

**Hearing on Jobs and Opportunity:
Local Perspectives on the Jobs Gap**

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
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Hearing on Jobs and Opportunity: Local Perspectives on the Jobs Gap

U.S. House of Representatives,
Subcommittee on Human Resources,
Committee on Ways and Means,
Washington, D.C

WITNESSES

Connie Wilhelm

Chief Executive Officer, Home Builders Association of Central Arizona
Witness Statement

Toby Thomas

President, Austin Electric, LLC
Witness Statement

Brian Potaczek

Mesa, AZ
Witness Statement

Kelly Tessitore

Vice President of Advancement, Jewish Vocational Service
Witness Statement

Heather Terenzio

CEO, Tectonic Group, LLC
Witness Statement

Justin Welner

Vice President Human Resources, Spirit AeroSystems
Witness Statement

Andrew Wells

Director of Workforce Development, The Chicago Urban League
Witness Statement

Tony Girifalco

Executive Vice President, Delaware Valley Industrial Resource Center
Witness Statement

Peter Barrett

Senior Vice President, Marketing and Corporate Development, Smoker Craft, Inc.

Witness Statement



WAYS AND MEANS

CHAIRMAN KEVIN BRADY

Chairman Smith Announces Human Resources Subcommittee Hearing on Jobs and Opportunity: Local Perspectives on the Jobs Gap

House Ways and Means Human Resources Subcommittee Chairman Adrian Smith (R-NE) announced today that the Subcommittee will hold a hearing entitled “Jobs and Opportunity: Local Perspectives on the Jobs Gap” on **Thursday, April 12, at 2:00 PM in 1100 Longworth House Office Building**. This hearing will highlight employers’ demand for workers and the need to get more Americans into the labor force.

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to make a submission, and click on the link entitled, “Click here to provide a submission for the record.” Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of Thursday, April 26, 2018**. For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines

listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days' notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>

JOBS AND OPPORTUNITY:
LOCAL PERSPECTIVES ON THE JOBS GAP
Thursday, April 12, 2018
House of Representatives,
Subcommittee on Human Resources,
Committee on Ways and Means,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:02 p.m., in Room 1100, Longworth House Office Building, Hon. Adrian Smith [Chairman of the Subcommittee] presiding.

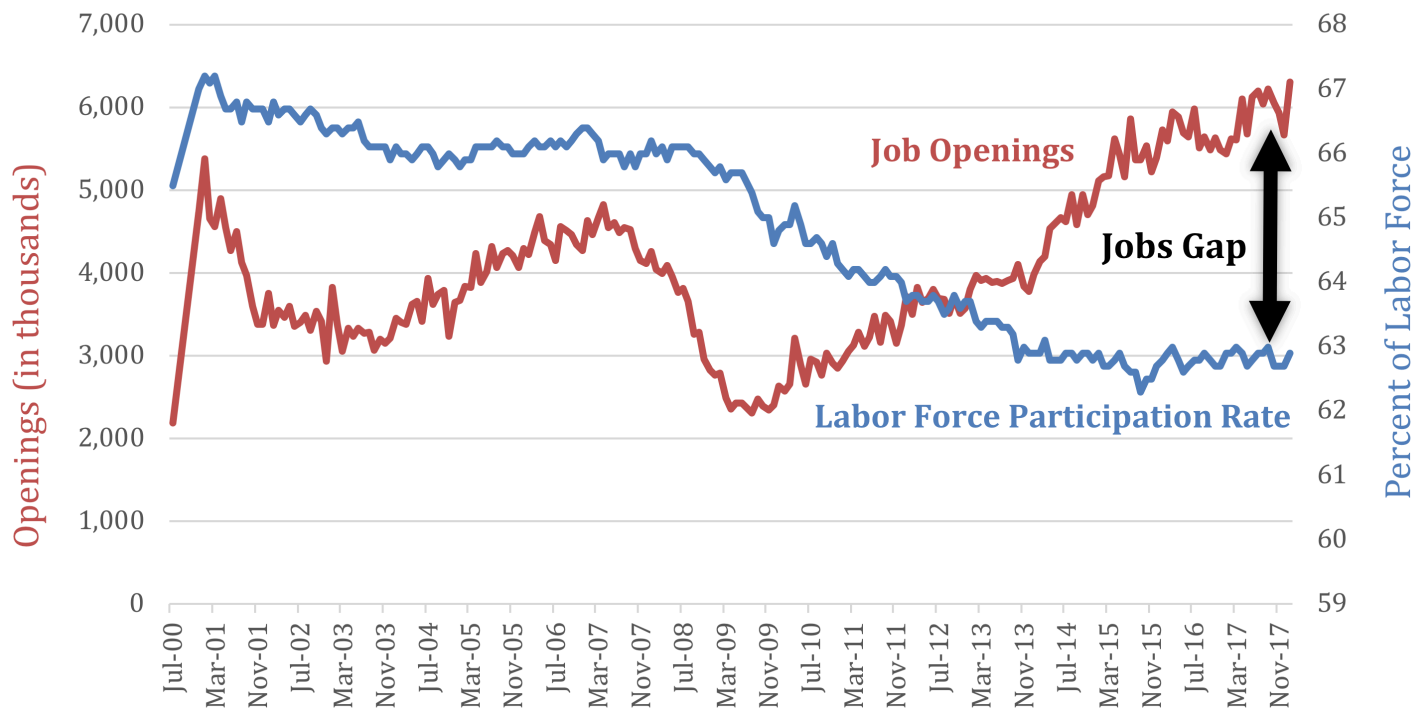
*Chairman Smith. The Subcommittee will come to order. Good afternoon, and welcome to the first in an important series of hearings the Human Resources Subcommittee will be holding to focus on jobs and opportunity.

The purpose of these hearings is to demonstrate how as our economy continues to strengthen following the enactment of the Tax Cuts and Jobs Act, employers' demand for workers is growing and our Human Services programs have a role in supporting the next wave of workers needed to continue this economic growth.

On Tuesday, the President signed an Executive Order directing agencies to seek new opportunities to reorient our welfare system towards economic opportunity. I agree with the President on this matter and appreciate his bringing the right tone at the right time to this conversation.

The "Jobs Gap"

Labor Force Participation Rate and Total Job Openings, 2000-2018



There is a chart here. During these hearings, we are going to be talking a lot about the jobs gap, the difference between employers' demand for workers, shown as job openings in the chart, and the declining number of individuals in the workforce, shown as the labor force participation rate.

The space in the middle separating these two lines is what we are calling the jobs gap. Addressing the jobs gap is about accessing economic growth and opportunity for those on the sidelines of the American workforce. This is particularly important given the healthy labor market and low unemployment rate we are seeing as a result of businesses creating jobs and expanding after the enactment of the new tax law.

Just this week, The Washington Post editorial board highlighted this issue by saying, "American employers in an array of industries, manufacturing, agriculture, trucking, home building, energy, food service, retail, and others are warning a long brewing labor shortage is reaching crisis proportions."

The Wall Street Journal reported if every last jobless citizen in the 12 Midwestern states filled an open job in the region, 180,000 positions would still be left unfilled.

What do employers and job openings have to do with the programs under the Human Resources Subcommittee? A lot, actually. We know when individuals and parents are working full-time, the poverty rate drops to just 3 percent.

We know when workers are matched to employers with the supports provided by programs under the Subcommittee, such as child care, case management, and transportation, that job opportunities and the American dream can become a reality for more Americans.

Last year, the Subcommittee set the stage for this discussion today. Those hearings were about people on the sidelines.

We heard from experts to examine the declining unemployment of working-age men who told us there are more than 7 million men in America not working or looking for work.

We also heard about the troubling trend we are seeing among our youth and young adults, those 16 to 24 years old. We learned that there are 5.5 million not in school and also not working.

This hearing takes the next step to see how this reality is translating for employers and workers at the local level. Now we see employers getting more involved by investing in apprenticeships, training, and helping individuals get connected to supportive services to address barriers to employment.

What is different now is a strong economy fueled by the Tax Cuts and Jobs Act. This isn't about charity or government programs. We will hear from our witnesses there is a strong business case, meaning it is in the best interest of their business to invest in building the workforce.

Today, we will hear from Connie Wilhelm, Chief Executive Officer at the Home Builders Association of Central Arizona. Ms. Wilhelm runs a large Home Builders Association representing employers with growing workforce needs.

As a way to address this, her association has partnered with Arizona correctional facilities to prepare inmates for jobs after release by getting them access to training in the construction trades and addressing needs for transportation, housing, and soft skills.

She is not running a social services agency either. This is a mutually beneficial partnership which supplies home builders with much-needed workers and gives inmates marketable skills they can use to find employment when they are released. It is win-win.

We are also very excited to hear from Mr. Potaczek -- did I get that right -- okay, sorry about that -- the embodiment of the partnerships we are referencing. He is now working as an electrician at Austin Electric after participating in training at the Arizona Department of Corrections' Employment Center. I am grateful to him for sharing his story and helping our Subcommittee gain a fuller picture of the issue at hand.

My top priority for this Subcommittee and this Congress continues to be ensuring greater opportunity for all Americans. This hearing features two panels of witnesses who are experiencing real workforce challenges and have stepped up to show ways we can get individuals back into the labor force.

Today, I am excited to learn from our witnesses about their experiences and what is working in local communities, so we can translate these lessons into better public policies which help families escape poverty and climb the economic ladder.

With that, I recognize Ranking Member Davis for five minutes for his opening statement. Mr. Davis.

*Mr. Davis. Thank you very much, Mr. Chairman, and I want to thank you for holding this hearing. And I believe that this area of work is one of the most important that is needed to be done in our country.

This month marks the 50th anniversary of the assassination of Dr. Martin Luther King, Jr. His work remains unfinished. At the time of his assassination, Dr. King was focusing the civil rights movement on economic justice and the opportunity gap that exists in this country. Indeed, I am proud to represent North Lawndale, the community in which Dr. King lived as he directed attention to the structure barriers that keep groups of Americans poor.

If communities like quality education, economic opportunity is limited. If communities like transportation, affordable housing, and employers offering good jobs, economic opportunity is limited. If communities like substance abuse services or job training programs, economic opportunity is limited.

I hope we can agree that if we have a gap between available jobs and the Americans searching for opportunities, it is our obligation to close the gap by knocking down the obstacles keeping people from work, not by vilifying workers who have fallen on hard times and who need our help to overcome barriers.

The Executive Order the President issued yesterday which instructs agencies to find ways to cut services and basic necessities for people who are poor or don't have jobs is exactly the wrong approach.

For our Subcommittee, the right approach must include addressing structural barriers in the Temporary Assistance for Needy Families programs or TANF. Otherwise, our policies will fail our rural, urban, and suburban constituents who hit these barriers daily and are being left behind.

I work closely with a number of programs in Chicago that work alongside employers to provide real opportunities for people who have been left behind by the labor market and are hitting walls every time they try to get a good job to make a better life. When I talk to these outstanding workforce development programs, I am struck by how few of them get any support from TANF, which is in this Subcommittee's jurisdiction.

TANF provides \$16.5 billion dollars a year in state grants which are supposed to support work and ensure that low-income families can access basic necessities like food and housing. If TANF is not supporting these local education and training programs that lift work, is open to good jobs, and put them on a path to better things, that is TANF's failure and Congress has set TANF up for failure.

TANF includes arbitrary limits on education and training, even though we know a lack of skills and credentials is a key reason why many struggling parents cannot find good jobs.

TANF provides states with incentives to reduce the number of families being helped, but no incentives to knock down barriers or provide real opportunities for parents to find good jobs that will lift their children out of poverty.

And TANF's investment in children and families is shrinking every year, as states divert TANF funds to fill budget gaps, and the federal government funding is not adjusted for inflation.

Right now, TANF is creating additional roadblocks to good jobs for people who are already facing barriers. Our Subcommittee has the chance to make TANF a key to unlocking economic opportunities and continuing Dr. King's work.

I look forward to hearing from our witnesses about how we can lift out of poverty and close the economic gap.

Again, Mr. Chairman, I thank you for this hearing and yield back the balance of my time.

*Chairman Smith. Thank you, Dr. Davis. I appreciate your comments.

Without objection, other members' opening statements will be made a part of the record.

I would like to welcome our first panel of witnesses to the table and recognize Mr. Schweikert for the purpose of introducing his constituents from Arizona.

*Mr. Schweikert. Thank you, Mr. Chairman, though you actually covered part of it.

This is sort of a special occasion for me. Ms. Wilhelm, Connie, is actually one of my oldest friends. Not a comment about age, but I have known her probably the majority of my life. Her brilliant son is actually an intern in our office.

But she is unique in the fact she is running a very large Home Builders Association and is a true pioneer as a woman doing that.

But she also had an amazing vision here of could we reach into parts of our communities that have had a tough time, and in this case those who have been in correctional facilities and bring them into our shortage of labor.

Toby Thomas is the president of Austin Electric. He is one of the partners with Connie Wilhelm and the Central Arizona Home Builders Association in bringing this program together and training.

And Brian -- and it is Potaczek -- Potaczek is, actually I am very proud of him coming here because sometimes walking into a room like this can be somewhat intimidating, but he has a very important story for us to hear. Because as we are looking at the most recent U6 crosstabs, we are actually seeing something amazing happen, and those who have been marginalized, particularly those with felonies, are actually getting opportunities to work, and I believe we are about to hear about a program that is working.

Thank you, Mr. Chairman.

*Chairman Smith. Thank you.

The remaining witnesses on our panel include Ms. Kelly Tessitore -- you are not just saying yes -- okay, okay -- Vice President of Advancement at Jewish Vocational Service in Boston, Massachusetts; and Ms. Heather Terenzio, CEO of the Tectonic Group from Boulder, Colorado.

Witnesses are reminded to limit their oral statements to five minutes. You will see the indicator there. Once you see that yellow light, just kind of bring the flight in for a safe landing and wrap that up by the time the five minutes conclude. So, all your statements will be included in the record.

And so, we will begin with Ms. Wilhelm. You may begin when you are ready.

STATEMENT OF CONNIE WILHELM, CHIEF EXECUTIVE OFFICER, HOME BUILDERS ASSOCIATION OF CENTRAL ARIZONA

*Ms. Wilhelm. Chairman Smith, Ranking Member Davis, and members of the Subcommittee, it is an honor to be with you here today to provide a brief overview of a workforce development program for ex-offenders during their last couple months of incarceration.

I represent the Home Builders Association of Central Arizona. And not unlike other growing markets, the biggest obstacle that builders face in satisfying the demand for new homes is the labor to build them. So, in early 2016, the Association launched a number of initiatives on workforce development, including a partnership with the Arizona Department of Corrections.

The key to our partnership with Corrections is that it is employer-centric. We initially traveled throughout the state holding hiring fairs at prisons with companies representing residential plumbing, electrical, masonry, framing, and drywall trades, seeking inmates releasing into the Phoenix market. Participating employers were required to have paid training programs and be willing to work with this population's unique challenges of parole, drug tests, and transportation.

In March of 2017, as part of a statewide effort to reduce recidivism, Governor Ducey established three Second Chance Centers within the correctional facilities for those inmates releasing in 60 days who had a moderate to high probability of recidivating.

This collaboration between the Arizona Department of Corrections and the Department of Economic Security consists of a 10-week training program to prepare and equip inmates with the career and life skills they need to succeed after release. Since studies have shown that employment is the most direct link to reducing recidivism, job fairs and connecting with employers is a huge part of this effort.

At our first construction job fair at the Second Chance Center outside Phoenix, we found that many inmates had construction experience and others were eager to learn a construction trade. Shortly thereafter, we piloted training for two trades, electrical and painting, at the Center.

The Lewis Second Chance Center is currently expanding for 100 to 275 inmates, and we are expanding our career training offerings from two trades to

six trades at this center. We will now offer training in electrical, drywall, framing, door and trim, masonry, and plumbing. Our employers provide the trainers, curriculum, material, and tools for their specific trade.

Two of the three instructors for the electrical class were former felons, which provided real-life examples of success for the inmates.

While six to eight weeks of training is not a lot, it's enough to familiarize the inmate with the trade, learn how to work safely, and to establish a relationship with the potential employer. Additional training is provided once they are released and employed.

Participating inmates also have the opportunity to earn an OSHA 10-hour card.

Working with this population, however, has not been without its challenges. The majority of inmates are released to a halfway house and are on parole for up to six months, so it is a major challenge to find employers that are willing to take a chance on an ex-offender. We have had several employers join our program only to leave after one bad incident with a former offender.

We have also had employers tell us they don't want the liability of hiring felons. To address that concern, last week, Governor Ducey signed a bill we initiated which helps protect employers from liability solely for hiring an ex-offender.

Without question, the biggest challenge ex-offenders face in the Phoenix metro area when trying to get a job is transportation. Many have suspended driver's licenses because of civil court fines or penalties.

To overcome that obstacle, we worked with the courts to pursue legislation to allow for a restricted driver's license that allows them to drive to work, to meet their parole officers, and to seek medical care. This bill was also signed into law last week.

Since we started our recruitment and job training programs, our employers have hired over 300 ex-offenders and we expect that number to increase significantly with our additional onsite training.

During the five months of piloted training, 80 inmates completed training and approximately 40 percent of them were hired by the companies who trained them.

Since last March, over 817 individuals have graduated from a Second Chance Center and 54 percent of them have successfully gained employment upon release.

Additionally, Arizona has seen a 10 percent drop in released inmates going back to prison on a technical violation and is experiencing the largest drop in the number of inmates in prisons since 1974.

We are excited about the future of this partnership and the opportunity to offer careers in construction to ex-offenders.



Home Builders Association of Central Arizona

TESTIMONY OF CONNIE WILHELM

Chief Executive Officer, Home Builders Association of Central Arizona

Phoenix, Arizona

HOUSE WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES

April 12, 2018

Chairman Smith, Ranking Member Davis and members of the subcommittee. It is an honor to be with you to provide a brief overview of a unique workforce development program that has been successfully initiated in Arizona.

