Committee on Energy and Commerce

Opening Statement
of
Subcommittee on Digital Commerce and Consumer Protection Ranking Member Jan Schakowsky

"Built in America: Jobs and Growth in the Manufacturing Sector"

September 26, 2018

Thank you, Chairman Latta, and thank you Mr. Stettner, Mr. Paradowski, Ms. Moyers, and Mr. Anderberg.

Manufacturing helped build the American middle class. Strong wages helped build products Americans were proud of, and unfortunately too many misguided policies over the last 30 years have allowed our manufacturing sector to slowly wither away.

I am pleased to see that my colleagues invited as witnesses executives from businesses that used the most recent Republican tax cut to invest in their businesses by increasing wages and better training their workers. However, closer examination of macro-level data tells a very different story than the one that will be told today.

I'd like to submit this blog post by Josh Bivens from the Economic Policy Institute for the record.

What this will show is that despite the Republican rhetoric, we haven't seen anything close to an explosion in investment. Examination of the Census Bureau's Manufacturing, Shipments, Inventories and Orders Data from 1992 until today shows current investment levels far below that of even 2009.

We shouldn't be surprised. At the end of last year, Republican political consultants connected businesses with public relations firms before the tax bill was even signed into law. They touted one-time bonuses as evidence that the tax bill would lead to higher wages in the long-term for workers. Today is the next step in that well-orchestrated public relations campaign.

So where have the two trillion dollars gone? Since the tax bill passed, we have seen an explosion of stock buybacks. When companies invest in buybacks, they juice their stock price in the short term, creating what Senator Warren describes as a sugar high that leads companies to neglect investing in equipment, wages, and worker training.

According to a recent report by the Roosevelt Institute and the National Employment Law Center, in the three years prior to enactment of the tax law, public companies across the American economy spent roughly three-fifths of their profits on buybacks. So what happens when Congress and the Trump Administration give corporate America more cash?

Examining the first half of this year, it's clear Corporate America likes to spend on buybacks. Share repurchases surged 43% in the first half of this year, versus a far less inspiring increase of 27% for capital expenditures.

Consider Walmart, the nation's largest employer. Walmart supported the tax bill and claimed it would help workers, but it is not clear much of that $2.2 billion in annual tax cuts is actually helping its more than 1.4 million American workers.

Shortly after enactment, the Walmart board authorized $20 billion in stock buybacks. The Roosevelt Institute released a separate report estimating that if Walmart had directed half of that towards wages, hourly worker compensation could have been increased by more than $5 per hour, which would transform the lives of many of these workers and provide a living wage.

As Members of Congress, we are approached by employers all the time who say they can't find qualified workers, that there is a "skills gap." I would argue that America's "skills gap" is really more of a wage gap. Declines in union density and a focus on "core competencies" and executive salaries, instead of training and capital investment, have dried up the private sector's role in workforce development over the last thirty years.

We hear all about the cost. Employers fear – what if I train them and they leave? Better question – what if you don't, and they stay?

Addressing the wage gap by raising wages and investing in training would do a lot to address the skills gap. Congress can and should do its part, by expanding Manufacturing Extension Partnership and taking Manufacturing USA to scale. Congress should also ensure that Department of Labor's Office of Apprenticeship has the tools it needs to ensure the American apprenticeship program helps workers get ahead.

My friends on the other side of the aisle also point to the Trump Administration's deregulatory agenda as a leading factor in the growing economy, but again the data doesn't agree. Going back to Josh Bivens' blog post, we can see that the increase in capital expenditures began in early 2016 and has continued through today.

What my Republican friends won't tell you is how the Administration's deregulatory agenda again makes the wallets of the wealthy fatter while risking the health and safety of the middle class and working poor. Workers benefit from a stable, predictable economy, while their bosses benefit most from risky business practices and poorly-designed pay packages that further encourage such risk, creating a truly vicious cycle.

Today, the rules are tilted in favor of the wealthy and corporations. Without improving conditions for workers to ensure they get their fair share of the pie, further deregulation will disproportionately benefit the wealthy. That should be the first, second, and third priority for this subcommittee. Thank you for the time, Mr. Chairman, I look forward to hearing from our witnesses, and yield back the balance of my time.