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Remarks of Robert Wordlaw SACED Chair

ILLINOIS HOUSE OF REPRESENTATIVES
LABOR COMMITTEE HEARINGS
CHICAGO, ILLINOIS
SEPTEMBER 17, 2002

The State Agenda for Community Economic Development (SACED), formed in 1996, is working to shape both workforce and economic development policy and legislation to: 1) to ensure that employers have access to a trained labor force that will enable Illinois businesses to remain competitive in a global market; and, 2) ensure that low-skilled and unemployed residents in Illinois can access the kind of skilled training and preparations needed to enhance their employment and career opportunities.

At today's hearings, we will hear testimony from businesses, government, and community groups who have partnered with each other and other groups to plan and implement successful workforce development programs. It is hoped that the testimony presented today will begin providing Illinois legislators with a better understanding of how and why Illinois has be more proactive in creating and supporting a workforce development system that is responsive to the needs of businesses and the needs of those seeking to advance their career or enter the labor market.

SACED created the Job Training and Economic Development program (JTED). In 1998 the State awarded the program one million dollars for a two-year demonstration. The funds were used to forge partnerships with businesses and skilled training providers. These funds allowed community groups to work with businesses and not be encumbered by the prescriptive policies of Welfare-to-Work or the Workforce Investment Act (WIA). If not for the recent State budget cuts, JTED would have received three million dollars this fiscal year instead of the 1.5 million that was put in the budget.

In addition to an increase in JTED funding to ten million dollars, what do we want? We want the State to develop, and implement workforce development legislation and policies:

1. *That enhances access to skill training for low-skilled and unemployed residents;*
2. *That encourages and rewards effective partnerships between businesses and community groups; and*
3. *That supports strategies and programs with self-sufficiency and career advancement as goals.*

Remarks of Esther Nieves, executive Director of Erie Neighborhood House

PUBLIC TESTIMONY

House Labor Committee Hearing

Illinois House of Representatives

September 17, 2002

Presented by:

Erie Neighborhood House

Chicago, Illinois

Good morning State Representative McKeon and members of the House Labor Committee. My name is Esther Nieves and I am the executive director of Erie Neighborhood House. Thank you for inviting Erie Neighborhood House to share its comments on the critical issues of workforce development and job training.

Erie Neighborhood House is a community service agency and settlement house founded in 1870 that promotes a just and inclusive society by strengthening low-income, primarily Latino families through skill-building, access to critical resources, advocacy and collaborative action. Our programs serve children, youth, adults and seniors throughout Chicago and some suburban communities.

In the area of workforce development and job training, Erie has been operating a financial industrial training since 1994. This has been a comprehensive 108-hour training program designed to prepare trainees for positions in the financial industry. The program's participants are also provided with childcare, counseling, computer lab instruction and access to Internet, job readiness and placement and retention services. Many of our participants are bilingual immigrants, who come from different ethnic groups and from throughout Chicago. Over the past decade the bulk of the participants have been women who have been referred to Erie through various organizations including domestic violence programs.

Through this program our agency is able to reach out to the unemployed and underemployed who are stuck in semi-skilled jobs, with low wages and limited opportunities for upward employment mobility. Our program offers training that leads to a career ladder, stability, benefits, and self-sufficiency. The curriculum focuses on content-based, hands-on activities. Assessment is carried out through teller transaction role plays, TABE tests, customer service video tests and other competency testing. A Career Counselor determines possible placement alternatives, through informal class interaction, formal career planning meetings, and individual initiative. Participants are eligible for placement services two years after completion of the program and allowed access to Erie's Technology Center indefinitely to maintain computer skills that ensure job retention. In short, Erie provides constant support and employment preparation assistance so that the potential employer hires him or her and our graduates begin a successful and productive career.

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The Financial Industry Training program has been a door for employment in entry-level, career path positions, such as teller, loc-box, check processor, customer services representative, vault attendant, and collection agent. Four hundred students have gone through our program and we have placed 50% of these in a financial industry job. We have placed graduates at community banks where there is a high demand for bilingual assistance, at collection agencies and other such employment sites. Starting pay for our graduates ranges from \$8 an hour plus benefits and opportunity to enroll in business related, high education programs at 100% tuition reimbursement.

