

# SHRINKING THE SKILLS GAP: SOLUTIONS TO THE SMALL BUSINESS WORKFORCE SHORTAGE

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## **SHRINKING THE SKILLS GAP: SOLUTIONS TO THE SMALL BUSINESS WORKFORCE SHORT- AGE**

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**THURSDAY, JUNE 14, 2018**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
SUBCOMMITTEE ON ECONOMIC GROWTH,  
TAX, AND CAPITAL ACCESS,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10:00 a.m. in Room 2360, Rayburn House Office Building, Hon. Dave Brat [chairman of the Subcommittee] presiding.

Present: Representatives Brat, Chabot, Norman, Evans, and Murphy.

Chairman BRAT. Good morning. I would like to call this hearing to order.

Welcome to our C-SPAN friends in the back of the room. The cameras are rolling, so everyone be on your best behavior. And I call this hearing to order right now.

We are waiting for some of our colleagues to get here. I think they are on their way, but I do want to—I usually don't start off by calling attention to the title of our hearing today, but I think it is one of the most important issues facing the country. And so today we are having a hearing on shrinking the skills gap: solutions to the small business workforce shortage. And we have got a great panel before us this morning, and so I would like to welcome everybody. And let's get underway.

The American economy is creating jobs at historic rates. Over 1 million jobs have been created so far this year. The unemployment rate is at an 18-year low of 3.8 percent, and there are now more vacant jobs than unemployed job seekers in the United States. That is the good news. On June 1, there was even an article in The New York Times with the title, "We Ran Out of Words to Describe How Good the Jobs Numbers Are."

Small business optimism is at an all-time high. Tax reform has created an opportunity for small businesses to hire that extra employee or make that needed expansion or renovation.

The problems is when there are 6.6 million job vacancies, small businesses have a particularly difficult time finding and retaining qualified employees. According to the National Federation of Independent Business, 57 percent of surveyed small business owners either hired workers or were trying to hire workers in the last

month. However, 88 percent of those hiring or trying to hire reported few to no qualified applicants for vacant positions.

This raises a significant secondary issue. According to the American Enterprise Institute, there are 7 million men currently missing from the workforce. The female labor force participation rate has declined by 6 percent since 2000. Also, one in seven 16- to 24-year-olds are neither in school nor working, which could have serious economic implications for decades to come. These groups are not even included in our labor market. We do not want to forget them either.

Our Committee has held several hearings in the past few months that have examined the workforce shortage and the skills gap. This morning we have brought together an excellent panel to learn more about how to solve this problem. Through today's hearing, we hope to hear ideas that will ensure America's small businesses have a workforce with the right skill set to propel the American economy forward.

To be clear, this hearing is not about a few tweaks here and there. These distortions in the labor market affect every State, every congressional district, and the nearly 30 million small businesses in our Nation.

I thank you all for being here this morning, and I yield to the Ranking Member for his opening remarks.

Mr. Evans.

Mr. EVANS. Good morning. And thank you, Mr. Chairman.

As our Nation strives to regain its global competitiveness, it is critical that companies of all sizes have access to the skilled workforce they need to succeed. In fact, in the next decade, nearly two-thirds of all job vacancies will require some postsecondary education. And this will only increase as the pace of technology changes accelerate. Small business creates 70 percent of all new jobs, and it is essential that these workers have sufficient technical skills.

Analyzing the United States workforce reveals two areas of concern: an existing skills gap among workers and a large increase in the retirement of baby boomers within the next decade. Both emphasize the importance of transforming the education process and requirements for future workers.

For businesses, this reality has dire consequences. If we are unable to meet the demand for trained workers, it will weaken our ability to compete globally. The manufacturing, technology, and healthcare sectors in particular face challenging obstacles to this deficiency.

And what is essentially troubling is that there are fewer workers seeking jobs, compounding the problems further. With the unemployment rate at a low of 3.8 percent, small businesses will be at even more of a disadvantage as they compete for any workers, especially those with training.

This begs the question, how do we address this skills gap now to get people qualified for these jobs?

Targeted postsecondary education, such as skill certificate systems, can assist small firms in securing qualified employees to help them grow. Novel partnerships among industry, educators, and pol-

icymakers are also playing a role by preparing the workforce and incentivize school completion.

Too many American workers and small businesses have been left behind. That is why creating incentives for training, certification, and apprenticeship programs leads to a stronger workforce, better learning, higher productivity. Most important, we must change the stigma surrounding these jobs and refocus the discussion for our future generation as they need it.

Efforts such as these we will discuss today are critical to our economic recovery. By preparing America's workforce to compete in a global marketplace, firms will be better positioned to succeed, paving the way for stronger growth. Prudent investments in training and education will also reduce the unemployment rate, leading to higher consumer confidence and demand.

This is exactly what our Nation needs now that we look to turn the corner, create more jobs, ensure that America's small businesses are prepared to move our economy forward.

I look forward to today's hearing, and thank the witnesses for being here.

Thank you, Mr. Chairman, for bringing this very important panel together, and I yield back the balance of my time.

Chairman BRAT. Thank you, Dwight.

If Committee members have an opening statement prepared, I ask they be submitted for the record.

I would like to take a moment to explain the timing lights for each of you today. You will each have 5 minutes to deliver your testimony. The light will start out green. When you have 1 minute remaining, the light will turn yellow. Finally, at the end of your 5 minutes, it will turn red. I ask you try to adhere somewhat to that, but we are flexible. I think we have got a pretty flexible hearing today with plenty of time to spare.

And so with that, let's get to introducing our first witness. Our first witness today is Mr. Todd Hitt, CEO of Kiddar Capital in Falls Church, Virginia. Kiddar Capital is a global asset management firm that manages investments and private equity, real estate, infrastructure, and hospitality. They have expertise on labor markets across all of these sectors and are a good leadoff to explain what is going on in the real world this morning.

Mr. Hitt frequently speaks across the country and writes about how to improve the American economy, create opportunities for the middle class, and is a bold, innovative voice on navigating America's greatest economic challenges.

And so we welcome you today and thank you for joining us, Mr. Hitt, and you may begin.

**STATEMENT OF TODD HITT, CEO, KIDDAR CAPITAL; KELLY MCCREIGHT, PRESIDENT AND CEO, HAMILTON-RYKER IT SOLUTIONS; ANGELA DINE SCHMEISSER, PRESIDENT AND CEO, ST. MARYS FOUNDRY, INC.; AND BRYANT GREENE, ADMINISTRATOR, ALWAYS BEST CARE SENIOR SERVICES**

**STATEMENT OF TODD HITT**

Mr. HITT. Well, good morning. Chairman Brat, Ranking Member Evans, I really appreciate the opportunity to be here this morning and talk with you about this critical problem our country is facing.

My name is Todd Hitt. I am the founder and CEO of Kiddar Capital, a private equity firm based in the Washington, D.C., area. Kiddar manages a wide variety of assets across established and emerging asset classes, including venture real estate, construction, and energy.

Through my work, it has become clear to me that the United States is facing a critical labor shortage that could well topple the economy if we don't fix it. There are pockets of the country that have few jobs and too many workers, but there are far more with many jobs and too few workers.

Labor shortages mean small businesses can expand and they constrain economic growth in a visceral way. Turning down work is the last thing an entrepreneur and business owner wants to do, but when you don't have the labor you need, it is one of the only options you have.

My goal today is to offer practical solutions to address our labor shortage. First, let me briefly illustrate the scope of the problem we face.

In April, there were 6.7 million jobs open in the United States, and while the unemployment number doesn't include workers who have simply dropped out of the workforce, it was the first time since 2000 that the number of jobs open exceeded the number of workers. I cite many of these stories in my written testimony.

The firms Kiddar Capital has worked with have lived the labor shortage that is definitely an issue that the CEOs and investors I know talk about constantly. In my written testimony, I have included a graphic that shows the ratio of unemployed individuals to jobs available. Two years after the Great Recession was over, there were four unemployed workers for every U.S. job open. Today, it is less than a one-to-one ratio.

The worker shortage affects all regions of the country. In my written testimony, I have also included graphics showing the divergence between the prime age population and the number of workers in large cities and midsize cities and suburbs and in rural America. Everywhere there is a gap between jobs and the prime age working population.

As I noted above, these shortages hit small businesses the hardest. As candidates for office, you are familiar with the issue of name ID. Well-known candidates have an instant advantage. The same principle applies to hiring workers. When you are smaller, a potential employee is less likely to be familiar with your reputation and your name. Many people perceive working for a smaller business, especially a startup or a riskier—a far riskier challenge, of



course. Main Street employers also have a harder time absorbing the wage inflation that goes along with the labor shortage.

There are economists who will argue today's shortage could be solved if employers simply offer higher wages, but higher wages can't attract workers who aren't there, and more often than not, higher wages impact pricing and make the businesses' thesis untenable.

There are several factors that contribute to the nation's labor shortage. Today, I will address one: labor mobility. This is one we don't hear enough about, I think.

If you remember one statistic from my remarks today, I want it to be this: In 2017, fewer Americans moved than in any year in at least the last 50 years. The U.S. mover rate is now 11 percent. That is an historic low, and it is half of what it was just 30 years ago. Instead of moving in search of a new job, today's out-of-work Americans are more likely to drop out of the workforce.

The University of California at Berkeley's Enrico Moretti even has connected to the client and labor mobility to increased income equality. Family ties, housing costs, and level of education all impact a family's willingness to move, but I believe if we make it easier for them to move, Americans will get moving again.

Businesses clearly have a role when it comes to encouraging mobility. We must attract talent with fair wages, family sustaining benefits, and the promise of a stable job, but I believe lawmakers need to work in tandem with American job creators to solve this problem.

The first solution is to reinstitute the tax deduction individuals can receive for work-related moving expenses. I was a vocal supporter of the Tax Cuts and Jobs Act, but I believe doing away with that deduction was a mistake.

As you know, when you tax something, you generally get less of it. When you incentivize it, you get more. Mobility incentives will help unstick our workers.

One way to pay for these grants is to let unemployed individuals collect their State and Federal unemployment benefits up front if they are using them to move to another location in order to take a job.

The U.S. Labor Department executed a small scale mobility grant program in the 1970s. The Job Search and Relocation Assistance Program involved 40 different unemployment offices across several southern States. Different offices offered different types of assistance ranging from providing information about jobs to actually giving individuals grants to take jobs in other places.

A 1981 analysis of the program found wages for those who relocated through the program were higher. Local, State, and Federal levels of government provide tax incentives to businesses to provide worker training. Similar incentives should be given to employers who spend capital to relocate workers. Very important issue.

Differing rules for Federal programs like Medicaid and Supplemental Nutrition Assistance Program create a major barrier to keep people from moving. And while Section 8 rental housing vouchers promote mobility within metro areas, a long waiting list in most areas are a strong disincentive against relocation. High

housing costs are a major reason families don't move to cities with robust job markets.

I am running out of time here, Chairman. I maybe have another 40 seconds.

Chairman BRAT. That is fine.

Mr. HITT. High housing costs are a major reason families don't move to cities with robust job markets. In The Atlantic, last fall, Alana Semuels pointed out that states like Texas, which have less strict zoning laws, have high in-migration rates. Cities should loosen land use regulations.

It is not only urban areas that struggle to provide housing for new workers. The Wall Street Journal's Shayndi Raice found that in Platte County, Nebraska, there are around 990 jobs available, but only a total of 65 homes for sale. Housing prices are rising so fast in Nebraska the State is considering incentives for home-builders to build. Reducing occupational licensing regulations also will reduce disincentives for professionals to move.

I want to thank you again for the opportunity to testify here this morning. The labor shortage and the lack of labor mobility should concern Republicans and Democrats alike. This is a nontribal issue. It is an issue we must tackle to increase growth rates and to improve income inequality.

Thank you for your time and consideration today and for your service to our great country.

Chairman BRAT. Thank you for your testimony, Mr. Hitt. It is good to have a nontribal win-win, and I think you hit the nail on the labor mobility piece. And so we will be coming back to you on the Q&A part.

Next witness today is Kelly McCreight, president and CEO of Hamilton-Ryker IT Solutions in Nashville, Tennessee. Hamilton-Ryker is an information technology staffing firm, and also provides businesses with recruiting, management consulting, and information technology solutions.

Thank you for joining us today and for lending your expertise, Mr. McCreight, and you may begin. Thank you.

#### **STATEMENT OF KELLY MCCREIGHT**

Mr. MCCREIGHT. Good morning, Chairman Brat, Ranking Member Evans, and other members of the Committee. Again, I am Kelly McCreight. I am the chief executive officer of Hamilton-Ryker, and I am also current Chairman of the American Staffing Association. It is my privilege to represent both organizations this morning.

Founded in 1971, Hamilton-Ryker is a total workforce solution and industry leader for the provision of industrial, administrative, and information technology staffing, as well as recruiting, management consulting, and IT solutions. We are headquartered in Nashville, Tennessee. We have 35 locations across the U.S. For 45 years, we have helped thousands of people find great jobs in great careers, while providing our customers, many of which are small businesses, with a staffing solution concentrating on manufacturing, distribution, clerical, and skilled trade disciplines.

The American Staffing Association is a national trade association that has been the voice of the U.S. staffing industry for more than

50 years, promoting the interests of the industry and flexible employment opportunities through legal and legislative advocacy, public relations, education, and the establishment of high standards of ethical conduct. The ASA strongly supports policies that help America's workers, and is working closely with the Department of Labor and other Federal agencies on the development of a new and expanded apprenticeship program.

The staffing industry employs more than 3 million employees per day and more than 15 million each year. Staffing firms recruit and hire their own employees and assign them to businesses to assist in special work situations, such as employee absences, skill shortages, and seasonal workload, or to perform special assignments or projects. Employees work in virtually every skill level and job category, including industrial labor, office support, engineering, IT, legal, and accounting.

Most everyone is aware of the latest reports highlighting the current situation in the workforce. Basically, there is more jobs than people. We see that firsthand at Hamilton-Ryker in almost all of our markets. We are in a lot of small towns in Tennessee, Mississippi, and Kentucky, as well as in larger cities like Houston and Nashville.

