

Testimony

of Ryan Costella

Director of Strategic Initiatives

Click Bond, Inc.

before the U.S. House Committee on Education and the Workforce

Subcommittee on Higher Education and Workforce Development
115th Congress

on Closing the Skills Gap: Private-Sector Solutions for America's Workforce

May 9, 2018

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Good morning, Chairman Guthrie, Ranking Member Davis and members of the Subcommittee on Higher Education and Workforce Development. Thank you for the opportunity to be here to discuss workforce issues and opportunities to close the skills gap.

I. Introduction

I am Ryan Costella, director of strategic initiatives at Click Bond, Inc., a family-owned manufacturer headquartered in Carson City, Nevada, where we employ nearly 400 people. We also have a facility in Watertown, Connecticut, where we employ an additional 80 individuals, and of those 80, I'd like to note that 10 percent are apprentices.

Click Bond is an ideas company at its core. For more than 30 years, we have forged partnerships with customers across the aerospace and defense industries to innovate solutions that revolutionize how our customers design, build and assemble aircraft as well as spaceships and other transportation vehicles around the world.

Click Bond is most widely recognized as the pioneer of adhesive-bonded fastener technology. For decades, a forging process known commonly in manufacturing as riveting was the traditional method for fastening systems into aircraft. In addition to being highly labor intensive, riveting creates holes, which can eventually weaken the overall structure and create leak paths and corrosion over time.

Click Bond entered the marketplace with a radical idea: to use structural adhesives to attach mechanical fasteners instead of riveting. This elegant approach to replacing a traditional process increased production efficiency, improved product reliability and eliminated other variables that are known to weaken mechanical fasteners over time. The aerospace and defense community's embrace of this technology has helped extend the service life of aircraft, while also reducing weight, increasing strength and decreasing maintenance costs over the long run.

Click Bond's customers, and the many people who travel on commercial, defense and space aircraft around the world and beyond, have grown to trust our innovative engineered solutions, on-time delivery of high-quality products and top-notch customer service and support anywhere in the world.

II. Nevada's Economic Recovery and the State of Manufacturing

The state of Nevada, where Click Bond is headquartered, is no stranger to economic publicity. Before the Great Recession, the Silver State was one of the fastest-growing states in the nation, topping the charts in job creation, housing prices and population growth. Much of this was driven by a booming gaming and tourism economy. Massive investments in housing developments enabled by unprecedented mortgage-backed lending and borrowing drove home values to record heights.

When this economic bubble burst in 2007, Nevada's economy was decimated instantly. The state once again topped the nation's economic indicator lists—this time the bad ones. Nevada subsequently led the nation for years in unemployment, bankruptcies and foreclosures.

Today, thanks to a more favorable economic climate and policy changes like tax reform designed to encourage economic growth, Nevada has turned the corner and is once again leading the nation in job creation, new housing construction and population growth. Some are concerned that Nevada might be headed to a dangerous repeat of the same trends that led to its demise a decade ago. However, there are many reasons to be optimistic about where our economy is headed today. And, unlike the tourism-led growth before the recession, much of the momentum is tied to the manufacturing renaissance happening in Nevada. Since the Great Recession, manufacturing in Nevada has experienced increased awareness and new opportunities. For example, the Tesla–Panasonic Gigafactory 1 is currently under construction and, when completed, will be one of the world's largest buildings measured by footprint at 13 million square feet.

This manufacturing renaissance is being felt in many other areas across our country, too.

Indeed, as the National Association of Manufacturers (NAM) found in its most recent Manufacturers' Outlook Survey, conducted quarterly with first-quarter results released last 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. A more competitive tax policy has brought many success stories across the manufacturing sector as the result of a dramatically improved business climate.

Nevada emerged from the recession stronger and more resilient than ever before, with employers, educators, workforce and economic development officials and the broader community aligned to a singular mission—enable Nevadans to get back to work and pursue high-value careers that foster long-term growth and sustainability. However, there is another side to this brighter economic outlook—not just in Nevada, but across the country. Manufacturers are growing and creating jobs, adding 24,000 workers nationwide in April, and unemployment is at a record 17-year low. While employment in the sector is rising by a robust 19,000 per month on average since the end of 2016—a significant turnaround compared to the

sluggish job growth in 2016—there are still difficulties 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 with a tightening labor market.

Obviously, a bright economic outlook and low unemployment rates are signs that the economy is not only healthy again but growing. However, manufacturers cannot afford to sit on the sidelines waiting for solutions to address the mounting skills gap.

