were also moving in the right direction. Sales growth has reached its highest level since March 2012, averaging 4.5 percent. Recent events, such as the dramatic decline in oil prices, economic uncertainty in the European Union and the value of the dollar relative to other currencies, were not known when this survey was taken, so the outlook may have changed since then, but generally the mood has been upbeat.

Regardless of the economic mood, in order to succeed, manufacturers need our elected leaders to choose policies that make our nation a better place to invest, to innovate, to headquarter and from which to export. They must choose policies that strengthen our workforce so it meets the needs of manufacturing in the 21st century.

Every day we compete with Canadian factories that pay at a 15 percent tax rate while we pay more than 40 percent. If we were taxed at that rate, I would be forced to hire more people to keep up with all the jobs we would win—a problem I would like to have.

Manufacturers seek a coherent vision or strategy from policymakers in Washington that focuses on ways we can ensure the future success of manufacturing in our country. We need policies that are grounded in free enterprise, competitiveness, individual liberty and equal opportunity. To achieve this goal, the NAM has laid out four goals we believe are achievable realities for us to maintain and strengthen our country's economic advantage. The NAM Growth Agenda can bring our country together and put more people to work, ensuring the United States always remains the brightest beacon of hope, optimism and opportunity in the world.

- 1) The United States will be the best place in the world to manufacture and attract foreign direct investment.

- 2) Manufacturers in the United States will be the world's leading innovators.
- 3) The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.
- 4) Manufacturers in the United States will have access to the workforce that the 21st-century economy demands.

The agenda before the Education and Workforce Committee is an essential part of achieving these goals. The discussions, debates and decisions you make in this very room will help guide the trajectory of manufacturing in the United States for decades.

Workforce Training

All across the country, manufacturers are struggling to find people with the skills to help drive innovation and success. Our workforce must be proficient in science, technology, engineering and mathematics (STEM) at all educational levels and possess the skills that manufacturers seek. To remain competitive, the United States must grow its skilled workforce and retain and attract the best talent from inside and outside our country. This means addressing educational deficits so students can meet the demands of a 21st century workforce. It also means reforming our broken immigration system so we as a nation can benefit from the best and brightest the world has to offer.

Education reforms and improvements, such as those being addressed by this Congress in the form of the Elementary and Secondary Education Act, the Higher Education Act and the Carl D. Perkins Act, should include an emphasis on industry-based skills certifications. Just last week, the Manufacturing Institute and Deloitte released a study showing that in the next decade, manufacturers will require 3.4 million workers to fill jobs being vacated due to retirements and new jobs from expected expansions and increases in production. Unless something changes from now until 2025, up to 2 million of those manufacturing jobs could go unfilled because workers will not have the right skills. It is very plain to see that this skills gap threatens U.S. competitiveness.

The NAM and the Manufacturing Institute have worked tirelessly to address the skills gap. Last year, 17 CEOs of NAM member companies worked together for 10 months to discuss what the real problems were. They met with governors, university presidents, local workforce boards and others to define a

workable path forward for manufacturers. True to the manufacturing ethos, this team of CEOs didn't want to issue yet another report about what they found—they wanted a plan. The result was a road map, an action plan, for CEOs, human resource officers or plant managers to engage with local educators and other partners within their communities. Both small and large companies can use the road map to begin filling their workforce deficits and train people with the in-demand skills they need.

Much of this work started six years ago when the NAM endorsed a series of industry-recognized credentials for the manufacturing sector. Since that time, we have continued to pursue federal policies that focus on the value of skills training that is in-demand in the private sector. We were happy to see these efforts come to fruition with the passage and enactment of the Workforce Innovation and Opportunity Act (WIOA) last summer. The legislation guiding our principal federal workforce training programs languished for years, with no sign of compromise and hopelessly out of date in a world vastly different than when it was first conceived. However, through the good work and significant efforts of many members of this committee and the staff, a bipartisan, bicameral solution was agreed to. Frankly, it was a bright moment last year, and I hope the committee can use that momentum to begin the work on the type of legislating manufacturers need in 2015.

Immigration

The bipartisan method of addressing solutions that will help the economy I mentioned earlier should be employed when the House and Senate consider what to do about immigration. Too often, we have heard political reasons and excuses from both sides to leave the system as it is—broken and dysfunctional. My great-grandmother, Kate, came over on a boat from Russia in 1904 and made a living in her new country as a seamstress, helping set my family on our path to the American Dream. We all have an immigration story in our background. It's who we are as a nation, and we must not forget that.

As a manufacturer and an American, I believe there are moral, economic and national security reasons to act. From the economic view, a 2011 study from the Brookings Institute found that immigrants' productivity raises the U.S. Gross Domestic Product (GDP) by an estimated \$37 billion per year. Further, foreign nationals and foreign residents contribute work to more than half of the international patents filed by a number of large, multinational companies. But, the current system makes it too difficult for skilled immigrants to come to and remain

in the United States. We are also not fully engaged in the work we need to do to ensure the availability of a legal workforce.

Attracting and retaining talent at all skill levels will make the United States a more competitive place to manufacture, empower us to out-innovate our competitors in the global marketplace and increase our already world-leading productivity. Congress needs to find a way to break the immigration log-jam and do what the country needs done—repair the system—not only for manufacturers, but for the betterment of the entire U.S. workforce.

Labor

On the regulatory front, manufacturers face a number of new rules that look to be costly and cumbersome. As manufacturers, we need stable and predictable pro-growth policies to create jobs and remain globally competitive. We find ourselves, however, stuck between the proverbial rock and a hard place. A rock of harsh and unforgiving global economic competition and a hard place made of inflexible and ever-proliferating regulations. The consequence of this pressure is the fragile root of innovation being pushed out. If we, as manufacturers, lose our ability to innovate, we lose the ability to manufacture. Rather than creating new jobs and opportunities for current employees, employers will have to dedicate resources toward complying with an ever-growing regulatory burden. We see this particularly in the labor sphere. Being a small-business owner, I definitely have more than my fair share of labor statutes and rules to navigate through; however, it is further exacerbated by the Administration charging the Department of Labor (DOL), the National Labor Relations Board (NLRB) and the Occupational Safety and Health Administration (OSHA) with making significant rule changes.

Particularly troublesome are a number of decisions and rules issued by the NLRB over the past few years. These alter the landscape of employer–employee relations and, in some cases, the board has overturned or is about to overturn decades-old precedent of labor law. This is creating friction where it need not exist and adds confusion and uncertainty into the workplace—for employees and employers.

While the NAM and other organizations were successful in invalidating the poster rule from a few years ago, late last year the NLRB recycled the “ambush election” rule, which will significantly compress the time from which a petition for representation is filed and an actual election is held. The effect of this new rule is to stifle open dialogue between employers and employees and restrict or outright strip the rights employers currently have to ensure fair elections are held. Most

importantly, it denies employees a reasonable amount of time to consider all the information they need to make a fully informed decision about whether or not they want to join a union. Just as serious is that the rule requires employers to hand over employees' private information, such as personal emails, cell phone numbers and even shift information. Employers take the responsibility of protecting employees' personal information very seriously. Turning over the private information of employees, like their home address and when they work, is an open invitation to mischief or worse. To impose this burden on employers, with no assurance that the information will be handled securely, easily landing in the wrong hands, is alarming to say the least. The NAM, the U.S. Chamber of Commerce and the Coalition for a Democratic Workplace have filed suit against the NLRB to stop them from implementing this unneeded rule.

The NLRB is also considering overturning a decades-old precedent on how to define a joint-employer in the *Browning Ferris, Inc.* case. We anticipate that if the decision goes in the wrong direction, manufacturers who hire or contract from time-to-time with temporary employees may now be jointly liable for these employees with respect to federal labor law. This is a complete departure from the current definition and will place enormous burdens on all employers who in-source work.

The President has also exercised his authority through executive orders and memoranda in directing the DOL to amend and change existing rules with respect to eligibility for overtime pay and federal contracting. We anticipate the overtime rules to be proposed in the next month. We expect the threshold salary will not only be increased, but also that the amount of time an employee spends on certain job duties will be required to be measured and tracked, making it more difficult for employees to be in a salaried position. Manufacturers are likely to experience issues with our first-level managers, who enjoy the title and responsibilities of being managers, but also work on the line with their teams. These employees will not only lose the tangible benefits of the salaried position, but also other benefits that come with it, such as having the flexibility to attend a child's ball game or a school meeting. The overtime rules were last changed just 10 years ago, and the confusion of the rule's application has taken that much time to be fully settled through the courts. Changing the rules again will only open up employers and the federal government itself to more litigation, adding to our costs and creating more confusion when we all thought the confusion was largely settled.

Another example of challenges we face is the President's so-called Fair Pay and Safe Workplaces Executive Order, issued last July. It directs the DOL

and the Federal Acquisition Regulatory (FAR) Council to issue guidance and rules, which could ultimately exclude certain federal contractors and their suppliers from doing business with the federal government if they have been accused of violating any labor laws. As a business owner, I take all labor laws very seriously—whether it is paying my employees a fair wage for a day's work or ensuring they have the safest work environment possible. Inadvertent mistakes do happen. Even the federal government itself has violated labor laws recently. Yet, when mistakes occur, I do whatever is necessary to rectify the issue as quickly as possible.

We take safety so seriously, we are approved by OSHA's Safety and Health Achievement Recognition Program (SHARP). We will be one of a handful of companies nationwide distinguished by OSHA for companies proactively pursuing the best programs to ensure worker safety.

Actions of OSHA are also on the minds of manufacturers. It is not only proposing to make reporting requirements more cumbersome, duplicative and costly, but its methods of enforcement have become more adversarial rather than cooperative. This approach only frustrates and confuses employers and lends itself to an environment of skepticism. As an example, we expect OSHA to finalize a rule later this year that will publicly disclose a company's injury and illness log information on the OSHA website. This is alarming because once the raw numbers are out for all to see, a company's safety record could be mischaracterized and used against it, harming its reputation. Further, those injured could be discovered, again violating the privacy of employees.

Complying with the newest regulations and rules takes time away from day-to-day business operations. Resources are constantly rerouted away from customers, resulting in lower productivity and lower customer satisfaction. As a result, customers will go to other places that will be able to fully devote attention to them. As a business owner, I would welcome more collaboration with OSHA officials when issues come up during inspections, rather than having to navigate through new and confusing rules.

Health Care

The cost of health care remains a top concern for both large and small manufacturers. The volatility of implementation and the increased mandates have caused considerable uncertainty, especially for smaller manufacturers who are trying to navigate the changing health care system. Although we have yet to hear about increasing health care costs for small businesses in 2014, some smaller NAM member companies, like mine, have reported their health care

costs rose as much as 50 percent in order to meet the requirements of an Affordable Care Act (ACA) plan. This is a crippling increase that affects all facets of any company—from hiring new workers or giving raises to current employees to investing in research and development. And, it is not just the direct costs of mandates and coverage that are a problem. It seems the Equal Employment Opportunity Commission is suing companies that provide wellness incentives—incentives that were encouraged in the ACA. This potentially eliminates an opportunity for many businesses to promote a healthy workforce and control costs for all their employees.

Finally, there are the taxes. Taxes such as the so-called Cadillac Tax, which the NAM has taken to calling the Employee Benefits Tax, which is set to hammer companies that continue to provide robust benefits. In fact, Towers Watson released a study showing that the first year the tax takes effect, 38 percent of manufacturers will have to pay the surtax. Five years after that, in 2023, nearly 80 percent of manufacturers will have to pay the tax. The Medical Device Tax that raises health care costs across the board and the Health Care Insurance Tax that directly raises premiums for smaller businesses are also great examples of how health care costs keep going up and precious little in the law is going to lower costs.

When it comes to health care, manufacturers want three things: lower costs, more options and better information.

All of these factors add up to one conclusion: Congress needs to work together to make the law more workable for employers. Manufacturers didn't want the law, but we are now forced to deal with it. We can't count on political maneuvering to score a point or two—that's meaningless to us as a business and our employees. We can't wait until the next election hoping that the law, or portions of it, will be replaced, repealed or revised. It is the law, and we must comply with it as it is now. We need to change the facets of the law that will encourage employers to remain committed to providing coverage for their employees, and most of them are. We need solutions, not bromides and bombastic rhetoric. Collective, serious discussion can change the landscape, and manufacturers stand ready to work with both sides if the goal is to move forward.

