



Helping Manufacturing Enterprises Grow Profitably

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Testimony

of

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Before the Senate Subcommittee on Competitiveness,
Innovation & Export Promotion

On Promoting American Competitiveness: Filling Jobs Today
and Training Workers for Tomorrow

April 17, 2012



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Chairman Klobuchar, Ranking Member Blunt and members of the Committee, thank you for the opportunity to testify on behalf of Enterprise Minnesota at this Subcommittee on Competitiveness, Innovation & Export Promotion hearing on *“Promoting American Competitiveness: Filling Jobs Today and Training Workers for Tomorrow.”*

My name is Bob Kill, and I am the president & CEO of Enterprise Minnesota. We are the Minnesota affiliate of the Manufacturing Extension Partnership (MEP).

Enterprise Minnesota is a standalone non-profit business consulting organization that helps medium-sized and small manufacturers in Minnesota to compete and grow profitably. As an MEP center, we pride ourselves in measuring the business results achieved by our clients to assure their investment and federal dollars are used wisely. To further our mission we are committed to bringing together the public and private stakeholders to further the success of manufacturing in our state. We also undertake initiatives to bring visibility to the value of Minnesota’s manufacturing sector, including the annual *State of Manufacturing*[®] survey, now in its fourth year.

Manufacturing is vital to our communities and state. According to our Department of Employment and Economic Development (DEED):

- There are nearly 8,000 manufacturers in the state of Minnesota.
- Manufacturing provides almost 15% of Minnesota’s private sector jobs and 18% of the wages.
- Each manufacturing job supports 1-2 additional careers in the state through supplier purchases and employee spending.
- Manufacturing jobs in Minnesota pay an average weekly wage of \$1,120, which is a 22% multiple over the average weekly wage of \$915 across all industries.



In the fourth quarter of 2011, there were 4,925 unfilled jobs in Minnesota’s manufacturing sector, accounting for 9.8 percent of all job vacancies in the state. This means that there is a collective \$5.5 million in average weekly wages that could be paid to manufacturing workers, that isn’t being paid due to vacant positions in the industry. That number of career vacancies continues to grow based on the results of our *State of Manufacturing*[®] survey. This gap will widen as more workers retire. As a sector, manufacturing has among the state's oldest employees.

The State of Manufacturing[®] is our annual poll of 400 manufacturing executives from a cross-section of Minnesota companies and locations. The goal is to get an accurate assessment of the state of the Minnesota manufacturing sector from the perspective of the industry’s decision-makers. We also supplement the poll with a series of focus groups held across the state. In the poll, we found that concern over attracting qualified workers has more than doubled in the past year, with 31 percent of manufacturing executives saying it is a concern for their firm, up from 14 percent in 2011. Nearly six out of 10 (58 percent) manufacturing executives also say it is a challenge to attract qualified workers to their companies. This is a noticeable increase from 2011, when 45 percent reported difficulty in attracting qualified workers. Additionally, the 200 manufacturers that participated in the 20 focus groups magnified this challenge. We used the term qualified rather than skilled workers as we find that the challenge is at entry level, two year technical, with and without experience and also four year degree positions.

The survey also revealed that growing companies exacerbate the issue. In looking to the past 12 months, 27 percent of executives in the *State of Manufacturing*[®] survey reported adding to their workforce. Over the next 12 months, larger companies, especially, anticipate continued growth. Forty-six percent of executives at firms with \$5 million or more in annual revenues and 44 percent of executives at firms with more than 50 employees expect their workforce to grow over the next year.

Rapidly changing technology presents another hurdle and widens the gap between the sector’s existing workers and the skills that are needed in today’s highly automated precision manufacturing environments. In Minnesota, we’ve tried to close that gap through the Growth Acceleration Program, --GAP -- an effort funded by our state that helps small manufacturers accelerate business improvements to grow and create jobs. GAP funding helps businesses buy down the cost of business services that we provide at Enterprise Minnesota by providing up to \$1 of state



money for every \$3 a company invests, up to \$50,000 per year. To date, GAP has helped 192 manufacturing companies across Minnesota create or retain over 1,700 jobs. Participating companies have realized a \$30+ return for every \$1 spent on GAP, and some companies have experienced a 40-to-1 return on investment.

Of course, the other way to close the skills gap is to increase the talent pool. Chancellor of Minnesota State Colleges and Universities (MNSCU) Steven Rosenstone says that 70 percent of all careers in 2018 will require some post-secondary education; 85 percent of all new jobs/careers created between today and 2018 will require post-secondary education, with less than half of them requiring a baccalaureate degree. Chancellor Rosenstone has dedicated his schools to finding the right path for each student based on a deeper understanding of their passions, interests and skills, as the kind of work that needs to be done in Minnesota.

It is essential to attract more young people to manufacturing by making them and their parents aware of the great opportunities that exist in manufacturing, and to create a better image of what manufacturing can offer as a career. Building public-private collaboration between communities, schools and businesses is key to closing the skills gap. An important part of our role as an MEP center is to make sure that manufacturers do their part by showing up, speaking their minds and opening their doors to young people, parents, and the public sector to show firsthand the career opportunities. And I can assure you, they are doing their part. There are far too many examples to go into here but over the past four years we have arranged and facilitated over 200 tours by elected officials.

The input of the federal government is not just legislative, but also to use the bully pulpit to expose teachers, students, and their parents to the exceptional careers that exist in manufacturing companies. Increasing the visibility of these great careers from a national basis is integral to the success of our businesses and our local, state and national economy, and we firmly believe that these public/private collaborations are the way to build that visibility efficiently and effectively.

Thank you for the opportunity to testify today. Manufacturing is back in the “positive spotlight” and I look forward to being a part of attracting our new workforce to the great careers available.