

Written Statement of

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On behalf of

The Associated General Contractors of America

to the

United States House of Representatives

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

For a hearing on

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

April 26, 2023



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

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

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

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

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

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

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

Workforce Needs of the Construction Industry

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

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

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

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

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

Value of Career in Construction Industry

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

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

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

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

Local Workforce Development and Craft Training

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

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

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

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

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

Success of Apprenticeship Model

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

Policies to Meet Local Workforce Needs

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

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

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

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

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

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

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