

**TESTIMONY OF**  
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Before the House Committee on Education and Labor

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Good morning, Chairman Miller, Ranking Member McKeon and members of the committee. My name is Kellie Johnson and I am the President of ACE Clearwater Enterprises located in Torrance, CA. Thank you for the opportunity to appear today on behalf of ACE Clearwater Enterprises, its employees and to speak about how manufacturers are strengthening America's middle class by providing high paying jobs and benefits.

I am here to speak about an issue I feel very strongly about, education and workforce development. Our nation's need to maintain its global edge in technology and innovation hinges on our ability to educate and prepare people for the jobs of the 21<sup>st</sup> century. ACE Clearwater is a family owned and operated business incorporated in the State of California and has been building complex formed and welded assemblies for the aerospace and power generation industries for over 50 years. As a third generation leading our company I can say it is more difficult than ever to find the talent we require. We need to raise awareness of our workforce crisis with business leaders, educators and policy makers. We must identify solutions at the local, state and federal levels while promoting policies that strengthen communities and drive a skilled workforce. Our 172 employees are in a word, awesome, together we make some really incredible components, if it can fly, we have parts on it. ACE's customer base includes the U.S. Government and virtually all the prime OEM's, cutting edge companies like Honeywell, Lockheed Martin, General Electric, Boeing, Northrop Grumman and Textron, in addition to many international customers. I am proud to note that in 1999, *Industry Week* recognized ACE Clearwater as "One of America's Top 25 Small Manufacturers". Our current annual sales approach \$28 million, and our payroll is nearly \$120,000 per week.

As you know, the United States continues to be on the cutting edge of new technologies, innovative ideas and out-of-the-box thinking, we are a very creative country, with a dynamic and highly motivated workforce. But we have an URGENT problem, and it requires our immediate attention, put simply our workforce is aging and our supply of skilled workers is in decline. The manufacturing sector has experienced a nearly 40% growth in demand for highly skilled workers, while demand for low skilled workers continues to decline.

We employ a lot of people who like to make things, many have hobbies that include model ship building, custom guitar building , and even a couple of guys who build radio controlled jets . . .lots of folks who, like me, appreciate the shop floor. ACE is a mini city, lots of areas dependant on each other, and like any community it requires some highly skilled people to keep it growing.

Our customers used to give us a blueprint and say make this, now they give us (CAD) computer assisted drawings and ask us to tell them how we can make it better, lighter, faster and cheaper. These challenges require a highly skilled and motivated workforce, and to do this, America needs to recognize there is a skills gap, and it is growing. A recent OECD report on education says it all. The United States ranks # 1 in adults 45 – 64 with a H.S. diploma, we are in 5<sup>th</sup> place with adults 35 - 44, and a dismal 10<sup>th</sup> place with adults 25 – 34 with a basic H.S. diploma. This is a roadmap to disaster. The reality is 75% of new job growth requires some level of post-high school training.

Like any manufacturer, at ACE, our employees are our greatest asset. We maintain a competent workforce through selective recruiting, training, involvement and empowerment at all levels. Our people are integral to the R&D process. For many projects, our people are the key to innovation on the factory floor. Responsibility is also important. All our employees are empowered to stop the production process and ask questions if they feel something is wrong. Our core value is “We do the right thing.”

According to the *Employment Benefit Research Institute*, 84% of manufacturers nationwide provide health care benefits to their employees, a level of coverage second only to government.

Accordingly, to attract and retain the best talent, ACE provides health, dental, vision and life insurance for its employees. We currently cover 75 percent of employee insurance costs. We also provide a 401(k) plan, of which about 1/3 of the employees participate as well as 7 paid holidays. Our vacation package is very generous, with an average vacation time of 3 weeks. A typical employee at ACE has been with us over 10 years.

Our benefits package is also very competitive, and we have been able to maintain these benefits with minimal affect to employee costs. ACE's overall benefits package is equal to 24 percent of our total payroll.

