



Testimony

of Jennifer McNelly
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*before the Senate Commerce Subcommittee on Competitiveness,
Innovation, and Export Promotion*

*on Promoting American Competitiveness: Filling Jobs Today and Training
Workers for Tomorrow*

April 17, 2012

COMMENTS OF THE MANUFACTURING INSTITUTE
BEFORE THE
SENATE COMMERCE SUBCOMMITTEE ON
COMPETITIVENESS, INNOVATION AND EXPORT PROMOTION
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Chairman Klobuchar, Ranking Member Blunt, and distinguished Members of the Subcommittee, thank you for the opportunity to appear today to testify on behalf of The Manufacturing Institute at this hearing on “Promoting American Competitiveness: Filling Jobs Today and Training Workers for Tomorrow.”

My name is Jennifer McNelly, and I am the President of the Manufacturing Institute. We are the non-profit affiliate of the National Association of Manufacturers (NAM) and our mission is to support the nation’s manufacturers through solutions and services focused on education, workforce development and innovation acceleration.

For a generation now, the common perception has been U.S. manufacturing is dying. So it comes as a shock to most people when you point out the actual facts:

- The United States is the world’s largest manufacturing economy, producing 21 percent of global manufactured products;
- Manufacturing supports an estimated 17 million jobs in the U.S.—about one in six private-sector jobs;
- In 2010, the average U.S. manufacturing worker earned \$77,186 annually, including pay and benefits. The average non-manufacturing worker earned \$56,436 annually.

While manufacturing remains an important economic force in regions across the country, it now confronts some serious challenges, including:

- A significant increase in the structural costs facing the industry, caused by both worldwide demand for energy and raw materials and government policies on health care and tax rates;
- The absence of a coherent and coordinated national trade policy; and
- The lack of a national innovation strategy.

While these and other issues play out on the front pages of newspapers and websites, there is another challenge looming in the background, one that threatens not only manufacturers, but also companies in every sector of the economy: the deteriorating condition of our workforce and, in particular, the next generation workforce. Our most recent Skills Gap survey, released last October, when the unemployment rate was over 9%, identified approximately 600,000 open positions due to the lack of a skilled workforce. In fact, 82% of manufacturers reported a

moderate-to-serious shortage in skilled production labor. All impacting manufacturers' ability to grow at a time when we need job growth.

The U.S. is betting its entire economic future on our ability to produce leading-edge products. Whether it's in IT, biotech, aerospace, construction...it doesn't matter. We'll be the ones to constantly create new and better things. This future promises to be bright, but only if we have the workforce capable of pushing that leading-edge. And right now, that doesn't look like a very good bet.

We have created an education system that is almost completely separate from the economy at large. Traditionally, it was the job of schools to educate children and create responsible citizens and it was the job of companies to train employees. Jobs for individuals with almost any education level were plentiful because companies would spend the time and resources to turn them into productive employees. Today, companies cannot afford the luxury of time-intensive training programs for their workers. They need employees who have the knowledge and skills to contribute right away.

The only way to address this monumental challenge and support the economic recovery is to align education, economic development, workforce and business agendas to work in concert and develop the talent necessary for success in the global economy.

As representatives of the manufacturing industry, we think we've found a solution that fits the needs of our businesses while working within the existing secondary and postsecondary education structure.

Our solution, called the NAM-Endorsed Manufacturing Skills Certification System, is grounded in the basic set of skills identified by manufacturers - the employers themselves – as required to work in any sector across the manufacturing industry.

The system is a series of nationally portable, industry-recognized credentials based specifically on those employer-identified skills. These credentials, and the training required to obtain them, certify that an individual possesses the basic skills necessary for a career in manufacturing and ensures that they are useful nationwide and across multiple manufacturing sectors.



June 2011

Where our system takes the next step, though, is by organizing, aligning and translating those stackable credentials into corresponding educational courses that can be integrated into high-school and community-college degree programs of study. So, an individual can see that if he or she takes the following classes, he or she will have the skills to earn a nationally portable, industry-recognized certification and be qualified to work in the following jobs at the following salaries. We were pleased to have the President of the United States highlight our system last summer.

Our system is integrated into the for-credit side of colleges, so even if a student takes only three or four courses, achieves a certification and heads into the workforce, they have “banked” those credits. When they return to achieve the next level certification, they will be working toward a degree as well.

This also creates more on and off ramps in education, which facilitates individuals’ ability to obtain schooling when their professional career requires it and also positions them to earn while they learn, applying what they learn in class at night on the job the next day. For many years, postsecondary success was defined as a four-year degree, when a valid, industry-based credential can provide the knowledge and skills for a well-paying job and a solid middle-class lifestyle, establishing a strong base with a potential to grow.

While on its face, the idea of a skills certification system may not seem transformational, it is in fact reforming education, defining the outcome of success from completion to achievement of an industry standard.

For manufacturers we are applying the same rigors standards we use in our facilities to our most important supply chain, our human capital.

However, success is not attained merely by designing a system. It must create results. Due to the success of our program in over 20 states, we were asked last summer to come in and create a “fast track” system in Minnesota. Employers there needed skilled individuals immediately, not a year from now. So partnering with two Minnesota colleges, Dunwoody College of Technology and South Central College, we developed a program called “Right Skills Now” that trains machinists in as little as 16 weeks. Early success of the program has led to replication in Nevada and Washington. The Institute is also replicating the model in production and welding.

We are helping to ensure that employers hire individuals with the Right Skills, and workers enter training programs that ensure they complete with the Right Skills for employment.

But as manufacturers we measure what matters.

For the past several months we have been working with MAGNET, the Northeast Ohio MEP, to track, through their rigorous evaluation process, the economic impact, the value of these certifications to employers hiring these individuals. Preliminary data is promising. With 5 companies, it already is showing results for the companies including: \$250,000 in increased sales; \$6,000,000 in investment in plants and equipment; and 10 jobs created. In addition, companies avoided the potential loss of sales valued at over \$2,000,000 because they could hire individuals with the right skills, now.

These economic outcomes are what we need to support and continue our nation’s recovery and put individuals back to work.

In addition to private-sector alignments, we need to look at federal workforce training opportunities that often do not address the skills that are in demand by employers. Programs such as the Workforce Investment Act need to be focused toward a goal of training workers to credentials that are in demand in the private sector. That is why the NAM supports S. 1243, the America Works Act, that would provide this prioritization.

For employers, a focus on a nationally-portable, industry-recognized credential system provides a level of quality in potential hires that does not exist today, greatly reducing the risk associated with hiring new employees. For employees, it ensures that they are obtaining the skills in-demand in the workplace and can work in multiple sectors, and for government it can ensure that federal funds being used for worker training are used more efficiently.

Conclusion

Madam Chairman, for many years, postsecondary success was defined as a four-year degree, when a valid, industry-based credential can be the gateway to a well-paying job and a solid middle-class career.

As a nation we need a new strategy for our manufacturing workforce, grounded in industry standards, with new and renewed cooperation with industry, education, economic development, and the public workforce investment system.

It is good for manufacturing and good for the nation.

Thank you for the opportunity to testify today. We look forward to working with you to build the next generation manufacturing workforce.