We believe that the type of program housed at Erie House is pivotal because it targets low-income individuals and immigrants who have established a sense of trust and comfort about seeking services or resources that improve their quality of life. Moreover, the links Erie has established with over 20 local banks and other members of the business community create an important and reciprocal community partnership that improves the economic and social viability and vitality of our city and state's economy. Partnerships between the business sector, community based organizations and low-skilled workers eager to re-tool and upgrade their skills is the foundation that will allow our state to remain part of the changing and competitive global market.

We urge the Illinois House of Representatives' Labor Committee to continue to support funding for these programs. Decreased funding for such programs hurts businesses seeking to hire trained employees and nonprofits seeking to help move individuals from menial jobs to gainful employment. An important part of building our state's employment infrastructure would suffer if funding reductions occur.

Finally, Erie Neighborhood House's Financial Industry Training is broad reaching and offers opportunities for a successful professional career. Our program targets individuals who may have held skilled positions in their country of origin but due to a language barrier or some other factor, are at an entry level position but with some additional training and support can steadily reach their American dream.

Erie Neighborhood House appreciates the work of the State Agenda on behalf of JTED and all the community based organizations engaged in this work.

As part of this testimony, you will find the letters from two graduates of the Financial Industry Training program. In their letters, Ms. Angela Perchelli and Ms. Emma Afshin share how Erie's program provided them with the opportunity to improve their chance of embarking on a real career and not a dead-end job.

Thank you House Labor Committee members for listening and for your anticipated leadership in supporting workforce training and employment programs.

Testimony of Gene Cottini Manager of Training Services, S&C Electric Company

Testimony before the Illinois House of Representatives Labor Committee Hearings September 17, 2002

S&C Electric Company appreciates this opportunity to present the needs and concerns of employers relative to workforce training and development issues within the State of Illinois. As one of the largest employers in our area, we struggle with the effects of the present day skill shortages that plague our industry as a condition of doing business. As such, we seek to partner with state agencies and community based organizations in order to collaboratively develop solutions to these challenges. We sincerely believe that solutions can be crafted that will simultaneously benefit industry, raise the standard of living of the working poor and contribute to the economic health of the State.

Background

S&C Electric Company is a medium-sized manufacturing firm located on the far north side of The City of Chicago. Our primary customers are utilities such as Commonwealth Edison and other large power providers around the world who rely on our products to perform the transmission and distribution of the electric power commodity. Our competition includes global giants such as Siemens Corporation and a variety of smaller but no less imposing manufacturers, both foreign and domestic. Throughout the more than ninety-year history of our company, we have been, and today remain, committed to keeping our production operations located within the City of Chicago. At present, we employ more than 1700 workers at our Ridge Boulevard industrial complex—most of whom are engaged in skilled trades or related support activities.

There are a number of challenges facing area manufacturers today, but perhaps the most difficult and most vexing of these is the problem of locating and hiring skilled workers. In the not-too-distant past, the Chicagoland Area boasted an abundance of vocational education programs which produced many qualified candidates for hire. Additionally, the area was rich with immigrants from Western Europe where vocational skills are systematically delivered to students--beginning with the elementary stages of education. Unfortunately, things have changed. Budgetary struggles have influenced the discontinuation of many publicly administered training programs and a once numerous population of skilled immigrant workers has aged and retired. Today, local employers are recognizing a new reality of doing business that requires them to bear the burden of workforce development--once the responsibility of the public sector. Those not able or not willing to do so, will continue to suffer the consequence of drastic skill shortages.

Avenues of Opportunity

In response to the skills-crisis, proactive companies have developed a wide variety of training programs designed to cultivate the next generation of tradespersons—recognizing that, “if we don’t do it, it won’t get done”. By partnering with community based organizations like the **Jane Addams Resource Corporation**, learning can be customized and delivered in the most efficient manner possible, optimizing both human and financial resources. In business-year 2001 alone--a year characterized by disappointing profit levels, S&C Electric Company took in and trained twenty-two entry-level candidates in Precision Machining, Tool and Die, Maintenance and Machine Programming technologies. In times of economic boom, the demand for additional technicians is substantially higher and the resultant opportunities far more extensive.