My company, like many others, continues to find ways to provide generous benefits in a time when the costs of such benefits realize double-digit increases from year to year. A June 2005 Survey of executives by Advanced Technology Services indicated that between 2000 and 2004, increases in benefits accounted for more than half of the increase in manufacturing compensation.

I could tell you many stories about how we work with employees during difficult times, but Kimberley is the most recent. She was having some problems with her pregnancy and needed multiple doctor visits each month during her final trimester. She did not want to lose hours by taking off too much time, so we adjusted her work schedule to fit her particular need. It was a win-win for everyone. We have also had several fathers ask us to do this for them as well. It is in every employers best interest to work together to help people when these situations arise. We want them back, and we want them excited to come to work!

Manufacturing careers are great jobs with good benefits. In 2005, manufacturing employees earned an average of \$66,000 a year in wages and benefits compared to employees in the remainder of the economy that earned about \$56,000 – an 18 percent difference!

The manufacturing industry is what makes this country great, and we cannot afford to lose it. More than one in six private sector jobs in the U.S. depend on the manufacturing base, and manufacturing accounts for about 12 percent of GDP.

While I am proud to share with the members of this committee the success we have experienced, all is not well. In fact, ACE Clearwater currently has 12 open positions. They include: manufacturing engineers, welders, and machine programmers and operators. Our biggest challenge is finding skilled personnel. We hire summer interns and recruit from several universities, technical & community colleges and local high schools to train the next generation of engineers and technicians. A shop mentoring program encourages senior operators to assist younger people in augmenting their skill levels.

Tony is an excellent example of how we are constantly encouraging people to learn new skills, and grow with the company. He started as a welding assistant, helping with cleaning the parts prior to weld and fitting them up. Eager to become a welder, he approached his supervisor with his dream. We could see his drive and ambition. Through in-house training, and supplemental off site instruction paid for by ACE, he is now the lead welder, and helps to train others like him.

ACE Clearwater is doing its best to provide good quality jobs, but we must see a resurgence in this country of educational skills programs to stress that people can make a great living through the many opportunities that manufacturing has to offer.

We face a daunting challenge. A 2005 Skills Gap survey conducted by the National Association of Manufacturers indicated that more than 80 percent of respondents could not find qualified workers to fill their job openings. The same survey also revealed that a startling 90 percent of respondents stated that they could not find enough skilled production employees, including front-line workers, such as machinists, operators, craft workers, distributors, and technicians, to fill their job openings.

The challenge for manufacturers is how to attract, retain, and motivate a high-performance workforce. The challenge for government is how to improve the quality of education in our primary,

secondary, and post-secondary school systems. There must also be improvement in job training programs to address the continuous demands of training and re-training of workers. In addition, we need to reverse the decline in U.S. students who study science and engineering.

A manufacturing worker today must have math and science skills and the ability to problem-solve, think analytically, communicate via written and spoken word, and work in teams as well as autonomously. However, many job applicants have insufficient reading, writing, and communications skills, and they have inadequate basic employability skills, such as attendance, timeliness, work ethic, and problem-solving. Last year, we interviewed 191 applicants and hired 28. Had the proper skills been there, I can state we would have hired a lot more.

Our growth is only limited by our ability to meet our customers ever challenging demands. And that means a skilled, motivated and excited workforce. Few of the skills needed to succeed in the workplace are taught in the schools, nor do students understand how what they are learning will translate into their future careers. There must be better alignment between education and training systems and the needs of employers and the business community. Increased communication and collaboration among manufacturers, government, educators, and parents would help to alleviate the skills gap shortage.

ACE Clearwater is doing its part to remain vibrant despite a competitive global economy and ever increasing government regulations, but its ability to do so in the future is predicated on the availability of a highly skilled and adaptive workforce. The manufacturing industry is providing economic opportunity to America's workers, but as manufacturers suffer, so too does the nation's overall economic health.

Thank you for the opportunity to testify, and I am glad to answer any questions you may have.