With the economy at full employment, we are taking measures to upskill the existing workforce. For instance, by taking workers that may have a certain skill set and providing them training to allow them to be promoted or move into another position at a higher wage rate. Additionally, we have instituted soft skill orientations that address issues like conflict resolution, workplace violence, and even basic workplace practices, such as on time arrival to work, call-in procedures, and how to deal with differing workplace cultures.

This morning, I wanted to highlight specific measures our company is taking in Tupelo, Mississippi, in order to assess skills and train workers for one of our manufacturing clients. Last year, our company partnered with IVR Train, a spin-off company from Tennessee Tech University that develops virtual reality training for manufacturers. For those of you that don't know, virtual reality is an interactive computer-generated experience taking place within a simulated environment that incorporates auditory, visual, and other types of sensory feedback.

Current VR technology most commonly uses headsets or multi-projected environments, sometimes in combination with physical environments or props, to generate realistic images and other sensations that simulate a user's physical presence and a virtual or imaginary environment.

In Tupelo, we specifically were interested in how VR could assist us in recruiting, testing, and training forklift drivers. We purchased a VR forklift and installed it in our office in early January. The VR forklift has eight assessments that test a variety of forklift skills from beginner to advanced. Prior to purchasing the VR forklift, we could only interview our applicants and then send them out to our client for testing on the actual machine. We are now better able to assess the applicants' skills using the VR technology, resulting in a 70 percent plus pass rate for our applicants versus less than 50 percent in 2017.

This summer, we are implementing a training program for those workers who may have had previous forklift experience but need to upgrade their skills before being placed at client sites.

I have included a short video that will give the Committee a better understanding of how the VR forklift operates. This is just one of the examples our company and other members of the ASA are doing to train workers for tomorrow's jobs and help close those skills gap.

Thank you for your time.

So I don't believe there is any sound, but this is the actual machine in our office. And so it fits on about a 12-by-12 space. And he is putting on the glasses and he is going through one of the test assessments.

[Video shown.]

Mr. MCCREIGHT. So the major cost for this is the computer, obviously, and the video card that is inside there. So the costs are \$15- to \$20,000, which includes a simulator and the computer equipment. We have eight assessments that we can test.

Chairman BRAT. How is he doing?

Mr. MCCREIGHT. He has passed. I included the one that passed.

So that is—I wanted to show you that is what he is looking—that is what it looks like. So the first assessment is go through the cones and can he turn the forklift, and then it gets progressively harder each time, including going into a trailer, picking up a pallet, backing it out. So if they pass the first three, then we will send them on for testing on the physical machine.

So thank you.

Chairman BRAT. All right. Super. Thanks for your testimony, Mr. McCreight.

Our next witness is Angela Dine Schmeisser. Ms. Dine Schmeisser is president and CEO of St. Marys Foundry, Inc., an iron casting producer in St. Marys, Ohio. Under her leadership, St. Marys Foundry recently established the St. Marys Foundry Technical Institute, which encourages employees to set goals and take classes outside of their department specialty to be well rounded, while remaining experts in their field.

Thank you for being with us today, and you may begin your testimony. Thank you.

#### **STATEMENT OF ANGELA DINE SCHMEISSER**

Ms. DINE SCHMEISSER. Good morning, Chairman Brat, Ranking Member Evans, and members of the Committee. Thank you for the opportunity to testify today to discuss the skills gap and workforce shortage facing U.S. metal casting industry and for taking the time and energy to address this challenge.

As announced, I am Angela Dine Schmeisser, fourth generation president of St. Marys Foundry. My great grandfather started our manufacturing facility in 1917 in St. Marys, Ohio. I care about the state of manufacturing in our country, which is why I am here today, and which is why I actively participate in the American Foundry Society and serve on the board and as president of the Ohio Cast Metals Association.

Ohio remains among the top three States for manufacturing employment in the country, and is also home to over 150 metal casting facilities, which is the highest concentration of metal casters in the Nation. Metal casting is one of our Nation's oldest and most important industries, as castings made from iron, steel, or aluminum alloys are used to produce 90 percent of manufactured durable goods and nearly all manufacturing machinery in the U.S.

Today, St. Marys Foundry employs 160 associates and manufactures iron castings ranging from 500 to 60,000 pounds. We melt scrap metal, add necessary alloys, and transform them into key components, such as compression cylinders for the natural gas pipeline and diffusers for flood control. If you have ever used natural gas, I can proudly say one of our fine castings has touched your lives.

As you know, America's labor shortage has reached a record high, and as Chairman Brat said, with U.S. unemployment rate dropping to an 18-year low of 3.8 percent in May, this is a real challenge. If you gather a group of metal casters and ask them what their biggest challenge is today, more than 80 percent will cite the talent shortage of both skilled and unskilled workers. This shortage threatens to slow the economy, impede manufacturers' ability to deliver on customer demands, burn out our workers, and hurt our bottom line through lost revenues and lost opportunities.

At St. Marys Foundry, we have a great working environment with competitive wages and benefits, and we are still struggling to fill job openings. We are challenged on a number of fronts: an aging workforce, local housing shortages, a local unemployment rate averaging 2.8 percent, the drug epidemic, and less people choosing manufacturing careers due to the perception that manufacturing is outdated and legacy work. With a combination of all these factors, the shortage of skilled and unskilled workers has turned into a perfect storm.

We currently have 16 openings for a variety of jobs specific to our industry, such as casting finishers and mold makers. In January, we held a job fair. We promoted the fair on our Facebook page, put up billboards along the interstate, and encouraged our employees through incentives to promote our job openings on social media. Our job fair resulted in 76 applicants, which we felt was successful. However, out of those 76 applicants, 46 failed the onsite drug test, and six applicants didn't follow up on the next step of the interview process. We ended up hiring 24 applicants, and now, primarily due to attendance issues, only four of these individuals remain employed at the foundry today.

As you can see from the results of our job fair, finding applicants, especially drug-free applicants, is a real struggle. Typically, only 25 to 30 percent of perspective employees can pass the drug test. Given the fact that we have heavy equipment and molten metal in foundries, it is vitally important that our workers are drug free.

Our industry is stepping up and making a commitment to actively reach out to introduce the metal casting process to local elementary, middle schools, high schools, and other venues. Foundries are working with their local labor departments, technical colleges, veteran organizations, and correctional facilities for referrals. We are providing in-house training, including apprenticeships for our

more technical positions, and paying for our associates to go to technical classes.

There is a role for Congress to help facilitate the rebuilding of this pipeline of students into manufacturing by refocusing resources in vocational and technical programs available to high schools and community colleges across the country.

We appreciate the House passing the Strengthening Career and Technical Education for the 21st Century Act, also known as the Carl Perkins Career and Technical Education bill, which provides resources for secondary schools and community colleges to teach manufacturing skills and other technical trades. I understand that the Senate Health Committee is scheduled to act on several Perkins Career and Technical Education bills on June 20, and I hope that the Senate will vote to move forward on bipartisan legislation soon.

In addition, it would be helpful if Congress would fully fund the Perkins Career and Technical Education Act. Increasing student participation in work-based learning opportunities would go a long way to help increase interest in manufacturing job opportunities. I personally believe we should also consider connecting these educational programs to drug rehabilitation programs and behavioral correction programs for exponential success.

I want to thank you again for the opportunity to be here today and share our company and industry workforce challenges, and I look forward to your questions.

Chairman BRAT. Thank you very much for that compelling testimony. It was very good.

And now I would like to yield to our Ranking Member, Mr. Evans, for introduction of the final witness.

Mr. EVANS. Thank you, Mr. Chairman.

It is my pleasure to introduce Mr. Bryant Greene, owner and administrator of Always Best Care, a senior service healthcare serving greater Philadelphia. He has a TV and radio show "Did You Know" connecting people to home, community, and business resources. Mr. Bryant is the advisory board over 1199C, an ASME-affiliated labor management partnership. They provide training to community members, as well as union members, to help secure a skilled workforce, something his industry is in dire need of acquiring.

Mr. Greene is a graduate of Philadelphia University where he received his MBA.

Welcome, Mr. Greene.

#### **STATEMENT OF BRYANT GREENE**

Mr. GREENE. Thank you.

Good morning, Chairman Brat, Ranking Member Evans, and distinguished members of the Subcommittee. Thank you for convening today's hearing on small business workforce development needs and how to address the skills gap.

My name is Bryant Greene, and I am the owner of Always Best Care Senior Services in both Philadelphia, Pennsylvania, and throughout Delaware. Always Best Care Senior Services is one of the Nation's leading providers of nonmedical in-home care, assisted living placement services, and skilled home healthcare.

It is an honor for me to be here today to testify before this Subcommittee and to share my experience as a private sector employer working to address the skills gap in my industry.

As the owner of Always Best Care, I have more than 25 years of day-to-day operations experience, which includes staffing and workforce development in a healthcare environment. In addition to my experience in home healthcare, I currently serve on the public policy committee/political action committee board of the Pennsylvania Home Care Association, and I am a member of the Board of Trustees of the Philadelphia University Legacy Board, now acquired by Thomas Jefferson University; the Overbrook School for the Blind in Philadelphia; the Magee Rehabilitation Hospital Foundation Board of Directors; and the board of Philadanco.

Growing up, I was a part of the family who qualified for 1199C benefits, which provide eligible union members with comprehensive educational services in the healthcare field. As a result, my mother, grandmother, and I were able to attend college in the same time-frame, giving us a chance to persist and succeed in our chosen fields. Without access to this type of targeted training, I would not be where I am today.

Middle-skill jobs like those at Always Best Care Senior Services account for 53 percent of United States labor market, but only 43 percent of the country's workers are trained at the middle-skill level. In healthcare industries, this skills gap is even more pronounced.

Home healthcare is one of the fastest growing industries in the U.S. As the labor market has tightened, employers like Always Best Care increasingly struggle to identify hires with credentials and work experience, both of which are required to earn licenses. When there were more workers looking for jobs, new entrants earned work experience in helper roles, enabling a constant stream of newly licensed workers to meet middle-skill demand. With lower levels of unemployment, the pipeline no longer exists.

For small- and middle-sized businesses like Always Best Care in particular, the skill care gap can create daunting challenges when it comes to hiring and retaining workers.

Challenges in recruiting workers. First, quality in-home care requires the right kind of person. Always Best Care looks for kind, compassionate caregivers who treat clients with dignity and respect. We provide in-home care services, both companion and personal care. We serve patients with Alzheimer's, dementia, and cancer. In addition to comfort and companionship, we offer dressing, escort transportation, errands, bathing and grooming, incontinence care, light housekeeping, grocery shopping and meal preparation, laundry, and medication reminders.

Recruiting the right person for this work requires significant outreach to our communities, a detailed interview process, and a structured onboarding process. Always Best Care has over 1,000 caregivers, but we can't do this on our own. We have worked with the PA career link, diversity career fairs, social organizations, and training programs like 1199C to recruit individuals into the field. These community partnerships help us identify a diverse set of workers across our service area and fill roles in the company.

I also work with community organizations and reentry programs that serve individuals who have been released from incarceration. The Pennsylvania Older Adult Protective Services Act, OAPSA, requires all home care agencies to complete criminal background checks prior to hire. However, a 2015 court decision by the Commonwealth of Pennsylvania known as *Peake v. Commonwealth* found lifetime bans on unemployment unconstitutional. Although background checks are still required, the Department of Aging now recommends that providers perform a risk assessment if they choose to hire an individual with a prior criminal conviction. While we are awaiting more guidance from the State, we believe this is a step in the right direction and urge Federal policymakers to consider similar measures when it comes to addressing barriers to hiring.

Challenges training new and incumbent workers. Training new workers in home healthcare requires dedication and intensity. All of the jobs at Always Best Care call for on-the-job training to ensure each client has access to quality, personalized individual home care program. Every one of our team members and caregivers receive comprehensive training before assigned on a care plan. Our workers also achieve periodic reviews and upskilling opportunities. To help provide—I am about to run out of time, sorry.

Chairman BRAT. That is okay.

Mr. GREENE. To help provide greater opportunities for our workers, I sit on the advisory board of 1199C Training and Upgrading Fund, AFSCME-affiliated labor management partnership. I along with several other business leaders work with 1199C staff to identify core competencies in home healthcare workers and translate into curriculum and training 1199C can deliver, complemented by the training my team can deliver workers on the job.

This partnership is vital but takes significant work. Currently, 1199C is a funding portion of their work and subsidizing the cost of training through Federal Department of Labor grants and with funding from Workforce Innovation and Opportunity Act. I urge policymakers to continue investments in our workforce and apprenticeship systems, as they are crucial to supporting the efforts of small business workers to close the skills gap.

Challenges retaining workers. Retaining workers is also a tremendous challenge. Much of my workforce consists of part-time workers, since the average care plan is 3 to 6 hours a day. Additionally, because of low Medicaid reimbursement rates, home care agencies can only afford to pay \$10 to \$12 an hour, on average. Given the nature of tasks caregivers must perform daily, I feel this level of compensation is inadequate, not enough, and does not provide an incentive for individuals to remain in the field. These workers can easily find higher pay in retail and food service industries, which is one of the main reasons the industry has a turnover rate of 70 percent.

Also, the insufficient Medicaid reimbursement rate makes it difficult for home care agencies to cover the increasing cost of providing care and services to seniors. Within the last 6 months, additional background check and child abuse clearance requirements for home healthcare workers have been handed down by the State of Pennsylvania. While these background checks are undeniably



important, the cost of hiring just one direct care worker is projected to increase by \$43 in 2019, yet Medicaid reimbursement rates are set to stay the same.

In conclusion, we can all agree that home healthcare workers are crucial to providing high quality to some of the most vulnerable members of our society. I am here today to tell you that our industry is facing significant hurdles when it comes to building and maintaining a strong pipeline of workers, and there is no doubt in my mind that this will adversely affect millions of Americans if not corrected.

I ask that the Federal policymakers work to help provide education and training opportunities to individuals from all backgrounds who are likely to find and retain gainful employment. We cannot afford to miss this opportunity too close to our Nation's growing skills gap.

Thank you.

Chairman BRAT. Great. Thank you very much, Mr. Greene, for your testimony.

All four of you together put together, I don't want to say a depressing package, but a set of challenges right from mobility through, Ms. Dine Schmeisser, I think you gave us quite a list. And I will just go over that and just kind of at a gut feel, if you each just want, we will start with Mr. Hitt, and if you want to move down.