Conclusion

There are clear and shining bright spots ahead for our economy, but also challenges. What has been included in this testimony is just a fraction of the regulatory challenges manufacturers face in the coming months and years. Taken individually, they may not seem like much to get worked up about, but

manufacturers don't have the luxury of looking at one or two regulations—we have to comply with them all. That takes a lot of resources that could be used to create more jobs or increase pay for the people we already employ. Thank you for inviting me to testify before you today, and I am happy to answer any questions.

Chairman KLINE. Thank you very much, Mr. Greenblatt.

Thank you very much to all the witnesses. This may be the best I have ever seen four witnesses stick to the five minute clock. I don't know whether we have got brighter lights or what, but thank you very much.

We are going to move now to questions from the members.

And again, I would remind all the members to limit your questions and the expected answer time to five minutes. The old filibuster for four minutes and 52 seconds and then ask a question—I am sorry, we will be gaveling that down.

Okay. I will put myself on the clock, as well.

I would like to start with Governor Pence. I may end with Governor Pence, too.

I didn't realize this—I don't know how I missed it, and I am not surprised, but I have got a note here that says on your first day as governor you placed a moratorium on and began a review of state-level regulations.

And then in November of 2014, Forbes Magazine identified Indiana as having one of the best regulatory environments in the country for starting a business and creating jobs. There is a little footnote I am looking at here. It says, "Indiana was ranking number three in 2014."

That is probably a misprint. I think it was probably—well, it couldn't have been one because then you have got the whole—okay.

But, Governor, as you know, here in Washington we are continuing the flood of regulations. The Unified Agenda is just out, and everybody understands that the administration is required twice a year to tell all of us what major regulations in the pipeline, and there is a bunch of them.

So, could you please discuss your concerns regarding the administration's regulatory what I think is excess, and to the extent to which it impedes economic expansion and job creation in Indiana.

Governor PENCE. Well, thank you for the question, Chairman.

And I have long believed that regulation is another form of taxation. The government can, in the form of taxation, appropriate money from an individual or a business in the form of direct taxation, or they can tell the business or the enterprise how to spend that money. In the same sense, there is a loss of control of those resources.

So after I was elected governor we focused both on tax reduction in Indiana and reform, as well as regulatory reform.

And I appreciate the chairman's acknowledgement. We did sign a moratorium on any new state regulations and began the process of a full-scale look-back at Indiana's regulatory policies with a real focus on ensuring that we are protecting the health and well-being and safety of Hoosier workers, and ensuring that environmental compliance takes place, but with an eye toward trying to cut red tape on businesses.

And also, although you left it out, we also did pass the largest state tax cut in Indiana history in my first year. I think a combination of these things is why Indiana's economy is growing, why we have added 100,000 net new jobs, why Indiana led the nation last year in manufacturing jobs created, and why in our state, as there is in the country, there is a renaissance in manufacturing, and I

would say particularly in the Heartland that you and I call home, Mr. Chairman.

But I think it does proceed out of a combination of common-sense regulatory policies. And I strongly urge members of this committee, whether it be regulatory policies coming out of the EPA pressing down on the cost of energy that is so vitally important in states like Indiana, or whether it be a broad range of other regulatory policies, that Washington, D.C., on an increasing basis, begin to see regulation simply as a form of taxation.

And as we think about lessening the taxation burden, as there is talk in this city this year about tax reform to help get this economy growing even further, that we would also think very seriously about the kind of regulatory reform that is helping Indiana grow our economy. But that, I also believe, combined with really forward thinking about education and particularly about workforce education.

The truth of the matter is in Indiana we do have a skills gap. Even when unemployment in Indiana was over 8 percent, I would, more often than not, visit businesses in our state that would say, "We have jobs available. We just can't find people with the background, the training, the industry-recognized certification to be able to fill those jobs."

And that is why in addition to tax reform and relief, in addition to regulatory relief, in Indiana we have really been focusing on redoubling our efforts to make career and vocational education a priority in every high school.

I look forward in the course of the hearing to unpacking that further, but I think we are doing it differently in Indiana, and I think it accounts for our growth.

Chairman KLINE. Thank you, Governor. And I am sure that we are going to get at some of those things.

I was going to talk to you about the Western Governors University and your relationship there, but I can see my time is just about to expire. I did want to point out that Dr. Amiridis talked about a growing regulatory framework, as well, that is affecting higher education.

So I yield back and recognize Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Governor PENCE, you indicated that each high school would have a career and vocational education component to it. Did I understand that right?

Governor PENCE. Mr. Scott, in Indiana, what we have made as our goal is to make career—I call it career and vocational education—people in education know it better as career and technical education. But my aim is to make career and technical education a priority in every high school, and we are seeking to change the funding formula in Indiana to build on that commitment and encourage not only public resources but private resources to make that a reality.

Mr. SCOTT. Now, some are concerned that this might be at the expense of academics. Would that be in addition to the academic standard and not at the expense of academics?

Governor PENCE. Well, it is really a great question, and a more important point. Our aim is to make sure that every student who

goes to school in Indiana graduates with what we call our Core 40 college preparatory degree.

We are talking about those electives that are on top of that, and making those more regionally relevant—allowing young people, in addition to being ready to go to college, giving them a chance to get the industry training, technical background, even industry certifications—in the event that they want to go to work right after high school as opposed to going on to some postsecondary right away.

Mr. SCOTT. And the important point is that it is not at the expense of academics so you are not setting people aside to, when I was growing up, shop, or something like that, and you would graduate without the academic background and be burdened because of that for the rest of your life. You would make sure they have the full academics, and in addition to that, have job training where they can actually go and get a job?

Governor PENCE. Well, that is exactly right. But I would commend to the attention of all the members of the committee a good, deep dive into career and technical education today.

You know, in Indiana we are very strong in manufacturing, but also in life sciences, in logistics, in agriculture, and in high-tech. And we are talking about career training pathways in our high schools that would give people the kind of training to enter entry-level positions in health care, entry-level positions in advanced manufacturing, and in agriculture.

And so the idea here is much broader—you know, back in the day when I was going to high school you know, you and I are about the same age—we had industrial arts. I would tell you, career and technical educations today, where it is done right, is much broader, much more diverse, and opens up opportunities for good-paying jobs for young people as they step right out of high school.

Mr. SCOTT. Thank you.

Dr. Amiridis, you indicated—you mentioned research. Can you tell me what has happened to your research budget, and what has that done to the people who are doing the research?

Mr. AMIRIDIS. Thank you. Thank you for the question.

Our research budget, both from federal and private sources, and a small percentage that come from the state of South Carolina, has been stable in the last few years. So we didn't have significant consequences for people who are involved.

The importance of the research budget, not only for the university but also for the surrounding area, is very significant because a lot of people are getting paid to do the work there. They are living within the local economy. They rent houses; they buy cars; they buy groceries, and so on.

Other institutions have seen significant decreases. Fortunately, at the University of South Carolina, they have been stable.

Mr. SCOTT. You mentioned also in your prepared remarks the need to make sure that financial aid was available to all students. What happens when that financial aid is not there?

Mr. AMIRIDIS. You made the point very well in your opening remarks that one of the issues that we are facing is the issue of debt. Some students are able to borrow money, and that increases when the financial aid is not there.

And statistics show that the student debt specifically increases when they don't graduate in time, in years five and six, because the aid is not available or because they cannot maintain their grades. Some people, quite frankly, drop out of school, and that means that they lose a significant investment that they have made.

So when the aid is not there, it is bad news for the student no matter what, whether they drop out of school or whether they increase the debt.

Mr. SCOTT. Thank you.

Mr. Greenblatt, you mentioned immigration reform. Did I understand from your comments, your testimony, that you support comprehensive immigration reform? And can you say what that would do to the economy?

Mr. GREENBLATT. Immigration reform is extremely important for our nation. We need more great talent to come into our country—chemists, engineers. We need people that are going to help run our factories, come up with great innovations, and create companies. The nation prospers with our immigrants.

Mr. SCOTT. Thank you, Mr. Chairman.

Chairman KLINE. I thank the gentleman.

Dr. Foxx, you are recognized.

Ms. FOXX. Thank you, Mr. Chairman.

And I want to thank our witnesses today.

I didn't know I would get a chance to make this great commercial today about regulations, but there is a terrific bill on the floor today called the *Unfunded Mandates Information and Transparency Act*, H.R. 50, which deals with improvements in UMRA, which was passed in 1995, that talks about the need for our having more transparency in regulations. And I want to commend it to all of you to look at and to encourage your senators when the bill passes the House today, and I hope that it will pass the House today.

I particularly want to thank Governor Pence for being here.

And, Governor Pence, I am sorry to have to do this to you, but I have to give you my comments on using the word "training," because nobody comes into this group and talks about that word without hearing from me. The only thing I remember from my graduate work, getting my doctorate, seven years' worth, is that you train dogs and you educate people.

And I believe that if we want to enhance our attitudes toward career and technical education is that we use that phrase, "education," and the phrase "workforce development." So I would urge us to think about that.

And I think that my colleague, Mr. Scott, talking about things being at the expense of academics—if we do education right, whether it is called career and vocational education or it is 4-year college education, we are not going to do anything at the expense of what we think of as academics, because when I talk to employers and all the research I see is people want folks who can read, write, and compute. That is the basics of academics.

So thank you for letting me make those comments.

I would like to ask Governor Pence, what other steps are you taking in Indiana to promote college affordability, including cutting costs on college campuses? How are these efforts working and how

have they helped curtail tuition increases, because this is a big issue for this committee?

Governor PENCE. Well, Congresswoman, thank you. Thank you for your strong views. I am accustomed to them with you for many years—and your candor.

But let me agree strongly with what you said, on your first point. I like to say to people, I am not talking about a Plan A and a Plan B. In many ways, since the time that you and I finished high school we saw career education migrate on to postsecondary institutions.

I am talking about two Plan A's in our schools. I am talking about making sure that every student has the opportunity to get that foundational course if they are ready to go off to college, but also to have the opportunity to get the kind of education if they want to be prepared to begin on their own pathway of success in their career.

But I agree with you very strongly. A lot of this for me—because I know there is talk of late, and there may be today, about community college funding.

I think what is fresh about what Indiana is doing is we want to make career and technical education a priority in every high school. We want our high schools to work for all of our kids, regardless of where they want to start in life.

But I agree with you that it is all about education. It is all about academics. And when you look at what career and technical education is today, opening up doorways of careers in life sciences and in careers far beyond the traditional areas that people think about, you couldn't be more right. And Indiana intends to make that a reality.

College affordability has been a real focus of ours. I will tell you that from the outset of our administration, we have been focused on requiring publicly supported colleges and universities in Indiana to be more effective partners with Hoosier families, particularly in the area of on-time completion. We have seen universities, like Purdue University, which has frozen tuition for students.

But, you know, what I can tell you, as someone that has got two kids still in college and one who has bills still associated with college, all I know for sure is four years costs less than five years; three years costs less than four years. And we are demanding in Indiana that our universities and publicly-supported institutions provide degree mapping to students that are working students consistently toward the objective of finishing on time, with the aim toward lessening the burden that would be placed on them in the form of student loans.

I also will tell you that we are very proud in Indiana of our financial aid programs that are available, particularly the 21st Scholars program that has been in place, and I'd be happy to talk about that.

Chairman KLINE. Governor, the gentlelady's time has expired. The filibuster trick worked for her.

Ms. Fudge, you are recognized.

Ms. FUDGE. Thank you very much, Mr. Chairman.

And thank you all for being here today.

Just for the record, let me just suggest that historically, the concept of states' rights has never been very beneficial to poor people or people of color, so I would oppose just giving willy-nilly money to the states for education or for any other thing.

And secondly, as it relates to accountability, there may, in fact, be too much paperwork; I don't know. But I do know that there should be, certainly, some accountability for government and taxpayers' money.

And with that, let me just start my questioning with Mr. Mishel.

Mr. Mishel, you wrote a paper called "Wage Stagnation in Nine Charts," and you indicate that wage stagnation has not been created by economic trends, but rather by policy. Could you tell me what those policies are?

Mr. MISHEL. Thank you very much. Well, the policies of omission and commission—policies that I believe have been taken on behalf of those with the most income power and wealth in our economy.

So first and foremost, we have had excessive unemployment for 30 years. We have people today calling for raising interest rates when, in fact, that would slow the recovery. We have policies which have blocked the ability of laws to be modernized to facilitate people's access to collective bargaining.

