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Testimony

of Steve Staub

President

Staub Manufacturing Solutions

before the U.S. House Committee on Ways and Means Subcommittee on Human Resources
115th Congress

on Jobs and Opportunity: Employer Perspectives on the Jobs Gap

April 25, 2018

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Good morning, Chairman Smith, Ranking Member Davis and members of the Subcommittee on Human Resources.

I am Steve Staub, president of Staub Manufacturing Solutions in Dayton, Ohio. Thank you for the opportunity to be here to discuss jobs and opportunities.

I. Introduction

Dayton, Ohio, is one of the oldest, strongest and most innovative manufacturing regions in the nation. Not only is Dayton where we invented the electric starter, the cash register, the airbag, the parachute, the ice cube tray, the pop top can, the parking meter, the airplane and so much more, but this leadership continues today with 14.5 percent of the workforce in and around Dayton employed in manufacturing, and the region is home to more than 2,400 manufacturers.

One of those manufacturing companies is Staub Manufacturing Solutions, a family-owned business that my sister and I started with the help of our father in 1997. We are a manufacturing company specializing in the production of fabricated metal components and assemblies. We manufacture components for everything from cars to agriculture equipment, heavy trucks, construction equipment, locomotives, retail store displays, food equipment and much more.

I care a lot about manufacturing in our country, which is why I'm here today, and it's also why I am proud to serve on the boards of—and work closely with—organizations like The Ohio Manufacturers' Association, or OMA, and the National Association of Manufacturers, or NAM.

Nationwide, the manufacturing sector contributes \$2.25 trillion to the U.S. economy, employs more than 12 million men and women and—as I will outline in just a moment—is hiring and rebounding today in a big way.

II. The State of Manufacturing

As the NAM found in its most recent Manufacturers' Outlook Survey, conducted quarterly with first-quarter results released this month, optimism is very high among manufacturers around the country. The survey showed 93.5 percent of manufacturers expressing optimism about the future of their companies and the future of our economy. That's the second-highest reading on record, and it comes in the context of the first Manufacturers' Outlook Survey released since the enactment of tax reform. This is no accident. The dramatically improved business climate is due to, in many ways, a new pro-business attitude from Washington that has manifested itself in different forms, from regulatory relief to historic tax reform, and it's paving the way for economic growth and newfound optimism.

So, before I continue, let me take this opportunity to thank those who supported tax reform and the “rocket fuel” that it has provided to the manufacturing sector. Tax reform was long overdue, and what has happened at Staub Manufacturing Solutions is just one of many success stories resulting from a more competitive tax policy.

We, like many small and medium-sized manufacturers, struggled in the past just to keep our doors open. Now we enjoy a dramatically improved business climate. Indeed, our company has experienced amazing growth since the economy started to improve with tax reform unleashing many new opportunities and possibilities to grow. For instance, we have been able to invest in new equipment, make upgrades to our current facility, including the installation of energy-efficient LED lighting, expand our facility by purchasing the building next door, hire new employees and provide our people with bonuses and pay raises—something we could not do during the low growth years of the past.

Staub’s story is hardly unique. There are many examples across the country of how manufacturing companies are investing more, compensating more and hiring more thanks to tax reform. In fact, the NAM recently launched a new blog series called “Keeping Our Promise,” which highlights the incredible work manufacturers are doing across the country due to tax reform. I hope you will check it out. The first company highlighted, I am proud to say, is a fellow Ohio manufacturing company—Ariel Corporation, not too far from Dayton—which is further improving pay and benefits for its employees thanks to tax reform.

However, there is another side to this brighter economic outlook. Manufacturers are growing and creating jobs, adding 22,000 workers nationwide in March and extending the 32,000-employment gain in February. While employment in the sector is rising by a robust 18,733 per month on average since the end of 2016—a significant turnaround compared to the sluggish job growth in 2016—we are having difficulty finding enough workers to fill those jobs, which is a real problem for our industry.

Indeed, in the very same NAM survey I just mentioned, while manufacturers may be very optimistic overall about the future, they have real concerns about their ability to attract and retain the manufacturing workforce they need to keep growing. In fact, respondents to the survey cited this as their number-one concern.

This challenge, which has frustrated manufacturers for many years, is becoming even more pronounced in today’s better economic climate.

Obviously, a bright economic outlook and low unemployment rates are good problems to have. It’s a sign that the economy is not only healthy again but growing. But too many workers remain on the sidelines—especially males without a college degree—and we need to do everything we can to bring them and as many people as we can, including women, into the manufacturing workforce.