I represent the Home Builders Association of Central Arizona which is a trade association for the home building industry. The metro Phoenix home building market is rapidly expanding. In 2015, there were almost 16,000 residential building permits issued. Last year, there were nearly 20,000, representing a 25% increase in 2 years. All forecasts indicate that we can expect this trend to continue in 2018. The biggest obstacle that our builders face in satisfying the demand for new homes is the labor to build them. So in early 2016, we launched a number of initiatives on workforce development including our partnership with the Arizona Department of Corrections.

Our initial work with the Department of Corrections centered on two efforts. One was to visit the various correctional institutions to see the construction programs being taught by the community colleges. Through these education programs, we initially travelled throughout the State with residential plumbing, electrical, masonry, framing, and drywall companies holding hiring fairs at prisons targeting inmates releasing into the Phoenix area. Participating employers were required to have paid training programs and be willing to work with this population's unique challenges such as parole, drug tests, and transportation. Since most prisons are about 4 hours outside of Phoenix, these recruitment efforts were extremely inefficient and took employers out of their offices for several days.

Another was to connect appropriate employers with Arizona Correctional Industries (ACI), a unique self funded 30 year old business within Corrections that provides "jobs" for 2,000 inmates any given day. Working in a safe, positive work and learning environment, inmates gain skills that will help them secure employment upon their release. We were instrumental in facilitating a contract with one of our framing contractors to have a shift of inmates at their yard building wall panels and roof trusses. Several inmates have since been hired by the framing contractor upon release.

In March of 2017, as part of a statewide effort to reduce recidivism, Governor Ducey established 3 Second Chance Centers for inmates releasing in 60 days who had a moderate to high probability of recidivating. Two of the Second Chance Centers, one male and one female, are in minimum custody

prison complexes outside Phoenix, and one is in Southern Arizona in Tucson. This collaboration between the Arizona Department of Corrections and the Department of Economic Security consists of a 10 week training program to prepare and equip inmates with the career and life skills they need to succeed after release. Inmates are instructed in writing resumes, job interview skills, budgeting, conflict resolution, and counseled about child support and other obligations they may have. Many faith based organizations also provide support for various needs during this program. Since studies have shown that employment is the most direct link to reduce recidivism, job fairs and connecting with employers are a huge part of this effort. The Department of Economic Security regularly hosts job fairs for the inmates at the Centers.

Since its inception, over 817 individuals have graduated from a Second Chance Center and 54% of them have successfully gained employment upon release. Additionally, Arizona has seen a 10 percent drop in released inmates going back to prison on a technical violation and is experiencing the largest drop in the number of inmates in Arizona prisons since 1974.

In April, 2017, at our first construction job fair at the Second Chance Center at the Lewis Prison outside Phoenix, we found that many inmates had construction experience and others were eager to learn a construction trade. Shortly thereafter, we piloted training for two trades, electrical and painting at the Center. Inmates were provided the opportunity to sign up for a training class, they were interviewed by the instructors, and if chosen, they were required to report to class at the designated time. A portion of the electrical training was hands on training with three framed walls that the inmates would take turns running the electrical wires through. The residential painting class spent most of their time painting doors and walls inside the prison complex.

Currently, the largest Second Chance Center is expanding from 100 inmates to 275 and we are expanding our training offerings from 2 trades to 6 trades at this Center. We will offer training in electrical, drywall, framing, door and trim, masonry and plumbing. The Center has provided us a building with 6 training rooms for our classes. We are digging footings for the walls for the masonry class and are building a framed house for the other trades to have areas for hands on training.

Our employers provide the trainers, curriculum, materials and tools for their specific trade. While 6-8 weeks of training is not a lot, it is enough to familiarize the inmate with the basic skills of the trade, learn how to work safely, and establish a relationship with their potential employer. Participating inmates also have the opportunity to leave with an OSHA 10 hour card. Additional training is provided once the inmate has been released and hired.

There were a number of reasons why this population made sense for us. First, 60% of Arizona's prison population is between the ages of 18-39. Due to the physical nature of construction, this age demographic was generally interested in more physically challenging jobs, and many have previous construction experience. Second, inmates recognize the opportunity to enter a career that would allow them to support themselves and their families. Third, when we allow ex-offenders to work we assist individuals become productive members of our communities, we assist our employers to address the labor shortage, and we assist taxpayers and our communities by keeping former offenders out of prison.

Working with this population, however, has not been without its challenges. First, there is the challenge of finding employers that are willing to take a chance on a former offender. We have had employers join our program only to leave after an incident with a former offender. Additionally, we have had employers tell us that they don't want the liability of hiring a former offender. To address that concern, last week Governor Ducey signed a bill which helps to protect employers from liability solely for hiring a former offender.

Without question, the biggest challenge ex-offenders face when trying to get a post-release job is transportation. Many former offenders have suspended driver's licenses because of civil court fines or penalties. If someone wants to go to work, we didn't want this to be an obstacle, so we worked with the Courts to pursue legislation to allow for a restricted driver's license. This bill was also signed into law by our Governor last week.

Over the last 2 years our efforts with Corrections has resulted in approximately 300 former offenders being hired by our participating employers. During the 5 months of piloted training 80 inmates completed training prior to release and approximately 40% of them were hired by the companies that trained them. While we would have liked to see a higher percentage of trainees hired, we saw enough success that it warranted expansion of the program. We also recognized that at the same time we needed to address barriers to employment such as transportation.

We are excited about the opportunities this partnership presents and look forward to growing the program in the coming years.

*Chairman Smith. Great timing.

I understand Mr. Thomas and Mr. Potaczek will be splitting their time, so begin when you are ready.

STATEMENT OF TOBY THOMAS, PRESIDENT, AUSTIN ELECTRIC SERVICES, LCC

*Mr. Thomas. Mr. Chairman, Ranking Member Davis, members of the Subcommittee, thank you for your invitation to speak here today about the workforce development and our work with the Home Builders Association of Central Arizona and the Arizona Department of Corrections.

As the housing market began to recover, we quickly identified that we had a labor shortage. As production demands increase, so too did the shortage of qualified workers.

To grow our business and capitalize on the increase in demand, we began an in-house training program to teach people who want a new career to wire new homes.

In rolling out our training program, we found the single biggest challenge was attracting individuals who wanted to learn a new skill. After an exhausting six-month recruitment effort, we simply could not find enough people with an interest in construction to grow our workforce in the numbers that we needed.

In early 2016, we contacted with Connie Wilhelm and the Home Builders Association. Prior to our introduction, Ms. Wilhelm had been working on several solutions to address the labor shortage. One of her initiatives was to work with the Arizona Department of Corrections.

Over the next several months, we participated in job fairs at prisons across Arizona. Through these job fairs, we were excited to learn that there's an eager population willing and ready to learn a new trade.

Through our partnership with the Home Builders Association and Department of Corrections, for the past 10 months, we have operated a 60-day training program at the Lewis Prison outside of Phoenix.

During this training, we teach wiring, blueprint reading, and other applicable skills. In addition, we teach conflict resolution lessons to improve character building abilities that will not only enhance them in the workforce, but in their personal lives and the community as well.

Today, we have trained and hired 86 former offenders from our training program and have about an 80 percent retention rate.

Although we have had immense success with the program, we have had some challenges. The most glaring are transportation, housing, and proper attire. These challenges can have a direct effect on an individual's ability to succeed on the job.

Then there are the psychological aspects. While trainees are in the program, we have their undivided attention. Once they are released, there are outside influences that could have negative impacts both professionally and personally.

Fortunately, this has been the exception to our program and has led to the workforce expansion that we planned for. More importantly, the program has exceeded all of my expectations with the impact it has had on individual lives and the community at large. We are excited to continue the program and grow our company.



**Statement of Toby Thomas, President
Austin Electric Services, LLC**

**Before the House Committee on Ways and Means
Subcommittee on Human Resources**

April 12, 2018

Mr. Chairman, Ranking Members Davis, members of the subcommittee, thank you for your invitation to speak today about workforce development and our work with the Home Builders Association of Central Arizona and Arizona Department of Corrections.

As the housing market began to recover, we quickly identified that we had a labor shortage. As production demands increased, so too did the shortage of qualified workers. To grow our business and capitalize on the increase in demand, we began an in-house training program to teach people who wanted a new career how to wire new homes. In rolling out our training program, we found the single biggest challenge was attracting individuals who wanted to learn a new skill. After an exhausting six-month recruitment effort, we simply could not find enough people with an interest in construction to grow our workforce in the numbers we needed.

In early 2016, we connected with Connie Wilhelm and the Home Builders Association. Prior to our introduction, Ms. Wilhelm had been working on several solutions to address the labor shortage. One of her initiatives was to work with the Arizona Department of Corrections. Over the next several months we participated in job fairs at prisons across Arizona. Through these job fairs, we were excited to find an eager population willing and ready to learn new skills in the electrical field.

Through our partnership with the Home Builders Association and Department of Corrections, for the past ten months, we have operated a 60-day training program at the Lewis Prison outside Phoenix. During this training, we teach wiring, blueprint reading, and other work skills. In addition, we teach conflict resolution and lessons to improve character building abilities that will not only enhance them in the workforce, but within their personal life and community as well.

To date we have trained and hired 86 former offenders from our training program and have an 80% retention rate.

Although we have had immense success with the program, we have had some challenges. The most glaring are transportation, housing, and proper work attire. These challenges can have a direct effect on an individual's ability to succeed on the job. Then there are the psychological aspects. While trainees are in the program, we have their undivided attention. Once they are released there are outside influences that could have negative impacts professionally and personally.

Fortunately, this has been the exception and our program has lead to the workforce expansion we planned for. More importantly, the program has exceeded all my expectations with the impact it has had on individual lives and the community at large. We are excited to continue the program and grow our company.

STATEMENT OF BRIAN POTACZEK, ELECTRICIAN, AUSTIN ELECTRIC SERVICES, LCC

*Mr. Potaczek. Thank you, Chairman Smith and all members of this Committee for allowing me to speak to you today about programs such as Sunrise Employment Center in Arizona Department of Corrections.

My name is Brian Potaczek and I would like to share the impact this program has had on my life and how it has made me a part of society and helped me regain my family and friends back into my life.

Before completing this program, I can truthfully say that I had no positive direction in life, along with no sense of hope that I could make things better. I never was a drug, I never was a drug user. However, when I was 19, I had all four of my wisdom teeth pulled and was prescribed opioids for pain. The next thing I knew, I was hooked.

Being an avid drug user of prescription pills for six years, I slowly but surely had seen my life declining before my eyes. I ended up losing everything I owned and loved and ended up incarcerated for six years due to the desire to do whatever it took to keep getting high.

After another two more prison stints because of my addiction, I finally came across a program that I desired and wanted more than anything to complete and that was the Sunrise Employment Center in Arizona Department of Corrections.

Many companies came to this Employment Center, but one that truly had me fascinated was Austin Electric. After listening to the guests speak about the criteria and requirements, I quickly signed up for the training program and never looked back.

One thing that caught my attention was how they would talk about the company as a family, and how they would help us out and do whatever it took to make us successful.

In the training program, I learned the tools and knowledge of how to be an electrician, which is something I had never done before and never imagined doing.

Upon my release, I was hired and started work that week. I was given rides to and from work and maintained a job with this company. I started with Austin at \$13 an hour and now I'm making \$22 an hour after seven short months.

I can truthfully say from firsthand experience that this program has made many success stories and only will continue to make more. It instills a sense of hope in the lost, a family for those who need one, and the motivation to be a better person of society.

It is amazing when you can work with others in the program and slowly but surely see their life changing. That is something that always encourages me to stay on the right track.

I never really had goals after being released from prison until I entered the program. Since then, I have rebuilt my trust with my family and friends and have regained their love and encouragement.

Not only have I obtained employment with Austin Electric upon my release, I have also been able to support myself and not become another statistic by going back to prison. I am doing things now that I never thought I would, like going to have coffee with my mom, buying Girl Scout cookies, or just giving back to the community.

Staying out of prison has been the best success story of my life. And every day I wake up, it is a success, and I measure it by that. Every day I am out of prison is something I look forward to. Thank you.

**Statement of Brian Potaczek
Electrician Austin Electric**

**House Ways and Means Committee
Subcommittee on Human Resources**

April 12, 2018

Thank you, Chairman Smith and all the members of this committee, for allowing me to speak to you today about programs such as the Sunrise Employment Center in AZ Department of Corrections.

My name is Brian Potaczek and I would like to share the impact this program has had on my life and how it has made me a part of society and help me regain my family and friends back into my life.

Before completing this program, I can truthfully say that I had no positive direction in life along with no sense of hope that I could make things better. When I was 19, I had my wisdom teeth removed and was prescribed opioids for the pain. Next thing I knew, I was hooked.

Being an avid drug user with prescription pills for 6 years I slowly but surely saw my life declining before my eyes. I ended up losing everything I ever owned and loved and ended up incarcerated for 6 years due to the desire to do whatever it took to keep getting high. After another two more prison stents because of my addiction I finally came across a program that I desired and wanted more than anything to complete, the Sunrise Employment Center AZ Department of Corrections.

Many companies came to the Employment Center but one that truly had me fascinated was Austin Electric. After listening to the guests speak about the criteria and requirements I quickly signed up for their training program and never looked back. One thing that caught my attention was how they would talk about the company as a family and how they would help us out and do whatever they could to make us successful.

In the training program I learned the tools and knowledge of how to be an electrician which is something I had never done before and never imagined doing. Upon my release I was hired and started work that week and was given rides to and from work to maintain a job with this company. I started with Austin at \$12 per hour and in seven short months I am up to \$22 per hour.

I can truthfully say from first-hand experience that this program has made many success stories and only will continue to make more. It instills a sense of hope in the lost, a family for those who need one and the motivation to be a better person of society. It's amazing when you can work with others in the program and slowly but surely see their lives changing. That's something that always encouraged me to stay on the right track.

I never really had goals after being released from prison until I entered this program. Since then have rebuilt my trust with my family and friends and have regained their love and encouragement. Not only have I obtained employment with the same company upon my release I also have been able to support myself and not become another statistic by going back to prison. I'm doing things now that I never thought I would be able to do like buy Girl Scout cookies and meet my mom for coffee.

*Chairman Smith. Thank you very much. A very compelling story. Thank you.

Ms. Tessitore.

STATEMENT OF KELLY TESSITORE, VICE PRESIDENT OF ADVANCEMENT, JEWISH VOCATIONAL SERVICE

*Ms. Tessitore. Good afternoon, Chairman Smith, Ranking Member Davis, and members of the Subcommittee. I am Kelly Tessitore and I am the Vice President of Advancement at Jewish Vocational Service in Boston, which is a non-profit, community-based organization in workforce development.

I began my career at JVS in 1996, the same year as the 1996 welfare reform. And since then, I have designed and operated dozens of programs for low-income populations. I would like to talk to you today about my experience helping people strengthen skills, access jobs, and build careers.

Last year at JVS, we served 15,000 individuals in our skills training, education, and job placement programs, including through our one-stop career center.

Our greatest strength is our deep relationships with employers. We placed job candidates with more than 1,200 employers last year and we worked with 20 more to provide on-site training to 1,600 incumbent workers.

Our employer partners tell us they can't find enough workers with the skills they need, and in many cases, they are facing critical labor shortages. The current low unemployment rate is encouraging employers to look at hiring populations they haven't considered previously, which is great, but employers need skilled workers.

To provide those workers and because we believe that the best way to lift people out of poverty is to equip them with in-demand skills, we partner with employers to build training programs.

Let me walk you through one of our programs. Our pharmacy technician program includes training on medications and anatomy, pharmacy law, hospital basics, customer service, and inventory.

We partner with pharmacy leaders CVS and Walgreens to provide an externship to each participant. These externships give students real-world experience that helps them adjust to work before taking on a full-time job, and they give CVS and Walgreens access to a pool of trained applicants that can meet their skill needs.

The twelve-week program prepares graduates to take and pass the national Pharmacy Technician Certification Exam. We cover the exam fees and our graduates pass the certification exam at higher rates than the national average.

Pharmacy technicians earn \$31,000–44,000 dollars on average nationally per year. Last year, 8 out of every 10 students enrolled in our program were hired. And the pharmacy technician program is just the first step on a career pathway, including pharmacy or nursing school, specialized certifications, or even store management.

Although Pharm Tech and other career pathway programs at JVS are highly effective at moving people out of poverty, they don't serve many TANF recipients. On average, fewer than 10 percent of participants in our programs are on TANF.

We have an excellent relationship with our state TANF authority. We have spent a lot of time thinking together about why TANF doesn't move people into work and how we could change it. I think at the end of the day there are three major issues.

First, TANF emphasizes job placement and de-emphasizes skills, even though we have 20 years of research showing that "work first" doesn't work. Although employers can't find workers with the skills they need to fill their critical labor shortages, the structure of TANF restricts education and training activities. TANF hasn't been updated in 20 years and it hasn't kept up with the way that employers are hiring now, and we need changes that will allow and support skills acquisition.

Second, TANF is overly complicated for both clients and systems to administer. It counts the wrong things and it doesn't focus on work and skill development. TANF has become a benefits processing program focused on preventing abuse, rather than a transitional catalyst to work.

In my 22 years of working with low-income populations, I can tell you that most of the people I have met do in fact want to work, desperately want to work, but they don't want their economic situation to worsen when they leave cash assistance. Earnings from work affect TANF, which affects childcare, which affects housing, which affects food stamps, and the interaction of those things makes work risky, instead of the safer choice for people on public assistance.

We have to change the paradigm about how the benefit programs interact so that they can work together to launch people into economic mobility. I am not talking about growing TANF, but once people are on the caseload, we need to keep them engaged and continuing on a path to self-sufficiency.