III. The Skills Gap: Challenges and Opportunities

Today's manufacturing industry is modern, high tech, alive and growing, and it offers many promising career options. Manufacturing careers are so in demand that 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 open and available because there simply are not enough qualified applicants to fill them. According to Deloitte and The Manufacturing Institute, there will be more than 3.5 million open manufacturing jobs between 2015 and 2025, and of those, it's anticipated that approximately 2 million will go unfilled due to the lack of skilled workers.

So, this is a big problem and one with the potential to get even bigger unless we address it.

The wake of the Great Recession left tens of thousands of Nevadans unemployed and without opportunity. Yet, at the same time, companies like Click Bond were struggling to find skilled workers to fill open positions. Many people justifiably wondered: how could there be so many people looking for work and how could a company like ours not find anyone to hire? Some thought that we were overly particular in finding people qualified for a position at Click Bond. Others assumed that we didn't pay enough. Neither was the case.

We discovered a very disturbing reality: many of those looking for work were unemployable even at the entry level because they lacked the foundational skills to read, do basic math and problem-solve. Moreover, many job seekers had limited to no technical education or experience.

We had little time then to fix this emerging crisis, and our skilled worker shortage remains a challenge today. One Baby Boomer retires from the workforce every nine seconds, leaving limited time for development of the next generation of technical experts.

Rather than focus on the negative, we knew that solving the problem would require looking in the mirror and taking responsibility to address the challenge head-on. We also recognized that we had to help change the nature of the conversation and drive solutions—no more pounding fists on the table, pointing fingers and blaming the education system and other leaders for the

skills gap we were experiencing. That approach only led to friction and animosity, which did nothing to solve this serious problem. Only by rolling up our sleeves and working together could we find a way forward.

Click Bond sought to be a catalyst to generate solutions cooperatively and locally with a coalition of educators, policymakers and employers. This collective approach of public-private partnerships sought to align state and federal resources for maximum impact, while ensuring the effective design of high-quality curricula and certification programs that provide job seekers with the portable skills they need for long-term careers and success.

Click Bond designed and executed a fast-track program that took people from food stamps to full-time employment with benefits in just 16 weeks. We were proud to hire several graduates from the program, and all of them stand out as model employees with bright futures ahead. In the fall of 2012, "60 Minutes" highlighted our progress and initial success on collaboratively tackling the skills gap. Today, that program is being scaled to accommodate the huge demand for manufacturing technicians in Northern Nevada. These programs, along with a new generation of modern apprenticeship programs, is helping build the of talent to meet our needs.

I attribute much of our success on this journey to three major drivers that have focused our efforts and engagement for nearly a decade.

First, we prioritized engaging with external stakeholders on making and delivering a better education policy. We sought to align state and federal funding streams and developed partnerships with K-12 educators and higher education leaders to define the right curricula, certifications and infrastructure to sustain a program of talent development that aligns with the economic development trends of the region.

Click Bond participated on the Governor's Workforce Development Board and the state's Manufacturing Sector Council. These opportunities helped spur a needed dialogue and encouraged industry participation so that state and federal dollars were directed to the right programs that enable people to achieve nationally portable, industry-recognized certifications that align with the hiring demands. These programs generally focus on building the mastery of the necessary foundational skills (reading, math and problem-solving) and technical skills for success in manufacturing. We also worked closely with community college presidents and advisory councils to ensure that their programs aligned with the top-quality national standards in manufacturing. For example, the local community college machining program curriculum aligns with the credentials offered by the National Institute for Metalworking Skills (NIMS), and the technician programs align with another manufacturer, Siemens, as well as the Manufacturing Skill Standards Council (MSSC) and the American Manufacturing Skills Initiative (AMSKILLS), among others. Beyond this, we helped influence the Nevada Department of Education and the system of higher education to better align their curricula and enhance transferability of college credits and certifications to make it more seamless for students and job seekers to pursue a lifelong path of learning, without having to go back to the starting line.

Second, our strategy also included efforts to help build the pipeline of interest in manufacturing careers and increase our youth engagement. The good news is that 90 percent of Americans rate manufacturing as "important" or "very important" for America's economic prosperity and standard of living. However, manufacturing faces a perception problem, and we are committed to educating the public. For example:

- Manufacturing ranks fifth for Americans when choosing to begin their careers, behind industries like technology, energy and health care; and
- Only 35 percent of Americans say they would encourage their children to pursue careers in manufacturing, despite the advanced skills and above-average pay that are characteristic in today's manufacturing workplaces.