Since a substantial number of S&C's entry-level employees speak a primary language other than English, we offer ongoing Vocational English as a Second Language (VESL) classes through our Technical Training Institute. These sessions assist our non-native workers to avail themselves of technical training which leads to career advancement opportunities. The process involves participation in ESL classes designed to assist with the technical terms encountered in subjects such as shop mathematics, blueprint reading and various metalworking courses. Additionally, each participant is assigned a mentor within their home department who can assist them with their studies. Typically, the mentor is an individual from their community or ethnic group who has successfully completed the studies they're currently engaged in. Each year, approximately 100 employees participate in these classes which are currently supported by a grant from the Secretary of State's office. The following is an example of the many success stories which demonstrate the way public funds are being used to fill the special needs of industry while simultaneously assisting disadvantaged people in launching well-paying careers:

Maria is a single mother and former public aid recipient who was hired in February of 2000 as a referral from a community based organization specializing in welfare-to-work counseling. She was hired as a Machine Operator B in S&C's metal cutting division—her starting pay was \$9.00 per hour. Maria had been on public aid off and on for three years prior to joining S&C, alternating between several dead-end jobs along the way. She had been referred to a number of different community-based training programs during that time but wasn't able to successfully participate in them due to language limitations. Through the S&C VESL Program, she has been able to begin formalized training as a Computer Numerical Control (CNC) Machinist and has received several raises since beginning that program based on competency milestones passed along the way. She has since been promoted to Machine Operator A and, with the completion of two more courses, will be eligible for promotion to the position of Machinist B which has a minimum hourly wage of \$12.00 per hour. There are a number of additional levels and career opportunities which will be open to Maria going forward, either as a Machinist or as one of the many related occupations that share the same fundamentals. None of these doors would have been opened to her without the assistance of the publicly-supported S&C VESL Program.

These programs create avenues of opportunity for the economically disadvantaged in our area which ultimately lead to good paying careers. The result is an assortment of beneficial effects felt in the communities that surround employers and ultimately on the economic health of the entire region. The investment of public funds in these programs pays real dividends that are realized in far-reaching ways.

Need for Public Funding

Despite the benefits, detailed training programs represent an expense that can be cost-prohibitive to many small and medium-sized businesses. In these times of diminishing profits and fierce corporate competition, formalized training often falls victim to budget-cutting efforts which favor more short-term investments. Without the assistance of public funding programs such as those administered by the Illinois Department of Commerce and Community Affairs, many firms will be forced to curtail or discontinue these valuable programs eliminating one of the few viable means for low-income workers to achieve a living wage. At the same time, Illinois manufacturers continue to experience mounting pressure from off-shore competitors threatening further loss of jobs. Since competition with global adversaries on the basis of price alone is no longer likely, employers must have the best-trained workforce, producing the best-quality product available. In this way, goods produced in Illinois will come to be viewed as the best overall value preventing further erosion of the state economy and employment base.

Over the past four years, S&C Electric Company has received assistance from a number of public funding sources. Subsidized training has been delivered to both incumbent workers and newly hired employees alike, under the auspices of the Prairie State 2000 Authority, The Department of Commerce and Community Affairs and the Secretary of State's Office (Literacy Grant). During that time, more than seven-hundred individuals have received training, many of whom have made transitions from financial hardship to an ability to earn a living wage ending a downward spiral of poverty. Much of the training delivered during this time would not have occurred in the same measure without the assurance of support from the State. If the support is now abruptly withdrawn, as has been suggested by some state legislators, the result would be significantly felt by local industry and by the community at large.

Summary

My appeal to you today is for continued investment in programs that assist employers with the cost of workforce development. In light of the current fiscal dilemma facing our state, it might be tempting to regard these programs as expendable. I urge you to do the opposite and view the investment in Illinois' workforce as a "mission critical" expenditure when appropriations are next considered. In the years to come, as technologies continue to grow more sophisticated and competition for customers intensifies, the need for regular and systematic employee training will take on even greater importance. Programs such as Job Training and Economic Development (JTED) and Industrial Training Program (ITP) must continue to support manufacturers if Illinois is to continue in its preeminent role as a center of technology and commerce.

Gene Cottini
Manager of Training Services
S&C Electric Company

Testimony of Anita Flores, Associate Director of the Jane Addams Resource Corporation
September 17, 2002
Illinois House of Representatives
Labor Committee Hearings
Testimony of the JANE ADDAMS RESOURCE CORPORATION

Organization Type: 501 (c) 3 not for profit Community-Based Organization
Target Population: Employed, Low-Skilled, Low-Wage Workers; Unemployed
Individuals
Industry Focus: Metalworking-precision metalforming sector
Contact Person: **Anita Flores, Associate Director**
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Thank you for providing the Jane Addams Resource Corporation with this opportunity to testify about the important role of workforce development and training in both lifting working poor people out of poverty and enabling manufacturing firms to compete in the global economy. These factors are inexorably linked to the health of the Illinois economy.