If we want people to use TANF as a transitional catalyst to work, we need to change the rules so that we can incentivize work, allow for training and skill development, and make it clear to participants how working will affect their future benefits.

Finally, work requirements. I have operated at least a dozen programs that feature a work requirement, and in all cases, the very real struggle is that compliance becomes the primary deliverable and outcomes take a backseat.

To maximize results, work requirements efforts should one, focus on outcomes, like increasing self-sufficiency rather than outputs like participation hours; two, focus on labor market demand and local employer needs; three, make it easier to align adult basic education, job training, post-secondary education, and support services like childcare and transportation assistance; four, certify programs as compliant with the work requirement rather than counting individual participation hours; and five, coordinate and recognize reciprocal compliance with other programs such as SNAP, WIOA, and Medicaid. Thank you.

**Statement of Kelly Tessitore on behalf of Jewish Vocational Service, Boston, Massachusetts
Before the House Committee on Ways and Means Subcommittee on Human Resources
“Jobs and Opportunity: Local Perspectives on the Jobs Gap”
April 12, 2018**

Good afternoon Chairman Smith, Ranking Member Davis, and members of the Subcommittee on Human Resources. My name is Kelly Tessitore and I am the Vice President of Advancement at Jewish Vocational Service in Boston. JVS Boston is a nonprofit, community-based organization in workforce development. Our tagline at JVS is “Skills Jobs Careers” and that’s exactly how we approach our work. We target our services to unemployed and underemployed working-age adults, to low-wage workers in need of career advancement services, and to the businesses that employ them.

I began my career at JVS more than 20 years ago, the same year as the 1996 welfare reform, and since then I have designed and operated dozens of programs for low-income populations. I would like to talk to you today about my experience helping people strengthen skills, access jobs, and build careers.

At JVS we use a variety of models in skills training (for 8 different sectors), education (including high school diploma, ESOL, and college access programs) and job placement. We operate a one-stop career center AKA American Jobs Center. JVS’s greatest strength is our deep relationships with employers. Last year more than 1,200 employers hired a candidate from us, and we worked with 20 employer partners to provide onsite training (primarily English language training) to 1,600 incumbent workers.

Our employer partners tell us they can’t find enough workers with the skills they need, in many cases creating critical labor shortages. Although the current low unemployment rate is encouraging employers to look at hiring populations they haven’t considered previously, most employers need skilled workers. To give them those skilled workers, and because we believe that the best way to lift people out of poverty is to equip them with in-demand skills, we work with employers to build training programs. We look at the positions they need to fill, and the skills and characteristics that make someone a good match for those positions. Currently we are training in: healthcare, biotechnology, pharmacy, information technology, hospitality, banking, food service, and retail. Let me walk you through one of our programs.

Our pharmacy technician program includes training on medications and anatomy, pharmacy law, hospital basics, customer service, and inventory. We partner with pharmacy leaders CVS and Walgreens to provide an externship to each participant. These externships give students real-world experience that helps them adjust to work before taking on a full-time job, and they give CVS and Walgreens access to a pool of trained applicants that can meet their skill needs.

The twelve-week program prepares graduates to take and pass the national Pharmacy Technician Certification Exam. We cover the exam fees, and our graduates pass the certification

exam at higher rates than the national average. The relatively short length of the program is attractive for adults who may not be able to afford to return to school for longer periods of time and are looking to get into the workforce as soon as possible.

Pharmacy technicians can expect to earn an average annual income of \$31,000–44,000. Last year, eight out of every ten workers enrolled in our program were hired. And completing the pharmacy technician program is just the first step in any number of possible career pathways. Students can build upon their pharmacy technician certificate by going to pharmacy or nursing school, or get more specialized training leading to a chemotherapy or a sterile prep certification. Some of our graduates have gone on to become assistant store managers earning more than \$60,000 annually.

This is one of several career pathway programs, which are highly effective at moving people out of poverty. But our fabulous training programs don't serve very many TANF recipients—on average fewer than 10% of participants are on TANF. We have an excellent relationship with our state TANF authority and we work very closely with them. We have spent a lot of time thinking together about why TANF doesn't move people into work and how we could change it. I think at the end of the day there are three major issues.

First, TANF emphasizes job placement and de-emphasizes skills, even though we have 20 years of research showing that “work first” doesn't work—that job retention is poor and people return to assistance, and that we are still seeing generational poverty (in Massachusetts, more than half of young parents receiving TANF today were also members of a household receiving assistance when they were a child). Even though employers can't find workers with the skills they need to fill their critical labor shortages, the structure of TANF restricts education and training activities. TANF hasn't been updated in 20 years and it hasn't kept up with the way that employers are hiring now, and we need changes that will allow and support skills acquisition. Specifically, the 30% caseload limit, the “non-core” activities designation, and the 12-month time limit on education are major barriers to giving TANF recipients the skills that employers need.

Second, TANF is overly complicated for both clients and systems to administer, counting the wrong things that don't focus on work and skill development. TANF has become a benefits processing program focused on preventing abuse rather than a transitional catalyst to work. In my 22 years of working with low-income populations, I can tell you that most of the people I have met do in fact want to work, desperately want to work, but they don't want their economic situation to worsen when they leave cash assistance. People need help navigating their way to economic mobility, and they need help navigating the effects of earned income as they make that transition.

If we want people to use TANF as a transitional catalyst to work, we need to change the rules so that we can incentivize work, allow for training and skill development, and make it clear to participants and to program staff assisting them how working will affect their future benefits.

Specifically, we should treat income and assets differently, and give careful consideration to how TANF interacts with other systems. TANF affects childcare, which affects housing, which affects food stamps, and the interaction of those things makes work risky, instead of the safer choice. We have to change up that paradigm about how the benefit programs interact, so that the investments we are making in people who are in our public benefit programs can work together to launch people into economic mobility. I'm not talking about growing TANF, but once someone is on the caseload, we need to keep them engaged and continuing on a path to self-sufficiency.

Finally, there is a third issue about how work requirements operate and how they affect a program. It is a myth that work requirements motivate more people to work, although they do motivate more people to focus on their monthly participation reports. I have operated at least a dozen programs that feature a work requirement, and in all cases the very real struggle is that compliance becomes the primary deliverable and outcomes take a backseat. To maximize results, work requirements efforts should include these principles:

Universal compliance: Public assistance recipients are often involved in or eligible for other services, and efforts to help them achieve self-sufficiency should be complementary rather than conflicting. Programs should not set up potentially conflicting participation requirements, and a participant who is satisfying a participation requirement in one program (WIOA, TANF, SNAP, Medicaid, etc.) should be considered to satisfy all others.

Client enrollment in approved program meets participation requirement: Programs should be approved as compatible with the work requirement, and participants enrolled in qualifying programs should be deemed to be meeting the standard. Counting and certifying participation hours for each individual is time-consuming and expensive, and distracts program staff from helping participants build skills and find employment.

Focus on outcomes (increasing self-sufficiency) rather than outputs (participation hours): The goal of investments in employment and training programs is to increase participants' employment and income. Work requirements should promote the achievement of participant outcomes—learning gains, credential attainment, job placement—rather than counting their hours of participation.

Include all services needed in a career pathway model: Career pathway models allow low-skilled individuals to combine work and education while obtaining in-demand training and postsecondary credentials. State policies that support career pathway strategies make it easier to align adult basic education, job training, postsecondary education, and support services like child care and transportation assistance. Work requirements for public assistance recipients should recognize all career pathway components and accommodate these models.

Focus on labor market demand and local employer needs: The focus of workforce development activities should be labor market demand, and developing skills-based solutions to help job seekers meet that demand. Program design must be flexible enough to adapt to regional and local employer needs, and include a range of education, training, and job search activities.

*Chairman Smith. Thank you.

Ms. Terenzio?

STATEMENT OF HEATHER TERENCEO, CEO, TECHTONIC GROUP, LLC

*Ms. Terenzio. Thank you for having me here today to speak about a new way to build talent in high-tech fields. I believe we have an innovative, low-cost way to get Americans to work in high-paying technology jobs without a college degree and without acquiring any debt.

My name is Heather Terenzio. I am the CEO and founder of Techtonic Group, a software development company based in Boulder, Colorado.

I have been the CEO of a technology company for 15 years. Our company works on writing software code for websites and mobile applications. Our clients have been everyone from venture-backed start-ups to Fortune 1000 companies. I have an Ivy League degree and was an engineer, but most of what I learned about writing software I learned on the job.

Over the years, I have worked with other Ivy Leaguers, college graduates, and people with all different kinds of backgrounds. And the one thing that I have learned is that if you have a desire and an aptitude for software development you can be a great software developer.

About four years ago, I was giving a talk at a vocational school in Boulder about careers in software development. And at the end of the talk, a young man approached me.

He said, "Your company sounds so cool. I have been teaching myself to code for 10 years, but I only have a GED, so I can't find a job. But I promise if you hired me and gave me a chance, you would never regret it." And so right then and there, I said, "I will see you on Monday."

And we learned that he had grown up in the foster care system, that his mother was in jail, and he had bounced around a lot as a kid. The one thing

that gave him solace was playing computer games, and teaching himself how to write code, and build his own games.

He absorbed everything we taught him about building software in a production environment and quickly became a contributing member of our team.

About four months into his job with us, he walked into my office and said, "Thank you so much for this job. I am so grateful to be here. You have changed the course of my life."

And I thought, in my 15 years in this industry, nobody had ever said that to me. So right then and there, I said, "Do you have any friends? This is a really interesting thing that is happening here."

It turns out there were a lot of people out there like him. We decided to explore further and called our program an apprenticeship program, and we did this kind of tongue-in-cheek because we were training people using paired program just like a journeyman and his apprentice might in the trades.

We soon realized that apprenticeship had a federal designation and decided to make it official. We worked closely with the Department of Labor to modify the application process to relevant to companies like us and we became an official apprenticeship with the Department of Labor.

We were the first software apprenticeship in the United States. We are still the only one in Colorado and we are still only one of a handful in the whole United States.

For our class now, we have formalized our selection process and our training. For our last class, we had 500 applications for 10 spots. We have now had over 50 apprentices come through our program.

We now offer a service to our clients where they can hire us to build their software, and at the end of our engagement, they can hire in those apprentices as their own. It is a win for everyone. Our clients get their software written with a senior team while we train apprentices. Our apprentices work on real world projects while working towards a career in software development. Our clients can acquire our team of fully-trained and diverse talent as their own full-time employees.

We have had apprentices come through our program who are now working for companies like Lockheed Martin, IBM, Zayo, Pivotal Labs.

Our program is able to attract a more diverse talent pool than a software boot camp or a college because we partner with our local government and foundations to pay our apprentices a salary while they are actually in our program. We are currently 75 percent women, minorities, and veterans, and they are paid a livable wage throughout the entire program.

We recently closed on a Series A round with a likeminded venture fund and we have plans to grow aggressively this program in the next couple of years.

Software development developers are in high demand. Unemployment rates for software developers are under 2 percent. A college degree is not required to be a great software developer. We strongly believe that programs like our apprenticeship are a cost-effective, no debt pathway to a high-paying, middle class job in a desirable field with unlimited career potential.

Thank you for your time and attention here today.

Testimony of Heather Terenzio

CEO, Tectonic Group, LLC.

Boulder, CO

House Ways and Means Subcommittee on Human Resources

April 12, 2018



Tectonic Group

Solving the Software Development Talent Pipeline Crisis

A WHITE PAPER BY THE TECHTONIC ACADEMY



What Everyone In Software Is Talking About *(Except the Solution)*

Software companies are acutely aware that most software development is learned on the job. Even the best students coming out of the top colleges with Computer Science degrees will need ramp time to become proficient in a given technology.

Industry research shows that the average entry-level software developer takes 6-8 months to ramp-up and become a full contributor.

If that weren't enough of a problem, finding top-level talent is even a bigger issue. According to the Bureau of Labor Statistics, the national unemployment rate among software developers and engineers was just 2.5% in the fourth quarter of 2014, compared with a national joblessness rate of 5.7%. Finding talent is a full-time battle and wage inflation is out of control even for entry-level programmers. The problem is only forecasted to get worse. The Bureau of Labor Statistics projects a whopping 22.8 percent employment growth for software developers between 2012 and 2022, which is much faster than average for all occupations. There is also a strong desire to hire women and minorities into technical roles. However, High Schools, Colleges and Boot Camps can't churn out graduates fast enough to fill the void. All this adds up to equal a huge demand for top level software developers.



*Even though the
outlook for our talent
needs appears bleak,
there is a solution.*

*We have discovered an
untapped talent pool
that can be mobilized
to fill the talent gap.*

Techtonic Academy

Developing New Talent Channels

Techtonic Academy was developed to specifically address the talent deficiency in software development. Techtonic Group has a program that benefits our business, our clients, and our community. This is a rare win-win-win situation.

At Techtonic Academy we are proving that anyone with desire and a passion for software development can become successful in this field.

We are specifically targeting young populations that may not have had the means for higher education or chose the military as a career. And we are teaching them how to be great software developers.

For example, today there are tens of thousands of underemployed youth and Veterans who do not have the economic means to attend a software boot camp (which can cost from \$20,000-\$30,000) but have the desire, aptitude, and ability to become software developers. Techtonic Group has created a proprietary system to identify promising developer talent. After qualified candidates complete a rigorous training they are moved into a software development apprenticeship program which gives them progressively more and more complicated tasks. After approximately 6 months, successful Techtonic Group Apprentices graduate to the status of Jr. Developer. During the apprenticeship program they are paid a livable wage and work beside seasoned developers.



*Apprentices have
unprecedented access
to real world learning
opportunities on real
projects with real
clients and deadlines.
And, of course, a fully
stocked kitchen.*

Building a Talent Pipeline for Clients

Not only is this apprentice program beneficial to the Tectonic Group talent pipeline but to clients as well. The Tectonic Academy results in lower client fees and potential new team members for a client's in-house development team. When clients hire Tectonic Group for their outsourced software needs they will always have a senior developer architecting and overseeing the application development. The rest of the team will be rounded out with mid-level and Jr. Developers. Tectonic Group bills out local Jr. Developers at rates comparable to offshore development shops. At the end of an 8 month engagement, clients will have the option to hire those Jr. Developers as their own employees. This gives Tectonic Group clients the opportunity to hire people with knowledge of their systems and Tectonic Academy Jr. Developers the opportunity to advance their career.

“A bachelor’s degree in computer science is a good idea, but a degree alone does not a coder make,” says Heather Terenzio, CEO of Tectonic Group. “Employers look at track records—someone from a great school with no outside coding projects or interesting technical accomplishments is seen as a project that will need ramp up over time. Compare this with someone who is a rock star coder with no degree but a huge list of achievements – that’s an appealing and easy hire.

Clients find that developers coming out of the TGA program are loyal, knowledgeable and have a strong work ethic. Graduates have at least one year of software experience, have seen a variety of real-world development projects, and worked with a variety of tools and technologies. Graduates understand the importance of deadlines, meeting client expectations and working within a real office environment – skills that cannot be taught by any bootcamp or university. Typical starting salaries when clients convert TGA graduates to employees are around \$45,000-50,000 per year.



THE BENEFITS:

1. A solid pipeline of junior and mid-level talent who are contributing team members on their first day!
2. Help a young adult or Veteran a chance at a rewarding and lucrative career
3. Break the cycle of poverty among Colorado youths
4. Hire more women and minority talent.
5. Give back to a veteran who has served our country
6. Gain a loyal and grateful workforce
7. Lower your talent recruiting costs
8. Employees who are trained in soft skills such as being on time, professional dress and office etiquette.
9. “Try before you buy” software developers
10. Developers who understand Agile methodologies



CASE STUDY

Breaking the Cycle of Poverty

"I never would have imagined that a career like this was even a possibility. Techtonic Academy has literally changed my life." Jose is the son of a janitor and lives in a 2 bedroom house with 6 relatives. He went to 1 year of community college with a focus in software development but found the costs prohibitive. Jose dropped out of college and was working at a restaurant when he applied to Techtonic Academy. He was hired as an apprentice and quickly started contributing to his Drupal team. Within 6 months he was promoted to Jr. Developer and was overseeing 2 new apprentices. He is currently an employee of Techtonic Group working on a large, complex .Net project.



CLIENT CASE STUDY

Building Great Software and a Reliable Pipeline Of Employees

A large Health Care technology company in Denver, Colorado has open requisitions for 20-30 developers per year. They have a full time recruiter on staff and retain several expensive staffing search companies. The timeline to find good talent is excruciatingly long. Employees are frustrated and internal morale is low because they are understaffed. They outsourced one of their mission critical .Net projects to Techtonic Group. This particular project required 1 Senior developer, 3 mid-level developers and 4 Jr. Developers. They have since hired 3 of the 4 junior developers. At the client's request, Techtonic Academy has also added 2 Jr. Developers to the team with the intention of hiring them as full time team members. The end result, is that they have a quality software product, that was developed for a reasonable rate, and has added 3 (and potentially more) loyal and trained members to their workforce for less than they would have paid a recruiter. In Techtonic Academy, they have found a reliable source of talent to develop other products within their company.



Who Is Benefitting?

Trailblazing companies already taking advantage of a new way to develop software and recruit talent with Tectonic Academy:



*Chairman Smith. Thank you. Great perspectives. It is exciting to hear success stories, inspiring, in fact, from different perspectives, so I am very grateful.

Mr. Potaczek, again, thank you for being here and sharing your personal story and being open to providing all of us up here with a better understanding of the challenges and opportunities facing individuals transitioning back into the labor force.

One of our Committee's priorities is to ensure that federal programs are providing the right incentives and supportive services to help folks escape poverty and move up the economic ladder. Can you speak a little more about the transition back into the labor force and perhaps even some of the concerns you had upon or during that return to the workforce?

