

**STATEMENT OF JOHN ENGLER
PRESIDENT OF BUSINESS ROUNDTABLE**

**BEFORE THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES**

HEARING ON

**MOVING AMERICA'S FAMILIES FORWARD: SETTING PRIORITIES FOR REDUCING POVERTY AND
EXPANDING OPPORTUNITY**

MAY 24, 2016

Good morning, Chairman Brady, Ranking Member Levin and members of the Committee.

My name is John Engler, and I serve as President of Business Roundtable, an association of CEOs of leading American companies operating in every sector of the U.S. economy.

Business Roundtable CEOs lead companies with \$7 trillion in annual revenues and nearly 16 million employees. Their companies comprise nearly one-fifth of the total market capitalization of U.S. stock markets and invest \$129 billion annually in research and development (R&D) – equal to 70 percent of U.S. private R&D spending. These companies pay more than \$222 billion in dividends to shareholders and generate more than \$495 billion in sales for small and medium-sized businesses annually. Business Roundtable companies also make more than \$8 billion a year in charitable contributions.

America's business leaders are grateful to Chairman Brady and the members of the Committee for holding this important hearing today. The historic achievement of welfare reform and ongoing improvements to the U.S. welfare system are central to the larger effort to help all Americans achieve success.

We agree with the principles you have outlined for further reform, and we thank you for your contributions to Speaker Ryan's Poverty, Opportunity and Upward Mobility Task Force Blueprint.

The pro-growth agenda laid out by the Speaker presents an opportunity for Democrats and Republicans to create policies that help more individuals realize the American dream. Too many people still find themselves out of work or in a place that does not enable them to maintain a high quality of life.

I note the legislation the Committee recently marked up and is finishing legislation to help people find and retain employment, a commitment that Business Roundtable wholeheartedly shares.

The last time I was asked to testify on these issues was in 2002, at a hearing on the reauthorization of the welfare reform law. I was serving as Governor of Michigan and Chairman of the National Governors Association. As a Governor, I was able to say that a success of reform was that Washington focused on the overarching goals and left it to the states to determine implementation strategies and methods.

This remains as true today as in 1996, when we eliminated the old Aid to Families with Dependent Children (AFDC) program. I'm pleased to see that the Committee's philosophy remains one in which the states will retain the authority to enact strategies that meet the needs of their citizens.

Today, speaking on behalf of the nation's large employers – many of which are competing globally – I am honored to share with you our perspective on why the public and private sectors must work together to improve a support system in this country that matches the realities of today's economy.

America's business leaders believe that our nation is not adequately preparing its citizens for success in the workforce. Consider the following:

- While the national on-time graduation rate for students in 2014 was 82 percent, the latest Nation's Report Card from the National Assessment of Educational Progress (NAEP) showed that just 37 percent of high school seniors scored at the college-ready level in both reading and math.ⁱ That means we are graduating a lot of young people from our nation's high schools who are not prepared to do first-year college work without needing remedial courses.
- Indeed, there is widespread agreement that too many students enter college already at a disadvantage, requiring them to complete remedial courses. As a result, some students may not be able to complete college in four years. As a matter of fact, the graduation rate (over six years) is below 60 percent for both four-year schools and two-year community colleges.ⁱⁱ This is unacceptable.
- The U.S. educational system has been doing an increasingly poor job of preparing young men, in particular, to enter the workforce. According to a recent Congressional Budget Office (CBO) report, in 1980, 11 percent of all men aged 18–34 were jobless or imprisoned; in 2014, 16 percent were.ⁱⁱⁱ The CBO identified three main factors behind this disturbing trend: economic changes, policy changes and the changing skill levels of less-educated young men. On that last factor, the CBO reported that “more young men may have been entering adulthood without the cognitive and non-cognitive skills that employers want.”^{iv}

- This point is reinforced by a recent Gallup survey that asked, “Are graduates prepared for work?” While 96 percent of chief academic officers at colleges and universities rate their institution as very/somewhat effective at preparing students, just 14 percent of Americans strongly agree that college graduates have what it takes to succeed in the workplace – and only 11 percent of business leaders strongly agree that graduating students have what their businesses need.^v
- If people are not prepared, they are more at risk of being unemployed or underemployed, and when Americans are not able to produce at their full capacity – like the young men in the recent CBO study – they have lower lifetime earnings and less stable family lives, on average, than their counterparts who are employed or in school. In the short term, their lower earnings will reduce tax revenues and increase spending on income support programs. In the future, these young men are likely to earn less than they would have if they had gained more work experience or education when young, resulting in a smaller U.S. economy and lower tax revenues.^{vi}

So what can the public sector do to reverse these trends, close the preparedness gaps and put more Americans to work?