We have not kept the minimum wage value up. It fell remarkably in the 1980s, and still is 25 percent lower than what it was in 1968, when the productivity of the economy was half of what it is right now.

We have trade policies which, in fact, have worked to lower people's wages and erode jobs.

Let me tell you some policies that have not been responsible. We hear a lot about regulation and taxes. You might not be surprised to know that we have an economy which has the highest profits in four decades and the highest after-tax profits in four decades.

It is hard for me to see that the problem is that somehow business is not being able to make enough money. The question is, when they make that money—and more power to them—what are the policies that we are going to have that are going to make sure that as we have that kind of prosperity, it translates for everybody?

Ms. FUDGE. Thank you very much.

Dr. Amiridis, you talked about the rising cost of a college education being passed to students and their families through increased tuition. Can you please elaborate for me the importance of federal funding in higher education, particularly the Pell Grant program and the need to restore year-round Pell Grants?

Mr. AMIRIDIS. Thank you for the question. Let me clarify that a fraction of the cost has been passed to the students because the universities have also absorbed a significant fraction of the cost—

Ms. FUDGE. Certainly.

Mr. AMIRIDIS.—by increased efficiencies and by cuts that you have to implement, and I am talking about the public universities that I know much better. The Pell Grants are extremely important for students that come from low socioeconomic backgrounds. Without them, they don't stand a chance of coming to college.

When we are talking about graduating on time, avoiding debt accumulation, it is important to give to these students the flexibility

that they need in order to succeed in this endeavor. And therefore, summer support for them is critical.

This is exactly what we are doing in South Carolina with a year-round program, trying to give them opportunities to work during parts of the year and come back during the summer to school in order to be able to graduate on time. In the state of South Carolina, to its credit, the general assembly and the governor has supported us in taking the state scholarship program and extending it for the summer, as well.

So I think it is very critical. The Pell Grants are very critical for a large number of our students, especially in a poor state like South Carolina. And year-round support for these students will accelerate their graduation rates on time.

Ms. FUDGE. Thank you very much.

Mr. Chairman, I yield back.

Chairman KLINE. Thank the gentlelady.

Mr. Walberg, you are recognized.

Mr. WALBERG. Thank you, Mr. Chairman.

And, Governor, it is great to see you here. And as one who faithfully guards your northeast border and remains challenged with how to compete as a state, Michigan with Indiana, with some of the great things that you are doing, I believe your values, your moral clarity lead to a lot of great things for your citizens. And thank you, because that competition is good for Michigan to have, as well.

I probably shouldn't go here. I would love to talk further about career education. But, I would give you reinforcements for Dr. Foxx. King Solomon said, "Train up a child in the way they should go," so there is training there.

But I also don't have the courage, but some wisdom, to not go after Dr. Foxx, so—

Governor PENCE. I am going to leave you alone on that, Congressman.

Mr. WALBERG.—I am going to use the word "education" today.

I do want to talk about something a little different from career education. Today, one out of every three workers needs a state-approved license, according to the National Bureau of Economic Research. It is amazing the President, in his most recent budget, is also talking of some of the concerns addressed there.

The report highlighted that state-based occupational licensure is a powerful drag on employment and the economy because they act as barriers into job markets that otherwise would be accessible to individuals with low skills, little experience and education, or entrepreneurs with limited capital.

As governor, you have explored Indiana's licensure policies. I guess I would ask that as a question: Have you explored and to what level have you explored licensure policies and whether reforms are needed in your state and, significantly, other states, as well, to watch and guard against those impediments to jobs and employment?

Governor PENCE. Well, thank you, Congressman. And I would tell you, it has been an issue of our administration from the outset. We are in our second, what we call long session of our general assembly.

Our budget session happens every two years, but in my first long session two years ago we proffered legislation that would reform our licensing process. And we continue to work in that category.

I can appreciate two aspects of this. Number one is, I do believe that—and that statistic speaks for itself, that one in three requires some licensing—

Mr. WALBERG. It used to be one in 20.

Governor PENCE. And I think we need to think very carefully as a state, and I encourage national policy leaders to think about this as a nation, about when licensing, which presumably exists for the purpose of protecting the public, identifying men and women who have the background and the experience to be in the occupation that they are in—but when that, in fact, becomes a barrier to entry for people into a particular profession.

In the state of Indiana we have taken up that issue. We are in consultation with our general assembly in this session on it, as well.

But I stipulate that—your point that while I think in many professions licensing can be a great service to the public, so that people can know and understand—I do find myself more drawn to the principle of associations and private associations having the ability to certify and recognize, in some cases, people within their profession that they recognize. That would serve the public interest without adding another layer of bureaucracy or additional barriers to entry.

But it is an issue we are working on. I would say it is a work in progress in Indiana, but it is very much on our radar screen.

Mr. WALBERG. I appreciate that.

Mr. Greenblatt, as a former steelworker myself and a son of a machinist tool and die maker I identify with your concerns of being a manufacturer that is going forward aggressively, that is achieving, but now you need help. Let me ask you this question: How do we raise the profile and respect of vocational skills education so that it is seen as academic as well as vocational?

Mr. GREENBLATT. Dollars. Money.

The average American manufacturing worker makes over \$70,000 a year. Over 95 percent of us pay health insurance. We have generous vacation, 401(k) plans, in general.

Mr. WALBERG. How do we communicate that better, then, so that people understand that?

Chairman KLINE. The gentleman's time has expired. Yes, I know you were trying to do that.

Mr. Sablan.

Mr. SABLAN. Thank you very much, Mr. Chairman. At this time I yield my five minutes to Mr. Polis.

Mr. POLIS. I thank the gentleman, Mr. Sablan.

Question for Dr. Mishel: You mentioned, of course, the 74 percent rise in productivity. That is great news, right? I mean, we love productivity to go up.

Now, there are different stakeholders, and what it sounds like is a disproportionate share of that has gone to stakeholders other than workers. And so I want to focus in on that a little bit.

There is management. There are shareholders—sometimes they get productivity gains through dividends or share buybacks. There

are corporate reserves—sometimes the money just sits there. There are consumers. That is a fairly egalitarian way to distribute productivity gains, because it is lowering prices.

I am wondering if you have any information on who is benefiting disproportionately from these productivity gains. Is it management, shareholders, corporate reserves, consumers, other stakeholders? Clearly it is not the workers.

Mr. MISHEL. Well, thank you very much, Mr. Polis.

The gains from productivity have accrued an extraordinary amount to the top 1 percent of wage earners, and of income households. That comes because of—

Mr. POLIS. So the top 1 percent of wage earners would generally mean management, presumably—

Mr. MISHEL. Yes. Around 40 percent of the top 1 percent would be executives and managers.

Another big chunk are those in the financial sector, which has been a sector which has expanded dramatically over the last 30 years and whose pay relative to everybody else has expanded dramatically over the last 30 years so that the—what has fueled the growth of the top 1 percent of income has primarily been the extraordinary growth of executive pay and in the financial sector.

The wages of a typical worker, as I testified, only rose around 9 percent, even though productivity grew by 74 percent.

Mr. POLIS. So a disproportionate amount for executive management, the top 1 percent of wage earners. Also—I am trying to further read into your comments—it sounds like consumers and perhaps shareholders have also not proportionately benefited from the productivity gains. Would you go so far as to say that?

Mr. MISHEL. No. I would say that, you know, as I indicated earlier, we see the highest profits in four decades. So the productivity that we have reaped has been being paid out in profits, some of that gets paid out in dividends. We also know the stock market is extraordinarily high.

So we have an economy that is unusual in that we have really a lot of excess capacity. Unemployment is too high; we all agree on that.

And somehow the businesses are very profitable, the people at the top are doing very well, but nearly everybody else is not seeing much income growth at all.

Mr. POLIS. I would encourage us to look at productivity gains being passed along to consumers, as well. That is also very—it is an egalitarianizing influence, and policies that promote consumers as stakeholders should be very important.

Want to go to Mr. Greenblatt real quickly.

You mentioned health care and the *Affordable Care Act*, and in particular you mentioned two taxes that you are worried about with regard to manufacturing: the Cadillac—so-called Cadillac tax and medical device tax. And I just wanted to see—and obviously when you are talking to people who don't support the *Affordable Care Act* their answer is simply, "Repeal the *Affordable Care Act*."

I support the *Affordable Care Act*. However, like many Democrats, I am happy to have a discussion about different ways of paying for it.

So my question to you is—of course, happy to talk about those particular ways of paying for it—do you have other proposals to replace that revenue if we were to modify or eliminate those particular taxes?

Mr. GREENBLATT. Just so you know, from our perspective, I have been—since I bought the company—giving health insurance to our team, and we have a very generous plan. They are on the same plan I am. My kids have the same plan as my workers.

And it has typically gone up 8 to 12 percent a year. The last two years it has gone up over 50 percent each year. That is devastating because I can't pass on 50 percent to my competition in China and Canada, they don't have that—

Mr. POLIS. Well, to be clear, the Cadillac tax has not, as far as I know, hasn't started yet, so it is not—it can't be—

Mr. GREENBLATT. I am just saying our premiums and what our employees are feeling, what Marlin is feeling, and what factories in general are feeling are massive increases over the last two years. And it makes it more difficult to retain great talent and hire more talent when our costs are going up.

The best way to improve the health care delivery system in our country is to give us competition. Right now I am forced to buy from a handful of companies in Maryland State. I would love to be able to buy from Nebraska, or Virginia, or whomever has a good plan.

Right now I am forced to buy from a very small cartel, and that is un-American. So, you know, I can buy steel—

Mr. POLIS. So, reclaiming my time—

Mr. GREENBLATT.—from anywhere in the world. I happen to buy it from Indiana, the new—

Chairman KLINE. The gentleman's time has expired.

Mr. Russell, you are recognized.

Mr. RUSSELL. Thank you, Mr. Chairman.

And thank you, gentlemen, for being here today.

Governor, it is very exciting to hear the types of policies that have been working.

I am a small business owner—a small rifle manufacturer—and I have a question for Dr. Mishel. Have you run a business or managed a workforce within a business, sir?

Mr. MISHEL. Well, in fact, I have 40 employees and I come from a family where everybody worked in a small business. My father was a small business man himself and a proud Republican.

Mr. RUSSELL. Well, that is good to know.

And, Mr. Greenblatt, when regulations, fees, and taxes are imposed on businesses, do you think that they absorb that or do they pass that on to the pricing of their products towards consumers?

Mr. GREENBLATT. Two things occur. Number one, you have to raise the prices and you become less competitive and lose the job, or you take it—it is a very challenging thing and it really hurts American factories.

Mr. RUSSELL. And so would you say, then, that as regulation and forced things like we have seen mentioned here in the testimony today—higher minimum wages over time, collective bargaining, forced arbitration, modernization of labor standards—if all of those

things are imposed on you, which class of people do you think are hurt most by such policies: upper class, middle class, lower class?

Mr. GREENBLATT. I think that hurts working people the most because we have to be competitive. We are competing with China, Germany, and Canada, and the only way to be competitive is to have a nimble workforce that doesn't have workforce rules, that can adjust to whatever is happening in the economy.

Mr. RUSSELL. Mr. Greenblatt, when you see businesses that have surplus, are they generous with that? Do they get involved with the community and outreach, even a small business such as your own, or is that pocketed as part of the 1 percent?

Mr. GREENBLATT. Typically, profits are used as the feedstock so that we can weather recessions, so that we can give bonuses to our employees, so we can pay for education for our team. Matter of fact, at our company we pay 100 percent of everybody's college education, associate degree education, or master's degree.

Mr. RUSSELL. And you had mentioned that six of your 30 employees are mechanical engineers, which is very admirable, and it shows your strong productivity with such a small workforce. I am guessing they are paid higher than minimum wage to attract competitive people to work for you?

Mr. GREENBLATT. Our lowest-paid person is paid three times more than minimum wage, and they typically rise very quickly. They start off at minimum wage—I am sorry, they start off at like \$15 an hour, but as they learn more skills they grow. Typical manufacturing employee is paid over \$70,000 a year.

Mr. RUSSELL. And so you, sir, as a business owner, then, if you want to remain competitive, you have to provide competitive wages or you would lose that skilled workforce?

Mr. GREENBLATT. Absolutely. You have to pay very well so that you can retain and attract great talent.