Organizational Background and Programming

The Jane Addams Resource Corporation (JARC) is a community development corporation that was founded in 1985. JARC's mission is to "build healthy communities through workforce, economic, and human development. It is rooted in the North Center, Lakeview, Lincoln Square, and Uptown neighborhoods and serves the Chicagoland area through a strategic mix of industrial retention, training and educational initiatives."

Having developed relationships and industry knowledge with local businesses through its economic development work, it was a natural step for JARC to enter the workforce development arena to address the employment needs of both local employers and low-income community members. Starting in 1991, JARC offered "*The Metalworking Skills Training Program*" for incumbent (employed) workers in this industry, providing instruction either at JARC's training facility, or on-site with employers. In 1996, JARC opened its *Training Center for the Metalworking Trades* in the Ravenswood Industrial Corridor and registered apprenticeship program for die setting with the U.S. Department of Labor-- the first in the country. In 1998, JARC established "*The Opportunities in Metalworking Program*", designed to train unemployed individuals to fill the entry-level positions that become vacant as incumbent workers advance to higher-skilled jobs. This program serves a wide range of job seekers, including immigrants, refugees, women, ex-offenders, and public assistance recipients, and emphasizes the development of basic skills in addition to industry-specific vocational skills. Annually, the MWS Program serves 300-350 people and the OMW Program serves 40-50.

Defining the Workforce Development Challenge in Illinois

The productivity and survival of Illinois manufacturers depends on their ability to find skilled workers. Business leaders have been very clear: they need better-educated and better-trained workers to maintain their competitiveness in the global market. They can no longer compete on

the basis of price, but rather must gain the competitive advantage with outstanding quality. From the perspective of low-skilled workers and the unemployed, their ability to move into jobs paying a living wage increasingly requires more skills training, because the days of being able to support a family on the wages of an unskilled job have almost passed. Yet Illinois workers are not prepared to meet their needs, with the logical results of lost business opportunities and working adults living in poverty and unable to meet the needs of potential employers. *As evidence of this I would point to:*

- ÿ The Chicago Federation of Labor AFL-CIO report “creating a Manufacturing Career Path System in Cook County” found that local employers need over 10,500 new employees each year, yet almost half of these jobs go unfilled due to the shortage of skilled workers.
- ÿ Reduction in the number of high school machine shops in Chicago from 28 in 1982 to only 6 in 2002.
- ÿ The Midwest Job Gap survey, conducted by Northern Illinois University in 1997 found that over 40% of Illinois adults on welfare, for example, lack high school degrees.
- ÿ The National Adult Literacy Survey, funded by the U.S. Department of Education once a decade, found in 1992 that “24% of adults in Illinois demonstrated skills in the lowest level of prose, document and qualitative proficiencies. Nearly _ of Illinois residents designated as either poor or near poor demonstrated skills in Level 1 and 2 on each literacy scale. In contrast, 42% of those designated as not poor performed in this level.”

Resource to Small- and Medium-Sized Manufacturers & Their Workers

JARC works in partnership with metalworking employers in Cook, Lake and DuPage counties. We serve as an intermediary between the State and our manufacturing companies by both administering grants and providing the actual training on-site at over 30 metalworking factories each year for employed workers, as well as training unemployed people in our own training factory in order to fill the skilled labor needs of these employers. *Characteristics of our client companies and employees:*

- ÿ privately and family owned companies;
- ÿ range in size from 50 to 1,700 employees;
- ÿ have an employee population with a range of native languages;
- ÿ have an employee population that has limited education-typically 40% lack High School Degrees or G.E.D.
- ÿ typically, companies with less than 400 employees lack human resource staff;
- ÿ have little prior experience providing training to the lower skilled, entry level worker;
- ÿ have little or no prior experience writing or administering grants;
- ÿ require a needs assessment; access to training subsidies; training delivery; assistance determining impact of training.

In our role as a training provider, JARC must administer an array of state and federal grant resources, such as Prairie State 2000 Authority, The Job Training and Economic Development Program (JTED) and the Industrial Training Program (ITP) at DCCA. Frankly, both the employers and workers find the vast differences in eligibility, allowable costs, and administrative requirements to be confusing, as well as barriers to opportunity. We provide employers with access to subsidies so that they are free to focus on their purpose: creation of jobs and production of durable goods. At the same time, workers seeking training depend on JARC to administer these funds so that they can secure the training they need to progress in their careers.

