



Pennsylvania Manufacturers' Association

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Supply Chain: Workforce Crisis

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Chairwoman Davids, Ranking Member Meuser, and members of the subcommittee, thank you for the privilege of testifying today. I am David N. Taylor and I serve as President & CEO of the Pennsylvania Manufacturers' Association, which is the statewide non-profit organization representing the manufacturing sector in our state's public policy process. PMA is the official state partner of the National Association of Manufacturers, and I also work with my colleagues from across the country as a member of the executive committee of the Conference of State Manufacturers Associations.

Along with my friend Rep. Meuser from northeastern Pennsylvania, I want to recognize my friend Rep. Evans from Philadelphia, who was a longtime leader at the state Capitol in Harrisburg before coming to Congress. Good to see you, sir.

I want to express three important points. First, the workforce crisis is real and is a hard cap on America's economic growth. Second, the federal government becomes a competitor to employers when it pays people more to stay home than they would earn at work. Third, Congress can help address the workforce crisis by working with the states to reinvent the existing tangle of taxpayer-funded workforce development and job training programs. I'll expand on each of those points as we go on.

From the nation's earliest days, our leaders have recognized the role manufacturing plays in building America's economic strength. As you probably know, Treasury Secretary Alexander Hamilton submitted his "Report on Manufactures" (meaning manufactured goods) to the U.S. House of Representatives in 1791. From Hamilton to Henry Clay of Kentucky to President Lincoln, this approach became known as "The American System", which led to the great industrial revolution of the 19th and 20th centuries.

Manufacturing is the sector of our economy that adds the most value, pays the highest wages and benefits, and has the strongest multiplier effect on job creation. No matter what product is being made, manufacturing takes raw materials or component parts and goes through a multi-stage process to yield a finished good, almost always consuming a large amount of energy and usually deploying some kind of chemical process. Because of that multi-stage process of adding value, manufacturing sustains not only the jobs on the plant floor but also jobs through supply chains, distribution networks, and vendors of industrial services. In that way, the major manufacturer is often the small business owner's best customer.

In a particular community, the manufacturing firm is almost always a significant taxpayer in addition to being a major employer, which makes the health of the business environment an important public concern. As we have seen too many times since giving the People's Republic of China full access to our markets in 2000, the loss of a manufacturing employer is a deep wound, after which local authorities struggle to help find new work for displaced employees, attempt to attract new businesses, and scramble to close shortfalls in government budgets.

I know the subcommittee is looking to examine the supply chains for small business, however the most critical input that is lacking for manufacturers today is the supply of qualified workers.

Nationally, manufacturers are facing an alarming problem: our workforce is aging and retiring and there is a shortage of skilled hands to succeed them. Pennsylvania is no exception to this problem. According to our sources at the Manufacturing Institute, at any given point in time there are roughly 6,000 open manufacturing positions in Pennsylvania. Couple the current shortage with the fact that some companies have more than half of their current workforce within just a few years of retirement and we could consider

this workforce problem a workforce crisis. The manufacturing sector and the workforce at large face an increasingly pressing problem: the glut of unfilled jobs due to a skills gap.

As a result of employers' inability to find enough qualified new hires, businesses are not able to grow to meet current levels of customer demand. Those employers are "leaving money on the table" because they can't find the quality employees they need to increase production capacity to be able to bid on new work, which is available. This is what I am trying to express when I say that the workforce crisis is a hard cap on growth.

At the same time, this workforce crisis also offers an opportunity for true social progress in America. Due to the reality of more jobs available than people looking for work, employers will be compelled to cast the net wider by considering candidates that they would not have considered before: people who have been outside the workforce due to unemployment, being on public assistance, or ex-offenders who are trying to begin their lives again. This is a subject for a longer conversation at another time, but I wanted to at least note that potential for progress at the heart of this issue.

Of course, to get people into the workforce, they first have to want to work. This is one of the problems of the current moment because of Congress' policy of subsidizing state unemployment compensation payments. The federal government was correct to respond to the needs of our citizens caused by the economic shutdown triggered by the pandemic. Many people are still dealing with both the health crisis and the economic consequences of the shutdown. The impulse to be generous is understandable, but, regrettably, the federal taxpayer subsidy to state unemployment benefits is keeping many employees out of the workforce.

As a local businessman told me at church last week, the government has become a competitor in hiring with the private sector, as employees are declining offers to return to work because they are receiving more in benefits to stay home. While there is a precedent with New Deal three-letter agencies to provide work to the unemployed, at least those programs actively engaged individuals, upgraded their skills, and gave them something to list on a resume. Although I recognize that the political winds are against it, I implore you to please reconsider the federal unemployment subsidy.

One final thought that I want to share with you concerns the efficacy of the nation's job training and workforce development programs. In Pennsylvania, roughly two billion dollars in state and federal taxpayer money is spent annually on more than four dozen programs that run through at least five different state cabinet agencies. Following a 2019 audit of the state's workforce development system, Pennsylvania's Auditor General at the time (Eugene DePasquale - D) said "I think it needs to be restructured entirely... You have to envision nothing exists right now and how you would create it. None of us would have it look like it does today." https://www.thecentersquare.com/pennsylvania/auditor-general-pennsylvania-workforce-development-needs-to-be-restructured-entirely/article_be5852de-4b1d-11e9-bf0b-e387a8e0b7a0.html

I am convinced that there are hundreds of millions of dollars in efficiencies that could be realized if Pennsylvania, working in partnership with Congress and the respective federal departments, could realign, rework, and move dollars between programs. The existing waiver process has been used to great effect by the state of Indiana, and I would recommend using their experience as a model for future reforms.

<https://www.dol.gov/sites/dolgov/files/ETA/wioa/pdfs/Signed Indiana State Board Waiver Ltr.pdf>

There are a variety of issues that need to be examined when it comes to our supply chains. Whether it's related to energy development, natural gas liquids, semiconductor materials, rare earth minerals, transportation infrastructure challenges; all of these are topics that have real implications for our manufacturers. However, as is true in all facets of life: people first. Our workforce crisis is the single largest threat to the overall supply chain that our manufacturers, our consumers, and our markets, rely upon. Thank you for the great honor of speaking with you to highlight this issue, and I will do my best to answer your questions.