Mr. RUSSELL. And to you first, sir, and then anyone who would like to answer, what—particularly on manufacturing, would be the impact of excise taxes, where you are taxed just for the privilege of having made something, in addition to the end-of-year business profits and then your personal taxes? Can you explain a little bit about the impact of just the privilege of having made something getting hit with excise taxes on U.S. manufacturing?

Mr. GREENBLATT. These taxes and regulations are very cumulative, and they weigh on manufacturing. For example, in my company we pay over 40 percent in taxes. I compete with Canadian companies that make similar things that I do; they pay 15 percent in taxes. We are at a massive disadvantage.

If you want to grow American manufacturing jobs in Baltimore City, the best way to do it is to lower the burden so we can hire more talent, we will be more price competitive, we will win more jobs, we will hire more people, we will end unemployment.

Mr. RUSSELL. Thank you, Mr. Chairman. I yield back my time.

Chairman KLINE. Gentleman yields back.

Ms. Wilson, you are recognized?

Ms. WILSON of Florida. Thank you, Mr. Chair, and to the Ranking Member, for holding this hearing on this important issue.

Since coming to Congress, I have urged Congress to make its priority a jobs-first agenda. When we invest in our people by pro-

viding an opportunity to earn a living wage then they are able to provide for their families and pay taxes. That is how we improve our success as a nation.

The President has made remarkable progress over the last six years reviving a struggling economy, including 58 consecutive months of private sector job growth.

Despite significant economic progress, many families are finding that they are simply unable to make ends meet. Nearly 11.2 million remain unemployed; millions more are underemployed or have given up looking for work.

According to a recent report by the Center for Economic and Policy Research, African-Americans who have earned much higher average levels of education over recent decades have lower chances of earning a living wage today than they had 30 years ago. Today, a parent working full time at minimum wage will simply not earn enough income to cover basic needs like food, clothing, and shelter. It is mathematically impossible.

Working families are the backbone of this country. When we give working families the opportunity to earn a well-deserved living wage, paid sick leave, and overtime pay, we keep our country moving forward.

Thank you for testifying today, Dr. Mishel. I wanted to ask you to expand on your comments about sick leave and paid family leave. We know that these are particularly important policies for working families.

Would you comment on how many workers today do not have sick leave in this country? Could you also talk about how we in America compare to other countries in regards to modernizing labor protections like sick leave and paid family leave?

Mr. MISHEL. Well, thank you very much for your question. I don't have the specific numbers in front of me, but I think everybody knows that the United States provides less ability to get paid leave for sick leave, for family leave, than almost any other advanced country and even many developing countries.

The people who don't have access are, in fact, those people with, you know, working-class jobs. Those who are white-collar are more likely to be able to get those.

So what we really have is a problem of those with the least not really being able to do what they, you know, to be able to balance work and family. And that keeps women out of jobs; that hurts families.

We need to make sure that everybody is able to do that, and it is part of modernizing our standards.

Cities and states are starting to do it. We have three states that have paid sick leave, and I haven't seen all the businesses go out of business there.

Ms. WILSON of Florida. Doctor, you mentioned decreased funding for instruction at the state level and for research at the federal agency level. Can you discuss the importance of federal research funding for your university?

Mr. AMIRIDIS. Thank you for the question, Ms. Wilson.

It is extremely important for the public research universities to be able to compete. And we are not asking for federal funds to be given to us; we are asking for funds that are available for the uni-

versities to compete with new ideas in order to advance science and technology.

We have seen what this has done for this country, how this country has been a technological leader for the last few decades, and we need to remember that this was not always the case. It was not the case at the beginning of the 20th Century, for example, and we have seen how the universities have contributed to the advancement of technology and science in this country, with direct effects on industry and manufacturing eventually.

I am concerned, as many are at the university level that decreased federal funding for research and development, especially academic research, is creating a deficit with other countries that they have stepped in and they have provided significant research funding, and eventually we will have to pay the price or we lose the technological advancement worldwide.

So I think it is extremely important for my university and for all research universities.

Ms. WILSON of Florida. Thank you.

Mr. Greenblatt, would comprehensive, bipartisan immigration reform help the economy? You know that the Senate has taken up a bipartisan immigration reform bill. Do you think the House should follow suit and take up immigration reform, as well?

Chairman KLINE. The gentlelady's time has expired.

Mr. Grothman, you are up.

Mr. GROTHMAN. I want to talk a little bit to Governor Pence.

Glad you are here. We heard a comment a little while ago kind of denigrating shop classes, and first of all, I didn't really like it. I mean, on behalf of so many of the people in the state of Wisconsin, I detected a little bit of careerism there, kind of implying that some training is better than others, and I really didn't care for that.

But are there jobs available in Indiana? I mean, we always talk about, you know, the number of people who are unemployed, but, first of all, Indiana and Wisconsin are the two biggest manufacturing states in the country, percentage-wise, so we have something in common.

Governor PENCE. Indiana is number one.

Mr. GROTHMAN. Right now, right? Right? It goes back and forth. In any event, do you have job openings in Indiana?

Governor PENCE. Yes, we do, Congressman, most certainly. And we are working every day to close the skills gap with adult workforce initiatives in Indiana.

But what we want to do in the Hoosier State that is really new is we want to make sure our high schools work just as well for our kids that want to start their career as our kids that want to start off in college, and that is why we have made it our aim to make career and technical and vocational education a priority in every high school.

Mr. GROTHMAN. Do you have any idea how many jobs are advertised or job openings there are? Do you have any anecdotal evidence from your businesses as to whether they could expand if they could find the workers?

Governor PENCE. I can get you the updated information. Last year, in the state of Indiana, we actually added about a little more

than 25,000 jobs in the manufacturing sector. We have seen our workforce grow in the last year by more than 50,000 in Indiana.

But at 5.8 percent unemployment, I can assure you, as I travel across the state of Indiana, there are still positions in our state in a broad range of industries—not simply manufacturing, but in life sciences, in health care, and in insurance—that are going unfilled today because people can't find individuals with the background and the training to fill them. So there are jobs available and we are trying to close that skills gap every day in Indiana.

Mr. GROTHMAN. Okay.

One quick question for Dr. Mishel. My experience in Wisconsin is similar to Governor Pence's. When I go around I think maybe the—I don't know if it is the number one, but probably the number one problem for most of my employers is they can't find people to work.

You kind of dismiss the skills gap, and I wondered exactly, particularly in manufacturing, who you are talking to that you feel that is not a major problem. And I look at it from both ends. Obviously I was a state legislator in Madison; I see so many college graduates not getting jobs that you would expect for a college degree. And again and again and again I find business owners who complain they can't find anybody to work, despite this unemployment problem.

And it concerned me a little bit that somebody in your position kind of was dismissive on the skills gap. I mean, do you get out there and talk to business owners, particularly to, say, Mr. Greenblatt next to you, on this idea that the skills gap isn't a major, major cause for concern?

Mr. MISHEL. I would draw my conclusions based on two things. One, as an economist, when you hear the idea of a shortage you would look for evidence that the wages being offered by employers keep on getting ratcheted up, and therefore, not able to find work—the appropriate workers. What we see across the board, and not in just maybe a few occupations, but across the board we don't see wages rising very much at all, so it is hard to see the employers bidding up.

Secondly, I commissioned work by two MIT professors, Paul Osterman and Andrew Weaver. We published their work last year. They did a survey of manufacturers, and they found that nearly 65 percent of establishments report that they have no vacancies whatsoever, and 76 percent report they had no long-term vacancies—in other words, jobs which have remained unfilled for three months or more.

Only 16 percent responded affirmatively when asked whether they, quote—"Lacked—lack of access to skilled workers is a major obstacle to increased financial success."

Mr. GROTHMAN. Do I have about one second left here?

Chairman KLINE. You have 14 seconds.

Mr. GROTHMAN. Well, Mr. Greenblatt?

Mr. GREENBLATT. That is not the experience of most factories. Skills shortage is a huge problem. We have over 600,000 jobs that we could get hired in today—machinists, welders—it is awful out there, and our experience is that this is holding back our growth,

this is holding back employment. When you hire the skilled talent what happens is then other people need to be hired around them.

So we need our school systems to start creating talent so that we could hire these people and get the economy really going again.

Chairman KLINE. The gentleman's time has expired.

Ms. Bonamici.

Ms. BONAMICI. Thank you, Mr. Chairman.

And thank you, to the witnesses, for testifying today.

I am very glad we are having a hearing about expanding opportunities in America's schools and workplaces. I do join Ranking Member Scott to say that I am disappointed that we aren't having a hearing about the expanded opportunities in America's schools that would come from a good, bipartisan reauthorization of the *Elementary and Secondary Education Act*.

Today's hearing is just a day after the unveiling of a major rewrite of the ESEA, and apparently just a week before that bill will be marked up and rushed to the floor. And with all due respect, it is truly unfortunate that my colleagues and I and many new members of the committee don't have the opportunity to hear leaders and stakeholders testify about what is a very important reauthorization.

We should be listening to experts, having their input inform decisions about the details about the ESEA, especially given the magnitude of the law. Now, clearly my colleagues and I wanted to replace No Child Left Behind with provisions that are less rigid and prescriptive, but the process has lacked transparency and the kind of open dialogue that can yield consensus.

Hearings show our constituents that we are serious about crafting policies that incorporate new evidence and thoughtful feedback, and the American public deserves an open process, deserves to see their policymakers wrestling with challenging questions. And without transparency and the assurance that many voices will be heard, it is harder for students, families, and educators to have confidence in the process.

Now, I know about the ambitious timeline, but something this important deserves a thorough and open process, so I hope that the committee will reconsider and hold hearings on the ESEA reauthorization.

And now I want to follow up on the CTE discussion, career and technical education discussion. I am not going to call it training, even though Ms. Foxx is no longer here.

Now, I have found over the years that many of these courses have been eliminated, either because of budget concerns or because they aren't tested, and the high stakes that are associated with the courses that are testing. And they are very important, hands-on learning opportunities. Mr. Greenblatt recognized that.

Governor Pence, you did, as well.

And in my school tours I have seen things like fabrication labs, with CAD software and 3D printing; I have seen a girls-only welding class that has a waiting list to get in.

And I want to especially ask you, Mr. Greenblatt, you talk about innovation and employees who can help drive innovation. Your goal number two, in fact: Manufacturers in the U.S. will be world-leading innovators.

So I have spoken with companies like Intel, the largest private employer in my district, Boeing, and Lockheed Martin about how do we educate a generation of innovative workers, especially since a lot of these creative opportunities have been cut? So we need skilled workers, but we also need people who can think outside of the box.

So how can education support the need for innovative workers, not just good test-takers?

Mr. Greenblatt, what are your thoughts?

Mr. GREENBLATT. Creativity is critical. When we interview our engineers, we are looking for ones that can think outside the box and not do exactly what they are told. We are not looking for people with just book-smarts.

The people that do well in our company are the ones that are not just rigid; they are innovative. So we welcome that, and we compensate them and give them bonus checks if they come up with slick ideas, and we welcome and embrace that kind of input. And I think that should be a model that all companies follow.

Ms. BONAMICI. Terrific. We have a lot of opportunity with ESEA policy to help drive creative education.

I am going to ask Dr. Amiridis if you want to comment briefly on that, but I also want to ask you to talk about—of course, the rising costs of higher education concerns many, and you mentioned that. But you also mentioned that your university has modified its financial aid program to support students during the summer. So can you explain how year-round Pell Grants would support the efforts at your university and help accelerate the time to degree?

Mr. AMIRIDIS. I cannot pass the opportunity to add, in terms of the question how do you educate innovators, and Plutarch, in the first century A.D., said that the mind is not a vessel to be filled, but it is a fire to be kindled. You light fires one at a time and you light fires by combining curricular and extracurricular activities, by advising and mentoring students, and by helping them to learn how to think outside of the box.

It is not the university that reorganized its scholarship program; it is the state of South Carolina, actually, with full bipartisan support from the general assembly and from the governor's office. And it is extremely important, I believe, in order to give, again, the flexibility to the students to be able to do the things that they need to do to develop these job skills and this innovative spirit and graduate on time.

That is why I think Pell Grants for the summer period are important, because it will give the federal component of what we are already providing in the state.

Ms. BONAMICI. Thank you very much.

I see my time is expired. I yield back.

Thank you, Mr. Chairman.

Chairman KLINE. I thank the gentlelady.