III. The Workforce Issue

Currently, the most desperate needs of the manufacturing workforce remain in skilled professions like welding and machining as well as a need for production and maintenance technicians. To be a welder requires time in a professional program, a certification and lots of training. Good welders are highly coveted, and the pay is close to the top in the skilled trades. It’s not easy work, but manufacturing provides a stable income, leadership opportunities and life skills that can transform individuals and families. We have numerous highly skilled welders, but

you might remember one of our welders, Corey Adams. Corey joined our team a few years ago with no formal skills, but he had a great attitude. Today, Corey's trade supports a wonderful family, a new home and savings for his family's future. Corey came to Washington earlier this year to sit with my sister and me during the State of the Union address. We had the honor of being chosen to sit in the first lady's box, and Corey may now be the most famous welder in the United States. It was a humbling experience, and one that I will never forget. And it was amazing for my family, friends and colleagues in manufacturing. Never had a manufacturer been highlighted so positively in a president's State of the Union speech. Manufacturing is in the spotlight, and it's awesome.

Today's manufacturing industry is modern, high tech, alive and growing, and it offers many promising career options—often, I should add, *without* the financial burdens that students and families face today. In many cases, a well-paying manufacturing job may only require a high school education and on-the-job training. Other jobs may require one or two years of vocational training or work toward an associate's degree. The average manufacturing worker earns about 27 percent more in wages and benefits than the average worker across all sectors.

And yet, approximately 426,000 manufacturing jobs across the nation are still going unfilled because there simply are not enough qualified applicants to fill them. According to Deloitte and The Manufacturing Institute, that number is expected to jump to approximately 2 million unfilled jobs by 2025.

So, this is a big problem and one with the potential to get even bigger unless we address it, but how did it arise?

It's a good question. The skills gap is not a new issue, but one that has come into greater view because many workers remain on the sidelines in a strong economy. Unemployment is down, but so is labor participation. Contributing to the low labor participation rates include individuals who might have left the workforce during the 2008 downturn with no plan to return to their previous profession. Some might have retired or became self-employed, and others may face more serious struggles with addiction and poverty. In other cases, individuals may feel trapped in lower-wage jobs and can't find a path to get the skills they need to get started in today's most in-demand manufacturing careers.

There is no single explanation, but many factors contribute to the challenge. The real question before us is what to do about it.

Many groups like the NAM and OMA have committed resources and spent time developing the next-generation manufacturing worker through various programs, engagement strategies and collaborative solutions.

When manufacturers combine their talents and resources and align priorities, great things can happen. Progress has been made to excite people about manufacturing jobs, such as recruiting veterans, women and other underrepresented populations as well as showcasing the promise of manufacturing to America's youth through events like national Manufacturing Day. In Ohio, we are setting up Industry Sector Partnerships throughout the state. These partnerships are an industry-led workforce development strategy that brings together educators and the public workforce system. This is no easy task, but it's a challenge we have accepted and why I am here today.

Then, there is what manufacturing companies can do on an individual level.

At Staub Manufacturing, we are working hard to tackle the workforce challenge headfirst and have developed some recruiting strategies that may be considered less conventional than going to a traditional career fair. We have been working with a local anti-poverty agency, for instance, on a program called Getting Ahead. It is designed to help those in poverty create a personalized plan for economic stability so that participants can move to self-sufficiency and break the cycle of poverty.

We often welcome team members to our finishing department with little or no skill. We work with them to teach a trade and give them plenty of opportunities for advancement. One of the biggest things that we provide is hope. My personal belief is that many folks in a transitional situation don't enjoy the feeling of hope for their futures, they don't see a way out from their personal situations, and many times, they are not sure what to do about it. However, I believe that when people have a steady job, they begin to have hope and see a pathway to the future that is much brighter than their current situation.

We have been successful in recruiting, training and employing individuals whom some other employers may not even consider because the upskilling is too much of an effort or there is a perceived risk associated with someone who has had some personal challenges to overcome.

My sister and I believe there is a strong business case to take on harder-to-serve individuals, and the result of our efforts has led to improved employee retention and loyalty. Also, this approach is the right thing to do, not just for ourselves but also for our communities. When we are working with all members of our community and helping provide meaningful work to individuals and teaching skills for life, people take pride in that type of workplace culture and strive to do their best. To our family, it's a win-win.

And yet, even with all the strategies we've employed at Staub, we still have several open positions.

That's why we continue to work with local educational institutions to tackle this problem as well. It's another successful strategy to address the workforce issue and one I strongly encourage.