*Mr. Potaczek. Transitioning back into society and working, it is a difficult challenge; transportation, you know, boots for the job, tools. With this program, it has kind of gave me a head start at that. They gave me transportation. They helped gave us work clothes like shirts. The tools, they gave us the tools to get started.

So instead of getting out of incarceration with a lot of things on my mind, I knew that if I just did the right steps, by the time I got out, if I called them and asked to get hired, I would be hired, and I would have a jumpstart on things.

And one of the things that always got me, the times I got out and went back, was I had so much on my plate I felt like that it was hard for me to stay focused. When you are working, and you are -- they give you the tools and whatever you need to work, it was a lot easier for me to stay out there and be part of society with working.

And I noticed that I was working so hard that I didn't have time to want to do anything else. I would go home, and I would sleep, and I would get up and go to work.

And then I noticed that my money started going to good things. It started going to society, it started going to my family, clothing, tools.

I mean, that is all part of, part of living nowadays. It is not -- my time, assets, it was all going to positive things and I have never been able to say that my whole life.

*Chairman Smith. Very good. And can you say again, you were released and then you, the next day, was it, that you reported for work?

*Mr. Potaczek. I was released I think on a Friday and the weekend was -- or maybe it was a Monday. I was released on Monday, and I called up Austin Electric, and I was employed at my interview the next Monday and started work.

So, and that is another thing is I have gotten out before and I have called, I went and applied to 20, 30 places, I mean, fast food, every place you can think of, I never got one call back and it really kind of distraught my mind a little bit.

And I am afraid of failure and I tend to shut down as a human when I see failure, so this program has given me a sense of hope. It has given me a family for me that I didn't have at the time, friends, motivation, inspiration, success.

And I am sitting here today, I thought I would never be here. I mean, you could tell me eight years ago you are going to be sitting in that chair and I would tell you absolutely not.

And the thing about it is the knowledge, you have got to want it. That is the thing. An individual has to want to do the right thing, to be better, to learn more.

And so, and it is on both ends. It is not on, you know, just my end or their end. Working together, and putting something positive into something, and making it grow has done a lot for me.

*Chairman Smith. Very good.

Mr. Thomas, would you care to add anything in terms of maybe the training that took place and how you kind of envisioned being able to use the skills that were required?

*Mr. Thomas. Sure. So, when we started the program when we actually connected with Connie, you know, the first phase of the program was we would go to various Arizona prisons. And the biggest challenge that we had in doing that was most of the inmates that were interested that would come to our table and show interest in our trade weren't getting released until 2021 or 2022. And unfortunately, the problem that we have, the shortage of manpower that we have, it is effective today. It is not a tomorrow problem, it is a today problem.

So, we looked at it and said, well, you know, what would be really ideal would be to actually have a training program while they are incarcerated. So, we started the program and it has been very successful.

You know, at the end of the day, the only requirement we have is that they have to have the desire to want to learn and the ability show up and put their best foot forward each and every day.

*Chairman Smith. Very good. Thank you again for your perspectives.

And in the interest of time, I will now recognize the Ranking Member, Dr. Davis, for five minutes for questions he might have.

*Mr. Davis. Thank you very much, Mr. Chairman. And I must tell you that this is one of the pleasant hearings that I have ever participated in, and one of the reasons is that I have personally spent a great deal of time working with programs like these and to see the kind of success that you have experienced just reinforces my belief that there is much more success to be had.

So, I commend all of you, I thank all of you, and I just know that if we can put into the programs themselves what is needed for people to experience the kind of successes that you have had, and especially when we talk about individuals who have been incarcerated, who have prison records.

Mr. Potaczek, do you still have what is called a record, or have you been able to have anything done with that?

*Mr. Potaczek. I am still -- I have completed parole and I still have a record. I think I will for a while until I can, I guess I don't really know the process to get it dropped, so that is always, I mean, even getting housing or something, it has always been an effect on me with my record, so they can look that up.

*Mr. Davis. Ms. Wilhelm, let me ask you, is there much opportunity that you would expect him to be able to get his record expunged or executive clemency or anything where he will not have a record?

*Ms. Wilhelm. That is one of the things we are looking at right now. We keep trying to remove these obstacles for them as they get out and get released. We have not really looked into that. I know that there are other people in the social justice area that have looked at that type of thing and we

will continue to try to work with them. I think that is a major obstacle that we need to take a serious look at.

*Mr. Davis. Thank you. Ms. Tessitore, you mentioned that work requirements make programs focus on compliance sometimes instead of work. Could you elaborate a little bit on that?

*Ms. Tessitore. Sure. For TANF, we have to complete a monthly form for each person showing the hours attended on each day. A better system would be to ask us – “during this month, was this client active in your program?” And we could say yes instead of spending hours and hours combing through all of our attendance records to compile those.

For ABAWDS who are receiving SNAP, their standard is 80 hours a month and they actually have a restriction on how many hours they can spend in job search versus an education and training component, so we have to count up their hours that are job search and their hours that are education and training.

We pull information from four sources, from our One-Stop database for workshops they have attended, from our client database for meetings we have had with them and other activities, from CRI which is the software they can log into that has a unique user ID and records their time spent doing Career Ready 101, and for their self-certification of the small job search portion.

We compile all of that and then those records must be transmitted securely to the TANF authority, which is not a simple matter either. There are multiple steps on how you safeguard people's personally-identifiable information and transmit securely.

*Mr. Davis. Thank you. Ms. Wilhelm, can I ask you, where do you get your funding? Who funds your program?

*Ms. Wilhelm. The individual employers provide and pay for the trainers, the curriculum, the tools for the program, and our association which is a trade association funded by builders and trades is paying for all of the equipment that is out there.

*Mr. Davis. I will tell you, your stock just went up another, another notch.

[Laughter.]

*Ms. Wilhelm. Thank you. I appreciate that.

*Mr. Davis. Ms. Terenzio, let me ask you the last question. The work is technical that you train people for. How is it received in terms of them being able to get jobs?

*Ms. Terenzio. Well, once they get into our program, as long as they successfully complete the initial class we put them through, we will hire them as a full-time employee with us. And then once they are with us, we will put them on a client project and the client also has the option to hire them as a full-time employee from our program. So, it is actually kind of you get to work with the person before you actually have to commit to hiring them, so it is almost guaranteed.

*Mr. Davis. Thank you very much, Mr. Chairman. I yield back.

*Chairman Smith. Thank you.

Ms. Walorski.

*Ms. Walorski. Thank you, Mr. Chairman.

Mr. Potaczek, thank you so much for coming. You did a great job.

Ms. Terenzio, you say in your testimony you have been successful in taking people that don't have degrees and teaching them to be software developers.

The Subcommittee held a hearing last year examining the 1 in 7 16 to 24-year-olds that are neither in school nor working. We heard stories from groups that help these young people train for, find, and keep jobs and we heard firsthand from one bright young lady who had been through one of these programs.

One takeaway from that hearing for me was that sometimes we put too much pressure on kids to go to a four-year university right out of high school whether they are ready or not, and worse, we imply that anything less is failure. This mindset does more harm than good. The pressure we keep on these kids can lead to failure because they get discouraged, throw up their hands, and say, "I am not smart enough. I am not going to do this, and it is over." So, and maybe they needed a few years of community college, maybe they needed a four-year degree, maybe apprenticeships and trade schools were a better route. Whatever the case, the discouragement leads to discouragement.

I also took away from that the power of human connection, and if someone comes alongside that person, that disengaged person, coaches them, believes in them, all that doubt washes away and they can be successful.

So first, I want to applaud you for working to bring people into an industry that from the outside looking in probably looks like an unclimbable mountain for somebody without a degree.

I want to ask you, what are the untapped talent pools that you look at? How do you engage them? For our most disadvantaged and disengaged people in the shadows, do you think there is hope to be able to connect them to apprenticeships like yours and these other talent pipelines to reconnect to the workforce so they can build a better life for themselves and their families?

*Ms. Terenzio. Thank you. So, the beauty about software development is that if you are a great software developer, once you are in this industry, nobody really cares where you went to school and what your background was. And our office in Boulder is actually, was across the parking lot from the Google office.

And we have a theory that people who come to our office feel supported, see people all around them who came from the jail system or the foster system, all different kinds of backgrounds, and they are succeeding with us. And so, it is very much a culture of if they can make it, so can I. And so, I think it gives people that kind of motivation to know that other people with different kinds of backgrounds can also make it in this kind of career.

And the word in our program has gotten out very quickly. We work really closely with our workforce centers, with non-profits, with foundations all within Colorado. And every time we even just open up on our social media that we have a new class starting, we get instantly 500 applications.

*Ms. Walorski. And pardon me for the interruption, but do you immediately connect them? So, when they come on your program and they may come from that shaky kind of a past where they may not have a whole lot of confidence or feel like they have failed something for no reason, do you connect them with the human interaction then? Is there somebody that is absolutely connected to keep making sure that they are moving forward?

*Ms. Terenzio. Yeah. We do have a mentor system within our company so that you are paired up with people. And actually, you are paired up with somebody who was just an apprenticeship a year before you, so they know where you came from, they have a really close hand knowledge of where they

were just about a year ago and that person is actually responsible for training them up on what they have just learned and getting them integrated into our company.

And we are a for-profit company, so we are pretty motivated to get people integrated and productive as fast as possible. And so, we are putting them on projects, we are exposing them to clients, we are exposing them to work going on within our company, we are trying them out on different kinds of projects because we want them to be working and we want them to be effective really quickly within our company.

But again, it is, I think it is more the culture that we have created of achievement and that everybody from every kind of background can make it with us.

*Ms. Walorski. Interesting. Thank you.

Mr. Potaczek, you mentioned something that struck me because I really believe this, and you are a glowing example. But can you just speak for a couple seconds on, you talked about the employer, the electrician company that you work for was like a family, and what struck you when you -- because you said, you know, you were out for a week, you looked at fast food and all those other places, but when you engaged with these folks, what struck you about that? I mean, did you really see that, "Oh, my gosh, I am actually going to work for the person"? Just, do you have thoughts on that?

*Mr. Potaczek. Absolutely. When they came and visited us, and they got to talk and speak about what the requirements were and what they were looking for, they said that they instill a sense of family in people and I have had nothing but a family orientation with this company. And I am not saying that all companies will bring that. I hope they do, you know. I can't say that.

They have supplied with the tools, I didn't have to worry about the tools. I am getting picked up for work. I mean, I have never had a company that would do that for me.

*Ms. Walorski. Did you feel like on days that maybe, you know, you had questions or whatever, there was a person you could connect to that was not going to give up on you?

*Mr. Potaczek. All the time.

*Ms. Walorski. That is awesome.

*Mr. Potaczek. I have been able to call anyone for help.

*Ms. Walorski. That is awesome. Thank you so much. Thanks to the panel. And I yield back, Mr. Chairman. Thank you.

*Chairman Smith. Thank you.

Ms. Chu.

*Ms. Chu. Thank you.

Ms. Tessitore, thank you for joining us to speak about your successful workforce development program, but I was shocked when you said that less than 10 percent of your participants are on TANF. Many of the programs that have been discussed today provide great opportunities for individuals if they have stability already in other parts of their lives, but what if they don't? Individuals need to have support such as childcare, housing, and transportation in order to come to work and to carry out their duties and that can be difficult.

Say, for instance, in my home of Los Angeles county, the average cost annually of childcare for an infant at a family childcare home is \$9,186 dollars and it is \$8,579 dollars for preschoolers. The average single-family household cost to rent is expected to hit \$1,416 a month, which is an eight percent increase from last year and could only increase I think. At the same time, TANF has not been indexed for inflation, making it increasingly more difficult for low-income people to meet their basic needs.

So how does your program work with others in the community or utilize government resources to ensure that the basic needs of your participants are met while they pursue training and how could TANF be changed to be more effective in this regard?

*Ms. Tessitore. So, thank you for your question. Honestly, programs don't work well to move people off of TANF, resources need to be aligned. In order to move off of TANF, and to move successfully into work, people need some understanding of what benefits and supports will be affected when, and how those things interact. They need to be able to pay a reduced cost for childcare for a period of time, and a reduced cost for housing for a period of time.

We have spent a lot of time, with the TANF authority and other agencies, thinking about what those risky points are for people, what are those points at which multiple things are falling away from you, and that work actually doesn't make sense for you, and trying to put in place things that would help with that.

I think also incentivizing work, so changing the way, and this is something that our TANF authority has proposed to our state legislature, changing the way, maybe disregarding income for the first six months or a higher disregard rate for earned income than for other income that you are considering in the caseload, changing the way assets are considered, looking at the grant amounts and aligning for different categories so that there's not -- you actually get more money if you are not in a work participation program, which unfortunately TANF is so byzantine that that actually is happening to people. A higher benefit amount if you are not work-required is something that is happening.

It really needs to be a thoughtful design so that both the participant and the people trying to help the participant can predict reasonably what is going to happen to their income and their supports as they transition into work, and participants do need support for a period of time.

There have been initiatives like the Secure Jobs Initiative in Massachusetts, which is a partnership between housing and the TANF authority and philanthropy. It was actually started by philanthropy, and then it was picked up by the state legislature to bring together all of the services that a family needs in order to transition successfully out of all of those things and they have done a lot of good work by planning together what those steps are going to be for participants.

*Ms. Chu. And can you say more about the assets? You said something about an asset should be determined differently.

*Ms. Tessitore. Yeah. I think that in, some of it may be specific to Massachusetts, but every state is doing it somewhat differently, the way we, the amount that you disregard for an asset. I think it is that a car is exempted, your first car up to a certain value, but the second car is also in there. So, looking at the asset limits that we allow people to have, they are quite low, so if you have a car worth more than \$2,500 dollars or \$5,000 dollars, you are over the asset limit and illegible. I can't speak exactly.

*Ms. Chu. And what if your client had healthcare needs? I mean, thank goodness we have the Affordable Care Act, but there are some of those who are trying to get into the workforce that could have healthcare needs and mental

healthcare needs. And as a psychologist, I am very cognizant of the fact that there could be a need for services to treat depression or substance abuse. What do you do in that regard?

*Ms. Tessitore. So, I will say that we are very, very fortunate in Massachusetts to have had universal healthcare for many years now and we do not see this as a major problem because we have universal healthcare. So, people would be maybe transitioning from the type of healthcare that they have, but they would not be threatened with the loss of healthcare in Massachusetts.

*Ms. Chu. And for those who have been addicted? Because I think TANF bars individuals from receiving assistance if they have a drug conviction.

*Ms. Tessitore. I can't speak about that. I'm sorry. I don't know.

*Ms. Chu. Well, thank you. I yield back.

*Chairman Smith. Thank you.

Mr. Schweikert.

*Mr. Schweikert. Thank you, Mr. Chairman.

Mr. Thomas, particularly, and maybe this is somewhat unique to Arizona in our Phoenix market, but we actually have jobs desperately looking for workers. Can you first, and I want to walk you around because you will see some of the different views sometimes on the Committee when you have an environment that desperately wants to give you a job, but why have you had such difficulties? Why did you have to move to this level of creativity? What is your environment like? Tell me about the jobs that are still looking for someone?

*Mr. Thomas. Well, I think, and I can't remember who alluded to it earlier, but you know, I think it was Ms. Walorski about, you know, the -- you know, we have created this environment with this younger generation, you know, that without a college degree you have no chance of success in life. And so, I think that there's this, this feeling towards construction for example or against the skill trades that it is, you know, substandard I guess, if you will.

And when we started our training program in mid-2015, one of the biggest challenges we had was simply finding people who were interested in the skill

trades. So, for us, you know, finding a population, you know, that was more than willing and ready to come learn was a great success, right?

*Mr. Schweikert. If you tomorrow could find those willing to either go through the training or had the skill set, how many positions do you think you have or are still available in the Phoenix market?

*Mr. Thomas. Well, in the Phoenix market, I would say it is thousands. For us personally, I mean, we could probably hire between another 200 or 300 and still have capacity for more, to be honest with you.

*Mr. Schweikert. In your top end, I don't know if you would call them a journeyman or those, but how much can a highly-skilled, someone that has been in the profession a decade and learned their craft?

*Mr. Thomas. So, our top guy last year, a field guy, made about \$140,000 a year.

*Mr. Schweikert. Okay. So, there is this really interesting thing, you know, if you are willing to sit down and look at what we call the U6 data in unemployment, we are still just hovering at about what we call a 63 percent labor force participation. We still have as of today's report 1.8 million folks on long-term unemployment and then those who have fallen off. And yet, I hear story after story after story from, you know, my community that we have thousands of jobs and just need people. It is so -- this is -- I am looking for a solution.

*Mr. Thomas. Aren't we all?

[Laughter.]

*Mr. Schweikert. Yeah. Ms. Wilhelm, Connie, what do you see happening with the rest of the Homebuilding Community in the Phoenix market?

*Ms. Wilhelm. Well, I am hoping we are going to continue to expand our program and hire more ex-offenders. It doesn't help to just solve the electrical situation, you know, because we are all part of a system and I need framers, you know, I need everybody along the way so that we are all building our workforce together so that there are no bumps in the road and there is nobody that has to be laid off because the other trade is not there.

So, you know, this is a ready and willing population that I have seen nowhere else. I have been to a lot of job fairs in a lot of different environments and I have never seen the hope and the gratitude that has been expressed by the incarcerated. And you know, I tell you, it is an honor to be able to provide jobs for them.

*Mr. Schweikert. Brian, how do we tell your story to others that may be in a tough position that there is opportunity and hope?

*Mr. Potaczek. I think you could take me to them and I could talk to them and tell them my personal experience.

[Laughter.]

*Mr. Schweikert. You are pretty good at this. Hopefully one day you are not planning on running for my job.

[Laughter.]

*Mr. Potaczek. I feel that seeing gives a lot of faith. You can read a story and not believe it. For others, like I said, I would like to go into the prisons one day and tell them my success story. And that is with the two other trainers that were at the program, they were ex-felons. And to see them and their success stories really made me want to achieve it, and the hope that they have for me and instilled on me, I mean, like I said, it is a family-oriented thing.