Mr. Thompson, you are recognized.

Mr. THOMPSON. Thank you, Chairman.

Governor, great to see you.

Governor PENCE. Great to see you, Congressman.

Mr. THOMPSON. My pleasure.

I wanted to really focus on an area of passion of mine, which is career and technical education. Having served now for a number of terms as co-chair of that caucus, and I believe we need a strong partnership, obviously, with our state capitals. You know, a lot of the really necessary work is going to occur there, but we have to show some leadership here, as well, in Washington with career and technical education.

In fact, in October—late October—I hosted a career and technical education hearing at our state capital in Pennsylvania. It was bipartisan, and we actually had members of the state legislature that joined us. It was rather unique.

And we had great witnesses. We had a witness from a labor union, who talked about the hundreds of thousands of jobs that are open and will be open that we just cannot find qualified and trained workers, or employers struggle to, you know, to be able to fill.

And I apologize. I stepped out because I just had a briefing with our trade representative Michael Froman, as we, you know, work on TTIP, and TPP, and in my mind, one of the things that is necessary with trade agreements is we need a robust career and technical education program to ensure America's competitiveness with these.

We are going to increase trade, we want to make sure that, you know, from a purely selfish perspective, that we are moving more trade, more products, agriculture, commodities, to other countries. But if we don't have that qualified and trained workforce, you know, we are not going to ultimately be as successful with any of the trade agreements. I think it goes hand in hand.

And so I wanted to get your perspective because I know that is something that you have been very supportive of, and I really just wanted to ask your perspective, in terms of CTE and what do you see as good models? What do we need to do?

Governor PENCE. Well, first, Congressman, thanks for your leadership in the caucus on this issue and for helping to bring it to such a national focus. I commend you for that.

I will tell you, it is our intention that Indiana would be the first state in America to make career and technical education a priority in every high school again.

And I remember my days in Congress. There aren't too many things that passed unanimously, other than naming post offices. But I can tell you that the legislation that we moved to create a statewide career council and then 11 different regional works councils to rethink high school curriculum on a regional basis for career and technical education passed our general assembly unanimously—two different pieces of legislation, and was cosponsored by the Republican and Democrat leadership of the House and the Senate in Indianapolis. I mean, this is an idea whose time has come.

And I would just say to you two things that may inform your leadership on this and your thinking on this. Number one is, I just urge the Congress—there is so much focus in this area, as you know, there have been headlines of late about community college. For decades we have talked about career education as postsecondary education.

Let me say again, in Indiana, where we are innovating is we want to make career and technical education a priority in our high schools again. I am somebody that believes that all honest work is honorable, and our high schools ought to work just as well for our kids that want to get a job as for our kids that want to immediately go off and get a degree.

So that is "A." I would just encourage policymakers here in Washington to think of ways to give states greater flexibility to innovate in secondary education.

The second thing is I would just encourage you with a word. I think many states are ready to go in this space; there is a manufacturing renaissance underway, and there is a skills gap.

And there is a recognition, I cite our former colleague, Mary Fallin, now Governor Mary Fallin, who made this issue her top priority when she served as chairman of the National Governors Association a year ago. And I can tell you, in bipartisan gatherings among governors, where, just like in Congress, there is the occasional disagreement, there is not much disagreement on this issue.

And so I would just urge you on, both in your role in the caucus and here on this committee, to do all you can to empower states with not only greater resources, as they are appropriate, but more importantly, greater flexibility and the encouragement to think about making career and vocational education a priority in every high school again. I do believe it can have a transformative effect on the future of our kids, their opportunities, and, of course, our economy.

Mr. THOMPSON. Thank you, Governor.

Thank you, Chairman.

Chairman KLINE. Thank the gentleman. His time is expired.

Mr. Pocan.

Mr. POCAN. Thank you very much, Mr. Chairman.

And thank you, to the panelists, for being here today.

I would like to try to get into two areas, at least if I can, on education and also on productivity—the dichotomy between productivity increases and declining wages. Let me start with education, if I can.

And nice to meet you, Governor Pence.

Wisconsin is a state, like Indiana, that has been one of the early adapters to the experiment of taxpayer-funded vouchers. Unfortunately, in Wisconsin we haven't had very good success in this area. In fact, recently they did a test of the scores of the kids in those taxpayer-funded voucher schools versus the public schools in reading and math, and they are significantly less in some areas in performance in those schools.

But one of the other things we found is that a large percent of the people—the kids getting the money to go to those private schools already are attending those private schools. In the last expansion we did in Wisconsin, 79 percent of the people who got the vouchers were already attending that school, so it wasn't really anything about improving the public schools. And I know that—I think there was a study in Indiana that said about 40 percent, so not as much as 79 percent, but are already attending a private school. Can you just share with me a little bit the thought behind how investing—how you improve your public schools by giving the

taxpayer dollars to people who are already attending other schools, how that helps to improve public schools?

Governor PENCE. Well, number one, thank you for the question and the thoughtful nature of your comments.

With all due respect to Wisconsin, we think school choice was kind of born in Indiana. And what may affect those numbers you are referring to is Indianapolis was actually home to the very first privately funded educational scholarship program in America. Virtually every major city in the country today now has a scholarship program for underprivileged kids.

In the early 1990s we had a local executive by the name of J. Patrick Rooney, now deceased, who privately funded 50 percent scholarships for disadvantaged kids to attend private schools, and I would be happy to drill down on that data, but I expect that may have contributed to some of the underlying statistics you referred to.

I just simply believe that competition makes everybody better, and that allowing parents to choose to send their child to a different public school, to a different public charter school, or in the case of disadvantaged kids, to allow them, if they so desire, to send their child to a private school. It actually improves educational outcomes overall.

I mean, I have been married to a school teacher. She spent half her career in public school, half in a private school, and I really do believe there is nothing that ails our schools in this country that can't be fixed if you give parents more choices and teachers more freedom to—

Mr. POCAN. If I can just take off right on that too, because in Wisconsin one of the questions we have had, too, is on the accountability. And if I understand it right, in Indiana the Department of Public Instruction isn't allowed to audit the current program that you have, so how do you measure that accountability in those programs?

I mean, when we first started ours we had all kinds of crazy things. We had money going to schools where the person who founded the school said he could read a book simply by placing his hand on the book; we had people buying Cadillacs. In fact, I think I understand there was a church in your area who said they took the money to improve their air conditioners and all these other things.

How do we get that accountability on education—when we say we want to have competitiveness, because we want to try it as an experiment, but how do we get the accountability?

Governor PENCE. Well, we have a strong accountability system in Indiana, an A to F system that was established a number of years ago. And four out of five of our voucher students in Indiana attend A- or B-rated schools in our state. And I do think accountability is important.

I would like to see more flexibility from the federal government on accountability. When I was in the Congress many years ago, I was one of a handful in my party that opposed *No Child Left Behind* when it came to the floor in 2001 because I believe that education is a state and local function.

And I would continue to reflect that to my former colleagues and to leaders in both parties. My hope is that Washington will provide resources, not red tape, give states flexibility, because I think Indiana is emblematic of a program where we have expanded innovation, we have strong accountability, and we are seeing educational and, more importantly, student achievement improve as a result.

Mr. POCAN. Mr. Chairman, I saw the yellow light come up a while ago. I am going to yield back because I know you like that.

Chairman KLINE. I thank the gentleman. You get extra gold stars for that, which are of no value, of course, but you can have them.

Mr. Allen.

Mr. ALLEN. Yes, sir.

And I want to thank the panel, too, for being here.

And, Governor, thank you for all the efforts that you are making there in Indiana on education. And, of course, one of the things that I have talked to some college presidents the last couple of days, and I know our own governor in Georgia, but the federal government has a habit of making the assumption that the states don't know how to deal with educating our students. And then, of course, the states and the local boards have some conflicts, as well.

How in the world do we eliminate that—I mean, get everybody on the same page? In other words, the federal government needs to understand its role, the state needs to understand its role, and the local boards need to understand their role.

You know, I would prefer to give it to the local boards and have a bottom-up style, versus a one-size-fits-all style. Have you seen any models in your state that, from the local board standpoint up through the state, and models that even the federal government can say, "Hey, let's leave those folks alone and let them do what they are doing?"

Governor PENCE. Well, we are very proud of our record in Indiana, and the policies—curriculum policies, textbook policies—are established at the local level and driven by parents and administrators in local communities, and that is as it should be.

But let me strongly agree, Congressman, with your assertion. I think education is a state and local function, and the role of the federal government ought to be only that which may provide resources, catalyze innovation, that are in the broader national interest.

But I believe that whether it is standards, whether it is curriculum, whether it is textbooks, that those ought to be decided and those decisions resolved at the state and, more preferably, the local level. And we have sought to emulate that in Indiana.

And I really do believe that as the Congress takes up legislation in this area, that placing real emphasis on giving states additional flexibility to innovate—I mean, we are proud of our record in Indiana. We are proud of our record in traditional K–12 education; public charter schools; our voucher program, now the largest in the country; our focus on expanding and being the first state in America to make career and vocational education a priority in every high school.

And frankly, as I talk to colleagues around the country, I have a lot of inquiry about Indiana's education policies. And, as the old book says, iron sharpens iron.

And I would just encourage the leadership here in the Congress to think about how we can catalyze state-based innovation and reform in education, and then you will see the best ideas identified because you will see student achievement resulting from that. We are seeing that in Indiana. Test scores are up; graduation rates are up; second-best improvement in the Nation's Report Card.

And I do think that competitive federalism is especially important in this area in the life of our nation today, and I would encourage you to look for ways to restore the flexibility to state and local governments in this area.

Mr. ALLEN. You know, my mom and dad were educators and, of course, we sat around the kitchen table at night—you know, my dad says, "You give me a better student and I will give you a better education system," and, you know, some students are motivated, others aren't.

And, you know, in states we compete for manufacturers. We compete like crazy for manufacturing jobs. Yet, the number one decision with manufacturers is, do I have a skilled workforce?

I mean, as far as a skilled workforce—Mr. Greenblatt, I want you to comment on this, as well—how do we motivate these students to get the kind of education they need to fulfill the jobs of the future with where we are going in manufacturing today?

Governor PENCE. Well, I think, you know, for me education always should be—and I didn't know I would leave today with a Plutarch quote, but I am glad I did. That was really powerful.

For me, education should always be about letting young people discover their God-given abilities and to develop those, and when they find those abilities and passions, everything else about their academic life will get better, as well. And that is why we are seeking to make career and technical education a priority in every high school.

I am absolutely confident not only will it result in students graduating with the background and training to be able to get good jobs, but I know it will increase our graduation rates, it will increase their passion for education, and it will kindle a fire in their hearts and minds for a broader future.

Chairman KLINE. Sorry, the gentleman's time has expired.

Mr. Hinojosa?

Mr. HINOJOSA. I want to join Chairman Kline and Ranking Member Scott in expressing our best wishes to my friend, Congressman Roe. I will keep his family in my thoughts and prayers and hope that he will soon be able to return to Congress.

While our economy has come a long way since the Great Recession, starting back in 2008, wages for middle-class and working-class families have remained stagnant. I was in the Congress in 1998, when we were able to raise the minimum wage.

That was 16 years ago. Just take the inflation rate and see what today's rate—minimum wage is and how it hurts many working families.

I am also concerned that the United States has also failed to provide all students with equitable access to a high-quality education.

In my view, this committee must ensure that all Americans, not just the wealthy 1 percent, are benefiting from our current economy's growth.

I want to go to the first question to Dr. Mishel.

In your testimony you indicate that in 2012 the top 10 percent captured 48 percent of the market income, exacerbating income inequality for millions of Americans. Can you tell us shortly, just briefly, how raising the federal minimum wage, would improve the lives of Americans and strengthen our economy?

Mr. MISHEL. Thank you for the question.

The answer is that the minimum wage essentially sets the wage for the bottom fifth of workers. Those workers now earn substantially less than they did in 1968, even though the productivity of the economy has doubled and the workers in the bottom fifth have substantially more education than they had back in 1968.

So raising their wages will actually improve, obviously, their lives and lives of their children and their ability. They will consume more. It is actually something that will help the economy.

Mr. HINOJOSA. Thank you.

Governor PENCE, I enjoyed serving with you while you served in Congress, and I will ask you one or two questions.

