



Testimony

of Jennifer McNelly
Senior Vice President
The Manufacturing Institute

before the House Committee on Small Business

on Innovative Approaches to Meet the Workforce Needs of Small Business

September 8, 2011

**COMMENTS OF THE MANUFACTURING INSTITUTE
BEFORE THE**

HOUSE COMMITTEE ON SMALL BUSINESS

SEPTEMBER 8, 2011

Chairman Graves, Ranking Member Velázquez and members of the Committee, thank you for the opportunity to testify on behalf of the Manufacturing Institute at this Small Business Committee hearing on Innovative Approaches to Meet the Workforce Needs of Small Business.

My name is Jennifer McNelly, and I am the Senior Vice President for 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 that 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 18.6 million jobs in the U.S.—about one in six private-sector jobs;
- In 2009, the average U.S. manufacturing worker earned \$74,447 annually, including pay and benefits. The average non-manufacturing worker earned \$63,122 annually;
- Over 93 percent of all U.S. manufacturing firms employ less than 100 workers.

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. In our most recent Skills Gap survey just

completed last week, incredibly, 82% of manufacturers report a moderate-to-serious shortage in skilled production labor.

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.

Let's start with a labor force of around 150 million people. Nationwide, our school dropout rate is over 30 percent. So now we're working with only 70 percent of the labor force. Of those, roughly two-thirds go on to college, which means that 30 million people are settling for nothing more than a high-school degree. In a country that requires excellence to maintain its economic position, over 50 percent of the labor force isn't even trying to gain the skills that excellence demands.

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, especially smaller businesses with fewer training and HR resources, 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 is to align education, economic development, workforce and business agendas so they work in concert to develop the talent necessary for business 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 a competency model developed by manufacturers to identify and document the basic set of skills required to work in any sector in the manufacturing industry.

We joined with several other leading industry groups last year to create a system of nationally portable, industry-recognized credentials based on that competency model. These credentials—and the training required to obtain them—certify that an individual possesses those basic skills. We were also pleased to have the President of the United States highlight our system just a few months ago.

Our system can be envisioned as a pyramid of skills certifications, with an initial focus on the skills required for all entry-level jobs, identified as critical by the manufacturers themselves.

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.

While on its face, the idea of a skills certification system may not seem transformational, it is in fact reforming education. For too long, any programs that were “career and technical” or “company-specific” were pushed off into the non-credit side of academic institutions, making a loud and clear statement of the value that colleges and universities placed on those programs.

Our system is integrated into the for-credit side of colleges, so even if students take only three or four courses, achieve a certification and head 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. The achievement of degrees still holds meaning, both in the workplace and in society, and the education and skills that an individual obtains should be rewarded with advancement in education and in the economy.

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.

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 H.R. 1325, the America Works Act, that would provide this prioritization.

From an employer’s perspective, a nationally-portable, industry-recognized credential system, integrated into degree programs, transforms their approach to human resources. It would nearly guarantee a level of quality in potential hires that does not exist today, greatly reducing the risk associated with hiring new employees—a risk that is more significant for smaller businesses that need to make targeted, skills-based hires without much room for error.

In fact, because small manufacturers usually do not have the Human Resource departments to recruit, screen and hire new employees, skill certifications enable those small businesses to significantly improve their hiring practices by giving them the confidence that their new employees have the skills required to immediately contribute to the success of the company.

Conclusion

Mr. Chairman, for too many years, anything that looked or sounded like skills development was classified as job training, non-credit courses or career and technical education. In other words, it wasn’t considered real education. Skill certifications should be a part of traditional education, but a wall has been built between education and job training by institutions on both sides of that divide.

We’re working to break down that wall. The result will be more students staying in school, more individuals gaining the skills they need to build a career and more employers finding and hiring qualified workers.

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