You started off with 76 applicants, and then the whole panel brought up showing up on time, quitting, 70 percent turnover, the stigma of going to college versus getting technical skills in K to 12, people being skill ready, huge dropoff due to the drug issue, labor mobility. And so you are at the Federal Government right now, and in some ways, we can be very helpful on certain policy levers and on others it is very blunt.

So like on education, K to 12, we probably control 10 percent of the funding, et cetera, right, and then State and local is 90 percent. But we do put mandates down, right? And we lifted mandates last year. And so the only required testing going forward under last year's education bill for K to 12 now is going to be math and reading, et cetera. And schools are free to do and have a little more flexibility.

So I am curious to hear your—if we are spending \$13,000 a year per kid for 13 years, what can we do to get folks ready for the labor market in a better way K to 12? And then higher ed, you gave some hints as to where Perkins loans and those kind of things, how can we shift things. And then these are a lot of band-aid programs, and Mr. Hitt is kind of getting at the bigger package of labor mobility, making sure we are getting people to the right labor markets in the first place. But there is a daunting task, right, when you go from 76 apps to 46 drugs to showing up on time, setting the alarm clock in the morning, work ethic is involved. And this is common, right, this is what we hear, and that is why we are having this hearing. It is a daunting challenge.

And so, Mr. Hitt, the Federal Government—I mean, and don't limit yourself to what the Federal Government can do, but where would you—right, in economics you do efficiency and you aim for the low hanging fruit first. Where would you aim our resources to

get the biggest bang for the buck in terms of improving this situation?

Mr. HITT. Well, Chairman Brat, for me, ultimately, the number of people in the country feeling disenfranchised because of the labor issues that we have go to the American Dream. The American Dream is the belief that your children will do better than you. They will always be set up to do better than you. And when you lose that vision of that American Dream, and people think that they can't possibly do better than their parents did, and their parents can't do better, aren't mobile enough to move to a higher paying job in a better spot, then I think you do get this inertia that we have in the country right now. And in middle America, many people are stuck.

From my perspective, I would be incentivizing big business to get these people moved. And that, to me, are tax credits, tax breaks, maybe on a multiple—you know, to go ahead and move people. If you think about it right now, there are people in the country who, you know, their houses are still upsidedown in pockets of the country. You know, so the idea of moving from maybe Youngstown to Seattle, it is untenable because your house is still \$50,000 upsidedown and you are working two jobs. So these are huge problems, I think.

I also think, to the problem that Ms. Dime Schmeisser has, I think that you are really talking about great education and market at the education level K through 12. We need to change the way we educate people, and we need to let them see the future of what can happen in our job markets. We are rolling through a very digitized economy right now, and it is going to move far faster than we ever saw the economy moved through the industrial revolution. It is going to move in 15 years where the industrial revolution took us 35. It is going to move quickly. So we want to let them know that through spot education that there are great opportunities coming for them in other areas in other industries.

So that is where I would start, because I think when you have 46 applicants where over 50 percent failing a drug test, you have a far bigger problem, and to me that goes right back to the American Dream. They need to believe that there is great hope and that their future will be better and better. It is in our DNA. It is why we are Americans. It is why we originally came here. We all came here from somewhere, right? Over 200 years ago. It is in our DNA to move. And I think I made the point in my testimony, in my written testimony that we were moving at rates of 22 percent. That is almost one in four Americans every year moved. It is almost like that sort of gold rush dream, you know, I have got to move for a better opportunity. The impacts of this are huge.

Think about a recession. When you have a recession and you are in it, you might be in a recession for 3 years, but when people are moving to find that better opportunity, they are picking up GDP by going where jobs are instead of just staying stuck in that spot. So you actually have—recessions are actually balanced out when people are moving. So, to me, mobility is the number one issue we have. It is not talked about enough, and I would like to see it be at the forefront, and I would like to see these solutions start to be

tested and start to be implemented so we can actually get these people moving again and get them in better spots and better jobs.

Chairman BRAT. Great. Thank you much.

We will circle around to everyone else on the panel with that question coming up too, but I want to yield to the Ranking Member.

Dwight, why don't you kick it off.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Hitt, I want to go to something that this Committee was conducting a discussion last week and see if you can reconcile this balance. We just held a hearing on millennium entrepreneurship. We talked about the gig economy, and we found that many are choosing to work for themselves for many reasons. How do we balance the need for encouraging more startup activity with ensuring the next generation of workers also consider the skilled workforce?

Mr. HITT. Yes, I think it is a tough one. You know, we went through—you know, unfortunately, we went through a financial crisis in 2006, 2007 and 2008, you know, and millennials were caught up. I hate to call them millennials, they are just, you know, the next generation, young, hardworking Americans. You know, they were caught up in a time that was tough for them. Many of them went through foreclosures on their homes. Many of them saw their parents lose their jobs. Many of them watched some big business get sort of taken out and taken out to pasture a little bit for failures that, you know, they had, and so they lost some of their faith in big business. So the idea of working for yourself is actually a great thing for them. I think it is a natural reaction, human nature to feel that way, right?

So I think what we need to be doing are simple things to bring them back in to big business to help train them so that they are actually in a better position to go out and take advantage of the gig economy. You know, part of that is making sure that we are talking about all the wonderful things that are happening in big business, Congressman, you know, that 99 percent of big business and small business, you know, they are wonderful actors. You know, they are conscious, you know, about their capital's pursuits. And so I would like to see more of that and more discussion of that on broader things.

And then I think from the perspective of startup activity, you know, we didn't incentivize investment and startup activity. I mean, we are involved in that. You know, we are involved in the venture world in a very big way. And, you know, from our perspective, you know, there is great opportunity in that world, and we want to attract millennials into that space as well. So we have—sort of have both these spaces that we want to, you know, be incentivizing them to jump in and get into the labor force.

Mr. EVANS. Mr. Greene, me—can you speak about the important training programs with a chronic unemployed that can help aid the growth of our economy?

Mr. GREENE. So the stigma associated with technical training in place of a 4-year degree will be a difficult one to erase in today's youth. However, the growing cost of postsecondary education, young adults are beginning to recognize that the technical careers can play in reducing or even preventing student loan debt and

starting them on an earlier path to financial independence. Successful training programs need to take advantage of their graduates and alumni and use peer reviews to entice other young adults into the field. Students do not respond well to schools and counselors pushing them toward technical training, but they appreciate the experience of their peers in their generation who have taken this option and can prove that in a promising career.

I just think that, you know, these organizations that exist, you have to make them more available, make them more known. The community partnerships, the not-for-profits, all of that out there, you just have to evangelize it better amongst, I guess, the growing workforce.

Mr. EVANS. You used an interesting word. You said “evangelize.” You think we are at that point that we have to do that?

Mr. GREENE. We have to, and we have to—I say that because, you know, you look at how we are communicating as a whole. I mean, you know, how are we—the traditional putting an ad in the paper for programs or jobs is just, in my opinion, obsolete amongst the young folks. They want to see things, or they look for jobs on Craigslist, at least in my workforce, you know, which is highly part time. So when I say evangelize, yes, of course, evangelize on social media, on radio, TV. You know, every time you turn on the TV now, you hear one or more programs, but sometimes to the young people that translates to debt.

So I think they have to see the reward to really with the—you can’t get instant gratification all the time in this workforce. You have to put in the time, and I think that is the balance of what millennials don’t see. They want instant gratification, and as you asked the question about entrepreneurship, it is the freedom—as I talk to them a lot, a lot of times I am connecting young people—in my season, I am connecting young people a lot of times to older folks, which is kind of an intergenerational vibe, if you will. But when you talk to young people and you listen to them, they want the freedom of the entrepreneur spirit as opposed to routine. So I guess it is nonconformity, and bring them into the workforce to know that they have value.

Mr. EVANS. I yield back the balance of my time. Thank you, Mr. Chairman.

Chairman BRAT. Thank you, Mr. Evans.

I would like to now yield to my good friend from South Carolina, Ralph Norman.

Mr. NORMAN. Thank you, Chairman Brat.

I want to thank the panel for taking the time to come today. It is valuable to hear your comments.

I am a contractor and, you know, the challenge that I see for hiring people is if you are 19, have never worked, it is kind of hard to get them in the routine. That is a society problem to have people work as they come up, but that is an issue now.

But, Mr. McCreight, we have in our area colleges, technical schools. And do you find businesses partnering with them to, one, let the millennials know that a welder, a framer, a truck driver with a CDL can make 80 to—on up thousand a year? Have you all partnered with them? And if not, how do we spur that on?

Mr. MCCREIGHT. Yes, we definitely have partnered with them. I can remember, you know, maybe 15, 20 years ago, if you had openings, you would just send the openings over to the community college and then they would send you some applicants, and that was how you would hire from them. And it is not like that anymore, because everybody wants to access that pool that is there. And so it is almost a cradle-to-career kind of approach. You have got to get in there early in high school.

I think there is a stigma, maybe I will speak to the manufacturing piece, that it is not cool to be in manufacturing. But you are exactly right, there are so many great jobs that you don't have to go to college for. And I know States have—in our State of Tennessee, we have promoted that. I know the other southeast States have promoted that because of the influx of the automotive jobs that we have seen over really the last 25 or 30 years. But we have got to do a better job of making it cool to be in manufacturing, and you don't have to go to—you know, even go to community college. You can literally be an apprentice right out of high school, come in and have a great job and have a great career.

Mr. NORMAN. I just got off a panel with opioid addictions. What—and this is to not any particular person, what is your take on beginning to solve that? And how would you—as a business person, how would you start the ball to try to unravel that issue?

Mr. Hitt, I will start with you.

Mr. HITT. Well, I think we need programs that, you know, obviously add a mental health element to the hiring and training issues that we have. I mean, clearly, you know where I stand on this. I mean, you know, you fall into these huge crises in our country when people are feeling disenfranchised. There is a reason we have an opioid conflict. It just didn't pop up. You know, it comes from a lack of opportunity and a feeling of disenfranchisement. And I think that there is some failed leadership in our business communities. There is probably some failed leadership, you know, overall in the country in this entire area.

You can't just have people on the coasts being wonderfully prosperous and people around middle America not being prosperous. And so I do think this come down to programs that, again, move people where the opportunity is and create incentives for opportunities where they do live so we can create better jobs for them there. Then you can work on the training element of it, and through the training element of it, certainly mental health has to be a part of that.

We don't do a great job in this country in the mental health area. It is an area that we should be focusing on more. If anybody in the room has any experience in it, you know, with children or family members, you probably understand the frustration, you know, of trying to get the appropriate help for people that are, you know, addicted to something or depressed or have anxiety disorders. You know, these are big issues, you know, and they are not solved with a snap of the finger, so real leadership has to come.

And I think it comes back to incentivizing business to step in and work with, you know, both local and State governments and the Federal Government to help solve these problems. Get people in jobs. The dignity and respect that comes with a job, you know, the

ability to go home and actually enjoy your weekend with your family, you know, instead of going to work the second or third job to try to make ends meet where you are and you become critically underemployed. I mean, it is a very vicious circle, you know, that is there. So that is how I would address it, Congressman.

Mr. NORMAN. Anybody else want to take a pop at that?

Mr. GREENE. Sure. I deal with recovering addicts all the time, and so, I guess, again, what we have started to do, at least with the reentry programs where people have been recently released from incarceration, we try to connect those folks with the folks that are currently going through a stage in their addiction. Addressing it first. I guess, you know, a lot of times in the culture people, have to reach their bottom, but if you are trying to address it positively, I think you just have to keep in tune with the outreach, understand why, you know, different folks are getting high or seeking to get high, and then really connecting them to the multiple choice of what happens if you continue to get high.

There are all types of programs out there, and the ones that are successful are the ones that have people that have joined that haven't been forced by their parole officer or by a judge or by a priest or by a family member. The most successful programs that I work with are the ones that people have hit rock bottom and want to make a change.

And so then when you talk to people that are currently using, at least it has been my experience, you just continue to encourage them to make better choices, and give them better options out there, whether that be in entertainment, horticulture, art, different things and different hobbies.

A lot of times if we talk to, particularly young people, they don't feel that they have a lot of options. There is a lot of depression, and I know it personally because I raised a child with depression. So, you know, you really have to really have this honest assessment and you have to deal with it. You know, you have to deal with it directly.

And again, I guess what we are trying to do, and in a lot of ways we have reached some success, is that we connect folks that have gone through addiction and are on the other side of it, and we continue to talk to the people that are going through it currently.

Mr. NORMAN. Great. I am out of time. Thank you so much.

Chairman BRAT. Thank you, Ralph.

I would like to yield to Stephanie Murphy of Florida.

Mrs. MURPHY. Thank you all for being here. I really appreciate it.

And, Mr. McCreight, I appreciate you showing us a sample of how virtual reality can be integrated for training. I represent a district in Orlando that is known for being the hub of modeling, simulation, and training, and there are a number of companies there that build those machines just—or technology just like the one that you showed to train people in the healthcare space, for military purposes, and a variety of other jobs. And so I think it is an exciting space that we are probably likely to see more of as we look at workforce training.

But my question, you know, we have held a similar hearing here on this Committee where we discussed the possible causes of this

persistent skill gap problem, labor force job gap issue, and one idea is that schools might not be adequately preparing students with the exact skills that they need for specific jobs. And on the other side, it appears that there is a guessing game that students have to play as far as what jobs might exist. So as they try to figure out what to go to school for, they are not quite sure what the demand signal on the other side is.

And so it is suggested there is a communications gap between higher ed and industry or educational institutions and industry. And, in fact, in 2012, a McKinsey report found that 72 percent of higher education institutions believe that graduates are fully prepared for the workforce, and only 42 percent of employers agree.

So what kinds of things do you think we can do to close this gap, better prepare our students, also give them a better sense of what the demand signals are from industry? Kind of open question.

Mr. MCCREIGHT. I will start. I think that, you know, there is, to me, there is two skills gaps. There is the technical skills gap, which I showed on the forklift of how we would address that, and then we also see what we call the soft skill gap or basic skills, and it is things that you just would not think you would have to teach someone, which is showing up for work on time and not walking off a job, or if you are going to be out calling in advance, and things that probable many of us were just inherent in maybe the way we were raised or a culture. And, you know, so we find that we are having to teach that, which is really surprising. As an employer, you wouldn't think you would have to do that. And I do think that the K through 12 could address that in some form or manner, and whether it is job readiness or how they would do that, rather than the employers.