*Mr. Schweikert. This is a really uncomfortable question, but I grew up in a household where my mother was a substance abuse counselor, so you know, those sorts of things. What is the key to staying sober? Is it, is it the fact that there is work and opportunity and is it that hope? What do you think the key is for our brothers and sisters out there that have had such a tough time?

*Mr. Potaczek. I love that question. For me, the key to staying sober has been working and seeing how much my family appreciates what I have done for myself. You have got to want it for yourself. You have got to want to be sober. But to see people that I have never met, my family being proud of me and to say they are proud of me, it brings me in tears. I have never been like that.

*Mr. Schweikert. Brian, we are all proud of you.

Thank you, Mr. Chairman.

*Chairman Smith. Thank you.

Ms. Sewell.

*Ms. Sewell. Thank you, Mr. Chairman. And I want to thank all of our panelists. This has truly been a very inspirational, uplifting panel. When I first became a member of Congress, my top priority was job creation. I grew up in my district and my district is in Alabama. It includes Birmingham, and Montgomery, and Selma, my hometown, so it is an old civil rights district.

But the reality is a family of four in my district only makes \$32,000 dollars and the highest unemployment in the state of Alabama is in my district. So being able to figure out ways that I can close the skills gap and get people opportunity is really, really important. In fact, we have made a commitment to do a job fair annually and to move it around my district because Birmingham's needs may be different than the rural parts of my district's needs. And I have to tell you, every time we have had a job fair, it has grown bigger and bigger. More jobseekers and more employers are willing to come.

But so often, the jobs go unfilled, so you get a lot of folks who feel a little frustrated because the skills that are being looked for these days are more, you know, technical and are computer-related. And for someone who has been a displaced steel worker, to tell them to go back and learn something new, it is hard. It really is hard.

So, I guess my question -- I have two questions. Ms. Wilhelm, I actually have a really great homebuilders association in Alabama. They are awesome. They have an apprenticeship program. But how do I encourage them to branch out and actually take a risk and hire felons?

*Ms. Wilhelm. Tell them to call me.

[Laughter.]

I would be happy to share our experiences with them. And that is one of the reasons we wanted to come today because, you know, hopefully we can be a model for other areas, and that you do have to take a chance, and it is worth it.

*Ms. Sewell. So how did you convince the homebuilders in Arizona to do it? I mean, did you, did you guys purposely decide to do a second chance?

*Ms. Wilhelm. I had, I have been there for a number of years working with them. And every board meeting, I would hear, "We need workers, we need workers, we need workers," and I was running out of options. I had been to refugee relocation agencies. I had been to a lot of high schools and everything.

We were moving, and I ran across a binder where I had participated in a task force with corrections. And I remember that I had gone and seen some of their construction programs, so I just called them up.

*Ms. Sewell. Did you?

*Ms. Wilhelm. And said, "I would like to see what you are doing in the prisons. I would like to bring some of my trades out and look at what you are teaching them."

*Ms. Sewell. Was there resistance from your trades?

*Ms. Wilhelm. I had to talk to them about the opportunity. I don't know that I would say there was -- there was hesitation, certainly. I mean, we are going into a correctional facility, you know.

*Ms. Sewell. But success breeds success, obviously.

*Ms. Wilhelm. Yes, yes. But it was definitely worth it. And you know, what is really important is that you have a really strong commitment by the employer, and they were all in. I mean, they had to have a paid training program, they had to understand how it is to work with this population and that the challenges are a little different; be able to work with us to try to overcome those challenges.

*Ms. Sewell. What do you think is the biggest barrier as a -- so I am sure you had strict requirements of who can come into your program, were you, were some of the requirements barriers in and of themselves?

*Ms. Wilhelm. From the employers' standpoint?

*Ms. Sewell. Yes.

*Ms. Wilhelm. They had to have a paid training program because we were going in and trying to give these women and men hope, and a lot of them didn't have the skills but we still wanted them in. It was very interesting because as we did our hiring fairs, we heard from a lot of them telling me, "Oh, I used to

work for so-and-so. Are they still in business?" So, it was very enlightening for us to see that there was a lot of skill there that we wanted to capture.

*Ms. Sewell. Mr. Thomas, so how did your company decide to participate in a program and what are the requirements of that program? I really want to try to encourage the employers that I represent back home to take a risk.

*Mr. Thomas. Well, and that is what it is. I mean, it definitely is an investment.

*Ms. Sewell. Not a risk but an investment.

*Mr. Thomas. I mean, and that is the way we -- that is the approach we took is that it is an investment, you know. We are either going to pay today or we are really going to pay tomorrow. So, for us, it was really, it was an easy sell. I mean, it was, look, it is a great population. They are healthy and willing to try this, you know, to try our trade.

*Ms. Sewell. What is your success rate? I mean, not everyone is going to be brought in.

*Mr. Thomas. We have had about an 80 percent retainage rate, which is, by all standards, is a fantastic rate.

*Ms. Sewell. 80 percent? That is great. Absolutely.

Well, Brian, you are truly an inspiration and I just want to encourage you to tell your story because no one can tell your story better than you, but your story speaks to so many people's, you know, barriers and their own, their own roadblocks. So best of luck in everything.

*Mr. Potaczek. Thank you, thank you.

*Chairman Smith. Thank you.

Mr. LaHood.

*Mr. LaHood. Thank you, Mr. Chairman. And I want to thank the witnesses for being here today for this important hearing and for your testimony.

In a prior life, I spent 10 years as a state and federal prosecutor. And I am not proud of it, but I sent a lot of people to prison and jail, and I know that system very well. And I also served in our state legislature in Illinois and was very involved with criminal justice reform.

We have talked a lot about how we find that balance between safety of our community, letting people out of prison early, getting them back into our communities, but also protecting society, and that political balance has been difficult. And frankly, we haven't had much success in doing that at the federal level with criminal justice reform.

And you know, in the state of Illinois, our goal with our criminal justice reform was to get 25 percent of our current state prison population out and figure out how to do that, particularly non-violent offenders. And again, everybody wants to be tough on crime when you run for office, and so finding that balance. And so, I am listening to your testimony today, and particularly Brian, your testimony, and trying to find that right balance.

And Mr. Thomas, I read that I think you have 86 former offenders working for you and you have had, as you just mentioned to Ms. Sewell, an 80 percent retention rate. And I wonder if you have suggestions on that balance between protecting our citizenry and safety, but also giving people a chance.

*Mr. Thomas. Sure. So, you know, you had mentioned, you know, the safety factor. You know, I mean, obviously, we want to protect our communities. The best way to protect them is to give them purpose, you know. And so many of these inmates that I have had interaction with over the last, you know, 18, 24 months, the biggest thing was just the fact that they wanted somebody who believed in them.

Most of the inmates that we have hired, they are not bad people. Let me rephrase that. All of the are not bad people. They have made some poor choices in life. I think the best way to serve them is to give them that belief that they can do it. We have also made it a point that, you know, all of our managers have a touch on them at least every day to some degree.

So, I think to answer your question, it is really about just giving them purpose I think ultimately it is going to create the safety for our communities.

*Mr. LaHood. Well, I tend to agree with you. Being wanted or having a purpose is a big part of that. I am curious, you mentioned that your managers interact with them. Obviously, we have a parole system as Brian mentioned

earlier. We have lots of integration systems. I am curious, do you feel that your managers are much more involved in aspects of their life or is it just related to what they do work-wise?

*Mr. Thomas. Oh, no, it is absolutely, if they have any issue that they are dealing with, whether it is personally or professionally, they are there to mentor them really, in essence, is what they are there for.

I do think it is more effective just from an employer's perspective just in the sense that it is more personable. You know, the parole board or the probation officers that they see, you know, those are just individuals that are there to do their job, to make sure that they are staying in line, whereas our managers are more, are there to support them, you know, in their personal life as well so there is a significant difference.

And I think that has really, truly been one of the successes of this whole program is that it is not just teaching them a trade. It is, you know, they are mentoring them. And I can tell you, I have had a number of managers come to us and just tell us how it has impacted their lives personally as well. You know, they feel like they are really doing something beyond just themselves or just for the company.

*Mr. LaHood. And it sounds like from what you are saying and a little, in some ways, they are kind of a life coach, right, on some of those core decisions that are being made.

*Mr. Thomas. Exactly made.

*Mr. LaHood. So, I am curious on that. I mean, do you give them training, your managers, or how do they acquire those skills to engage in that?

*Mr. Thomas. No, I don't give them the skills personally. I mean, you know, obviously, it is something that we, that we meet once a month and have a discussion around, you know. Some of the managers will bring to us, you know, maybe some of the problems that some of the particular inmates are having and we kind of all work together to come with a viable solution for them. We have had individuals that couldn't find housing, so we stepped up and we basically paid for their housing to get them over the hump. So, it is a combination of I think a lot of different things.

A lot of it is just learning on the fly, you know. A lot of these guys are just learning it as they are -- because everybody is a different case, right? I mean,

everybody is an individual, so all the problems are individually different too, so --

*Mr. LaHood. Well, thank you for what you do, and for trying to help your community, and for sharing here today. I appreciate it very much.

*Mr. Thomas. You bet.

*Chairman Smith. Thank you. Amazing background.

Oh, sorry, one more. My apologies.

*Mr. Bishop. Wow.

*Chairman Smith. Mr. Bishop is recognized.

[Laughter.]

*Mr. Bishop. I am a low man on the totem pole. I won't be long.

First of all, thank you all for being here today. I am grateful, and we are all benefitted by your testimony. In my previous life, I was a prosecutor. I have been in and out of courts and had some time to spend in the prison system with folks, not personally, but in my role as a prosecutor.

I don't know that there are any services within the prison system that will prepare folks, inmates, from leaving. And I am wondering, Brian, what would it have been like if you had left without this, this transition into this beautiful opportunity that you have had?

*Mr. Potaczek. I had already had results with being released and being reincarcerated because I didn't have job stability. I mean, for me, that is what it comes down to is job stability and everything else comes past that, paying your fines with work, clothing, dental, health insurance, not using access, or I mean, it is just, it is better. For me with the job stability, everything else just kind of fell in place after that.

*Mr. Bishop. That hits close to home for me because I have got an 18-year-old at home too and he just had wisdom teeth out, and he came home with a prescription for an opioid. And I didn't, I purposely did not fill it because I just thought it was incredibly, let us just say, negligent on the part of our doctor for the doctor for having prescribed it. It was way over prescription, as far as I was

concerned. But I know what happens all the time and this is a message that we need to get out to a lot of parents who are in the same situation.

But I wondered if I might ask the panel, there is a study by a Princeton economist, Alan Krueger, and he found that the increase in prescribing rates can account for between 20 and 25 percent of the approximately 5-point drop in labor force participation between 1999 and 2015. Is that real?

This is where the opioid crisis and the job issue interact. It is amazing to me that that is indeed an issue and it is that big of an issue. So, I don't know, does anybody feel inspired to answer that question?

*Ms. Wilhelm. I would be happy to talk a little bit about our experience. I would say probably 90 plus percentage of the people we interact with are incarcerated for some drugs or drug-related offenses and it is a huge problem.

And I think one of the reasons that sometimes they are not successful even after they know they have a job getting out, just actually showing up and whatever, is that intervention into them going and starting to use again, so it is a huge crisis. And then sometimes they will work for a week, get their first paycheck, and they are gone, and they are out buying drugs again. So, no, we see it every day, not just in this population, but in the workforce certainly.

*Mr. Potaczek. My experience with it, you know, I got my wisdom teeth pulled and I just started doing the pills. I was coming from a good family, my mom is supportive, not on drugs, came from a good community, and that spiraled me down and I lost everything just from that. I lost my job, so I believe in it. I believe there is others out there and I believe it is affecting our communities really, really bad. And I have seen it firsthand experience and I have had experiences with talking to other inmates about the same stories, how it just gets out of control.

*Mr. Bishop. That is incredible testimony. And I have heard the same thing, I just didn't know it was at this level, that it had had that kind of impact.

Ms. Terenzio, you have a program that you participate in called Skillful. And the Skillful, I think it is the Skillful State Network?

*Ms. Terenzio. Mm-hmm.

*Mr. Bishop. Can you share with us what that is about? It sounds like a very interesting program for states.

*Ms. Terenzio. Yeah. Skillful's mission is to have employers consider employees based on their skills, not necessarily their background and degrees. And so, we work with them pretty closely as a model of basically what a company can look like if you consider people just based on what they can do and not necessarily what their pedigree looks like.

And so, we helped them kind of get the word out. We are a case study for them. We support each other, you know, through literature and speaking engagements, and so we have worked pretty closely with them just in kind of getting the word out to other employers about what you can do if you don't just consider degrees on every job application.

*Mr. Bishop. So how many states are you in and how is this funded?

*Ms. Terenzio. Our particular program or Skillful?

*Mr. Bishop. Skillful.

*Ms. Terenzio. Skillful is an offshoot of the Markle Foundation based out of New York City and they are just expanding. But we just, we partner with them. We are not a part, we are not actually Skillful, so we are just an apprenticeship program through the Department of Labor.

And we are currently in Colorado, but we are looking, we are looking at rural-sourcing kind of jobs, so we are also looking at creating opportunity in rural areas where we can use our apprenticeship program to train people and maybe instead of Silicon Valley or going to India for software development, they actually go to rural parts of America to write their software.

*Mr. Bishop. Fascinating. Thank you very much.

*Chairman Smith. Thank you. So, you are saying someone could show up with a Nebraska Huskers attire on and still get a job in Boulder, Colorado?

*Ms. Terenzio. Correct.

[Laughter.]

*Chairman Smith. Very good, very good. Thank you so much. Really, your insight, your perspectives, and these are great stories. Thank you again, Brian, for sharing your story and for all of you.

It involves everyone here, the complexities of the system that we need to look at, and I think this hearing is particularly instructive for us as we try to work together to move forward for the betterment of our country through the betterment of individuals and some second chances, or third, or fourth from time to time as well. So, thank you very much for your participation here today. Thanks.

We will now focus on the second panel of witnesses.

So, as we are shifting positions here, I will say that unfortunately one of our witnesses was unable to attend today, a Mr. Tony Girifalco, and he is the executive vice president of the Delaware Valley Industrial Resource Center in Philadelphia, Pennsylvania.

I do ask for unanimous consent that his written statement be made a part of the record.

Without objection, we will do that.



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House Ways and Means Human Resources Sub-Committee

**Testimony by
Tony Girifalco
Executive Vice President
Delaware Valley Industrial Resource Center
Philadelphia PA**

Chairman Brady, Subcommittee Chairman Smith, Subcommittee Ranking Member Davis, and members of the subcommittee, it's a privilege to provide testimony before this distinguished body on today's issue—Jobs and Opportunity: Local Perspectives on the Jobs Gap. I suspect that some of what I offer is well-known by many of you. Still, I hope these notes add some value to this important discussion.

I work for the DVIRC—a regional economic development organization with a public purpose: to support the profitable growth of small and mid-sized U.S. manufacturers. Our **mission** is to strengthen regional manufacturing companies by helping them continuously improve their competitiveness and profitable growth. We are affiliated with the national [Manufacturing Extension Partnership](#) (MEP) program supported by the U.S. Department of Commerce and the Commonwealth of Pennsylvania. The MEP program is a national network of organizations such as DVIRC that provide a wide range of technical resources, consulting, and training and education to small and medium-sized manufacturers (SMMs). In most instances companies pay for these services; in some instances they are offered through a cost-share model.

Our center supports manufacturers through three practice areas: **customized consulting** (business management, operational excellence, and top line growth), **training and education**, and **executive network groups**. Our clients are independently surveyed to assess our performance and value-added impact. Since 1988 we have served more than 2,000 manufacturers and generated over \$2 Billion in client impact. I have been with the company for almost 30 years.

In this brief I offer some of the research I've come across, a local perspective, and some observations based on working directly with the workforce system and schools to increase the talent pool and engage targeted populations.

The Greater Philadelphia region is one of the densest manufacturing regions in the country. The regional tri-state market has over 14,000 manufacturing businesses and over 16,000 manufacturing-related businesses within a 50 mile radius of Center City Philadelphia. Many of these manufacturers are DVIRC clients and finding the right talent has been their top concern for over the past 20 years. We've been tracking regional on-line job postings for manufacturing for over two years and there have been



over 2,500 openings every month; last month there were over 3,000 openings.¹ These openings represent positions in all parts of the company: production, management, finance and accounting, IT, sales, etc. And those 3,000+ openings are only for the five counties of Southeastern Pennsylvania!

We also hear from our clients some of the **challenges associated with recruiting and hiring**. Too often we hear about applicants failing drug tests, or companies testing dozens of applicants only to find a few with the 10th grade reading and math levels they need to go through training and orientation. Too often, applicants that don't make the grade here and channeled to lower paying career paths instead of being offered remedial education that could get them up to speed fairly quickly. And with the emergence of new advanced technologies the bar for entry will only get higher. The importance of manufacturing to regional economies has been well documented and cannot be overstated.

In its 2015 report *The Skills Gap in Manufacturing*, the Manufacturing Institute reports that "(e)very dollar spent in manufacturing adds \$1.37 to the U.S. economy, and every 100 jobs in a manufacturing facility creates an additional 250 jobs in other sectors."²

In the same report, the authors note that: "Over the next decade nearly 3 ½ million manufacturing jobs likely need to be filled. The skills gap is expected to result in 2 million of those jobs going unfilled."³

While there are outstanding programs being developed and offered through state and federal programs, resources, and agencies, I'm hard pressed to find a national strategy that deals with the multiple dimensions of the problem. Through the Department of Labor, the Workforce Investment Act has made some strides in creating training programs that are "employer-driven", and many Workforce Investment Boards are doing some innovative and effective things. Still, the education system in our region (which is substantial) always seems to be "catching up".