First, reforms should focus on putting people on pathways to work. We need to prepare them for careers, not just jobs. Reforms should certainly include a focus on putting people into their first job or into worked-based experiences. At the same time, we need to make sure individuals get and keep current the skills to succeed in today’s workforce so that they can continue to move along their career pathway to bigger and better jobs. That’s how we move people off of welfare and keep them on their feet. We believe that Chairman Brady’s Principles for Welfare Reform are exactly what it will take to get people back to work *and* put them on a pathway to greater success.

Second, we need to create a more efficient system for delivering government assistance that is flexible and that allows people to find and keep employment. That means fewer programs, less duplication and more focus. The U.S. Government Accountability Office has put out report after report that highlights overlapping education and training programs across government agencies.^{vii} Congress should trim these programs to achieve greater efficiency. At the same time, states should enjoy access to broad waiver authority that allows them to produce comprehensive plans that deliver results.

The administrative savings alone from this approach would help thousands of individuals trying to get back into the workforce.

The forthcoming reauthorizations of Temporary Assistance for Needy Families program, the *Perkins Act*, the *Higher Education Act* and the Temporary Assistance for Needy Families program offer the opportunity to ensure that these policies are more flexible,

better managed and highly coordinated – at both the state and regional levels. Congress should insist on evaluation metrics and data transparency to evaluate which programs should continue to exist and which ones should be eliminated. Real-time labor market data is also essential to help individuals select a pathway that will lead to a job.

Congress should also continue to offer incentives that encourage workers to seek employment as well as the education and training that put them on career pathways. That could include assistance with child care, transportation to and from work and counseling on the best training and work options to pursue.

The current workforce training system is a patchwork that frustrates individuals, often resulting in them giving up and walking away. Done right, I am confident that we can make tremendous progress.

And what can the private sector do? Let me share with you how employers are leading in the effort to bring them into the workforce and help them succeed once there.

Business leaders are committed to better connecting the worlds of learning and work.

That connection starts early with rigorous K-12 education standards and a focus on ensuring all students read on grade level in third grade. Of course, we believe there is a great need for more science, technology, engineering and mathematics – STEM – employees, but if a student cannot read, he or she cannot pursue study and career in those or other highly competitive fields. The NAEP scores tell us that almost two-thirds of grade school students enter fourth grade with sub-par reading skills.^{viii} So for anyone who wants to help and doesn't know how: Teach a child to read.

As for STEM careers themselves, Business Roundtable founded and leads the National Network of Business and Industry Associations, which brings together a cross-section of business and industry groups to communicate to K-12, higher education and training system leaders the competencies that employers are looking for, as well as to help industries and employers adjust their hiring and business practices to focus on the workers who have successfully prepared themselves for today's evolving economy.

The National Network has identified a set of Common Employability Skills – the baseline skills all employees need to succeed in any career – and has created a guidebook to show employers how to set up work-and-learn programs that have proven effective for on-the-job learning and training.

These work-based learning opportunities employers provide to individuals – apprenticeships, internships, etc. – are an invaluable way to improve the mismatch between the skills employers need and those employees bring to the table. These on-the-job learning opportunities decrease the amount of time and money used to retrain individuals.

Employers are also partnering with higher education institutions to help schools develop curricula that teach needed skills, including those required by highly technical fields. Business Roundtable is working with the Business-Higher Education Forum in two high-need industries – financial services and data analytics – to bring employers and higher education institutions to the table to roll up their sleeves and develop curricula together.