I think probably most of us have stories of that that we just can't believe that these people don't understand kind of the basic 101 of working.

Mr. GREENE. I think that public schools can do a better job of discussing postsecondary training options, but the better solution is creating more opportunity for public and private efforts. Schools should have relationships with local training institutions that can talk about what students can expect in their programs and what kind of positions and salaries they can attain with training.

We are going to be participating with a program, as I sit here and think about it, with 1199C, again, with high school students. And so getting them more involved or at least, you know, 4 days out of a workweek. And again, you know, in my—again, in my workspace in terms of workers, at least caregivers are in a situation where they are in a lot of ways highly unsupervised.

But when we talk about soft skills too, I think another thing that we talk about, again, with young people, a lot of times with the seniors, is just general courtesy. A good morning, good afternoon. Putting down the cell phones. You know, we have almost gotten to a culture, at least in my place, where the cell phones are a big no-no in the workplace because people can't live without them. But when you talk to young people, you know, we try to tell them we don't want to talk to the top of your head, we want to talk to your face. And it is reinforced in our workforce because, again, we are

connecting a lot of times this intergenerational vibe where we are putting a young person into a senior's home.

And for me, the struggle is twofold. One, there are not a lot of people standing in a long line to be a caregiver to help people for the low salary that we can offer because of the Medicaid rate. But the other part of it is too, a lot of the young people are, I don't want to say entitled so much as uninformed. And the attention span of trying to keep them sometimes engaged, because that is—it is not my only workforce, I supervise probably four generations of folk. And so really, again, just having diversity and inclusion, but soft skills training, more intern programs, you know, and really making it more attractive for employers like myself to get involved with kind of training programs, creating some type of benefit for that.

Mrs. MURPHY. Thank you. And I yield back.

Chairman BRAT. All right. I get now to yield to my boss, the Chairman of the full Committee, Steve Chabot, and thank you very much.

Mr. CHABOT. Thank you very much, Mr. Chairman.

And I apologize if any of the questions I ask have already been asked. I had another hearing going on, which I have to go back to, but Small Business Committee is the most important committee in Congress so those others can wait. That is my attitude. I know that is the others as well.

The first question I would like to ask is kind of relative to the education system. It seems like obviously, you know, parents, at least a lot of us, perhaps have encouraged our young folks over the years that a 4-year college is absolutely critical nowadays. But in reality, obviously, there is a lot of jobs and opportunities out there that don't require a 4-year degree, you know, a 2-year community college degree, or vocational degree, or a technical certification of some sort or another.

And if you could, whoever would like to, just kind of address that issue and perhaps how we ought to look at that either differently or more thoughtfully or just kind of as a society. Are we pushing too many of our young people into 4-year liberal arts degrees when perhaps there are other alternatives to that? Anybody like to address that?

Ms. DINE SCHMEISSER. I am going to go ahead and jump in so I have a chance to respond. I think a lot of it is about what the panel has said today, redefining the American Dream. What does it mean to have it all? Because I think have it all now can be a home that you can pay for and children you can clothe and food you can buy. And there is a housing shortage, but the stigma does start with how you are raised, and I think business can do a lot about that.

If you put yourself out in the community and you connect, and—like when we got business of the year, I made sure we talked about that a lot, so that that is something they can talk about around the table, and say, hey, I wonder what they are doing down there, and make it seem—make people realize that there is opportunities that aren't 4-year colleges.

In the educational system. I just had a son graduate. No one talked to him about any other choices other than college, and at



graduation, the kids that didn't go to college, they didn't even announce what their future plans were going to be. And I think we could really glorify that and make it seem better by the fact that if the Federal Government thinks it is important enough to increase Pell grants, or technical colleges or vocational schools get more money, then it must be a really big need.

And I think when there is a lot said about millennials that is not kind, but I do think they go where they are needed. They feel a draw to being needed and being part of a bigger picture and being part of something that is successful. And I know when we wanted to get—when we want more employees, I realized I had to reintroduce ourselves to the community, because the image we had was old and dated. And so what we did was ask the employees, what is important to you? What is important to your kids? Where should we be?

We pay our employees to volunteer in the community. People see that and they say, wow, I would like to be part of that. And I think that same energy can be put towards vocational schools and technical colleges or, you know, really on-the-job training is huge. There is nothing that can be offered at a vocational school that we need, other than like forklift training. Everything we teach is on the job. But I would love it if somebody in K through 12 would have a life skills class so they know how to balance a checkbook or get to work on time and realize they have to bring a lunch with them. No one is going to give them lunch at work.

There is so many things that they really don't know, and I can say that without, you know, being smug because my son is one of them. The first day he showed up for summer internship, he didn't understand why there wasn't a lunch for him just because everywhere else he had worked had been so generous and things like that. So I think there is a lot of things they don't know.

And I agree, it is not because they are entitled, they are just completely uninformed. And I think a lot of it comes from the support they get at home, what they see both—maybe both parents are super busy, and they don't have time to show them that. So as business leaders and elected officials, we have to show them what is important in life and what matters and what will get them recognition.

Mr. CHABOT. Thank you very much.

Mr. Chairman, I will yield back my time. Thank you.

Chairman BRAT. Well, I think we couldn't have had a better panel today. I appreciate just—we covered, I think, the full spectrum of all the issues. And the closing, that was fantastic testimony you just gave that I think will give us plenty to think about to move forward on. And that is why we do hold these panels. We do seek your input. I am from the business community, and we are going to prepare another round and zoom in until we hit the target and solve the problem.

And so I want to again thank all of our panelists today for coming in and sharing your time and expertise.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

This hearing is now adjourned. And thank you again very much.

[Whereupon, at 11:07 a.m., the subcommittee was adjourned.]

## APPENDIX

**Testimony**  
**Todd Hitt, U.S. House Committee on Small Business**  
**June 14, 2018**

**Introduction.**

Chairman Chabot, Ranking Member Velazquez, Congressman Brat, and other members of the committee: thank you for the opportunity to be here this morning.

My name is Todd Hitt and I'm the founder and CEO of Kiddar Capital, a private equity firm based in the Washington, DC area. I formed Kiddar Capital 10 years ago, at the beginning of the financial crisis. It was, perhaps, not the most opportune time to start a company, but we have been successful. Today Kiddar manages a variety of investments across established and emerging asset classes, including private equity, real estate, construction, venture, credit, energy, and hospitality. We're one of the fastest growing private equity firms in the region and we've almost doubled our workforce in the last year.

Kiddar uses my private capital, along with capital from like-minded co-investors, to initiate and accelerate innovative business ideas. The entrepreneurs we invest in are building our future economy. In the process, they are transforming core industries like construction and are revitalizing entire communities and creating jobs.

My family has a long, entrepreneurial history in northern Virginia. My grandparents, Warren and Myrtle, founded Hitt Contracting in the 1930s out of their home in Arlington. They soon had six employees and grew throughout World War II even while facing labor shortages.<sup>1</sup> By the 1950s my grandparents had 60 employees.

By 2000, the company my grandparents founded employed more than 500 people, moving it beyond the standard definition of a "small business." My grandfather passed away in 1978, but my grandmother lived to see this achievement. Today, the company is in 11 U.S. cities and employs more than 1,000 individuals.

Through my work across multiple business sectors and across the country, it's become clear to me over the last few years that the United States is facing a critical labor shortage that will severely constrain our nation's economy if the private and public sectors do not work together to address it. There

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<sup>1</sup> Hitt Contracting website, "Timeline of Tradition." Accessible at: <http://hitt.com/timeline-tradition>

are pockets in the United States that have few jobs and too many workers. But there are far more places with many jobs and too few workers.

I've witnessed the devastating effects a labor shortage can have on a business. Quite simply, it means a company cannot grow. Turning down work is the last thing an entrepreneur wants to do, but when you don't have the labor you need, it's one of the only options. In the construction industry, at least, a business can try to delay work or lengthen project timelines, but if you're in agriculture and you're facing a labor shortage, crops die. If you're in retail or hospitality, long lines and strapped customer service specialists means customers will leave your store or hotel and go somewhere else. Or they'll shop online. Businesses of all sizes suffer when labor is scarce, but our Main Streets are impacted the most severely.

My goal today is to offer practical solutions about how we can move workers to where jobs exist today.

#### **Discussion Of The U.S. Labor Shortage.**

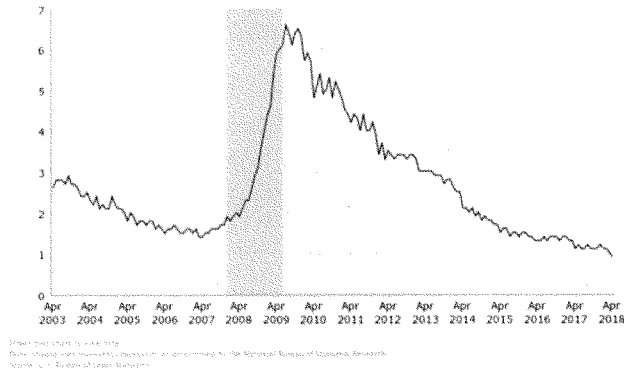
There's little question the nation as a whole faces a labor shortage. In April, there were 6.7 million jobs open in the United States. It was the first time since 2000 that the number of jobs open exceeded the number of unemployed workers. There were nearly a quarter of a million jobs unfilled in the construction industry and more than 450,000 in the manufacturing sector. The numbers are even more staggering in the leisure and hospitality industry—with 940,000 available jobs—and for education and health services, where there are nearly 1.27 million jobs left unfilled.<sup>2</sup>

American employers cannot find workers. Below is a graphic that shows the ratio of unemployed individuals over time.<sup>3</sup> Two years after the Great Recession was over there were four unemployed workers for every U.S. job open. Today it's less than a one-to-one ratio. You'd better hope that one person has the skill set you need.

<sup>2</sup> U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Summary, June 5, 2018. Accessible at <https://www.bls.gov/news.release/jolts.t01.htm>

<sup>3</sup> U.S. Bureau of Labor Statistics, Number of Unemployed Persons Per Job Opening, Seasonally Adjusted, April 2018. Accessible at <https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm#>

**Number of unemployed persons per job opening, seasonally adjusted**  
Click and drag within the chart to zoom in on time periods



Local and national newspapers are filled with stories about employers, particularly small employers, searching for workers. I know there are members of this committee from Pennsylvania. Todd Taylor, vice president of postsecondary education at Central Pennsylvania Institute of Science and Technology, recently told the *Centre Daily Times*, "[T]here has never been a more significant shortage of skilled workforce, skilled technicians."<sup>4</sup>

NatureFresh, a Canadian company that was planning to expand its existing workforce in Ohio last year, put those plans on hold because the company couldn't find enough workers. That's a multinational company that wants to expand in the United States, but can't because we don't have the labor. Those jobs will go elsewhere. The company's president, Peter Quiring, said when he goes to trade shows—and he goes to a lot of them—the labor shortage is "pretty much the only topic of conversation today." Quiring also noted, "It's not a NatureFresh problem, it's not an Ohio problem ... [It's] a coast-to-coast, border-to-border problem."<sup>5</sup>

I could not agree more. The construction, manufacturing, retail, and energy firms that Kiddar Capital has worked with certainly have experienced this problem, and it definitely is an issue that the CEOs and investors I know talk about.

The worker shortage affects all regions of the country, and all types of cities. Below are graphics from *The Wall Street Journal* showing the divergence between the prime age population and the number

<sup>4</sup> Sarah Rafacz, "Why Local Businesses Can't Fill High-Paying Job Openings, and How It Impacts the Community," *Centre Daily Times*, May 23, 2018. Accessible at <http://www.centredaily.com/news/local/article211674914.html>

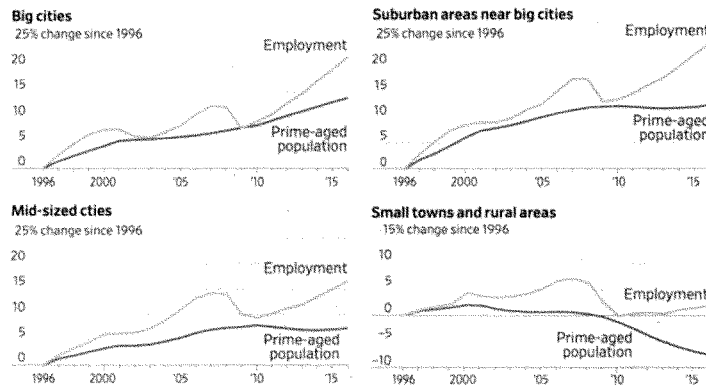
<sup>5</sup> "Labor Shortage Prompts Naturefresh to Table Future Ohio Expansion," *The Packer*, August 23, 2017. Accessible at <https://www.thepacker.com/article/labor-shortage-prompts-naturefresh-table-future-ohio-expansion>

of workers in large cities, in mid-sized cities, in suburbs, and in rural America.<sup>6</sup> From rural areas and small towns to urban centers, there is a gap between jobs and the prime age working population.

As noted above, these shortages hit small businesses the hardest. As experienced candidates for office, you're familiar with the issue of name ID. Well-known candidates have an instant advantage in elections. The same principle applies to hiring workers. When you're smaller, a potential employee is less likely to know your name or be familiar with your reputation. Many people perceive working for a small business, especially a startup, as riskier. Main Street employers also have a much harder time absorbing the burdens of the wage inflation that goes along with the type of severe labor shortage we face today.

### Help Wanted

Job growth is outpacing the population growth of working Americans, ages 25 to 54, but the greatest worker shortages are in rural areas, small towns and suburbs.



Note: Big cities refer to core counties of metropolitan areas with a population of more than one million. Suburban areas are part of counties within those metro areas. Mid-sized cities are between 50,000 and 1 million in population.

There are economists who will argue today's shortage could be solved if employers simply offered higher wages, but higher wages can't attract workers who simply aren't there.