According to the Employment and Training Administration, the President's FY 2018 budget request was submitted to Congress. ETA's request for FY 2018 totals \$7.66 billion."⁴ The investment is still

¹ Data is from from The Conference Board *Help Wanted OnLine*TM data set, courtesy PA Department of Labor & Industry.

² <http://www.themanufacturinginstitute.org/Research/Skills-Gap-in-Manufacturing/Skills-Gap-in-Manufacturing.aspx>

³ Ibid

⁴ The public workforce investment system is a network of federal, state, and local entities that support economic expansion and develop the talent of our nation's workforce. Businesses and job seekers primarily access services through nearly 3000 federally-funded One-Stop Career Centers. Required One-Stop partners include the Adult, Dislocated Worker, and Youth programs, Adult Education, and Post Secondary Vocational Training under the Workforce Investment Act of 1998, Wagner-Peyser-funded employment services, Unemployment Insurance, Trade Adjustment Assistance programs and benefits, and other employment and training programs such as the Senior Community Services Employment Program, Jobs for Veterans State Grant programs, the Indian and Native American Program, the National Farmworker Jobs Program, Community Services Block Grants, Employment and training activities by the Department of Housing and Urban Development, and Job Corps. Additional human



substantial, though down about \$2 billion over the past five years. Part of the challenge for local WIBs is that state and federal resources are typically tied to special populations, instead of being offered as block grants.

A new report⁵ from the [Information Technology and Innovation Foundation](#) suggests that it is time to revise workforce development and education policy. The author argues that new **advanced technologies** such as Artificial Intelligence, Robots, and Automation “**will provide a tremendous boost to society and their development should not therefore be slowed down** to protect a relatively small number of workers. Instead, much more should be done to help those people adapt.” (Emphasis added)

One key point Dr. Atkinson makes is that a “major risk to the global economy is not too much disruption, but too little. In other words, the risk is that productivity will grow too slowly. Therefore, it is critical that policies not hinder technology-led creative disruption.”

The report—*How to Reform Worker-Training and Adjustment Policies for an Era of Technological Change*—goes into depth on three principles for effectively managing this new transition:

1. Embrace the next technological wave
2. Support a full-employment economy
3. Focus on helping dislocated workers make speedy and successful transitions

The report offers insight into the implications of the disruptions that come with the 4th Industrial Revolution. For the complete report, [click here](#).

Following below are a few “headwinds” and “tailwinds” that are blowing on the issue.

HEADWINDS

The headwinds are strong, including a **20+ year disinvestment in technical education**. We’ve seen the erosion of Career and Technical Education (CTE), particularly manufacturing-related CTE programs, throughout our region. A recent (February 2018) report by [Advance CTE](#), documents the decline of federal funding for the federal Perkins appropriation, which funds CTE nationwide: “Between 2004 and 2017, Perkins funding declined by over \$116 million dollars, the equivalent of 427 million inflation-adjusted dollars.”⁶

resources program partners include transportation, Temporary Assistance for Needy Families (TANF), and USDA Supplemental Nutrition Assistance Program (SNAP) Employment and Training Programs.

<https://www.doleta.gov/budget/>

⁵ See http://www2.itif.org/2018-innovation-employment-workforce-policies.pdf?_ga=2.83536534.1609185863.1519373644-2139559703.1519373644

⁶ https://cte.careertech.org/sites/default/files/Funding_CTE_American_Imperative_2018.pdf



While progress has been made, **CTE still suffers from the stigma that it is “something less”** than a 4-year college degree. And while most 4-year college degrees are good, they have been over-valued at the expense of other alternatives, never mind the resulting student loan debt crisis...perhaps a topic for another subcommittee.

Much has been written about the **misperception of manufacturing** and manufacturing careers—the so-called image problem. The Manufacturing Institute/Deloitte 2017 Report⁷ on the Public Perception of Manufacturing documents some of the progress that has been made over the past several years...but the problem persists. Another useful report by the Institute, prepared in partnership with [Skills USA](#) and the [Student Research Foundation](#), is *Attracting the Next Generation of Students—The Role of Career & Technical Education*.⁸ This is worth a close look since there’s not much we can do about the generation we lost.

One of the most recent headwinds is the acceleration of new, **advanced manufacturing technologies**—3D Printing, Robotics, Data Analytics, The Internet of Things, Advanced Materials, etc. These, and others, have created challenges for both schools and employers, both of which are trying to fashion programs and approaches to articulating and developing the cross-functional skill sets required by industry to put these new technologies to work.

Program Sustainability. This has been and continues to be a challenge. Federal resources have contributed to building some successful manufacturing education and training programs, and outreach and awareness dollars have been built into the budgets to recruit individuals into those programs. Often, however, after the completion of a grant period (2-3 years in most cases) there are no residual dollars to continue the **“hand-to-hand combat” recruiting** required to continue to fill those classes.

TAILWINDS

Luminaries. Stars such as [Mike Rowe](#) (numerous videos and articles) and [John Ratzenberger](#) (Made in America series for the Travel Channel) are having a positive effect on changing the image of manufacturing and manufacturing careers. More must be done.

Apprenticeships. One federal bright spot is funding in the Department of Labor’s Office of Apprenticeships: the President’s 2019 budget calls for \$200 million for apprenticeships. Manufacturing will get its share but still, these take time to develop and put in place. And they’re expensive and a challenge to install, especially for smaller firms.

⁷ <http://www.themanufacturinginstitute.org/Research/Public-Perception-of-Manufacturing/Public-Perception-of-Manufacturing.aspx>

⁸ http://www.themanufacturinginstitute.org/Research/Other-Institute-Reports/~/_media/24ECD17A43324F7696BF758A9A116B6F.ashx



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Manufacturing Day. Nationally, [Manufacturing Day](#) is gaining more momentum every year since its inception in 2012. The number of Manufacturing Day events has grown 1000% since then. In 2016, Manufacturing Day affected 595,341 participants, including 267,607 students.”

“Manufacturing Day is an annual celebration of modern manufacturing during which manufacturers invite their communities — including students, educators, businesspeople, media, and politicians — to their facilities in a collective effort to educate visitors about manufacturing career opportunities and improve public perceptions of manufacturing.” You can read about some of the success stories [here](#).

Manufacturing Summit. As part of our annual Summit we bring **students from middle schools, high schools, and universities** to see and hear from manufacturing leaders who speak on a variety of topics important to the manufacturing community. These “out of school” enrichment opportunities are few and far between but are extremely effective in broadening students’ perspectives and their academic and career options.

Dream it Do It. In 2005, the Manufacturing Institute launched the [“Dream It Do It”](#) initiative to begin to change to perception of manufacturing. By 2015, the initiative reached some 426,000 students.

What’s So Cool About Manufacturing? In Pennsylvania, [What’s So Cool About Manufacturing](#) is an annual video contest designed to excite students across Pennsylvania to explore cool manufacturing careers and produce profiles of companies. Each contest features an online vote for its Viewers Choice Award. Started in the Lehigh Valley, the contest has taken root in a dozen other regions in Pennsylvania involving hundreds of schools. The contest format also has been adopted in [11 additional states](#).

Industry Partnerships. The Pennsylvania Department of Labor has been funding [Industry Partnerships](#) for about a decade. They bring together multiple employers, educators, economic development organizations, and workers or worker representatives when appropriate, in the same industry cluster to address common or overlapping human capital needs. While helping employers largely with incumbent worker training, many of these partnerships are now trying to influence the educational pipeline to create more human capital with the skills their companies need. In Southeastern Pennsylvania, the Philadelphia Workforce Investment Board (Philly Works) has been managing a successful Industry Partnership for nearly a decade, helping manufacturers with incumbent worker training and, recently, developing a “Manufacturing Boot Camp” to prepare people for entry level manufacturing positions.

National Science Foundation Advanced Technological Education program. This is a strong program worthy of aggressive investment. “With an emphasis on two-year colleges, the [Advanced Technological Education \(ATE\) program](#) focuses on the education of technicians for the high-technology fields that drive our nation's economy. The program involves partnerships between academic institutions and industry to promote improvement in the education of science and engineering technicians at the undergraduate and secondary school levels. The ATE program supports curriculum development;



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professional development of college faculty and secondary school teachers; career pathways; and other activities. The program invites research proposals that advance the knowledge base related to technician education. It is expected that projects be faculty driven and that courses and programs are credit bearing although materials developed may also be used for incumbent worker education.”

I would be glad to participate in a broader discussion about these issues and to contribute to a root cause analysis exercise that leads toward a strategic approach that gets individuals ready for these jobs and helps companies find the human capital they so desperately need.

I hope these notes are useful and I thank you for this opportunity.

*Chairman Smith. I now recognize Ms. Jenkins for the purpose of introducing her constituent from Kansas.

*Ms. Jenkins. Thank you, Mr. Chairman.

It is my pleasure to introduce Justin Welner from Spirit AeroSystems based out of Wichita, Kansas. Spirit AeroSystems designs and builds aero structures for both commercial and defense customers and is the largest private employer in my home state of Kansas.

Mr. Welner serves as Spirit's Vice President of Human Resources and Environmental Health and Safety department. He has worked for his entire career in the aerospace industry, having previously worked for Bombardier Learjet, where he served as Director of Human Resources in addition to holding numerous other leadership roles during his nearly 20 years with the company.

Mr. Welner, thank you for being here today. We are looking forward to hearing your expertise in this subject area. Welcome.

I yield back, Mr. Chairman.

*Chairman Smith. Thank you, Ms. Jenkins.

Dr. Davis for the introduction of your constituent.

*Mr. Davis. Thank you very much. And it is my pleasure to introduce Mr. Andrew Wells.

Not only am I pleased to do so because of his expertise and knowledge, but he also grew up in the community where I live, which is on the west side of Chicago which is known as one of the most poverty-stricken areas in the country, an area where the riots occurred after the assassination of Dr. King and an area that has been called a microcosm of what is wrong with urban America, and that has been for many years.

The Chicago Urban League has been around since the early 1900s and then intimately engaged in program development that is designed to lift the country out of its position of need to a position of productivity.

So, Mr. Wells, thank you so much for being here, and I am delighted that the Urban League is doing the work that you do.

*Chairman Smith. Thank you.

I would like to recognize Ms. Walorski for the purpose of introducing her constituent from Indiana.

*Ms. Walorski. Thank you, Mr. Chairman. I have the pleasure of introducing Peter Barrett. Peter is the Senior Vice President of Marketing and Corporate Development at Smoker Craft in New Paris, Indiana.

Smoker Craft is a multigeneration, family-owned boat manufacturer located in my district. Peter has been with the company since 1996 and is carrying on the family tradition as the fourth-generation owner/employee.

I love visiting Peter at his company, Smoker Craft, and hearing from Peter and his employees, and I am delighted that he is with us today to share his insights on the jobs gap.

Thank you, Mr. Chairman.

*Ms. Wilhelm. Thank you.

*Chairman Smith. And witnesses are reminded to limit their oral statements to five minutes. All of your written statements will be included in the record.

We will begin with Mr. Welner. You may begin when you are ready.

STATEMENT OF JUSTIN WELNER, VICE PRESIDENT, HUMAN RESOURCES, SPIRIT AEROSYSTEMS

*Mr. Welner. Chairman Smith, Ranking Member Davis, and members of the Ways and Means Committee, thank you for allowing me to testify today about the workforce pipeline challenges facing our company along with other advanced manufacturing businesses across our country.

Spirit AeroSystems designs and builds large, complex aerostructures for both commercial and defense customers. Our largest customers include Boeing and Airbus, and in 2016 we were named as one of seven suppliers on the B-21 Raider program for the Air Force.

With headquarters in Wichita, Kansas, Spirit operates manufacturing sites in Oklahoma, North Carolina, Europe, and Asia. Our core products include fuselages, pylons, nacelles, and wing components.

Spirit is the largest private-sector employer in the state of Kansas with more than 11,500 employees. Last December, our company announced we would be expanding our Wichita operations by adding 1,000 new jobs over two years and investing \$1 billion over five years in capital projects. This was driven by production rate increases on existing programs as well as new programs in the areas of defense and fabrication.

Building a talented workforce from today's labor pool is one the largest challenges our company faces as we hire to keep up with natural attrition rates and seek to expand our base employment to meet production requirements of our customers.

Before I explain our experience with workforce constraints, I want to provide additional context for what we are up against.

At our Wichita site, we employ about 7,500 line-workers. These include sheet metal mechanics, assembly mechanics, CNC operators, and composite tech who fabricate, build, and assemble large metallic and composite aircraft structures.

At our four U.S. sites, we have hired more than 4,000 front-line employees since 2015, about 1,000 of those in the last three months.

But like many other advanced manufacturers, we are faced with an aging workforce. And what keeps me up at night is the fact that within 5 years, 40 percent of my entire workforce will be retirement-eligible. The enormity of this reality and the challenge it poses for us, along with thousands of other advanced manufacturers, cannot be overstated. Spirit has been hiring as quickly as possible to fill open positions, but we are struggling to find qualified workers with the skillsets needed in today's aerospace manufacturing environment.

Three years ago, it was customary for us to hire someone and put them through two to three weeks of training depending on the experience level of that new employee. Today, we have retooled and expanded our in-house training programs that now lasts up to seven weeks, so when we recruit and hire somebody, it is seven weeks before they hit the shop floor and actually

produce any real work and it is several additional weeks before they become fully productive.

The challenge we are experiencing is not isolated to a state or regional problem. It is a national problem, and we are nearing the verge of what could become a watershed moment for our country as we determine what we want the future of manufacturing to look like in the United States. How we respond and our ability to proactively pursue collaborative solutions will define our success.

While I've described some of our industry's obstacles to filling open jobs, I want to pivot for a moment and share with you some of the solutions we have deployed to help to try to overcome those barriers.

We are investing millions of dollars into an expanded in-house training program that includes growing our training department by 30 people. Their focus is on improving the skillsets of the new hires and getting them better prepared to be successful on the shop floor.

We have expanded our recruitment efforts to reach well beyond the state border and we are now offering very generous relocation packages for experienced hourly employees. While we have had some isolated examples of success with this, most hourly workers come from two-income families and are well-rooted in the communities in which they reside.

In the last few months, we have launched a retiree and alumni program where former employees are now hired to come back to work as a workplace coach to mentor and guide less experienced mechanics as they begin to navigate the complexities of the manufacturing environment.

For several years, Spirit has had an apprenticeship program with the International Brotherhood of Electrical Workers, and this year, we are launching several additional apprenticeship programs with the International Association of Machinists and Aerospace Workers.

In addition, for many years, we have worked cooperatively with the technical colleges located near our manufacturing facilities to guide and shape curriculum programs that meet the needs of our industry. We have intensified that engagement based on the tightening of the labor market.

Last year for the first time, we started a high school intern program to bring high school students into the factory and introduce them to careers in

manufacturing. Based on the success of that program, we will be doubling the size of that program this year.

One other strategy that was targeted towards high school students that has helped is Excel in Career Technical Education initiative, which is more commonly referred to as Kansas Senate Bill 155. That law took effect in 2012 and pays for students to obtain technical certifications and credentials before they graduate high school. We have hired many students through this program.

But while all of these initiatives are helping address the challenge faced by our industry, unfortunately they are not yielding nearly enough potential workers. So, I would like to conclude by highlighting a few additional opportunities that this Committee and Congress could consider to further assist aerospace and advanced manufacturing.

The first thing is for leaders to understand that if our country cannot solve the workforce problem and talent pipeline issues, our U.S. industrial base will erode because businesses will be forced to move work to countries that can satisfy production demand. This is not a threat targeted at our elected leaders. It is a threat we all face together, given the realities of operating in a global economy.

A second thing for us all to address is the need to better promote the dignity of career paths in technical fields such as advanced manufacturing. All too often, parents and our education system encourage students to seek post-secondary education through a four-year degree, and we ignore career paths that require vocational training.

And finally, I would encourage this Committee and Congress to consider options that allow Pell Grants to be used for students seeking certifications and credentials in technical programs that are less than 16 weeks long. By limiting qualifying students from receiving Pell Grants for credentialed technical training programs that are under 16 weeks, we create an unnecessary barrier for lower-income students to achieve success through a career in manufacturing.

I appreciate being invited to testify on behalf of Spirit AeroSystems. This Committee is faced with many challenges of national significance. We are grateful for the work you did on tax reform and we are grateful you are spending time to further explore ways to help the private sector address these workforce challenges.

Thank you for your leadership on these matters. I look forward to answering your questions.

Testimony of Spirit AeroSystems

ON: Jobs and Opportunities: Aerospace Manufacturing Perspective on the Jobs Gap
TO: House Ways and Means Committee
FROM: Justin Welner, Vice President, Human Resources, Spirit AeroSystems
DATE: April 12, 2018

Testimony on

Jobs and Opportunities: Aerospace Manufacturing Perspective on the Jobs Gap

THE HOUSE WAYS AND MEANS COMMITTEE

by

Justin Welner

Vice President for Human Resources

Spirit AeroSystems

Chairman Smith, Ranking Member Davis, members of the Ways and Means Committee, thank you for allowing me to testify today about workforce pipeline challenges facing our company along with other advanced manufacturing businesses across our country. I am Justin Welner, Vice President for Human Resources at Spirit AeroSystems, and I have responsibility for managing our global workforce and talent acquisition programs.

Spirit AeroSystems designs and builds large, complex aerostructures for both commercial and defense customers. Our largest customers include Boeing and Airbus, and in 2016 we were named as one of seven suppliers on the B-21 Raider program for the Air Force. With headquarters in Wichita, Kansas, Spirit operates manufacturing sites in Oklahoma, North Carolina, Europe, and Asia. Our core products include fuselages, pylons, nacelles, and wing components. Spirit's ~16,000 employees focus on affordable, innovative composite and aluminum manufacturing solutions to support customers around the globe.