Critical to changing the perception of manufacturing is engaging youth in the advanced manufacturing experience and allowing them to participate firsthand in the high-tech, talent-driven innovation that drives our competitiveness. We have rallied and continue to rally fellow manufacturers to engage with students of all ages, parents and educators, reinforcing a positive message about the exciting career opportunities in our sector.

Click Bond and numerous other companies like it—along with our state manufacturing association and the local Manufacturing Extension Partnership (MEP) funded by the Department of Commerce—agreed to support initiatives organized by The Manufacturing Institute, such as Dream It. Do It. and National Manufacturing Day, both of which showcase the tremendous innovation and technology that our sector brings to the world. The Manufacturing Institute, an organization dedicated to building the manufacturing workforce of today and inspiring the manufacturing workforce of tomorrow, has launched many programs in pursuit of that mission: from its youth-oriented Dream It. Do It. and Manufacturing Day to Heroes MAKE America (which provides opportunities for transitioning service members to earn critical, core manufacturing skills and then match them with new and fulfilling manufacturing opportunities) and STEP Ahead (which works to support the women already in manufacturing to reach new heights and to inspire more women to join them).

Click Bond regularly opens the doors of our facilities to engage with students, parents, teachers and the broader community to show that our shops are clean, high tech and fun. We engage heavily in STEM education initiatives in the K-12 system, and we sponsor scholarships at the local community college for pursuit of a technical program that results in a preferred certification.

The third aspect of our strategy is more internally focused. We have shifted our recruitment and talent development processes to reinforce the demand for the very programs and certifications that we asked to be included in the K-12 and higher education systems. Nevada is now using ACT's WorkKeys National Career Readiness Assessment to assess mastery of foundational skills of reading, math and problem-solving. Instead of requiring a high school diploma, Click Bond now requires at least a "silver" level on that assessment for an entry-level job. In addition, Nevada's community colleges have set up manufacturing technician, machining, welding and other exciting programs that deliver top-notch curriculum and certifications for in-demand occupations. As a result, we now require at least one of those certifications for all our machining and technician jobs. In addition to our recruitment efforts, we are promoting these certifications and programs heavily as a means for advancement and promotion internally to our employees. We offer full tuition reimbursement for any employee who wishes to advance his or her education. Employees who want to earn more money, offer greater value and grow their career trajectory are fully supported in taking advantage of these opportunities, and when they earn those certifications, they experience an increase in pay and opportunities to grow their responsibilities and career path.

One terrific example of the power of our progress is Arturo Martell, a graduate of Carson High School in Carson City, Nevada. Art has been at Click Bond for nearly 12 years. Even though he graduated high school, he had not seen his career advance the way he had hoped. He felt he

was treading water and was unclear as to how he could change his trajectory. He learned about the National Career Readiness Certificate (NCRC) as a potential pathway to career advancement. In one year's time, he successfully obtained an NCRC "gold" level as well as his MT1 credential from the Manufacturing Skills Institute (MSI) through the program at Western Nevada College. Because of his hard work and achievement, he was rewarded with a promotion and has advanced from being a machine operator to join our manufacturing engineering team, implementing technology and automation solutions across the entire business. He has seen his career quickly accelerate. Without the NCRC and his manufacturing technician certification, these opportunities would never have materialized for him. His example has inspired others at Click Bond to follow in his footsteps to further their education and careers.

Click Bond has learned that 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. We are hopeful that the Senate can get it done, and our example shows that it is critical for educators and employers to work together to prepare our next-generation workforce.

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 will also spur growth. 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.

While providing jobs and opportunity are important to Click Bond, we can only continue to do this if we are successful and the economic conditions continue to support manufacturing in America.

Conclusion

The Manufacturing industry in Nevada, and across the United States, is growing and thriving. Nevada may have gone through a particularly difficult recession, but a lot of lessons were learned, and the state has emerged stronger than before with a newfound appreciation for a diversified economy that includes high-tech and high-growth jobs that support manufacturing.

While Click Bond has always been a leader and innovator in the products we design and make for our customers, we continue to improve and seek out new ways to attract and retain the kind

of workforce that supports our ambitions. There is no alternative, especially with a tightening labor market.

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 addressed by companies like ours and with partnerships through organizations like the NAM, The Manufacturing Institute and the Nevada Manufacturers Association. Initiatives we are leading like Dream It. Do It. and National Manufacturing Day are just the beginning and require an all-hands effort—including, as I mentioned, by policymakers—so that the success Click Bond has experienced can be shared by every willing manufacturer.

Technology is going to change some jobs and job tasks 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 you appreciate the difficulties employers face when it comes to developing and retaining our workforce. I thank you for working hard to address them and holding today's hearing.

Thank you again for the opportunity to be here today.