According to the National Federation of Independent Business, in April of this year 22 percent of small businesses said finding qualified workers was their "single most important business problem." That

<sup>6</sup> David Harrison and Shayndi Raice, "How Bad Is the Labor Shortage? Cities Will Pay You to Move There," *The Wall Street Journal*, April 30, 2018. Accessible at <https://www.wsj.com/articles/how-bad-is-the-labor-shortage-cities-will-pay-you-to-move-there-1525102030>

was more than the percentage who said they were concerned about taxes (18 percent) or regulations (13 percent).<sup>7</sup>

About 35 percent of small employers reported that there were positions they weren't able to fill, even though a net 33 percent of small employers—the highest percentage since November 2000—said they had raised compensation.<sup>8</sup> In a separate report, the NFIB said 35 percent of small business owners reported raising compensation in May, the highest in monthly records going back to 1986.<sup>9</sup>

Additionally, according to a recent survey by the jobs platform Snag, this summer more seasonal worker employers are willing to stretch to the max to get the labor they need. Last year, only 12 percent of employers said they were willing to offer the highest wage they could possibly afford. That number nearly quadrupled this year and is now at 46 percent. Three quarters of seasonal worker employers say they will pay at least \$11 an hour, compared to last year when only half said they were willing to pay that amount.<sup>10</sup>

Anecdotally, with news stories about the labor shortage, there's recently been a proliferation of articles about industries offering major hiring bonuses and incentives to attract workers in all industries.

*The Wall Street Journal* recently examined the perks (besides higher pay) that firms are using to try to attract plumbers. The package of benefits rivals Facebook's: a firm in Minnesota has built an arcade. A company in Manassas, VA is giving biweekly massages. A Kansas company has offered \$5,000 signing bonuses and one in Colorado has installed a craft beer tap.

*The Journal* noted the annual median pay for plumbers, pipefitters, and steamfitters was nearly \$53,000 a year in 2017, but also said it "isn't uncommon to see jobs advertised for far higher wages, from \$70,000 up to six figures."<sup>11</sup>

There's a huge difference between raising wages and benefits and wage inflation. Higher wages are good—and we're finally starting to see evidence of that—but if we do not address our labor

<sup>7</sup> National Federation of Independent Business, April 2018 Small Business Optimism Index. Accessible at <https://www.nfib.com/surveys/small-business-economic-trends/>

<sup>8</sup> Sho Chandra, "As U.S. Jobs Go Begging, Forget Those Monthly Gains of 200,000," *Bloomberg*, May 31, 2018. Accessible at <https://www.bloomberg.com/news/articles/2018-05-31/as-u-s-jobs-go-begging-forget-those-monthly-gains-of-200-000>

<sup>9</sup> Vince Galle, "Share of U.S. Small Businesses Boosting Compensation Hits Record," *Bloomberg*, May 31, 2018. Accessible at <https://news.bloomberglaw.com/daily-labor-report/share-of-us-small-businesses-boosting-compensation-hits-record>

<sup>10</sup> Snag, Press Release, "New Report Finds Summer Hiring Strongest in a Decade," May 23, 2018. Accessible at <https://www.prnewswire.com/news-releases/new-report-finds-summer-hiring-strongest-in-a-decade-employers-turning-to-benefits-and-wages-to-compete-for-workers-300653472.html>

<sup>11</sup> Jennifer Levitz, "Perks for Plumbers: Hawaiian Vacations, Craft Beer and 'a Lot of Zen,'" *The Wall Street Journal*, May 23, 2018. Accessible at <https://www.wsj.com/articles/perks-for-plumbers-hawaiian-vacations-craft-beer-and-a-lot-of-zen-1527087328>

shortage now, things will soon get out of control and wage inflation will continue to drive up costs for everything from housing to food.

Our labor shortage has also already begun to constrain job growth. Moody's Analytics' Mark Zandi recently said job growth would have been even higher in May if not for the labor shortage. Zandi noted, "Job growth is constrained for the first time in a decade."<sup>12</sup>

There are several factors that contribute to the nation's labor shortage: the vast Baby Boomer generation exiting the workforce, declining U.S. birth rates, the opioid epidemic that is gripping our country, and the gap between skills and employer needs, which I know the committee addressed at a hearing in February.

Today, I will address the problem of labor mobility.

#### **An Overview Of U.S. Labor Mobility.**

If you remember one statistic from my remarks today, I want it to be this: in 2017, fewer Americans moved than any year in the last 50 years.<sup>13</sup> The willingness to strike out for greener pastures—or golden ones, if you're talking about the move westward to California—used to be in Americans' DNA. Now, as CityLab's Richard Florida has pointed out, Canadians are more likely than Americans to move. Europeans aren't far behind. If you're from Denmark or Finland, you're almost as likely as an American to move.<sup>14</sup>

The U.S. mover rate is now 11 percent,<sup>15</sup> down from 18.6 percent in 1987 and from even higher rates in the 1950s, 60s, and 70s.<sup>16</sup> Our rate today is at an historic low.

Homeowners always have been less likely to move, but the rate of homeowner movers has declined since the late 1980s and is now around just five percent. The percentage of renters willing to

<sup>12</sup> Steve Levine, "Acute Job Shortage Is Hitting National Hiring Numbers," *Axios*, May 31, 2018. Accessible at <https://www.axios.com/the-jobs-shortage-is-muting-hiring-shortage-gains-national-scale-6b2bc543-1e12-4b38-ad37-94faedb5956f.html>

<sup>13</sup> Alec MacGillis, "Why Do Americans Stay When Their Town Has No Future?" *Bloomberg*, May 23, 2018. Accessible at <https://www.bloomberg.com/news/features/2018-05-23/why-do-americans-stay-when-their-town-has-no-future>

<sup>14</sup> Richard Florida, "America the Stuck," *CityLab*, Feb. 2, 2017. Accessible at <https://www.citylab.com/equity/2017/02/american-mobility-has-declined/514310/>

<sup>15</sup> U.S. Census Bureau, Press Release, "Declining Mover Rate Driven by Renters, Census Bureau Reports," Nov. 15, 2017. Accessible at <https://www.census.gov/newsroom/press-releases/2017/mover-rates.html>

<sup>16</sup> U.S. Census Bureau, Current Population Survey, Historical Migration/Geographic Mobility Tables, Table A-1. Annual Geographical Mobility Rates, by Type of Movement: 1948-2017. Accessible at <https://www.census.gov/data/tables/time-series/demo/geographic-mobility/historic.html>



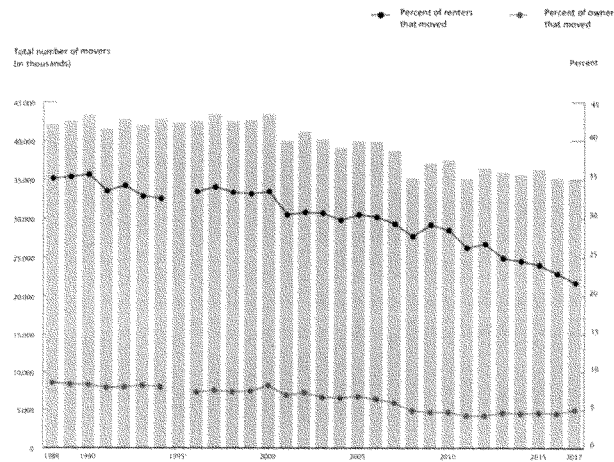
move has declined even more sharply, from about 35 percent 30 years ago to just 21 percent today. That rate also is now at an historic low.<sup>17</sup>

Even when they're young, without mortgages and kids already in a school system, Americans are moving less:

- For 18- to 24-year-olds, 45.2 percent moved in 2015, down from 48 percent in 2010.
- Among 25- to 29-year-olds, 61.2 percent moved in 2015, down from 65.5 percent in 2010.
- For 30- to 34-year-olds, 52.5 percent moved in 2015, while 57.0 percent moved in 2010.<sup>18</sup>

Across the board, Americans are less likely to move from state to state. In the early 1990s, 2.7 percent of the population moved to a new state. Today that figure is 1.5 percent.<sup>19</sup>

### Percent Of Renters, Homeowners Who Move



<sup>17</sup> U.S. Census Bureau, infographic, "Mover Rate For Renters At Historic Low," 2017. Accessible at <https://www.census.gov/content/dam/Census/library/visualizations/2017/comm/mover-rate-2017.pdf>

<sup>18</sup> U.S. Census Bureau, Press Release, "Declining Mover Rate Driven by Renters, Census Bureau Reports," Nov. 15, 2017. Accessible at <https://www.Census.Gov/Newsroom/Press-Releases/2017/Mover-Rates.html>

<sup>19</sup> Alana Samuels, "The Barriers Stopping Poor People from Moving to Better Jobs," *The Atlantic*, Oct. 12, 2017. Accessible at <https://www.theatlantic.com/business/archive/2017/10/geographic-mobility-and-housing/542439/>

Instead of moving in search of a new job, today's out of work Americans are more likely to drop out of the workforce. Nick Bunker from the Washington Center for Equitable Growth identified this trend about three years ago. Bunker noted mobility used to be the "key way people responded to losing a job." But today, according to research by Andrew Foote of the U.S. Census Bureau and Michel Grosz and Ann Huff Stevens of the University of California-Davis, workers today are twice as likely to exit the labor force as they were before the Great Recession. Bunker concluded, "Moving is still the largest response to being laid off, but it has become increasingly less important."<sup>20</sup>

Our declining mobility rate has a profound effect on the U.S. economy. As Yale Law School's David Schleicher explains:

"Economic growth does not automatically occur when there are new innovations, nor is it necessarily shared by large parts of the population. Instead, innovation creates the possibility of new economic activity and employment. But we need to change where and how we live in order to capture these gains."

Schleicher says the result of declining labor mobility "is a misallocation of labor and capital, and lower output levels." He argues this problem also affects the federal government's ability to help those in need. Schleicher explains:

"Major parts of federal policy work less well... Monetary policy is harder to execute well without mobility, as unemployment and inflation rates differ substantially across the country. And federal safety-net spending is less efficacious, as people in worse job markets require more of it. These, too, have effects on output levels, and may even worsen productivity growth indirectly."<sup>21</sup>

Schleicher notes that University of California at Berkeley economist Enrico Moretti and Chang-Tai Hsieh from the University of Chicago have estimated the lost output from workers not moving is equal to roughly 13.5 percent of GDP.<sup>22</sup>

<sup>20</sup> Nick Bunker, "The Consequences and Causes Of Declining Geographic Mobility in the United States," Washington Center for Equitable Growth, Nov. 18, 2015. Accessible at <http://equitablegrowth.org/equitableblog/the-consequences-and-causes-of-declining-geographic-mobility-in-the-united-states/>.

<sup>21</sup> David Schleicher, "Getting People Where the Jobs Are," *Democracy*, Fall 2016. Accessible at <https://democracyjournal.org/magazine/42/getting-people-where-the-jobs-are/>.

<sup>22</sup> *ibid.*

Moretti also has connected the decline in labor mobility to increased income inequality. By age 30, high school graduates are about half as likely to move from the state of their birth as college graduates.<sup>23</sup>

Writing in *National Affairs* in 2014, Eli Lehrer and Lori Sanders of the R Street Institute also tied geographic mobility with income inequality. Lehrer and Sanders said, "This decline in Americans' geographic mobility has correlated with a well-documented 40-year trend of falling income mobility. While this correlation does not, by itself, prove a causal link, the evidence that geographic mobility can mitigate poverty is robust."<sup>24</sup>

Income and education, of course, are not the only reasons for declining labor mobility.

Unaffordable housing costs in some of the nation's largest cities make it difficult for many Americans to ever conceive of moving to San Francisco, Seattle, and Washington, DC. Other families are in homes where their mortgages remain underwater even though we are almost a decade past the housing crisis. New data released in May 2018 indicate nine percent of homeowners are still underwater on their mortgage.<sup>25</sup>

Emotional ties are another reason. A decade ago, Pew Research Center asked Americans who had stayed in their hometowns and states why they stayed put. Family was the most significant reason. Americans who have never left their hometowns have a greater number of extended family members who live within an hour's drive of them than do Americans who no longer live in their hometowns—a median of nearly eight family members versus about three, Pew found. When given a list of reasons why they have not left their hometown, 74 percent of respondents cited the "tug of family ties." Only 40 percent cited a job or business opportunity as the reason they stayed.

Family bonds are strong, that is certain. It's hard to leave a place where you have an immediate support system, especially if it's childcare during the workweek or even on the weekends.

However, the Pew survey also asked Americans who had moved why they did so. The most frequently cited reason was a job or business opportunity.<sup>26</sup> That indicates that, when the opportunity is

<sup>23</sup> Enrico Moretti, Op-Ed, "What Workers Lose by Staying Put," *The Wall Street Journal*, May 26, 2012. Accessible at <https://www.wsj.com/articles/SB10001424052702303610504577420701942867414>

<sup>24</sup> Eli Lehrer and Lori Sanders, "Moving to Work," *National Affairs*, Winter 2014. Accessible at <https://www.nationalaffairs.com/publications/detail/moving-to-work>

<sup>25</sup> Zillow, "Negative Equity Dips Below 10 Percent for First Time Since the Bottom of the Market," May 30, 2018. Accessible at <https://www.zillow.com/research/negative-equity-20080/>

<sup>26</sup> Pew Research Center, "Who Moves? Who Stays Put? Where's Home?" Dec. 29, 2008. Accessible at <http://www.pewsocialtrends.org/files/2010/10/Movers-and-Stayers.pdf>

good enough, and if businesses and government support them, Americans would be willing to cut regional ties and move for a job.

We just need to make things a little easier for them.

#### **Solutions To Our Labor Mobility Crisis.**

Businesses clearly have a role when it comes to encouraging mobility in the workforce. It's our job to attract talent with fair wages, family-sustaining benefits, and the promise of a stable job. I believe this crisis is so profound, however, that it is time for government action as well. It's imperative that local, state, and federal officials work in tandem with American job creators.

There is precedent, starting with the Homestead Act in the mid-19<sup>th</sup> century, for federal action that helps move workers to where the jobs are or to where their labor is needed. The Moving To Work program, which was championed by the late Jack Kemp when he was in charge of the U.S. Department of Housing and Urban Development, helped disadvantaged families in crime-ridden areas move. As Eli Lehrer and Lori Sanders pointed out in *National Affairs*, the centrist Brookings Institution called Moving to Work a "striking" success.<sup>27</sup>

The first solution I hope you will consider is to reinstitute the tax deduction individuals can receive for work-related moving expenses. I was a vocal supporter of the Tax Cuts and Jobs Act—it was an incredibly important piece of legislation for small businesses—but I believe doing away with that deduction was a mistake. If there's going to be a second piece of tax legislation this year, I encourage you to revive this important piece of tax policy.