Spirit is the largest private-sector employer in the state of Kansas with more than 11,500 employees. Last December, our company announced we would be expanding our Wichita operations by adding 1,000 new jobs over two years and investing \$1 billion over five years in capital projects. This was driven by production rate increases on existing programs as well as new programs in the areas of defense and fabrication.

Building a talented workforce from today's labor pool is one the largest challenges our company faces as we hire to keep up with natural attrition rates and seek to expand our base employment

to meet production requirements of our customers. Before I explain our experience with workforce constraints, I will provide additional context for what we are up against.

At our Wichita site, we employ about 8,000 front-line workers. These include sheet metal mechanics, assembly mechanics, CNC operators, and composite technicians who fabricate, build, and assemble large metallic and composite aircraft structures.

At our four U.S. sites, we have hired more than 4,000 front-line employees since 2015. About 1,000 of those front-line employees have been hired in the past three months. These hiring rates have been driven by our need to backfill positions from normal attrition, including retirements, as well our need to expand our production output to meet expanding customer programs.

As of the beginning of April, we had about 350 hourly openings at our Wichita site.

And like many other advanced manufacturers, Spirit is faced with an aging workforce. What keeps me up at night is that within the next five years, nearly 40 percent of our workforce will be retirement eligible. The enormity of this reality and the challenge it poses for us – along with thousands of other advanced manufacturers – cannot be overstated.

Spirit has been hiring as quickly as possible to fill open positions, but we are increasingly struggling to find qualified workers with the skillsets needed in today's aerospace manufacturing environment. A few years ago our industry found it difficult to find skilled labor, but it was a manageable challenge with a higher unemployment rate, which made it easier to find and attract higher-skilled talent. Today, our industry is struggling to find enough qualified workers for the open positions on our production lines. The jobs are available. The production programs are expanding. The work is rewarding. But the workforce pipeline has not kept pace with demand.

Three years ago it was customary for us to bring new hires into our training programs that lasted two to three weeks, depending on the experience level of new employees. Today, we have re-tooled and expanded our in-house training programs that now last up to seven weeks. That means when we recruit and hire new employees today, depending on their skill level, it may be seven weeks after their start date before they ever begin to do real work on the shop floor. And it takes several weeks beyond that before they are fully productive.

The challenge we are experiencing is not an isolated state or regional problem, it is a national problem. And we are nearing the verge of what could become a watershed moment for our country as we determine what we want the future of manufacturing to look like in the United States. How we respond and our ability to proactively pursue collaborative solutions will define our success.

While I've described some of our industry's obstacles to filling open jobs, I want to pivot for a moment and share with you some of the solutions we have deployed to help overcome those barriers.

We are investing millions of dollars into an expanded in-house training program that includes growing our training department by 30 employees whose focus is on improving the skillsets of

new hires and getting them better prepared to be successful on the shop floor. Spirit has expanded its recruitment efforts to reach well beyond the state borders where we operate, and in some situations, we are offering relocation packages for hourly employees. While this is much more common for salaried positions, it is very unusual for such packages to be offered for front-line employees because the labor pools have traditionally provided enough talent within a region.

In the last few months we launched a retiree and alumni program where former employees are now hired as workplace coaches to mentor and guide less experienced mechanics as they navigate the complexities of the manufacturing environment. We have hired about 40 former employees where many of them are focused on helping coach, mentor, and train front-line employees. We are already seeing positive results using this approach, and it has helped less experienced mechanics learn processes and build confidence necessary for long-term success.

For several years, Spirit has had an apprenticeship program with the International Brotherhood of Electrical Workers, and we are in the process of launching an apprenticeship program with the International Association of Machinists this year.

Spirit has a long history of working cooperatively with the technical colleges located near our manufacturing facilities to guide and shape curriculums to best meet the needs of our industry, and we have intensified our engagement with these schools in recent months as the job markets have tightened. A week ago today, we announced a collaboration agreement with Wichita State University (WSU) that expands their applied learning program for students to engage with Spirit on active design and production programs. The collaboration agreement includes a plan for the WSU Campus of Applied Sciences and Technology (WSU Tech) to replicate a shop floor environment that more accurately mimics a real production line. This new model will simulate an educational environment where training is less about textbooks and classroom instruction and more about advancing the instruction model to better equip students with skillsets and technical certifications tailored for aerospace and advanced manufacturing.

As of last year, Spirit is a participating member of the Kansas Advanced Manufacturing Program (KAMP) grant, which is a partnership between the Workforce Alliance Center, WSU Tech, and Spirit. This state program is funded through the U.S. Department of Labor. Spirit's participation in the KAMP grant focuses on three areas for front-line employees: employee onboarding training that allows lower-skilled recruits to earn a wage while they are trained at Spirit; on-the-job-training for our defense program employees; and upskilling training for some of our existing employees. Through this grant, for example, assembly mechanics hired by Spirit who meet the eligibility requirements can earn eight hours of college credit and a Structural Assembly certificate upon completion.

In addition to Spirit's college intern programs, last year we offered a high-school summer internship program. Based on the interest in the program and its success, we are doubling the number of high-school interns this summer as one more way to engage prospective students and demonstrate career opportunities in manufacturing.

Another strategy targeted toward high school students that has helped address the talent pipeline shortage is through the Excel in Career Technical Education initiative, commonly referred to as

Kansas SB155. This Kansas law took effect in 2012 and pays for students to obtain technical certifications and credentials before they graduate high school. By covering the cost of tuition at a technical college and creating a financial incentive for high schools to encourage their students to enroll, more than 7,000 credentials have been earned by high school students since the program began. While these certifications span numerous other industries outside aerospace, there have been a significant number of certifications obtained by high school students targeted for aircraft manufacturing.

Spirit has hired many of these SB155 students who have successfully completed their certification programs, and because of this program's success, the Kansas state legislature is currently considering additional funding to expand and fully fund the program.

While all these initiatives are helping address the challenge faced by our industry on a local level, I will conclude by highlighting three additional opportunities this Committee and Congress could consider to further assist aerospace and advanced manufacturers nationally.

The first thing is for more leaders to understand that if our country cannot solve the workforce problem and talent pipeline issues, our U.S. industrial base will erode because businesses will be forced to shift work to countries that can satisfy production demand. Without qualified workers to perform the required statements of work, businesses cannot continue placing production where there is a labor shortage. This is not a threat targeted at our elected leaders – it is a threat we all face together given the realities of operating in a global economy.

A second thing for all of us to address is the need to better promote the dignity of career paths in technical fields such as advanced manufacturing. All too often parents and our education system encourage students to seek post-secondary education through a four-year degree, and we ignore career paths that require a technical degree or certification. As we encourage high school students to pursue careers in technical fields, I think we will begin to see the talent pipeline expand for manufacturing and technical positions.

Finally, I would encourage this Committee and Congress to consider legislative options that allow Pell Grants to be used for students seeking certifications and credentials in technical programs that are less than 16 weeks long. By limiting qualifying students from receiving Pell Grants for credentialed technical training programs that are under 16 weeks, we create an unnecessary barrier for lower-income students to achieve success through a career in manufacturing. I believe there is an under-tapped labor market across the country who could find success earning higher wages in fields such as advanced manufacturing, and I hope we can continue finding ways to encourage upward mobility for those who are eager for the opportunity.

I appreciate being invited to testify on behalf of Spirit AeroSystems. This Committee is faced with many challenges of national significance, and we are grateful you are spending time further exploring ways to help the private sector address these workforce challenges.

Thank you for your leadership on these matters. I look forward to answering your questions.

*Chairman Smith. Thank you, Mr. Welner.

Mr. Wells, you are recognized.

STATEMENT OF ANDREW WELLS, DIRECTOR, WORKFORCE
DEVELOPMENT CENTER, CHICAGO URBAN LEAGUE

*Mr. Wells. Thank you, Chairman Smith, Ranking Member Davis, and members of the Subcommittee for the opportunity to offer testimony here today. My name is Andrew Wells and I am the Director of Workforce Development at the Chicago Urban League.

In my role at the Chicago Urban League, I am tasked with the very important job of connecting people to employment opportunities, training, and career pathways to high growth sectors. In the 100 years our organization has been in service to the African American community, this has been a staple of our work.

Employment is the most essential building block in individual and community economic growth. A good job helps to alleviate household poverty and a strong job market gets more people in a community working and more dollars circulating locally and nationally.

The Chicago Urban League focuses specifically on assisting individuals in the highest areas of need, in racially concentrated areas of poverty, the areas that have the highest unemployment rates in the city, located primarily on the South and West sides of Chicago.

Youth and adults living in racially concentrated areas of poverty however have a significant number of barriers to accessing jobs.

One, there is a significant employment spatial mismatch. Strong central business districts and suburban employment cores house many of the best opportunities for workers. In places like Chicago, where jobs are located -- in places like Chicago, where jobs are located are not where African Americans most in need of jobs live.

Someone who doesn't live near transportation or who lacks a car might have a very difficult time getting to work. The distance might be too considerable to manage working, child, and household obligations.

The pay may not be adequate to overcome increased costs related to commute and child care. All of these barriers conspire to reduce a person's ability to both find and keep a good job.

The collateral consequences of criminal records significantly impede employment opportunities. We know that employment is a critical part of the re-entry process, and yet there are barriers at all levels of hiring and promotion throughout all industries and sectors.

Skills, job readiness and training programs need to be more abundant. These skills need to be targeted in areas of growth, like green and emerging industries.

The Chicago Urban League strongly encourages more training opportunities for youth and adults from the most disadvantaged neighborhoods to build on their employability skills. But that is not the only answer. We also need to do the following.

Enact an employment subsidies program that would place unemployed individuals in the private sectors, private and public sectors, including those with criminal records.

Expand apprenticeships, summer and employment opportunity programs for youth.

Increase workforce training opportunities for African American adults and match them with employment through public and private partnerships.

Reduce the collateral consequences of a criminal record and barriers to employment through sound criminal justice reforms.

Create or expand transportation subsidies to ensure that workers can get to their places of employment.

Create small business incubators in racially concentrated areas of poverty to bring local, accessible jobs to these disinvested communities.

Last but not least, ensure equity in public education. Illinois has the worst disparities for funding in that nation when it comes to equity for low-income minority students. Providing youth with good quality education will go a long way towards improving access to jobs, to quality jobs by preparing youth to get, to get jobs.

I know that this will not be easy. I know this takes political and community will to accomplish. But we all know how critical increasing employment opportunities are to our neighborhoods and to cities across the country.

Expanding these opportunities will not only increase employment in our most un-resourced communities, under resourced communities, but also reduce crime, decrease household poverty, increase home ownership, and build community wealth.

We cannot continue to accept that in great cities like Chicago, the highest unemployment rate for people of color in the nation is the norm. We must do what is right to ensure equal access to opportunity for all American citizens. Thank you.

I would like to just share this one thing. We operated a transportation construction apprenticeship highway program for about three years. We trained 598 individuals in this, in this program, most of whom were ex-offenders or they come from disadvantaged neighborhoods. I want to share this one success story because this is why I keep doing the work that I do.

There was a young lady, and I will call her Ms. Dewberry, who was a single mother with three children. Literally she was making decisions at the gas pump on whether to put gas in her car or to put food on the table. At the time that she applied to the Chicago Urban League, she worked at Monterrey Security making \$11.54 an hour. Now, mind you, she has three kids.

So, I did her interview when she enrolled in the program and I asked her, I said, "Well, you already have a job." I said, "Why are you enrolling in a program?" She said, "Well, Mr. Wells," she said, "I can't continue." She said, "I don't know what to do." She said, "Every night, I am crying. I can't take care of my kids off of \$11.54 an hour."

Well, I enrolled her in the program and she ended up becoming the best laborer, the best apprenticeship at the Chicago Urban League. And right now, this young lady is making \$37.50 an hour and it changed her life.

Not only did it change her life, but so many other people who came through our doors. If you have quality training programs that can provide real skills that employers can use, it works. So, I just want to leave with that.

**Testimony of Andrew Wells
Congress of the United States | U.S. House of Representatives
Committee on Ways and Means Subcommittee on Human Resources**

**Jobs and Opportunities: Local Perspectives on Jobs Gap
April 12, 2018**

To the Committee on Ways and Means Subcommittee on Human Resources- my name is Andrew Wells, and I am the Director of the Workforce Development Center at the Chicago Urban League. Thank you for the opportunity to offer testimony here today.

In my role at the Chicago Urban League, I am tasked with the very important job of connecting people to employment opportunities. In the 100 years our organization has been in service to the African American community, this has been a staple of our work.

Employment is the most essential building block in individual and community economic growth. A good job helps to alleviate household poverty, and a strong job market gets more people in a community working and more dollars circulating locally and nationally. The Chicago Urban League focuses specifically on assisting individuals in the highest areas of need, in racially concentrated areas of poverty, the areas that have the highest unemployment rates in the city - located primarily on the South and West sides of Chicago.

Youth and adults living in racially concentrated areas of poverty, however, have a significant number of barriers to accessing jobs.

1. There is a significant employment spatial mismatch – Strong central business districts and suburban employment cores house many of the best opportunities for workers. In places like Chicago, where jobs are located are not where African Americans most in need of jobs live. Someone who doesn't live near transportation – or who lacks a car - might have a very difficult time getting to work. The distance might be too considerable to manage working, child and household obligations. The pay may not be adequate to overcome increased costs related to commute and child care. All of these barriers conspire to reduce a person's ability to both find and keep a good job.
2. The collateral consequences of criminal records significantly impede employment opportunities. We know that employment is a critical part of the re-entry process, and yet there are barriers at all levels of hiring and promotion, throughout all industries and sectors.
3. Skills, job readiness and training programs *need to be more abundant*. These skills need to be targeted in areas of growth, like green and emerging industries.

The Chicago Urban League strongly encourages more training opportunities for men and women - for youth and adults - from the most disadvantaged neighborhoods to build on their employability skills. But that is not the only answer; we also need to do the following:

Andrew Wells – Chicago Urban League Director of Workforce Development

1. Enact an employment subsidy program which would place unemployed individuals in the private and public sectors, including those with criminal records.
2. Expand apprenticeship, summer and other employment opportunity programs for youth.
3. Increase workforce training opportunities for African American adults and match them with employment (through public private partnerships).
4. Reduce the collateral consequences of a criminal record and barriers to employment through sound criminal justice reforms. Create or expand transportation subsidies to ensure that workers can get to their places of employment
5. Create small business incubators in racially concentrated areas of poverty to bring local, accessible jobs to these disinvested communities.
6. Ensure equity in public education. Illinois has the worst disparities for funding in that nation when it comes to equity for low-income minority students. Providing youth with good quality education will go a long way towards improving access to quality jobs by preparing youth to get jobs.

I know that this will not be easy. I know this takes political and community will to accomplish. But we all know how crucial increasing employment opportunities are to our neighborhoods and to cities across the country. Expanding these opportunities will not only increase employment in our most under-resourced communities, but will also reduce crime, decrease household poverty, increase home ownership and build community wealth. We cannot continue to accept that in great cities like Chicago, the highest unemployment rate for people of color in the nation is the norm! We must do what's right to ensure equal access to opportunity for all American citizens.

Thank you.

*Chairman Smith. Thank you. Thank you, Mr. Wells.

Mr. Barrett.

STATEMENT OF PETER BARRETT, SENIOR VICE PRESIDENT,
MARKETING AND CORPORATE DEVELOPMENT, SMOKER CRAFT,
INC.

*Mr. Barrett. Good afternoon. Thank you, Chairman Smith, Ranking Member Davis, and members of the Subcommittee, for the opportunity to appear before you today to discuss an issue important to my business and the recreational boating industry, workforce development. My name is Peter Barrett. I am proud to represent Smoker Craft, Inc., a boat manufacturer located in New Paris, Indiana.

Founded in 1903, we are a fourth-generation family-owned and operated business that builds pontoon boats, fiberglass boats, aluminum fishing boats under the brand names Smoker Craft, Starcraft, Sunchaser, and Sylvan. Last year, Smoker Craft built and distributed over 11,000 boats to our worldwide dealer network. Our company employs over 690 people at our two manufacturing and transportation locations.

The recreational boating industry is an important driver of the U.S. economy, with an annual economic impact of more than \$121.5 billion dollars. Our industry is uniquely American. Our industry is a uniquely American-made product. 95 percent of boats sold in the U.S. are made in the U.S. Behind a fun day on the water with family and friends are American businesses and manufacturing jobs.

Our manufacturing is unique to the boat business and employees must have a broad range of skills. Our highly-skilled employees must weld, rivet, and fiberglass laminate. Less-skilled workers need the skills to read a tape measure, utilize simple power tools, and follow basic instructions. Our jobs do not require a four-year degree. They pay well and have great benefits. A solid employee can quickly move up and establish a career in our organization.

The boating industry is strong and many of our 300-plus dealers report that 2017 is their best year ever. Many dealers have indicated that they could sell more product if we can meet the demand. We have plenty of work. Today, our backlog is 20 percent larger than last year. Unfortunately, we will be challenged to meet this demand and will struggle to continue to grow if we cannot find skilled employees.

Our current employment situation is troubling, and the future looks even worse. We are located in a region with lower unemployment and higher job opening rates than the rest of the country. With an aging workforce and small pool of qualified workers to recruit from, we are concerned with the future prospect of finding skilled workers, a critical component for our growth as a business.

Last month, we thanked an employee named Frank Perales for 50 years of service on our aluminum riveted line. Frank is dedicated to our company and an excellent boat builder. His ability to quickly solve problems, coupled with a strong work ethic, have made him a model employee. As we presented his gift, he said he would like to retire in a year or two.

Unfortunately, replacing someone like Frank might require two people to achieve the same level of production. If we could find the right person, Frank should be mentoring his replacement right now.