Last year you refused an opportunity to receive up to \$80 million in federal investment for preschool development grants in early childhood education for Indiana. I believe that would have helped 2,000 children access pre-K. How are you planning to fund your pilot pre-K program that you mentioned?

Governor PENCE. Well, first, allow me to reiterate that it was a great pleasure to serve with you in the Congress, and it is good to see you again, Congressman.

Let me say, in the last two years, as governor of Indiana, I took time to travel across our state and learn about quality pre-K education. And I came to the conclusion that, first, I will always believe that the best pre-K education is a prosperous family that can provide the enrichment in the home that every child deserves.

But over my first year in office, traveling around the state, I became convinced that we needed to open doors of opportunity to disadvantaged children in the state of Indiana for quality pre-K education. I took my case to the Indiana General Assembly in the year 2014.

Indiana was one of only a handful of states that made no investment in quality pre-K education. But I went to the legislature; I made it a priority in our administration. I thought it was important that we cross the threshold and we begin to open doors of opportunity to disadvantaged kids.

Every child deserves to start school ready to learn, and quality pre-K education that can make up for what is lacking in the enrichment in the home, I believe, would be a great benefit to Hoosier kids—

Mr. HINOJOSA. I am glad to hear you say—

Governor PENCE. We worked for that—if I may, Congressman, we worked for that, we passed, through our legislative process, a pilot program. Five Indiana counties. We actually launched that program last month, and this fall we will have more than 1,000 students in the pilot program.

And we are doing it the Indiana way. We are looking at it, we are opening doors for disadvantaged kids, we are studying it.

And my aim was to keep faith with the objective of our legislature, to simply begin a program with our state dollars, which we will fully fund in the next two years at \$10 million per year, and learn from that program and then explore ways that we can expand opportunities to more quality pre-K in the years ahead. That was the basis of our decision with regard to federal funding, and I stand by it.

Mr. HINOJOSA. Thank you, Governor.

Chairman KLINE. Gentleman's time has expired.

Mr. Carter?

Mr. CARTER. Thank you, Mr. Chairman.

And thank you all for being here. We appreciate your presence here today.

Mr. Greenblatt, like yourself, I am a small business owner. I own three independent retail pharmacies, and the last thing I ever want is people telling me how—and particularly the government—to run my business, and particularly how much I am supposed to be paying my employees.

Now, like you, I have well-compensated employees, but I also have students that I use. Do you use any students in your business?

Mr. GREENBLATT. No. We just hire full-time workers.

Mr. CARTER. Okay.

In my case, I use students, and if I were to—Dr. Mishel, if I were to be required to pay them \$12.50, I wouldn't be able to use them. Now, what is that going to do to that particular sector if the government does raise the minimum wage to \$12.50?

Mr. MISHEL. Well, we are talking about \$12.50 in 2020, and there has been extensive study of raising the minimum wage across the states, and I don't think it will actually adversely affect the employment of young workers whatsoever.

There are provisions in the minimum wage legislation that actually let young workers get paid a little bit less than the minimum wage, but employers rarely even use it. And the reason is they don't want to have people working side by side earning different wages.

So I actually think the higher the wage, they will probably have more time for their studies, they will probably be able to work less, and they will be able to help their families more.

Mr. GREENBLATT. The real minimum wage is zero. They won't get hired.

Mr. CARTER. That is exactly right, and I couldn't agree with you more.

And, Mr. Greenblatt, if I could, if I could expound on this a little bit more, you mentioned the *Affordable Care Act* and the impact it has had on your business, and I can attest to the impact it has had on my business, as well—increased premiums, costs that I have had to incur as an employer, and I am sure that is the same—

Mr. GREENBLATT. Yes.

Mr. CARTER.—experience that you have had.

Mr. GREENBLATT. It is terrible.

Mr. CARTER. It is. Thank you.

Governor Pence and Dr. Amiridis, while I served in the Georgia State Senate I had the honor and privilege of serving as the chair of higher-ed, and one of the concerns that we had in the state of Georgia was increasing the number of college graduates and certificate holders, because we recognized the fact that in the coming years they are going to—the jobs that are going to be available are going to be available to that particular group.

One of our initiatives has been Complete College Georgia, and that is to get people—Dr. Amiridis, as you mentioned earlier—who have some college to go back and to finish their degrees. Have you had any experience in Indiana or South Carolina where you have dealt with this and something that has been successful?

Mr. AMIRIDIS. The program that is in my testimony, Congressman Carter, is exactly about this. Palmetto College, which is a statewide program that we started online, is focusing on degree completion. People who have done two years either at the university, community college, or a technical college, and for reasons that—because life happens—are beyond their control, they are no longer enrolled.

They have families, they are parenting—they are targeting older parents. They are not able to be present on a campus. We gave them the opportunity to be able to come back online and complete their degrees.

It has been a great success for us. The program exists for two years. We have enrolled more than 1,000 students.

Forty-three out of the 46 counties in the state of South Carolina are represented in the program, which means that it is widespread throughout the state. Forty-eight percent of them are members of underrepresented minorities, so there is a need.

And I think there are ways that we can do it with low cost, using technology, because these people, you cannot expect them to drop everything and come back to campus for two years. And our Palmetto College is a very good example that is receiving national attention along these lines.

Mr. CARTER. Governor?

Governor PENCE. Well, first, let me commend you for the focus on exactly those people in our state who have, as you mentioned, went to college, didn't complete, have credit hours. And our commission for higher education has made special emphasis on reaching those Hoosiers and explaining to them the opportunities that we have, either to return to college, to pursue part-time degrees. But it is a real focus of our administration.

I am also pleased to say that WGU has a very robust presence in the state of Indiana, providing exactly the kind of online education that the professor just described, and just in the last two days announced some great graduation rates for adult learners. The ability to take advantage of technology, we think, is a key component to encouraging Hoosiers to go ahead and finish that degree, and then be there in that new economy that, as you mentioned, increasingly, as we all know, is going to require postsecondary attainment.

Chairman KLINE. Gentleman's time has expired.

Mr. Courtney?

Mr. COURTNEY. Thank you, Mr. Chairman.

And thank you, to all the witnesses, for being here today.

Mr. Chairman, I have an article which I am going to ask to be admitted to the record. The title of this—it was published a couple days ago in the Hartford Courant, our largest daily newspaper in the state. The headline is “Connecticut’s Hiring Hasn’t Been This Good Since 1998.”

[The information follows:]

Connecticut's Hiring Hasn't Been This Good Since 1998
The Hartford Courant
By Mara Lee
January 26th, 2015

Job growth in 2014 was the strongest it has been in Connecticut since 1998, with 26,700 net new jobs, according to a preliminary estimate from the state Department of Labor.

In 1998, the state's employers added 28,300 jobs.

In December, payrolls grew by 4,800, Monday's report said. November's growth was revised downward by 1,700 jobs, to 2,900.

These numbers are subject to significant revisions as more data come in, and the final numbers will be available in March. But all the evidence so far is that Connecticut's economy is finally gaining momentum.

Nationally, 2014 had the best job growth since 1999.

In addition to the strong job growth, the number of unemployed residents continues to drop, even as more people restart or begin job hunts. The state's unemployment rate in December was 6.4 percent, down a percentage point from December 2013.

Over the year, the number of people either working or looking for work increased by about 60,250, or 3.3 percent.

Both private employers and government payrolls increased over the year, although the private sector is hiring four times as fast as towns and the state.

Connecticut's private sector is 94 percent of the way back from the crater caused by the Great Recession.

Nearly every industry is growing, with the important exception of finance and insurance, where employment fell 2,100 over the year, or nearly 2 percent. But lower-wage, lower-skilled jobs are growing the fastest — restaurant and hotel employment was up 4,400, and retailers added 6,500 jobs. Both sectors grew at 3.5 percent, essentially double the pace of all private-sector hiring. Many people who once had middle-class jobs in offices are now in part-time retail jobs.

Pete Gioia, an economist with the Connecticut Business and Industry Association, said he's not concerned that high-value manufacturing employment grew slowly in 2014.

"That's going to change," he said. "The Pratt & Whitney engine deals are going to boost not only employment there, but more importantly, in the subcontractors."

There have been few years in the past generation in which employers in Connecticut hired as robustly as they did in 2014. In the past 25 years, only 1996 and 1998 had more job growth. But the state has never come close to the growth it had before the late '80s recession. In 1983, 1984 and 1986, payrolls grew by more than 54,000 each year.

Gioia, who has been in Connecticut since 1977, said, "From '83 to like '88, every year we were blowing the doors off the [state] budget numbers," and surpluses were accumulating even when the state was increasing spending by more than 10 percent a year.

Why was hiring so hot then? Two words: Baby boomers. When you have large numbers of high school or college graduates entering the workforce at once, businesses can expand easily, and all those young men and women are renting apartments, then buying houses.

There was such a demographic bubble that there was a need for lots of new houses. Between housing construction and new households being created, "that pumps a lot of activity" into the economy, Gioia said.

Mr. COURTNEY. Job growth in 2014 was the strongest it has been in Connecticut since 1998, with 26,700 new net jobs. Again, that is a higher number than the entire—the 21st century.

And I say that not just to boast about my state, which I am always happy to do—we dominate basketball now. Governor, sorry. Men and women's.

[Laughter.]

But again, this is a state which also has the highest per capita income, and it is also a state which last year raised the minimum wage. Governor Malloy was the first governor in America to lead the fight to raise the minimum wage. It passed.

We also passed a paid sick leave law, up to 10 days, again, with an exemption for the mom-and-pops. But the fact of the matter is that these policies occurred despite all of the catechism that we hear over and over again on the Hill here about, you know, how harmful that would be to growth, and yet we have had the best growth since 1998.

And you have already addressed the minimum wage, Professor Mishel. If you could talk about paid sick leave in terms of, you know, the impact it has, aside from having sick people coughing on your food in restaurants, which nobody wants. I mean, what are the benefits, in terms of the workforce, when those policies are implemented, and how it is not antithetical to growth?

Mr. MISHEL. Well, thank you very much for your question. Nice to see you again.

I was asked earlier how many people get paid sick leave, and I didn't have the answers. My handy research assistant provided them to me.

The top 25 percent of workers in terms of pay, 84 percent of them get paid sick leave. But the bottom 25 percent, only 30 percent have paid sick leave.

So, you know, we have experiences in New Jersey, California, and Connecticut that indicate that doing these things doesn't hurt jobs, doesn't hurt the economy. Obviously, people don't want to be faced with the choice of having to not show up at work or leave someone sick at home.

This is something that falls most heavily on women, and so if we really want people to be able to participate in the economy, and just a matter of common decency, I think, is to make sure that people have some kind of minimal benefit like that.

May I pause one second and say something about manufacturing that we have heard discussion of?

I have been involved in manufacturing policy, and I have worked with manufacturing workers for over 30 years. You know, given what has happened in manufacturing in this country, which I think is very important, why would we think that someone in high school is going to look at a manufacturing job and say, "That is something that is going to be there the rest of my working career. I want to get a job there," given the trade policies we have in this country, given the fact that we don't actually support manufacturing?

Second, I have been studying the manufacturing wage premium. Manufacturing does pay better than other jobs, I think—and that is a great thing. But if that pay premium has substantially de-

clined over the last 30 years, so in fact, it is not as good an opportunity as it used to.

The last thing is, we know that employers provide a lot less—I will call it training, on the job, than they used to, but we don't have any surveys. So maybe there is one thing that people across the political spectrum here can agree, we need to have surveys done by BLS, that they used to do, which actually ask employers what kind of training do they actually provide on the job, because we have seen that go away.

Mr. COURTNEY. Thank you. I mean, actually, I would sort of edit that a little bit, because what I would say is that the smart employers actually do engage in that kind of, you know, training, skill growth for incumbent workers.

Mr. MISHEL. Absolutely.

Mr. COURTNEY. Electric Boat, which has just been awarded the largest ship-building contract in American history for the Virginia-class submarine, has a unionized workforce. They are producing submarines under budget, ahead of schedule consistently, because they approach this as an team, not as an us-versus-them situation.

I just want to—my time is about to run out. I want Mr. Greenblatt to feel good about something here today, in terms of my Q&A. There is actually, I think more receptivity to your comments regarding the excise tax than—and I think, actually, Professor Mishel and you might have a good conversation on that, but we will reserve that for another day.

So thank you all for being here today.

Chairman KLINE. Gentleman yields back. I thank the gentleman.

Mr. Brat?