Next, I encourage you to explore:

#### *Mobility Incentives.*

As each of you know, when you tax something, you generally get less of it. When you incentivize it, you get more. As we've discussed, there are many factors that, combined, keep Americans stuck where they are. Mobility incentives will help unstick our workers.

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<sup>27</sup> Eli Lehrer and Lori Sanders, "Moving to Work," *National Affairs*, Winter 2014. Accessible at <https://www.nationalaffairs.com/publications/detail/moving-to-work>

Mobility grants and incentives are an idea championed by Enrico Moretti and others. One way to pay for these grants is to let unemployed individuals collect their state and federal unemployment benefits upfront if they are using them to move to another location in order to take a job.

The U.S. Labor Department executed a small-scale mobility grant program in the 1970s. The Job Search and Relocation Assistance Program involved 40 different unemployment offices across several southern states. Different offices offered different types of assistance, ranging from simply providing information about jobs to actually giving individuals grants to take jobs in other places. A 1981 analysis of the program found individuals with less education took advantage of relocation assistance more often than more highly-educated individuals did. Additionally, wages for those who relocated through the program also were higher.<sup>28</sup>

Local, state, and federal levels of government provide tax incentives to businesses to provide training to workers. Similar incentives should be given to employers who spend capital to relocate workers. For example, you could offer a deduction or credit to a firm that helps a prospective employee sell a home for which the mortgage is underwater.

Next, Congress must ...

*Harmonize Rules For Public Assistance.*

In addition to providing mobility incentives, I encourage you to examine how you might harmonize the rules and requirements for public assistance across states and localities. In the *National Affairs* article mentioned earlier, Lehrer and Sanders note:

- Differing state eligibility requirements for Medicaid and other health insurance programs, and for the Supplemental Nutrition Assistance Program, mean that some low-income individuals will lose health coverage if they move; and
- While Section 8 rental-housing vouchers promote mobility within metropolitan areas, the long waiting lists in most areas are a strong disincentive against relocation.<sup>29</sup>

As illustrated, less-educated and lower income Americans are less likely to leave cities that are struggling economically. One reason is fear of losing the public benefits that are keeping their family

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<sup>28</sup> *Ibid.*  
<sup>29</sup> *Ibid.*

afloat today. Getting more Americans back into the workforce and off public assistance will require the federal government to streamline rules for federal welfare programs.

Finally, in your work with your colleagues in state and local government I hope you will...

*Encourage Housing Policy Reforms.*

In *The Atlantic* last fall, Alana Semuels pointed out that states like Texas, which have less strict zoning laws, have high in-migration rates. According to Semuels, Texas added 500,000 residents between 2015 and 2016, the highest growth rate in the nation. Semuels also noted Enrico Moretti and Chang-Tai Hsieh, mentioned earlier, have found reducing housing and land use regulations in San Francisco, New York, and San Jose to the level of regulation in the average U.S. city would increase GDP by 9.5 percent.<sup>30</sup>

It's not only urban areas that struggle to provide housing for new workers. In a May 31 article, *The Wall Street Journal*'s Shayndi Raice said, "Fewer homes are being built per household than at almost any time in U.S. history, and it is even worse in rural communities."<sup>31</sup> Raice found that in Platte County, Nebraska, there are around 990 jobs available but only 65 homes for sale. Housing prices in Nebraska are growing so rapidly that the state is considering a grant program that will give incentives for homebuilders to build.

With more construction, of course, comes more jobs, and the state already is having trouble filling positions that are open.

It's not a vicious cycle—clearly this problem is a better one to have than high unemployment—but it is a major problem and, if left unsolved, will have major ramifications for the U.S. economy, including slower growth, particularly for small businesses. It also will result in expanding companies taking their jobs to countries where labor is more plentiful.

**Conclusion.**

I want to thank you again for the opportunity to testify. I believe that the growing labor shortage is the central issue holding back the U.S. economy today. The lack of labor mobility clearly

<sup>30</sup> Alana Semuels, "The Barriers Stopping Poor People from Moving to Better Jobs," *The Atlantic*, Oct. 12, 2017. Accessible at <https://www.theatlantic.com/business/archive/2017/10/geographic-mobility-and-housing/542439/>

<sup>31</sup> Shayndi Raice, "Rural America Has Jobs. Now It Just Needs Housing," *The Wall Street Journal*, May 31, 2018. Accessible at <https://www.wsj.com/articles/scarcity-of-housing-in-rural-america-drives-worker-shortage-1527672602>

harms small businesses more than it does large ones and it hurts low-income individuals more than it does high-income.

This issue is one that should concern Republicans and Democrats alike, regardless of the region they represent, and it's one we must work together to tackle in order to break free from historically low annual growth rates we've experienced over the last two decades. I hope you will consider the solutions I've outlined here.

Thank you.

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### Shrinking the Skills Gap: Solutions to the Small Business Workforce Shortage

Statement by

Kelly McCreight  
President and CEO, Hamilton-Ryker IT Solutions  
Nashville, TN

*Before the*

United States House of Representatives

Small Business Committee

Subcommittee on Economic Growth, Tax, and Capital Access

June 14, 2018



Good morning, my name is Kelly McCreight and I am the chief executive officer of Hamilton-Ryker and current chairman of the American Staffing Association (ASA). It is my privilege to represent both organizations this morning.

Founded in 1971, Hamilton-Ryker is a total workforce solution and industry leader for the provision of industrial, administrative, and information technology staffing, as well as recruiting, management consulting, and information technology solutions. Headquartered in Nashville, TN, Hamilton-Ryker has offices in 35 locations across the U.S. For 45 years we have helped thousands of people find great jobs and great careers while providing our customers with a staffing solution concentrating on manufacturing, distribution, clerical, and skilled trade disciplines.

ASA is a national trade association that has been the voice of the U.S. staffing industry for more than 50 years, promoting the interests of the industry and flexible employment opportunities through legal and legislative advocacy, public relations, education, and the establishment of high standards of ethical conduct. ASA strongly supports policies that help America's workers and is working closely with the Department of Labor and other federal agencies on the development of a new and expanded apprenticeship program.

The staffing industry employs more than three million employees per day and more than 15 million each year. Staffing firms recruit and hire their employees and assign them to businesses to assist in special work situations such as employee absences, skill shortages, and seasonal workloads, or to perform special assignments or projects. Employees work in virtually every skill level and job category, including industrial labor, office support, engineering, IT, legal, accounting, and health care.

Hamilton-Ryker continuously strives to offer solutions for developing skilled workers to our clients, which is why I am so pleased to take part in this morning's hearing, "Shrinking the Skills Gap: Solutions to the Small Business Workforce Shortage."

Most everyone is aware of the latest reports highlighting the current situation in the workforce. Basically, there are more jobs than people. We see that firsthand in almost all of our markets—we're in a lot of small towns in Tennessee, Mississippi, and Kentucky, as well as in larger cities like Houston and Nashville.

With the economy at full employment, we're taking measures to "upskill" the existing workforce—for instance, by taking workers who may have a certain skill set and providing them training to allow them to be promoted or move into another position at a higher wage rate. Additionally, we have instituted "soft skill" orientations that address issues like conflict resolution, workplace violence, and even basic workplace practices such as on-time arrival to work, call-in procedures, and how to deal with differing workplace cultures.

This morning, I want to highlight specific measures our company is taking in Tupelo, MS, in order to assess skills and train workers for one of our manufacturing clients. Last year, our company partnered with IVR Train, an offshoot company from Tennessee Tech University that develops virtual reality training for manufacturers.

Virtual reality (VR) is an interactive, computer-generated experience taking place within a simulated environment that incorporates auditory, visual, and other types of sensory feedback.

Current VR technology most commonly uses virtual reality headsets or multi-projected environments, sometimes in combination with physical environments or props, to generate realistic images, sounds, and other sensations that simulate a user's physical presence in a virtual or imaginary environment. A person using virtual reality equipment is able to “look around” the artificial world, move around in it, and interact with virtual features or items. Most people are aware—especially if you have teenage children—of virtual reality in the gaming environment; however, VR has many practical benefits—especially in the medical and manufacturing industries.

In Tupelo, we were specifically interested in how VR could assist us in recruiting, testing, and training for forklift drivers. We purchased a VR forklift and installed it in our office in early January. The VR forklift has eight assessments that test a variety of forklift skills from beginner to advanced. Prior to purchasing the VR forklift, we would interview our applicants and then send them to our client for testing on their physical machine.

We are now better able to assess applicants' skills using VR prior to sending them to our clients—resulting in a 70% pass rate for our applicants versus less than 50% for 2017. This summer we are implementing a training program for those workers who may have had previous forklift experience but need to upgrade their skills before being placed at client sites.

Hamilton-Ryker is one of the first staffing companies using VR to test and train its workers—we see the value in using technology to upskill our workers and intend to further this program in many of our other markets.

I've included a short video that will give the committee a better understanding of how the VR forklift operates.

This is just one of many examples of what our company and other members of the American Staffing Association are doing to train workers for tomorrow's jobs—and help close the skills gap.

Thank you for your time this morning.



**TESTIMONY OF**  
**ANGELA DINE SCHMEISSER**  
**PRESIDENT & CEO**  
**ST. MARYS FOUNDRY, INC. – ST. MARYS, OHIO**

**BEFORE THE**  
**U.S. HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON SMALL BUSINESS**

**HEARING ON**  
**“SHRINKING THE SKILLS GAP:**  
**SOLUTIONS TO THE SMALL BUSINESS WORKFORCE**  
**SHORTAGE”**

**JUNE 14, 2018**

Good morning, Chairman Chabot, Ranking Member Velazquez, and members of the Committee. Thank you for the opportunity to testify at this hearing to discuss the skills gap facing the U.S. metalcasting industry and ways to shrink that gap.

I am Angela Dine Schmeisser, president & CEO of St. Marys Foundry, Inc., located in Saint Marys, Ohio, a small town of 8,500 residents and 100 miles from Columbus, Ohio. I care a lot about manufacturing in our country, which is why I'm here today, and it's also why I am proud to be a member of our national trade association, the American Foundry Society and serve on the board and as President of the Ohio Cast Metals Association.

Ohio is powered by manufacturing and remains among the top three states for manufacturing employment based on the Census Bureau's Annual Survey of Manufacturers. In fact, Ohio manufacturing is responsible for 18% of our state's Gross Domestic Product and contributes to the quality of life in Ohio by providing over 600,000 jobs for Ohio workers. Ohio is also home to over 150 metalcasting facilities, the highest concentration of metalcasters in the country.

St. Marys Foundry has been family-owned and operated since 1917 when my great grandfather started the foundry. Following a decline in my father's health, I returned to our family business in 1999, and then became the 4<sup>th</sup> generation President/CEO in 2005. Growing up, I spent many hours around the foundry and continued my experience through high school and college.

Metalcasting is one of our nation's oldest and most important industries. It is the most cost-effective method to manufacture a shaped metal component. The process consists of pouring molten metal (virtually any type of metal) into a mold made of sand, metal or ceramic, to form geometrically complex parts.

St. Marys employs 160 associates and manufactures iron castings ranging from 500 to over 60,000 pounds for the natural gas compression, pump and valve, municipal water, energy transmission, and specialty machinery sectors. [See Attachment A for pictures of just a few of the types of castings our foundry produces.]

We operate an in-house laboratory which provides chemical testing, metallurgical analysis, and sand testing to ensure quality throughout the casting process. We have a classroom with proprietary web-based educational materials for job training. We offer profit sharing, health care, paid vacation and holidays, and traditional retirement packages. We give back to our employees and their families by offering recurring scholarships for those attending any 2- or 4-year college, community college, technical school, or university.

I wish I had a simple answer on how we shrink the shortage of workers in the manufacturing sector – but quite honestly, I don't. I will talk in a minute about some of the challenges we face recruiting and retaining new employees my foundry and others in the metalcasting industry.

#### **Background on U.S. Metalcasting Industry**

Metal castings are integral to virtually all U.S. manufacturing activities. In fact, castings are used to produce 90% of all manufactured durable goods and nearly all manufacturing machinery in the U.S. Our industry is composed of 1,956 facilities which produce metal castings made from iron, steel and aluminum alloys, for a diversified group of customers which have thousands of applications. The American metalcasting industry provides employment for over 200,000 men and women directly and supports thousands of other jobs indirectly. The industry supports a payroll of more than \$8 billion and sales of more than \$33 billion annually. Metalcasting plants are predominately small businesses, with 75% of domestic metalcasters having fewer than 100 employees and many are still family-owned.

In addition to being the underpinning of the energy, transportation, aerospace and defense industries, countless sectors in the United States depend upon the existence of metal castings, including those related to automotive, construction, agriculture, medical supplies, computers, sporting goods, plumbing, gas and electrical transmission, renewable energy, water infrastructure and mining. Foundries are also the mainstay of national defense. All sectors of the U.S. military are reliant on metal castings for jet fighters, ships, tanks, trucks, weapon systems and other vital equipment. Some examples of this broad contribution by a single foundry such as St. Marys Foundry would be iron castings such as compression cylinders, crossheads and bases for the nation's natural gas pipelines; mixing bowls for the melting of chocolate or for breading chicken nuggets; mandrels used for forming the nosecones and radomes for fighter jets; muller wheels for pigmentations in finished products; bases, blades, and spindles for consumer products ranging from industrial bakeries to personal health care; braiding disks for textiles and mesh; hurricane flood protection for our nation's inlets; and dry dock capabilities for our naval yards.

#### **Difficulty Filling Skilled & Unskilled Jobs in the U.S. Metalcasting Industry**

America's labor shortage has reached a record high, with U.S. unemployment rate dropping to an 18-year low of 3.8% in May. It's likely that the United States will soon be in a situation where there are *more* job openings than job seekers. Over the next decade, nearly 3.5 million manufacturing jobs will likely need to be filled according to a report by Deloitte and the Manufacturing Institute.