I am very engaged in our local schools to get middle school and high school students interested in manufacturing. A few years ago, a group of us who care about the workforce of the future got together and started a nonprofit called XtremeSTEM to get kids excited about the manufacturing industry. We host robotic and 3D printing competitions, with names like XtremeBOTS and Xtreme3D, and about 400 kids attend each event. For the XtremeBOTS, each high school team gets a remote control and a motor. The team designs its own bot and is paired with a local manufacturing company for mentorship and help building the bot. What the teams come up with is truly amazing! But more importantly, participants learn to work together as a team and solve problems, and they learn what manufacturing is really about! For the middle school kids, we started a 3D printing competition where they can show up and print their own hovercrafts to compete against other kids. Through XtremeSTEM, our goal is to provide hands-on programs that engage students in Science, Technology, Engineering and Mathematics (STEM) disciplines, along with a path to manufacturing careers.

Other opportunities include apprenticeships, various work-based learning opportunities and certificate programs that combine classroom time with work experience. Because of expanding partnerships between employers and educators at all levels, there are more and more

opportunities for young people and adults to learn the skills needed on the job, while also working toward a certificate or degree that positions an individual to keep advancing in his or her career. And if young workers master the front lines of production and excel to seek greater responsibilities, there is nothing stopping them from further pursuing additional higher education opportunities. Our company offers 100 percent tuition reimbursement, and many, if not most, manufacturing employers around the country support and sponsor their employees when it comes to upskilling.

I urge every employer that is facing a workforce shortage to be involved with schools and students and to get involved with a program like XtremeSTEM in your area. It is an important engagement opportunity that cannot be overlooked and, I would argue, is no longer optional. There are great careers ahead in manufacturing, but we just can't talk about these jobs. We must show others, especially young people, their parents and teachers, what these jobs are about and why they are important to the economy. Building positive relationships with educators as well as their parents and other adults can only help close the skills gap and direct more young people into manufacturing careers. In many ways, this is a generational challenge that requires all hands, not just government policymakers, to build the modern manufacturing workforce.

That does not mean, however, that there is no role for policymakers in this discussion—far from it. We really do need your help.

There is a role for Congress to help facilitate, for instance, our access to the best and brightest who are eager and willing to work in modern manufacturing. Manufacturers appreciate the House passing the bipartisan H.R. 2353, the Strengthening Career and Technical Education for the 21st Century Act, also known as the Carl Perkins Career and Technical Education bill. This legislation enables resources for secondary schools and community colleges to teach manufacturing skills among other technical trades and allows for the purchase of the right training equipment so that our next generation can learn and do what they set out to accomplish. However, the Senate has not yet acted on a Perkins bill, and we hope that legislation will pass when it is brought to the Senate floor. I know those things are easier said than done, but it's critical to the educators and employers who are working together to prepare our next-generation workforce.

In addition, there is more that elected officials can do to help support manufacturing communities like ours that have been impacted by the horrific and devastating opioid crisis. There are no words that can describe the harm opioids and heroin overdoses have caused to many Ohioans. I've seen the devastation firsthand as the son of a good friend overdosed on opioids in his bedroom at his parents' house. This young man had a promising future and will be missed. When someone survives addiction, we need that person in the workplace because the jobs are available. However, we are going to need tools and strategies to keep these individuals off drugs as well as strong support networks so that they can make good choices in life and stay employed. We are working with a local drug recovery program to provide jobs and give hope to some of these folks who lost their way—but it's not easy. The success rate is not 100 percent, but we are making progress.

And, of course, what we also need from Washington is a continued commitment to the kind of pro-growth policies that helped create today's manufacturing renaissance in the first place. Tax reform was a huge step forward, and we are very thankful for it. Regulatory relief continues to be a boon as well. Now, we believe Washington must also address things like the significant

infrastructure challenges facing the entire country, expand overseas trade and devise better immigration solutions that work for employers and their communities.

Because while providing jobs and opportunity as well as celebrating the dignity of work are important to my sister and me as an employer and manufacturer in Dayton, we can only continue to do this if we are successful and the economic conditions continue to support manufacturing in America.

IV. Conclusion

Manufacturing is back in the United States.

The prospects for growth in the manufacturing sector and for the larger economy are very strong. We are growing, investing and hiring. And, while we face significant workforce challenges, I believe they can be solved by working together and applying even greater focus to the problems at hand.

Put simply, my goal is to keep Americans employed and off drugs and to have as many Americans as possible share in the economic success that the manufacturing industry provides.

Technology is going to change some jobs and create new opportunities. We need to be not only open to these shifts but also plan for them. The demand for people with knowledge and skills to harness the power of new processes and new innovations will drive new opportunities in fields such as virtual reality and robotics.

I know the subcommittee has a bipartisan appreciation for the difficulties employers face when it comes to developing and retaining our workforce. I thank you for working hard to address them. If any of you are ever going to be in the Dayton, Ohio, area, I would love for you to give me a call, come by for a company tour and have further conversations.

Thank you again for the opportunity to be here today.