Mr. BRAT. Thank you, Mr. Chairman.

I had a question in mind and a statement. As a professor that may go on for 30 seconds, so give me 30 before I get to the question. And I am thankful to Governor Pence for invoking Plutarch. I was waiting for my inroad.

Very good. Thank you. Very good. So both of you can weigh back on this.

In a policy setting like this, it is a little ironic to note that policy itself did not make the United States of America the greatest country in the world, right? The free market system and our rule of law did that.

And so we go back to 1800, and modern economic growth takes off. Adam Smith, the invisible hand; James Madison, the Constitution; and you get modern economic growth for the first time in history, right? All the rest of human history made about \$500 per year per capita, right?

And so it is interesting in this policy forum that doesn't come up enough, so I am glad I heard a little Plutarch, and kids' passions, and following their dreams in the business world. And it is crucially important and makes all the difference.

And so here are the two questions: Do our kids in any meaningful way—and I taught for 18 years so I know the answer to this—know what the free market system is? Right?

The free market system has to be chosen by your society. We have always had trade. The Greeks had trade, trade the Agora, whatever.

But countries have not chosen the free market system. And the most free countries are the most prosperous. That is what we all want; that is what everybody in here wants.

And then secondly, more cynically—that is a hard one, right; that might be college level—do our kids in K–12 know what a business is? So we are doing skills conversations in here, and that is all great—trades and—I am in favor of all that. I think it is totally bipartisan. I can't imagine how we are not going to do that for the kids.

But they are doing this for K–12 for 13 years of their life and they don't know what a business is, right? At the end of—if you asked a kid, “What is a business?” at the end of 12th grade, they might not be able to answer that.

And so I don't know if you have, Governor, any ideas of how to get the kids to reveal their passions at an early age so they know that they can use their passions in a vocation that is important to them in a business, and if they don't know that up front, all the skills training may not be for the best end. So I just—I am throwing that opened.

Governor PENCE. You bet. Well, thank you, Congressman. Thank you for your thoughtful comments, of which I am in strong agreement that the freedom of this country, our market freedom, the character and the faith of the American people explains the extraordinary success of the American experiment.

I would tell you, though, that with regard to this issue of career—it is one of the reasons why I like to say “career and vocational education” as opposed to “career and technical,” because in Indiana, for instance, one of the things we are doing—when I was in Kokomo, Indiana recently I visited a high school that is ahead of the curve on what we are doing in this area. And I visited a welding class and there were terrific kids there, some of which are headed off to Purdue University to study engineering, and some of which are hoping to be in a welding school in Ohio that is one of the premier in the country.

But then the next class I met with was the entrepreneurial class. That class is also part of the CTE curriculum. And the class actually itself changes place—I think it is every month they spend an entire month—several days a week—in a business, learning the business, and all different—financial services, and real estate, and health care, and learning that business, learning how it operates.

And the end result of that course is these kids all—and they were just—so impressed with all the kids that I met—but they were standing there proudly telling me about the business plan that they were going to be submitting. And here is what they do in Kokomo: At the end of this career and technical education class, not only do they have to submit a business plan, but they submit it to local investors, okay, and with the idea that this may be an idea, a business whose time has come in Howard County, Indiana.

So I really would encourage policymakers at this level, when you see Indiana moving boldly in this direction, we are really looking—we are looking to do, I think, in a very real sense, exactly what you are saying, and going well beyond traditional understandings of skills education, and really equipping young people.

And my criteria is, if someone wants to start their career right after high school I want them to have the opportunity to get the background, the training, the practical experience, the internship, or the industry-recognized certification to be able to do that.

I think it is a powerful idea. I think it speaks in a practical level to exactly what you are talking about, and exposing young people to businesses and enterprises, large and small, in their region I think will go a long way to them understanding the truth of what you said.

Chairman KLINE. The gentleman's time has expired.

Ms. Clark?

Ms. CLARK. Thank you, Mr. Chairman.

And thank you, to all the witnesses today, for being part of this conversation.

And, Governor Pence, I appreciate your time and being here today. I am sorry we did not get to serve together, but I am very heartened to hear you talk about the importance of quality early education, and with your focus on career and vocational education, the recognition that it starts with our very youngest learners, which is certainly backed up by the educational research, and certainly I have heard from our business leaders around this country and in my state of Massachusetts, as a priority.

So I wonder if you could expand a little bit. Indiana is a category one state, was eligible for up to \$80 million under the Preschool Development Grant, and I know you said there were some issues maybe with your administration and with the legislature in Indiana. What specifically made them decide to pursue a \$10 million state-funded pilot program rather than going for this money?

Governor PENCE. Well, thank you, Congresswoman. And I can tell already that I would have counted it a privilege to serve with you. I appreciate your courtesy very much.

Let me correct, if I can, the record, very respectfully. It was not a decision between either/or.

I pursued the creation of the very first publicly supported pre-K program in the state of Indiana, and we managed to pass a pilot program in the year 2014 that really crossed an important threshold in the state of Indiana, where the people of our state said yes to opening doors of opportunity for disadvantaged kids to be able to have access to quality pre-K.

We put \$10 million behind that out of excess reserve funds. And in the budget that we just unveiled, we are seeking from the Indiana General Assembly \$10 million per year to fully fund that pre-K program.

But I would tell you, through the legislative process, of which you may be still relatively new here, but not in your career I suspect, the general assembly in Indiana very much wanted to pursue this on a pilot basis, to have us learn—four urban counties, one rural county—to learn about diverse programs, diverse delivery systems, and to internalize those lessons before we made decisions about expanding the program.

And my decision about not applying for a federal funding was simply born of two things: I wanted to keep faith with the spirit of the pilot program that had been created and embraced by our legislature, and thereby, by the people of Indiana.

And secondly, I was very hesitant to expand the program before it was started. You might notice, if you look at Indiana's record on—whether it be tax reform, education innovation, or even last week on health care reform, we like doing things the Indiana way, which is to say we bring common-sense Hoosier principles to bear on challenges, and we craft solutions that work in our communities and in our state. And I very much wanted to keep faith with that.

So for me, I am very proud of the fact that our administration sought and received the very first public funding ever in Indiana for quality pre-K education. We are faithfully implementing that, and this fall we expect to have more than 1,000 disadvantaged kids in pre-K programs around our state, and have already launched the program in counties around our state since January this year.

But I would tell you, in Indiana my decision ultimately was I did not want, with all due respect to the federal treasury, I did not want to invite federal resources to expand the program before it was even started. We wanted to learn from our experience, learn from our pilot program.

But we are going to take those lessons and we are going to look in the future, I can assure you, for ways to expand opportunities to quality pre-K education in Indiana. I think it is right for our kids at the point of the need, and I am confident that as we learn the lessons about what programs work and in what ways in Indiana, the people of Indiana will be ready and, as they invariably are, be generous in supporting efforts for our most vulnerable kids.

Ms. CLARK. So was the funding itself tied to expansion? Was that the hurdle that you saw? It wouldn't have helped your pilot program in rolling out?

Governor PENCE. Well, I think ultimately, accepting federal funding to expand a program before it was started was premature. Our aim was to faithfully implement the pilot program that our general assembly created. We are in the process of doing that, and I look forward to it being a great success for vulnerable kids, and also a way that we can chart a course for the future.

Chairman KLINE. Gentledady's time has expired.

Mr. Messer, you are not going to ask a question of your governor, right?

Mr. MESSER. Yes, well—

Chairman KLINE. You are recognized for five minutes.

Mr. MESSER. Thank you, Mr. Chairman.

I want to say thank you to the witnesses. Thank you for your testimony. And at this stage of the hearing, I thank you for your stamina.

You know, I hung around here to learn and I hung around for the opportunity to highlight a couple of my favorite topics, which is the leadership of our great Governor Pence, and also the importance of manufacturing for the future of America. And so, with the governor's permission, I am going to ask a question first to Mr. Greenblatt and then come back to the governor.

And, Mr. Greenblatt, we are proud in Indiana to be a place that makes things. I believe that a key to the future of America is that we remain a place that makes things. I appreciate your work and the work of NAM.

You got close to a couple times in other questions, but I just wanted to ask you almost just straight, as members of Congress sitting here today—and I believe we do have bipartisan support for the desire to make America strong and manufacturing in America strong. What would be the one or two things that we could best do to help you and your business and help the manufacturing industry in America?

Mr. GREENBLATT. One thing would be tax reform. We have a massive disadvantage when we go head to head against Canada and Germany and China. We are taxed 15—I am sorry, Canadians are taxed 15 percent and we are taxed 40 percent, so that would be one topic that is challenging.

Another topic that is challenging is the regulations. We have a tremendous amount of burdensome regulations.

The average American manufacturing employee has this heavy weight of regulations that makes us as a nation less competitive. So we lose jobs against France, Germany, and Canada that we shouldn't be losing.

And if we could reduce some of these burdensome regulations, reduce our taxes, we could really prosper and grow jobs.

Mr. MESSER. Thank you. And as you highlighted, I mean, I think there is a renaissance in manufacturing happening in America. I see it in Indiana, where jobs are coming back from overseas. And we hope to work with you to do more to help make more of that happen.

Now, to our Governor Pence, appreciate all of your testimony today, and again, I appreciate your friendship. I know one of the things that you and I are both very proud of is the work that has been done in Indiana so that we truly are a state today that not one child in Indiana has to have their future on a wait list, that parents have, now, the option to find the school that best fits their child, be that traditional public school, public school choice, public charter schools, virtual schools, and, of course, as you talked about just a second ago, the fact that Indiana now has the most robust private school choice program in the country.

Could you talk a little bit, for the record here, about the amazing success of that program and what we are doing to even grow those opportunities further for kids in Indiana?

Governor PENCE. Well, thank you, Congressman. And let me congratulate you on your election to a leadership position in the House Republican Conference, and also for your efforts to really shine the light on school choice across the country, even in the last week. We are grateful for that and proud of your service.

I have long said that there is nothing that ails our schools that can't be fixed by giving parents more choices and teachers more freedom to teach. And the agenda that our administration brought forward this year, the aim of which is to have 100,000 more kids in B or better schools by the fall of 2020, is really an all-of-the-above strategy.

But choice is a central element of that. As I said to one of your colleagues earlier, I really do believe that the advent of public-to-public school choice, public-to-public charter choice, and, of course, the largest voucher program in America, which is in the state of

Indiana, have resulted in the overall improvement and student achievement that we have seen in the state.

The test scores are up, graduation rates are up, the second-best improvement in the country in the Nation's Report Card, known as the NAEP. I think that is all a result of that.

But I would emphasize that for my part, with all due respect to the best-intentioned bureaucrat in the world, no one has a better idea about where my kids are going to thrive, where their imagination and potential is going to be kindled, than Karen and I do. And particularly focusing, as we did in our school choice voucher program, on the ability of parents to choose the school—public, public charter, or private—that would best serve their needs will continue to be a lodestar in Indiana.

Mr. MESSER. Thanks for your leadership—

Chairman KLINE. Gentleman's time has expired.

Ms. Adams, you are recognized?

Ms. ADAMS. Thank you, Mr. Chair.

Thank you, to all the witnesses.

Dr. Mishel, you indicated that improving educational attainment was important for all children to have the opportunity to rise up in that income ladder, and I agree with that. I am a 40-year educator, having completed 40 years at Bennett College, in Greensboro.

But I believe that education must not only be accessible, but it has got to be affordable. And with the increased costs of higher education making it more difficult for students to complete postsecondary education, it is especially true for low-income and minority students.

For example, students at HBCUs—North Carolina has more 4-year accredited HBCUs than any other state—it is very, very difficult for these students. They are penalized for what is called Parent PLUS loans. Parent PLUS loans are basically not a plus, they are a minus.

But my question is, what do you think we can do to make Parent PLUS loans more of a plus than a minus? Secondly, can you talk about the effect of lesser education attainment on wages, especially those for minorities and women? And what would be the educational outlook for students who aren't able to pursue higher education because of financial barriers?

Mr. MISHEL. Well, I will take part of that. I don't know whether you wanted the person from the university to answer the other part.

First of all, I want to say I have been to Bennett College. I visited my good friend, Julianne Malveaux, when she was the president. Welcome to Washington.

I think, you know, providing opportunities—and I understand the challenges of the students there, and what Julianne had to do to try to assist students to be able to come to Bennett College and to get through, with parents, most of whom had never gone to college themselves, or were working-class or poor.