If you gather a group of metalcasters and ask them what their biggest challenge is today, you'll likely hear them respond in unison: difficulty in filling job openings and retaining workers. In fact, today, more than 80 percent of metalcasters report a talent shortage in our industry of both skilled and unskilled workers – from entry level, mold makers, maintenance and technician positions, to machinists, electricians, patternmakers, and foundry engineers.

The shortage of workers is both a result of a retiring workforce and overall growth in the economy and the manufacturing sector. There are no words that can describe the harm opioids and other drugs are having on our area in rural Ohio on 20-, 30- and 40-year old residents. Couple this with the perception or stigma that manufacturing is outdated and legacy work, the shortage of skilled and unskilled workers has turned into a perfect storm. It threatens to slow the economy, impede manufacturers' ability to deliver on customer demand, burn out their workers, and hurt their bottom line through lost potential.

At St. Marys, we are challenged by a local unemployment rate averaging 2.8%. We currently have 16 job openings for casting finishers, mold maker, core maker, mold assembly, maintenance and general labor. These are jobs specific to the foundry industry, but we provide on-the-job training opportunities for new employees. Experience is always valued and reflected in starting pay. We work with local law enforcement, trade schools, community groups and churches. We held a job fair in January [See Attachment B]. We advertised these interview days on our Facebook page, encouraged our employees to promote our job openings on social media, and put up several billboards along interstate and local routes. In addition, we have an employee referral bonus program. Our job fair resulted in 76 applicants and 24 hires. Out of those 76 applicants, 46 failed the on-site drug test and six applicants didn't follow-up on the interview process. We ended up hiring 24 of the applicants, then eight didn't attend the plant orientation, three didn't come for the first day of the work and nine missed enough work or stopped showing up that they were terminated. Today out of the 76 applicants, only four individuals remain at our facility.

As you can see from the results of our Job Fair, finding drug-free applicants is a real struggle. Typically, only 25 to 30% of prospective employees can pass the drug test. Given the fact we have heavy equipment and molten metal in foundries, it is critical that our workers are drug-free. Many of our applicants lack basic life skill knowledge about how to be a good employee. They struggle with coming to work every day as opposed to most days.

During our "Month of May Hiring Push" [See Attachment C], we held walk-in interviews every Wednesday. We had 10 people apply, we interviewed nine of those individuals, and eight are now employed!

#### **Specific Actions/Policies for Fixing the Skills Gap**

Metalcasters are using a multi-channel approach to attract workers - we will try about anything! Our industry trade association, AFS, along with their member companies, like mine, as well as chapter and state metalcasting organizations, work diligently to attract potential employees to our industry. We introduce the metalcasting process through interactive demonstrations, known as Foundry-In-A-Box, at local elementary, middle schools, high schools, science fairs, and other venues. I speak to middle school students about careers at our foundry and answer questions about working in manufacturing.

Thirty-five student metalcasting chapters exist at universities and community colleges across North America. Many AFS Chapters provide support to these students, including scholarships. In turn, our member companies provide internships for high school and college students to spend summers working in our facilities. Foundries are providing in-house training, including apprenticeships for our more technical positions, and paying for our associates to go to technical classes.

In addition, foundries are working with their local labor departments for referrals. We host job fairs at high schools and technical colleges. We advertise through online services like Indeed and Monster. We put billboards along the interstate and prominent streets. Many foundries are revising their hiring practices to ensure that they do not rule out any potential good workers, including people who have criminal histories and have served time in jail. St. Marys Foundry purchased a nearby vacant church



to help a local aid organization offer a free meal on Sundays which has expanded to also helping to purchase a home or providing housing on a transitional basis for individuals in need of help after jail time and/or drug rehabilitation. After three years, we have had one success story of two months of employment for an individual. This is after offering individuals often 2-3 times to come back and try again. We have a foundry with a great working environment and we still struggle.

While no single action addresses the entire problem, metalcasters are modernizing their operations, introducing some robots, and making better use of their existing workforce. Automation still does not replace the need for employees in our industry.

Changing public perceptions to match the realities of U.S. manufacturing is critical to addressing the worker shortage in our sector, especially among millennials. Also important is rebuilding a pipeline of potential recruits through high school and career technical programs. On the technical skills side, there has been a hollowing out of the manufacturing education system over the last 25 to 30 years. Many of the [vocational and technical] programs available to high schools around the country have been reduced or outright eliminated. Companies have scaled back or eliminated apprenticeship programs that were prevalent in the 1940s, '50s and '60s. There is a role for Congress to help facilitate the rebuilding of this pipeline of students into manufacturing.

We appreciate the House passing the bipartisan H.R. 2353, the Strengthening Career and Technical Education for the 21st Century Act, also known as the Carl Perkins Career and Technical Education bill. This legislation enables resources for secondary schools and community colleges to teach manufacturing skills among other technical trades. However, the Senate has not yet acted on a Perkins bill, and we hope that legislation will pass when it is brought to the Senate floor. The Congress needs to fully fund the Carl D. Perkins [Career and Technical Education] Act, which supports technical education in high school.

In addition, metalcasters support efforts to:

- Align career & technical education programs to the needs of the regional, state and local labor market;
- Support effective and meaningful collaboration between secondary and postsecondary institutions and employers;
- Increase student participation in work-based learning opportunities; and
- Promote the use of industry recognized credentials and other recognized postsecondary credentials.

#### **Conclusion**

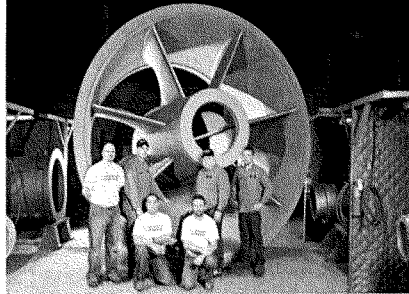
Manufacturing is probably the most important industry to the U.S. economy – not just in terms of overall GDP but because it's really the engine that drives much of the private sector economy. If we're not able to ensure a skilled workforce and a steady supply of skilled workers for manufacturers in this country, then they're either going to go out of business or be forced to look elsewhere.

And, while this skills gap is a complicated challenge, I believe they can be solved by working

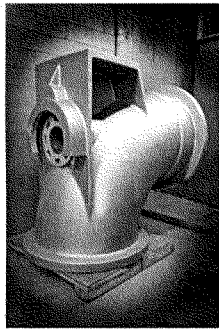
together, but we must tackle our nation's drug problem, and restart and build on the vocational/technical programs at the high school and community college levels.

Thank you again for the opportunity to be here today and share our company's workforce challenges. I look forward to your questions.

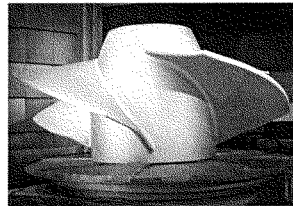
# ATTACHMENT A – Examples of Iron Castings Produced by St. Marys Foundry



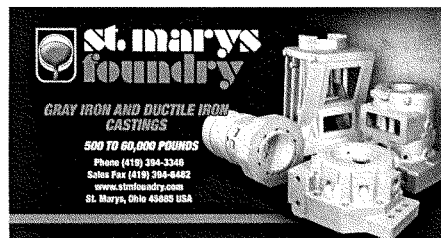
ST. MARYS TEAM MEMBERS STAND IN FRONT OF A 27-TON DIFFUSER CASTING WHICH IS NOW PART OF THE WORLD'S LARGEST PUMP STATION BUILT IN NEW ORLEANS, LA BY THE U.S. ARMY CORPS OF ENGINEERS. THE DIFFUSERS CAN HANDLE A PUMPING RATE OF 150,000 GALLONS OF WATER PER SECOND.



THIS CASTING IS USED IN POTASH PRODUCTION WHICH IS EXPORTED TO CANADA.




NI-RESIST 15,000 L.B. PROPELLER CASTING PLAYS AN ESSENTIAL ROLE IN FLOOD CONTROL FOR THE HURRICANE BARRIER ON THE EAST COAST.



EXAMPLES OF IRON CASTINGS USED TO COMPRESS NATURAL GAS ALONG OUR NATION'S PIPELINES.

## ATTACHMENT B: Job Fair



**st. marys  
foundry**


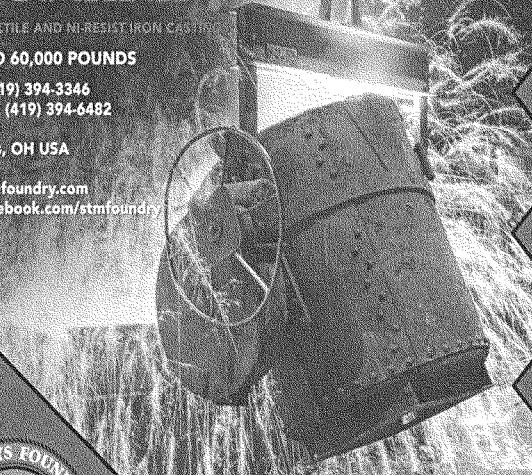
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**JOB  
FAIR**

**NOW  
HIRING!**

ATTACHMENT C: "Month of May Hiring Push"



*Reminder*

**Join  
Our  
Team!**

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**INTERVIEWS**

**Wednesday  
May 30th**

**10 am – Noon  
2 pm – 4 pm**

We are BUSY, so you can stop in anytime to fill out an application! Visit us at 405 E. South St., St. Marys. If you prefer, look us up at [www.stmfoundry.com](http://www.stmfoundry.com) for an online application. Join Our Team!

**Statement of Bryant Greene on behalf of Always Best Care Senior Services,  
Philadelphia, Pennsylvania House Committee on Small Business Subcommittee  
on Economic Growth, Tax, and Capital Access "Small Business Workforce  
Development Needs and How to Address the Skills Gap"**

**June 14, 2018**

Chairman Brat, Ranking Member Evans, and distinguished members of the subcommittee, thank you for convening today's hearing on Small Business Workforce Development Needs and How to Address the Skills Gap.

My name is Bryant Greene and I am the owner of Always Best Care Senior Services in both Philadelphia, Pennsylvania and throughout Delaware. ABC Senior Services is one of the nation's leading providers of non-medical in-home care, assisted living placement services and skilled home health care. It is an honor for me to be here today to testify before the subcommittee and to share my experience as a private sector employer working to address the skills gap in my industry.

**Background**

As the owner of ABC Senior Services, I have more than 25 years of day to day operations experience, which includes staffing and workforce development in a health care environment. In addition to my experience in home health care, I currently serve on the Public Policy Committee/Political Action Committee Board of the Pennsylvania Homecare Association and am a member of the Board of Trustees of the Philadelphia University Legacy Board (now acquired by Thomas Jefferson University), the Overbrook School for the Blind in Philadelphia, the Magee Rehabilitation Hospital Foundation Board of Directors and the board of Philadanco.

Growing up, I was part of a family who qualified for 1199C benefits—which provide eligible union members with comprehensive educational services in the healthcare field. As a result, my mother, grandmother and I were able to attend college in the same time frame, giving us the chance to persist and succeed in our chosen fields. Without access to this type of targeted training, I would not be where I am today.

**Middle-skill gap in home health care**

Middle-skill jobs, like those at ABC Senior Services, account for 53 percent of United States' labor market, but only 43 percent of the country's workers are trained at the middle-skill level. In health care industries, this skills gap is even more pronounced.

Home healthcare is one of the fastest growing industries in the U.S. As the labor market has tightened, employers like ABC Senior Services increasingly struggle to identify hires with credentials and work experience, both of which are required to earn licenses. When there were more workers looking for jobs, new entrants earned work experience in helper roles, enabling a constant stream of newly licensed workers to meet middle-skill demand. With lower levels of unemployment, this pipeline no longer exists.

For small and medium sized businesses like ABC Senior Services in particular, the skills gap can create daunting challenges when it comes to hiring and retaining workers.

### **Challenges in Recruiting Workers**

First, quality in-home health care requires the right kind of person. ABC Senior Services looks for kind, compassionate caregivers who treat clients with dignity and respect. We provide in-home care services, both companion and personal care. We serve patients with Alzheimer's, dementia and cancer. In addition to comfort and companionship, we offer dressing, escort/transportation, errands, bathing and grooming, incontinence care, light housekeeping, grocery shopping and meal preparation, laundry and medication reminders. Recruiting the right person for this work requires significant outreach to our community, a detailed interview process and a structured on-boarding process. ABC has over 1000 caregivers, but we can't do this on our own. We have worked with PA career link, diversity career fairs, social organizations and training programs like 1199c to recruit individuals into the field. These community partnerships help us identify a diverse set of workers across our service area and fill roles in the company.

I also work with community organizations and re-entry programs that serve individuals who have been released from incarceration. The PA Older Adult Protective Services Act (OAPSA) requires all homecare agency employees to complete criminal background checks prior to hire. However, a 2015 court decision by the Commonwealth of PA—known as *Peake v. Commonwealth*—found lifetime bans on employment unconstitutional. Although background checks are still required, the Department of Aging now recommends that providers perform a risk assessment if they choose to hire an individual with a prior criminal conviction. While we are awaiting more guidance from the state, we believe this is a step in the right direction—and urge federal policymakers to consider similar measures when it comes to addressing barriers to hiring.

### **Challenges training new and incumbent workers**

Training new workers in the home health field requires dedication and intensity. All of the jobs at ABC Senior Services call for on-the-job training to ensure each client has access to quality, personalized in-home care program. Every one of our team members and care givers receive comprehensive training before being assigned to a care plan. Our workers also receive periodic reviews and upskilling opportunities.

To help provide greater opportunities for our workers, I sit on the advisory board for 1199c Training and Upgrading Fund, AFSCME affiliated labor-management partnership. I, along with several other business leaders work with 1199c staff to identify core competencies for home health care workers and translate that into curriculum and training 1199c can deliver, complemented by the training my team can deliver workers on the job. This partnership is vital, but takes significant work. Currently, 1199c is funding a portion of their work and subsidizing the cost of training through federal DOL grants and with funding from the Workforce Innovation and Opportunity Act. I urge policy makers to continue investments in our workforce and apprenticeship systems, as they are crucial to supporting the efforts of small businesses working to close the skills gap.