Beyond the production line, a similar issue impacts our transportation division. Our drivers haul boats around the country and into Canada. The long days and nights on the road coupled with unloading boats upon arrival is exhausting for our older drivers. Many of our senior drivers face further challenges in adapting to the use of electronic log books and have changed jobs or retired simply to avoid learning new technical skills. Replacing these drivers is difficult as younger people show little interest in this career path and we need our boats delivered.

The future challenge we see is attracting and training the younger employee for our workplace. Our area, once known for its strong family farm work ethic, is struggling to find young people with the grit and desire to participate in American manufacturing.

Very well-designed skills training programs have been tried through our local community college but has failed as employers can't wait for live bodies, trained or untrained. As participation in these programs dwindled, funding was frozen.

The concept of workforce training programs is vital to bridging the jobs gap we are facing today and the future. Simply put, we need skilled workers. Our industry needs welders, riveters, assembly people, and truck drivers. Shop classes need to return, and exposure to careers in manufacturing through internships and apprenticeships should be encouraged. Careers in the trades need to be recognized and glorified. Our workforce is the backbone of this country. We need to support the expansion of career and technical education or CTE, just as we support four-year and graduate education.

I am pleased to see Congress taking steps in the recently passed Appropriations legislation to support the Department of Labor and Department of Education programs that promote access, completion, and affordability of workforce training efforts. The funding and support is crucial to states and localities trying to meet the needs of employers such as Smoker Craft, Inc.

Thank you again for the opportunity to appear before you today. I look forward to answering your questions.



United States House of Representatives
Committee on Ways and Means
Human Resources Subcommittee
“Jobs and Opportunity: Local Perspectives on the Jobs Gap”
Thursday, April 12, 2018 at 2:00 PM
1100 Longworth House Office Building

Written Testimony for Mr. Peter Barrett, Smoker Craft, Inc.

Good Afternoon.

Thank you Chairman Smith, Ranking Member Davis, and members of the subcommittee for the opportunity to appear before you today to discuss an issue important to my business and the recreational boating industry: workforce development.

My name is Peter Barrett, and I am proud to represent Smoker Craft, Inc., a boat manufacture located in New Paris, Indiana. Founded in 1903, we are a 4th generation family owned and operated business that builds pontoon boats, fiberglass boats and aluminum fishing boats under the brand names Smoker Craft, Starcraft, Sunchaser and Sylvan.

Last year Smoker Craft built and distributed over 11,000 boats to our worldwide dealer network. Our company employs over 690 people at our two manufacturing facilities and our 25 truck transportation division.

The recreational boating industry is an important driver of the US economy, with an annual economic impact of more than \$121.5 billion supporting 650,000 jobs at nearly 35,000 businesses. Our industry is a uniquely American made product: 95% of boats sold in the US, made in the US. According to the Bureau of Economic

Analysis, the outdoor recreation economy accounted for 2 percent of GDP, with boating and fishing growing at a faster rate than the overall economy. Boating means business, and behind a fun day on the water with family and friends, are American businesses and manufacturing jobs.

Manufacturing is unique to the boat business. Due to the wide range of our products, we require several different skillsets to produce all our boats. Our fiberglass boats require lamination experts who can properly work with resins and woven fibers. Our pontoon boats depend upon skilled craftsman for intense welding done with careful precision that does not burn through the delicate aluminum. Furthermore, our aluminum fishing boats are both welded and riveted, another very labor-intensive skill.

Across the product lines of Smoker Craft, Inc., we need assembly workers to use a tape measure and work a screw gun, while reading and following basic instructions to ensure high quality products for our customers. After final assembly, we rely on our transportation division and truck drivers to deliver 15 loads a day to effectively manage our inventory. Our jobs do not require a 4-year degree, they pay well, and have great benefits. A solid employee can quickly move up and establish a career in our organization.

The boating industry is strong and many of our 300-plus dealers report that 2017 was their best year ever. Many dealers have indicated that they can sell more product if we can meet demand. Today, our backlog is 20% larger than last year. Unfortunately, we will be challenged to meet this demand and will struggle to continue to grow if we cannot find skilled employees.

Our current employment situation is very troubling, and the future looks even worse. We are located in a region with lower unemployment and higher job-opening rates than the rest of the country. With an aging workforce, and small pool of qualified workers for area businesses to recruit from, we are concerned with the future prospect of finding skilled workers – a critical component for our growth as a business.

Currently, our older employees tend to be our craftsmen. They enjoy working with their hands, thinking through problems, and are passionate about their jobs. Many

have navigated their way through our organization, starting at an entry level assembly job and working their way into a manufacturing leadership role.

Several of our employees have been with us for over 40 years. Just last month we thanked an employee named Frank Perales for 50 years of service on our aluminum riveted line. Frank is dedicated to our company and an excellent boat builder. His ability to quickly solve problems, coupled with a strong work ethic, have made him a model employee. As we presented his gift, he said he would like to retire in a year or two. Unfortunately, replacing someone like Frank might require two people to achieve the same level of production. His replacement would need training in riveting, basic assembly, tool usage and assembly line management skills. We hope to find an apprentice soon to help fill this hole when Frank decides to leave us.

It has been and will be extremely difficult to replace these employees. As we seek to fill the positions of our out-going employees and fill positions to keep up with growing customer demand, we are experiencing tremendous difficulty in hiring employees with the skills necessary to join our workforce. There is a void in not just basic and advanced manufacturing skills, but also a lack of leadership characteristics as well.

Beyond the production line, a similar issue impacts our transportation division. Our drivers haul boats around the country, enduring long days and nights on the road. Once the driver arrives at the dealership, the boats are unloaded which can be very physically demanding. This work is exhausting for our older drivers. Many of our senior drivers face further challenges in adapting to the use of electronic log books and other processes requiring computer skills, several have quit simply to avoid these new skills required.

The future challenge we see is attracting and training the younger employee for our workplace. Our area, once known for its strong family farm work ethic, is struggling to find young people with the grit and desire to participate in American manufacturing in spite of offering an attractive compensation package and a secure, stable work environment. New hires today do not join our company with basic skills that an employee had several years ago. Many new hires struggle to meet the basic skill requirements for our positions, and some seem unable to work

an alarm clock. Perhaps, they do not find manufacturing exciting, or fully comprehend the benefits of a career with our industry.

Despite the hardships and obstacles of finding qualified employees, our company and the marine industry, have started to look for ways to equip potential employees with the necessary skills and discipline to enter our workforce.

Smoker Craft has explored opportunities to partner with a local community college and other manufacturers in Elkhart County on a skills training facility. With a rich history of manufacturing and a robust industrial presence in the county, marine and RV manufacturers have an interest in educating workers on the necessary skillsets to enter the local workforce. Demand for qualified workers from the program was so high that many participants were “picked off” or left programs prior to completion simply because employers could not wait for a live body.

The concept of workforce training programs is vital to bridging the “Jobs Gap” we are facing today and in the future.

Simply put, we need skilled workers.

Shop classes need to return, and exposure to a career in manufacturing through internships and apprenticeships should be encouraged. We need to support the expansion of Career and Technical Education, or CTE, just as we support four-year and graduate education.

I am pleased to see Congress taking steps in the recently passed Appropriations legislation to support the Department of Labor and Department of Education programs that promote access, completion, and affordability of workforce training efforts. This funding and support is crucial to states and localities trying to meet the needs of employers such as Smoker Craft, Inc.

Thank you again for the opportunity to appear before you today, I look forward to answering your questions.

*Chairman Smith. Thank you, Mr. Barrett, and thank you to our entire panel. It is again great to hear your perspective, your expertise as well.

We know that there is oftentimes the challenge of, you know, we know that folks need a job and want to work, there are openings out there, and bringing everyone together is oftentimes more difficult than one would think.

America is a big country too. And geographically, there can be some distances that are, that are problematic or a challenge, even in the city. And transportation can be a challenge with a worker getting to a job site.

I am proud to say Nebraska I think has done fairly well in terms of advancing these causes. I am glad that Forbes recently has ranked Nebraska the fourth best place to do business, but I know that I still hear from many employers who face the challenge of job openings that remain unfilled.

And so, we know, as Mr. Wells already indicated, that some community partnerships can really deliver positive results, positive outcomes, increasing wages. I mean, getting, not only getting someone perhaps into a job, and you know, that might just be checking a box, but when you really look at raising oneself up out of poverty, it means increasing wages and that drive to see higher wages with time, with time and effort.

So, I was wondering if others on the panel, and certainly Mr. Wells if you want to add emphasis as well to the community partnerships that have been formed that bring folks in need, whether it is the job opening, whether it is the unemployed individual, or the underemployed individual as was mentioned before, can you point to some specific community partnerships that have been particularly successful?

*Mr. Wells. Sure. So right now, at the Chicago Urban League, we have two projects running with ComEd. ComEd is one of the largest electric suppliers in the Midwest, specifically in Illinois.

And one of the projects is called Construct. It is an 11-week training program to equip individuals with the skills to go into the electrical construction industry. So, we partner with about seven other agencies and 47 companies are a part of this project.

The 47 companies pay into the program to create that pipeline of individuals. The 47 companies are subcontractors with ComEd, so we are essentially building that pipeline for those companies who claim that, hey, we

don't have talented workers, we need skilled workers, so we are creating it for them.

Another project that I am running with ComEd is the solar PV installation jobs training program. We currently have a cohort of 15. It just started April 6th and this is a project that we received \$1 million dollars for to train a hundred people over the course of four years.

We have other partnerships with corporations such as AT&T, in which we do digital literacy training to create, to eliminate the digital divide and then to also provide individuals to their call center jobs and other technical jobs.

We work with Comcast. We have a relationship with them. We train people for jobs at Comcast. We just renewed our contract with them.

And I recently received a contract with the Chicago Transit Authority, in which we are training individuals similar to a project that we are running with Construct where it is, this one is eight weeks and it is training people to become bus operators and also call center representatives.

*Chairman Smith. Very good.

Mr. Welner?

*Mr. Welner. Yes. So, we work with the Kansas Workforce Alliance to bring in the underemployed and put them through a training program. In fact, we have a Camp Grant to help do that.

We have been fairly successful with it. The challenge that we face is that the manufacturing environment isn't necessarily appealing to some people. It is a five-day, sometimes six-days a week job. We are a heavily-unionized company, so you start on second shift based on seniority and that brings some challenges with it as well.

But nonetheless, we are absolutely exploring every avenue we can to find workers including looking for community partnerships to get to everybody we possibly can.

*Chairman Smith. Very good.

Mr. Barrett?

*Mr. Barrett. We have explored several different avenues over the years. But unfortunately, we have found that being where we are in the pecking order in Elkhart County it makes more difficult in our line of work. As you may have seen in the Wall Street Journal article, the focal hub of manufacturing is the RV industry in Elkhart County. And the boat business, we are a little bit different. We are classified with RV, but we are a different animal. We tend to work at a slower pace. Our boats tend to be a little bit more customized than an RV. Our pace attracts entry level employees that can work a little bit slower, but at the same time, we tend to pay a little bit less.

So being in that place in the employment pecking order, the more valuable or the more skilled employees tend to go to RV first and then they filter down to us. So, what happens is typically the vocational schools will feed RV before us. We have tried several programs to capitalize on job placement, but we just have not had much luck.

*Chairman Smith. Okay. Thank you.

I now recognize Dr. Davis for five minutes of questions.

*Mr. Davis. Thank you, Mr. Chairman.

Mr. Welner, do the high schools and community colleges in the area where your plants and facilities are located, are they preparing individuals for work in the manufacturing areas?

*Mr. Welner. So certainly, the community colleges and the vocational schools are trying. The challenge is getting the students into them, right? We do have some high school programs that are starting to take positive effect in terms of partnering with a technical school and allowing students to get their technical certifications or credentials while they are in high school.

The big challenge seems to be the lack of interest in that generation in this type of work. We are starting to push all the way down into the middle schools and elementary schools, starting to talk to kids about the positive benefits of careers in manufacturing. And we don't think of it as just a job, we think of it as a career.

When I started 25 years ago at Learjet, I started as a payroll clerk at \$8.50 an hour, coming out of a four-year school with a degree in finance. That wasn't my aiming point, but it was a way in the door, and that is the promise we are trying to talk to these kids about. And if you look at most of our leaders in the

manufacturing world, they started on the shop floor, so it can absolutely be a career and not just a job, but we have got to get the kids interested in it.

*Mr. Davis. So, if there was perhaps more focus put on recruitment, because many of the individuals who end up in need of TANF are individuals who have gone past or didn't complete or did not follow the high school curriculum to the point, so I am just thinking that some additional recruitment of this population group, especially young adults who have no skill but fit the category and the requirements for TANF assistance, reach out I think would probably be --

*Mr. Welner. I think that would be great. I think we have lost a lot of the shop classes in the school system. When I came through the school system, you could take a mechanical shop class, you could take a woodworking class. All of that is gone. So, the kids that maybe the regular curriculum isn't right for, they don't have anywhere to go.

*Mr. Davis. Mr. Wells, I know that the Urban League does not officially have a training program that is directly related to TANF recipients, but you do get them, right?

*Mr. Wells. That is correct.

*Mr. Davis. I understand people do come who meet the criteria to be a TANF recipient. Are you able to connect them in any way with TANF or to pursue resources through TANF that could benefit them?

*Mr. Wells. I'm sorry. Are you saying, are you talking specifically about TANF participants that come through Chicago Urban League's doors and connecting them to different resources?

*Mr. Davis. Right.

*Mr. Wells. Yes. So, we do, we do an assessment to figure out what the need is, so if they come through our doors and they are interested in some type of training. Right now, we run several of them. We have the Ready to Work Grant in which we provide technology training. We have training in supply chain management. We have construction training to increase minority participation in the trades. So, it depends on what, it depends on what they want to do and if they qualify for that, for those programs and then we will enroll them in the programs.

*Mr. Davis. Well, let me just, I have been particularly warmed with the coming with that as an activity relative to helping individuals get into the electrical area, so let me just commend the Urban League for that affiliation. Thank you very much, and I yield back to the Chairman my balance.

*Mr. Wells. Thank you.

*Chairman Smith. Thank you.

Ms. Walorski.

*Ms. Walorski. Thank you, Mr. Chairman. And to Peter's point, there was an article that he referenced in the Wall Street Journal last week about, and the headline is "The Future of America's Economy Looks A Lot like Elkhart, Indiana," which Peter is right down the road from Elkhart in my district.

The article says, "High school students skip college for factory jobs that offer great pay and benefits. Workers are so flush that car dealers can't keep new pickups on the lot. At the same time, employers can't hold onto employees." It points out that the unemployment rate is essentially zero because there are 9,500 jobs available in this place in Elkhart.

So, Peter, to your point, as we talk about that, there are challenges between this article and your testimony. Which is the hardest to do, find workers, teach them skills, or retain them? What is the toughest part of those three for you?

*Mr. Barrett. That is a really tough choice because all three are exceptionally difficult. Retaining employees has been very difficult, especially I will give you an example that happened on Monday. I walked into my office and an employee who had been with us for 20 years came to me, with tears in his eyes to tell me he was leaving. Our employees are family, and so when a 20-year employee comes to us and he is saying that he is going to leave, that is a big deal.

Martin has worked for us for 20 years. He drives a forklift. He found a job across town for \$10 dollars more an hour. Our industry and our company doesn't have the means to be able to raise rates that abruptly, to get into a wage war and to chase employees. So we just lost a really good employee who I would love to still have, and as I said, he is part of the family. This is one of many heartbreaking stories where we are losing good employees with

longevity. They are leaving good benefits and stability in a short-term wage war.

*Ms. Walorski. And let me, let me ask you this. With 2017 being a record year you talked about, and with tax cuts, with more money in folks' pockets, looking at things they want to be involved in, do you need to hire more workers? And what if you found enough workers, what would that do for your company?

*Mr. Barrett. If we found more workers we would certainly bring our factory up to full capacity. We have three different product lines, pontoons, aluminum fishing boats, as well as fiberglass. Our aluminum fishing boat's welded line could use several more employees. Right now, we have 44 openings which need to be filled. Also if we could get more employees, in the Elkhart area it would help relieve the supply chain. It is not just our business, but it is the supply chain underneath us that is suffering, too. So, if our console supplier can't build consoles due to an employee shortage, we can't build those boats that day.

*Ms. Walorski. I appreciate it. I yield back, Mr. Chairman.

*Chairman Smith. Thank you.

Mr. Curbelo.

*Mr. Curbelo. Thank you so much, Mr. Chairman. And thank you all for being here to discuss this very important topic with us. We are focused on how can help some of the most vulnerable, needy people in our country.

And I have been fortunate to team up with Dr. Davis, this Congress, to figure out how we can perhaps modify or leverage our existing social welfare programs such as TANF to open new doors, provide new opportunities to those who are on the sidelines as Chairman Brady tends to say.

Do you all have any ideas as to how we might be able to use those programs, not just to help people get by, but to help get them into the workforce, to help them get up on their feet, and hopefully eventually become independent of all these programs? Anyone who wants to take it.

*Mr. Wells. I think one of the things that needs to happen is an exception needs to be made for those who are interested in enrolling in a skills training program. So, if they are interested in it, the 20-hour stipulation each week, that

needs to come down because most of the training programs go past 20 hours, so I think an exception needs to be made in order for them to get an industry-recognized credential and go into some type of good-paying job.

*Mr. Curbelo. Anyone else want to add to that?

Do you have any thoughts on wage support for employers who contract higher, TANF beneficiaries for example?

*Mr. Welner. We are not really involved with that. Most of the people we hire have to have some credentials from a skills standpoint because we are building very complex aerostuctures that requires precision and training, so my company is not very involved in that, so I can't add much to it.

*Mr. Curbelo. Thank you, Mr. Chairman.

*Chairman Smith. Thank you. Thank you to everyone here for your participation. It means a lot that you would share your perspective.

And please be advised that members will have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

With that, the Subcommittee stands adjourned.

[Whereupon, at 3:58 p.m., the Subcommittee was adjourned.]