Let me be clear, however, that putting people on a career pathway is about more than obtaining a four-year degree. Not everyone needs to go to college to find a path to success. We see an emerging trend among Business Roundtable members who are revamping their human resources systems with a stronger focus on competencies. As a result, the education and training pathways that individuals take to career (for example, a two-year degree, four-year degree or certification program) matters less. Competencies are the key. The point I am making is that the public and private sectors need to work together to ensure individuals have a variety of models – and this includes figuring out how to award credit for work experience and/or non-credit training – that can provide them with the skills that can put them first into a job and solidly on a career pathway.

In terms of obtaining the competencies and skills that are needed in the workforce of today – as well as tomorrow – employers want to make sure individuals are armed with information they need to choose the training programs that will best advance their work and career prospects. To that end, we are working to bring greater transparency to the credentialing process so that individuals can be assured that what they are paying – whether out of their own pocket or through borrowing – to acquire new training will actually lead to a job.

I would like to share with you an example from Northrop Grumman, whose Chairman, CEO and President – Wes Bush – leads the work of the Business Roundtable Education and Workforce Committee. Northrop Grumman has partnered with the University System of Maryland, Towson University and Bowie State University to build a system-wide response to Maryland’s and the nation’s cybersecurity workforce challenges. Focused on the undergraduate experience and the need to increase the recruitment and retention of students – particularly women and underrepresented minorities – in cyber-related fields, the partnership is aligning the cyber workforce requirements of business and government with higher education, developing innovative programs to expand the cyber talent pipeline and addressing issues of critical interest to cyber workforce development.

Wes has one concern: He can’t hire every graduate from the program, because of the intense competition. Other employers are quick to snap them up.

In terms of retraining an existing workforce, AT&T has implemented an ambitious plan to make its workforce more competitive by improving the coding skills and ability to

utilize data of its nearly 300,000 employees. AT&T knows that its employees will have a brighter future if they have the skills that are propelling the 21st century economy. These are just two of many examples of how employers are working to prepare individuals for the highest priority workforce needs so that they can enter and remain in careers that have a future.

In summary, Business Roundtable employers have a great interest in ensuring more Americans enter the workforce with the preparation and skills they need to succeed. We are eager to continue working with Congress and all other stakeholders to further this goal.

We are also eager to continue working with Congress to empower the states and local communities, helping develop the strategies that can bring more Americans into the workforce to support themselves and their families.

Thank you for the opportunity to testify before you today on this vital topic. I would be happy to answer any questions you may have.

ⁱ “Are Rising Grad Rates Pulling Down NAEP Scores?,” Education Week (May 10, 2016), available at: <http://www.edweek.org/ew/articles/2016/05/11/are-rising-grad-rates-pulling-down-naep.html?r=1483369249&q=NAEP>.

ⁱⁱ “Institutional Retention and Graduation Rates for Undergraduate Students,” National Center for Education Statistics (May 2015), available at: http://nces.ed.gov/programs/coe/indicator_cva.asp.

ⁱⁱⁱ “Trends in the Joblessness and Incarceration of Young Men,” Congressional Budget Office (May 2016), 1, available at: <http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51495-YoungMenReport.pdf>.

^{iv} *Id.* at 3.

^v Julian L. Alssid, “A New Gallup Survey Says Colleges and Employers Disagree About How Workforce-Ready Graduates Are – Who’s Right?,” HuffPost College (February 27, 2016), available at: http://www.huffingtonpost.com/julian-l-alssid/a-new-gallup-survey-says-_b_4862669.html.

^{vi} *Id.* at 4.

^{vii} See, for example, “Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies,” U.S. Government Accountability Office (February 9, 2011), available at: <http://gao.gov/products/GAO-11-92>; “Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,” U.S. Government Accountability Office (May 25, 2011), available at: <http://gao.gov/products/GAO-11-635T>; “2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits,” U.S. Government Accountability Office (April 14, 2015), available at: <http://gao.gov/products/GAO-15-404SP>.

^{viii} “2015 Math and Reading Assessments,” The Nation’s Report Card (2015), available at: http://www.nationsreportcard.gov/reading_math_2015/#reading?grade=4.