### **Challenges Retaining Workers**

Retaining workers is also a tremendous challenge. Much of my workforce consists of part-time workers since the average care plan is 3-6 hours a day. Additionally, because of low Medicaid reimbursement rates, homecare agencies can only afford to pay \$10-12 an hour on average. Given the nature of the

tasks caregivers must perform daily, I feel this level of compensation is inadequate and does not provide an incentive for individuals to remain in the field. These workers can easily find higher pay in the retail and food service industries—which is one of the main reasons the industry has a turnover rate of 70 percent.

Also, the insufficient Medicaid reimbursement rate makes it difficult for homecare agencies to cover the increasing cost of providing care and services to seniors. Within the last six months, additional background check and child abuse clearance requirements for home healthcare workers have been handed down by the state of Pennsylvania. While these background checks are undeniably important, the cost of hiring just one direct care worker is projected to increase by \$43 in 2019, yet Medicaid reimbursement rates are set to stay the same.

### Conclusion

We can all agree that home healthcare workers are crucial to providing high-quality care to some of the most vulnerable members of our society. I am here today to tell you that our industry is facing significant hurdles when it comes to building and maintaining a strong pipeline of workers—and there is no doubt in my mind that this will adversely affect millions of Americans if not corrected. I ask that federal policymakers work to help provide education and training opportunities to individuals from all backgrounds who are looking to find and retain gainful employment. We cannot afford to miss this opportunity to close our nation's growing skills gap. Thank you.





**United States House of Representatives  
Subcommittee on Economic Growth,  
Tax, and Capital Access “Shrinking the  
Skills Gap: Solutions to the Small  
Business Workforce Shortage”**

**June 14, 2018**

**CompTIA**  
515 2<sup>nd</sup> Street NE  
Washington, D.C. 20002

Thank you for the opportunity to express our views on this very important subject. On behalf of the Computing Technology Industry Association (CompTIA), I urge members of this subcommittee, and Congress as a whole, to consider the increasing importance of work-based, experiential learning in information technology occupations. Specifically, Congress should consider and pass H.R. 3174, the Championing Apprenticeships for New Careers and Employees in Technology (CHANCE in Tech) Act. The proposed legislation would provide needed reforms to the Department of Labor’s registered apprenticeship program and help shrink the nation’s skills and confidence gaps by creating an apprenticeship program for technology occupations. Such a program would be particularly beneficial for small- and medium-sized technology firms.

CompTIA is a leading voice and advocate for the \$4.5 trillion global information technology ecosystem; and the more than seven million technology professionals, who design, implement, manage, and safeguard the technology that powers the U.S. economy. Through education, training, certifications, advocacy, philanthropy, and market research, CompTIA is the hub for advancing the tech industry and its workforce.

The CHANCE in Tech Act would make commonsense reforms to the registered apprenticeship program and spur job and economic growth. The proposal would help create public-private partnerships to serve as intermediaries between employers participating in the registered apprenticeship program, industry and training partners, and government entities. Each intermediary would assess and train potential apprentices, and importantly, lessen the regulatory burden on participating employers by tracking success indicators and managing other reporting requirements. The proposal would also establish a program to recognize those high schools providing

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[www.comptia.org](http://www.comptia.org)

exemplary IT training and counseling. Collectively, the plan put forth would offer regulatory relief for those small- and medium-sized technology firms participating in the program, and better align workforce upskilling with local and regional workforce demands.

#### The Technology Workforce

To fully understand the scope of the issue, it is important to distinguish between technology industry employment and technology occupation employment. The technology industry workforce consists of anyone employed by technology companies. On the other hand, technology occupations are filled by those technology specialists who work in adjacent industries like healthcare, finance, media, and government, to name just a few examples. In 2017, the technology industry employed more than 3.8 Americans, while another 7.6 million American technology specialists worked in adjacent industries.<sup>1</sup>

The technology industry—both domestically and abroad—is rapidly growing. Last year, 34,000 new technology firms were started in the United States, and 194,000 new technology jobs were added, helping to make ours one of the strongest IT industries in the world. These jobs are lucrative and stable, with the average wage hovering right around \$113,000, which is more than double the national average of \$54,500. In total, more than 7 percent of the nation's workforce works in technology.<sup>2</sup>

The IT industry in the United States represents 31 percent (\$1.5 trillion) of the world's \$4.5 trillion IT industry.<sup>3</sup> To put into perspective, the gross output of the technology industry exceeds that of the legal services industry, the automotive industry, the airline industry, the motion picture industry, the hospitality industry, the agriculture industry and the restaurant industry, to name just a few examples. And research suggests 2018 could be another strong year for the technology industry, as it is expected to grow by 5 percent.<sup>4</sup>

However, if our technology industry is to meet its full potential and continue to be an economic engine, policymakers must redouble their efforts to equip Americans with the skills they need in this new economy. In 2017 alone, there were nearly 3 million postings for technology job openings.<sup>5</sup> Hiring managers most often cited finding candidates with the appropriate levels of experience, "hard" (technical) skills, and "soft" (interpersonal) skills as a few of the biggest contributors to the skills gap in a 2018 survey.<sup>6</sup>

<sup>1</sup> CompTIA "Cyberstates," 2018. <http://www.cyberstates.org>

<sup>2</sup> Ibid.

<sup>3</sup> CompTIA "IT Industry Outlook," January 2018. <https://www.comptia.org/resources/it-industry-trends-analysis-2017>

<sup>4</sup> Ibid.

<sup>5</sup> CompTIA "Cyberstates," 2018. <http://www.cyberstates.org>

<sup>6</sup> CompTIA "Employer Perceptions of IT Apprenticeships," 2018. <https://www.comptia.org/resources/employer-perceptions-of-it-apprenticeships>

### New Marketplace Demands

Policymakers across the board have traditionally looked to STEM undergraduate degrees and graduate degrees as the policy solution best suited to shrink the skills gap. Indeed, these degrees play a critical role in our ecosystem. However, a “one size fits all” model is not the most optimal method to shrink the skills and confidence gaps and spur economic growth. Many technology careers do not require a four-year degree, let alone a graduate degree. For instance, about half of the open STEM jobs last year were available to workers without a four-year degree, highlighting that policy solutions should focus on competency-based outcomes, not time-based outcomes.<sup>7</sup>

What is more, several of the fastest growing sectors within the technology industry—Internet of Things, cybersecurity, and emerging technology—are increasingly in need of a workforce that could benefit from innovative training options that do not require degrees. Indeed, of the nearly 3 million technology job postings last year, more than 200,000 were in emerging technology arenas.<sup>8</sup> As such, policy solutions should meet the demands of students and industry to expand opportunities for those not seeking four-year degrees as an important addition to current policies focused on undergraduate and graduate degrees. Creating a pipeline that goes well beyond the traditional policy model is important for the success of the technology industry and growth of the economy.

### H.R. 3174 as a Policy Solution

The CHANCE in Tech Act will ensure that quality candidates are recruited and provided with compressed and targeted training to meet specific employer needs including experience, hard, and soft skills. The proposal will provide an avenue for private-sector entities like businesses, state and regional technology associations, trade associations, and others, to help align curricula to ensure apprentices are equipped with the tools today’s marketplace demands.

Apprenticeships like those that H.R. 3174 would create, are a commonsense solution to create a stable, predictable, and skilled pipeline of American workers, and are equally beneficial to the employee and employer. Apprentices work alongside industry experts in a real work environment, acquiring transferrable, practical experiences and, notably, are compensated. The ability to earn an income while gaining this experience, along with sharpening hard skills, make apprenticeships alluring, especially to non-traditional students like displaced workers or those pursuing a career change.

Apprenticeships can also help put a face on the technology industry. Too many American workers are reticent—or lack the confidence—to take on a job in the technology industry for fear of having to learn new skills or simply because they do not see people who look like themselves working in the industry. Apprenticeships could help to reverse this trend, bridge the “confidence gap,” enhance soft skills, and grow the

<sup>7</sup> Ibid.

<sup>8</sup> CompTIA “Cyberstates,” 2018. <http://www.cyberstates.org>

talent pool by giving workers the opportunity to learn from someone like themselves—someone who shares a similar background, career pathway, or was similarly fearful of having to learn new skills at one time.

On the other hand, employers enjoy apprenticeship benefits as well. An employer may compensate an apprentice at a lower rate than a full-time employee, and importantly, witness in real time how an apprentice handles his or her tasks. Research shows that about 60 percent of technology hiring managers have a positive view of apprenticeships, and 80 percent believe technology-based apprenticeships would benefit the industry and economy.<sup>9</sup>

There is little doubt that apprenticeships are a net positive for workers and employers and should be adopted on a more widespread basis. Shrinking the skills gap requires training opportunities that create technology career pathways in the near-term and help build a lasting pipeline to grow the workforce over the long-term.

By passing the CHANCE in Tech Act, Congress can take a critical first step toward upskilling Americans. Apprenticeships can help to build a diverse, robust and sustainable talent pipeline that benefits employers and employees alike. They can personalize learning, helping workers to bridge a confidence gap that they too can pursue lucrative careers alongside mentors who may share similar personal and professional experiences.

Thank you for your attention to this important matter. I look forward to working with you and your staff and am happy to answer any questions you may have.

Sincerely,



**Elizabeth Hyman**  
Executive Vice President, Public Advocacy

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<sup>9</sup> CompTIA "Employer Perceptions of IT Apprenticeships," 2018. <https://www.comptia.org/resources/employer-perceptions-of-it-apprenticeships>



June 22, 2018

The Honorable Dave Brat  
Chairman  
Subcommittee on Economic Growth, Tax, and  
Capital Access  
House Small Business Committee  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Dwight Evans  
Ranking Member  
Subcommittee on Economic Growth, Tax, and  
Capital Access  
House Small Business Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Brat and Ranking Member Evans,

Women Impacting Public Policy (WIPP), a national, nonpartisan organization advocating on behalf of women entrepreneurs, submits the following comments for the record regarding your recent hearing, "Shrinking the Skills Gap: Solutions to the Small Business Workforce Shortage."

Women business owners across the country have shared with WIPP the challenges they face with finding qualified, dependable workers. The concerns ranged from finding truck drivers and master electricians to highly skilled technical personnel and qualified project managers. Key to the success of any business is human capital – a dynamic workforce that meets the needs of an ever-changing business environment. Government and the business community need to work together to ready a workforce that can meet those challenges.

Women Impacting Public Policy would like to share the following workforce development recommendations:

**Promote Partnerships Amongst Educational Institutions and Businesses**

As mentioned, human capital is the vital to the success of our economy. In order to create a pipeline of skilled workers, WIPP encourages Congress and the Administration to promote partnerships between large and small businesses and educational institutions - from primary schools to colleges and advanced education programs. Working together to develop curriculum and/or training to meet local, regional and national workforce needs will help us to address the skills gap our nation is facing.

Key areas of focus are on middle and high skills training to help meet the needs in industries such as manufacturing, construction, and STEM fields. Additionally, WIPP's members have noted that as employers, they observe a lack of important soft skills such as communication, problem solving, and collaboration. Curriculum around these types of soft skills should be incorporated in middle and high schools to prepare students for the workforce and be part of any job training for underserved areas or

dislocated workers. These soft skills are particularly important given the digitized world we live in where we have grown accustomed to interacting digitally but not socially (i.e. face-to-face).

#### **Increase Investment in STEAM Education & Workforce Development for Women & Girls**

The technology sector is creating the jobs of tomorrow, yet women and girls are not keeping pace in this industry. According to the Economics and Statistics Administration (ESA) within the Department of Commerce, while nearly as many women hold undergraduate degrees as men overall, they make up only about 30 percent of all STEM degree holders.

In the workforce, science, technology, engineering, and mathematics (STEM) occupations are the leading source of wage growth in the United States and account for two-thirds of all expected jobs. However, women made up less than one-quarter (24%) of those employed in STEM occupations. In 2016, women in the United States made up only:

- 25.5% of computer and mathematical occupations
- 14.2% of architecture and engineering occupations

In one of the fastest growing technology fields – cybersecurity – women make up only 11 percent of the information security workforce. For women of color, this gap is wider with women of color making up slightly less than 10% of working scientists and engineers in the United States in 2015.

Congress should ensure appropriate funding and investment in STEAM education in schools and prioritize investment in cybersecurity workforce development and training to address the current shortage of cybersecurity talent. This investment is imperative to U.S. competitiveness around the globe.

#### **Support Apprenticeship & Workforce Development Programs**

According to the Department of Labor, women are severely underrepresented in apprenticeship programs. While women make up nearly half of the U.S. labor force, they comprise less than 10 percent of apprentices.

Last year, President Trump signed an Executive Order (EO), “Expanding Apprenticeships in America,” which provides industry associations, unions, and other stakeholders the flexibility to develop industry-recognized apprenticeships, loosening the Department of Labor regulations on apprenticeship programs. In addition, Congress provided increased funding for apprenticeship grants from \$95 million in FY2017 to \$145 million in FY2018.

Apprenticeships play a critical role in helping to develop a workforce with vital technical and trade skills necessary for key sectors like manufacturing and construction. WIPP encourages Congress to continue their support of apprenticeship programs in FY2019 with an appropriations request of \$175 million. In addition, Congress should increase funding for the Women in Apprenticeship and Nontraditional Occupations Grant Program which funds grants to organization that provide technical assistance to employers, small businesses, and labor unions to encourage the participation of women in apprenticeship programs and provides training for women to go into nontraditional, but high paying, occupations.

#### **Incentivize Deployment and Modernization of Our Technological Infrastructure**

Technology plays an indispensable role in our economy, yet 34 million Americans still lack a broadband connection-- the vast majority are located in rural areas. Furthermore, 6.5 million students across 45

states lack access to high speed internet. Prioritizing the deployment of broadband infrastructure is critical to workforce development as well as economic development for our nation.

WIPP's goal is to ensure that the voice of women business owners participate in solutions to the skills gap in our nation. We look forward to working with the Committee as we build America's workforce to adapt to the economy of tomorrow.

Thank you in advance for your consideration. If you have any questions regarding these requests, please contact WIPP's Chief Advocate at (202) 626-8528 or at [asullivan@madisonservicesgroup.com](mailto:asullivan@madisonservicesgroup.com).

Sincerely,



Candace Waterman  
President, Women Impacting Public Policy (WIPP)