It is really essential that we provide as many opportunities as possible to break down all the barriers to community college, to college, because what it really does is give access to jobs—to be able to compete for jobs in the future, so those students will do better than their parents.

What it really won't do, I am afraid to say, is it is not really a recipe for overall wage growth, because what we see is that wages have been flat for college grads, for community college grads, and high school grads. So we can take people and move people up to different groups, but what we really need are policies that lift wages for all the different groups in America.

Thank you.

Ms. ADAMS. So do you agree that, you know, I think I heard some comments about different wages for students and other folks, and knowing and having worked with young people for a long time, I know the responsibilities that they bring with them to school, trying to finance their education, taking care of families costs them the same thing to buy a loaf of bread as it would anybody else, so, you know, I just wanted to, you know, put that out there.

But certainly if the gentleman—governor would like to speak to this issue, I certainly would love to hear from him—or Dr. Amiridis.

Governor PENCE. Go ahead, Doctor.

Mr. AMIRIDIS. Let me first of all mention that in the state just south from you, in the state of South Carolina, the University of South Carolina is very proud of our Gamecock Guarantee program. Over the last six years we have supported 900 students with family incomes below the poverty level, guaranteeing them full support if they manage to maintain academic standards.

What we have seen is that when you take the financial question out of the pictures, these students perform better, actually, than the average student because they had the desire, they had the drive to succeed in school and to lift themselves out of what have been generational cycles of poverty that they have experienced.

I was in front of the House Ways and Means Committee in the state of South Carolina last week and I asked them for need-based funding. Many of our states have very good merit-based programs.

We need need-based funding. I think it is very important at the state level, and of course, the Pell Grants. Support the Pell Grants, expand the Pell Grants to the extent that you can at the federal level.

There is no question that a degree in higher education is a balance. You can view it as public good or private benefit. And that is what our system reflects.

Part of the state and the federal government is paying for the public good part of it, and part of the individual pays for the public benefit—for the private benefit part of it.

I think there are creative solutions to the loans, in terms of how do you ask them to repay the loan. Should they repay the loan based on their earning ability after they leave college?

How do we guarantee that we get the money back? Do we count the money—and there are solutions like this that they have been advanced at the state level and the federal level that I think your committee can bring experts in to testify and talk about.

Chairman KLINE. The gentlelady's time has expired.

Mr. DeSaulnier?

Mr. DESAULNIER. Thank you, Mr. Chairman. Congratulations on the pronunciation; that was great. And I want to thank you—

Chairman KLINE. See my notes here on how to pronounce that.

Mr. DESAULNIER. You passed.

And to the ranking member for doing this. So it has really been thrilling. It is funny to come at the end. It reminds me of the Churchill line of everything has already been said but not everyone has said it.

So, Dr. Mishel, I did want to talk to you about public research facilities. I represent the—much of the East Bay in the San Francisco Bay Area. We have two national laboratories and we have the University of California, that prides itself as a research facility, as you know.

When I go and see them they tell me about the very exciting public-private partnerships they are doing with the private sector, as you mentioned. But they also lament the fact that we are not investing as much in public research for the government, particularly the federal government.

Is that true in your experience as well? And is that a danger, do you think?

Mr. AMIRIDIS. I think the availability of funds has decreased. It is true what they are telling you, that the availability of the funds has decreased.

And I am a true believer in public-private partnerships, but it has to be a partnership. We cannot expect for the private sector to do everything for us without us contributing what we can. So I think our colleagues in the Bay Area are giving you the right picture.

Mr. DESAULNIER. I appreciate that.

Dr. Mishel, you mentioned consumers, and I am—I was—like you, my father was a Republican and I owned small businesses. I was in the restaurant business.

So one of the most important things for the success and opportunity for Americans is customers. So we have—and the speaker mentioned this in our first meeting when we were sworn in—is this sort of perfect storm of not just wage stagnation, but fixed household costs going up. So for somebody in the restaurant business, you would read the restaurant trade magazines and disposable income are really important.

So who spends money? Wealthy people. When I managed to own a restaurant in San Francisco there were plenty of wealthy people. You gave them a product they liked, you didn't have to worry about it.

When I owned a business in Concord, California, which was much more working-class, the kind of regulations that the governor mentioned were more vexing because my consumers didn't have enough disposable income.

Could you speak to that?

Mr. MISHEL. Yes. Thank you very much for your question.

I would just say, there are two things. One, my analysis of the economy is that we still face a shortfall in aggregate demand, and that is one reason why we have this excessive unemployment. That is the aftermath of the financial crisis, and that is why fiscal austerity at the state level and the federal level has actually hurt very much—you know, we have lost 2 million or 3 million jobs because of that.

But we also have a long-term problem, where we—I think our—we have growth challenge because of the change in income distribution, and I think that is what you are talking about, because the incomes have shifted to those who consume less. And I think moving forward, we will see consumption growth be more challenged than it has in the past.

In the past, families have gotten by taking on more debt, by sending more people into the workforce, and perhaps benefiting from the housing market bubble. Those things aren't going to be available going forward. So if we don't actually grow the old-fashioned way, where people earn higher wages and spend it from that, we won't be able to grow as well as we could.

Mr. DESAULNIER. Governor Pence, I wanted to commend you on your work on regulation, but my experience is it is making sure the regulation is effective, the ones we have. So my questions are to you: Did you do cost-benefits with the legislature so that there are regulations that actually are helpful to the economy? So when you went through that process, did you do that?

Governor PENCE. That is the policy of the state of Indiana our Office of Management and Budget initiated, after we declared a moratorium on any new regulation when I became governor two years ago—other than that which was mandated by federal law. We did a full-scale look-back and have been in that process of doing precisely that, Congressman, is a cost-benefit analysis and determining where we might be able to cut red tape without compromising worker safety and environmental concerns.

Mr. DESAULNIER. So the result of that, there were some regulations. I think all of us agree less regulation is better, but there are regulations that are actually effective.

Thank you, Mr. Chairman.

Chairman KLINE. I thank the gentleman.

Mr. Jeffries, you are recognized?

Mr. JEFFRIES. Thank you, Mr. Chairman.

And I thank Governor Pence and all of the witnesses for your very thoughtful testimony today.

Let me start with Mr. Greenblatt.

It is my understanding that in your testimony you mentioned that we need solutions, not bromides and bombastic rhetoric. Is that correct?

Mr. GREENBLATT. Yes.

Mr. JEFFRIES. And that in order to, you know, move the economy forward we really need—think the phrase was “collective, serious discussion.” Is that correct?

Mr. GREENBLATT. Yes.

Mr. JEFFRIES. Now, in terms of the National Association of Manufacturers' position on comprehensive immigration reform, am I correct that it is your view that comprehensive immigration reform would be helpful to our economy moving forward?

Mr. GREENBLATT. We need more talented immigrants coming to our country so that they can—you know, we need to keep all the wonderful people that are graduating—foreigners graduating from our colleges in engineering and doctor degrees—medical, et cetera. We need those people to stay here, not go back to China or back to India.

We need them to stay here and either work at American companies, create innovations here in America, or create companies here in America. We need that entrepreneurial zeal to really supercharge the economy again.

Mr. JEFFRIES. And I assume you would agree with the statement that, with respect to moving forward on comprehensive immigration reform, we need less sort of rhetoric and need to move to a place where we can actually accomplish results and enact the type of changes that you believe would be helpful for the economy?

Mr. GREENBLATT. My great-grandmother, Kate, came over from Russia in 1904. It was critical—either that or she would live a very terrible life. I am so thankful she came here to America.

America needs immigrants to thrive and to prosper. They rejuvenate our economy and they grow our system.

Mr. JEFFRIES. And I will thank you for that. I am actually privileged to represent more Russian-speaking Jewish immigrants from the former Soviet Union than any other member of Congress in the country, in Brighton Beach and other neighborhoods in Brooklyn. And certainly we have benefited, as New York City has benefited, from the hard work of these immigrant families.

To Dr. Amiridis, you mentioned, I believe, in your testimony that amongst the mix of things important to promoting higher education for our students in a way that would benefit the country is Pell Grants. Is that correct?

Mr. AMIRIDIS. That is correct.

Mr. JEFFRIES. And are you aware that in the Republican budget proposed in the last Congress for fiscal year 2015, that the House majority sought to cut \$125 billion in Pell Grants over the next 10 years?

Mr. AMIRIDIS. I don't follow the legislative issues that closely, but I will take your word for it.

Mr. JEFFRIES. Would you support that type of cut?

Mr. AMIRIDIS. I think that any cut to the Pell Grants would put students at risk, and these are the students that need this education more than anybody else.

Mr. JEFFRIES. Thank you.

Dr. Mishel, as you mentioned, the productivity of the American worker has increased significantly above 70 percent since the 1970s. Is that correct?

Mr. MISHEL. That is correct.

Mr. JEFFRIES. Yet, wages have remained relatively stagnant for the middle-class worker during that same time period, correct?

Mr. MISHEL. That is correct. The only time they actually rose was in the period of the late 1990s, when we had persistent low unemployment.

Mr. JEFFRIES. And so middle-class workers have not been able to benefit from the economic growth generated from their increased productivity, correct?

Mr. MISHEL. Sure. I would even say that even though Indiana is near to nirvana, the workers in Indiana even have seen falling wages. The median hourly wage in Indiana has fallen 6 percent since 2000. So this has happened across the country.

Mr. JEFFRIES. How do we address this systematic issue to make sure that hardworking Americans, working families, moderate-in-

come folks, middle-class Americans throughout this country can actually benefit from the clear increased productivity that has served the country's economy well, but hasn't necessarily inured to the benefit of the workers who have made it actually happen?

Mr. MISHEL. That is a great question. I think the first and foremost is, we have to actually act as if better-quality jobs and higher wages is actually our foremost concern about the economy.

We can raise productivity, we can have better growth, but unless we do the things that are needed to actually link higher wages to productivity growth, most people aren't going to benefit. As I said, higher minimum wage, stronger access to collective bargaining, higher labor standards, eliminate wage theft—all those kinds of things are needed.

Mr. JEFFRIES. I would just note that you mentioned consumer demand as one of the problems impacting the American economy. And obviously, just like gas prices dropping puts more money in the hands of the American worker, they will save more and spend more, that benefits everyone, so, too, would an increase in the minimum wage.

I yield back.

Chairman KLINE. I thank the gentleman.

I want to thank the witnesses for your stamina; I think was pointed out earlier, this really is an excellent panel of witnesses. I very much appreciate your testimony and your frank answers to questions.

Before I gavel down, I want to turn to Mr. Scott for any closing remarks he may have?

Mr. SCOTT. Thank you, Mr. Chairman, and I thank you for holding the hearing. We got a lot of really good information.

I was particularly impressed with the consensus on vocational education in high school, with the understanding that it does not diminish the academics but adds to the academics, because we don't want students to leave high school without the fundamental background that—an academic background. And with that understanding, there is a lot of consensus that can be achieved.

We also found the importance of financial aid to colleges, including research, so that our young people can not only be doing the research, but a lot of college students are not getting jobs if we are not doing the research. And I'm delighted to see a consensus on the need for comprehensive immigration reform.

Again, this shows what happens when you have a hearing, we can find a lot of common ground that is apparently not going to happen on ESEA, and we would hope that we would delay the consideration of that legislation until such time as we can have meaningful hearings to find what common ground there may be.

Yield back.

Chairman KLINE. Thank the gentleman for his comments and for yielding back.

I want to again thank the witnesses. I am trying to think, we are just having a discussion, if we have ever had a hearing where Plutarch came up. I don't think so, so I am grateful for that.

Like Mr. Scott, I love the discussion on CTE. I do hope that we don't get ourselves bound up between whether it is vocational or technical, or education or training. We know where we are trying

to go with that, and I think there is bipartisan consensus that we ought to be doing that and ought to be doing more of it.

Just one final comment on training, I am sorry that Ms. Foxx, like most members, has had to move onto other things; the hour is getting late. I noted to her before that in my 25 years in the Marine Corps we did a lot of training, and I actually didn't know very many dogs there, but I am now questioning the whole thing.

So again, I hope semantics doesn't get us down and we get on to the issue that the governor has explained so well. And we certainly hope that program is working in Indiana as we look out across the country.

There being no further business, the Committee stands adjourned.

[Whereupon, at 12:38 p.m., the Committee was adjourned.]