As a community based organization, JARC also has been able to link these trainees with other resources such as GED and English as a Second Language programs in their communities. JARC's interventions have transformed employers' practices in ways that are of benefit to low-income workers. For example, JARC has conducted labor market research to identify career paths for 10 key positions in the industry, and designed customized training to enable workers to start this career progression. To support this strategy, JARC worked with a group of companies and the Precision Metalforming Association (a national trade association) to develop the Metalworking Skills Assessment Test, which is a nationally validated test that companies can use to develop individual training plans for new hires and incumbent workers.

By promoting from within, employers improved job retention and became less strapped by shortages of higher-skilled job applicants. As more than 100 companies have allowed JARC to help to shape their hiring, training, and advancement strategies, the norms for the industry are changing for the better for workers seeking higher wages and growth opportunities.

The Impact of Training

- ÿ “The Illinois Families Study, Welfare in Illinois” by the University Consortium of Welfare Reform, which tracked over a thousand people in Illinois moving from welfare to work over a period of years, found the median annual wage of these families-some were still on welfare, some had worked their way off-to be only \$8.00. Nearly 76% of these families were living below the federal poverty line. The Study also found that the participation of welfare recipients in education and job training programs was extremely low. Significantly, the Study concluded that recipients with higher levels of education were more likely to be working and earning higher wages.
- ÿ Over 70% of our manufacturing employers reported qualitative impacts, such as employees able to use new production equipment or apply new quality control techniques; 40% experienced a 10% to 60% improvement in worker productivity, based on responses to a post-training survey conducted by JARC in 2000 and 2001;
- ÿ Employed workers completing the JARC shop math and machine training training classes reported an average individual earnings increase of 25% within two years of the completion of training, according to the Sectoral Employment Development Learning Group (SEDLP) study conducted by The Aspen Institute, which tracked 100 JARC clients for two years.

Conclusion and Recommendations

- ÿ We ask that you restore funding to Prairie State 2000 Authority, and the Department of Commerce and Community Affairs grant programs such as the Job Training and Economic Development (JTED), and Industrial Training Program (ITP) because investment in workforce development programs are critical to both the viability of Illinois' manufacturing base and to lifting the low-skilled working poor out of poverty.
- ÿ There are vast differences in eligibility and administration among just the grant programs that JARC administers, which can be a barrier to opportunities for low-skilled workers. For that reason, we would like to recommend that these grant funds be made accessible to workers with or without employer approval and support. They should be linked to an individual, much like the WIA and TANF grants available to welfare recipients, and not so dependent on company criteria such as employee size and profitability.

INFORMATION:

“Jane Addams Resource Corporation: A Case Study of a Sectoral Development Approach”. Washington: The Aspen Institute, December 2000.

At: <http://www.aspeninst.org/eop/pdfs/casestud.pdf>

**Illinois Workforce Development Hearings
Thompson Center**

September 17, 2002

**Tooling and Manufacturing Association's
Position Paper**

How important is manufacturing to Illinois? About 1,000,000 Illinois citizens are employed in manufacturing. Just three of the Illinois industries that are metal related- primary metal manufacturing, fabricated metal products and machinery manufacturing- represent 6,390 companies with 287,930 jobs having payrolls of \$10,847,576,000 and sales of \$55,763,464,000. Those jobs pay on the average of \$37,768. In addition, metalworking jobs support another 750,000 service, retail, wholesale and manufacturing jobs.

Training is essential to survival. Manufacturing is experiencing a serious recession due to current economic conditions and competition in the world market. In order for US manufacturers to reduce costs and compete with cheap third world labor they must learn how to implement significant productivity gains or pay their highly skilled workers \$2 to \$3 an hour like they do in China. In a choice between high skills or low wages, high skills wins.

PS 2000 and DCCA essential to small company training programs. In addition to its four-year Apprentice Training Program which has trained thousands of skilled precision metalworkers since 1934, TMA annually offers over 200 seminars and short-courses to members; over a thousand employees receive training from TMA every year. Courses and seminars cover all areas of manufacturing including basic skills, computer and technical skills, organizational skills, quality and productivity improvement skills.

Since 1993 TMA has been an active partner with the Prairie State 2000 Authority. Over the years, TMA, through PS 2000 ITP funds, has returned over 1,000,000 training dollars to its members. In addition, this year TMA received an \$80,000 DCCA ITP grant to help members offset the cost of training their employees. As manufacturing works through this recession, training budgets shrink and, at the same time, the need to train increases. Strong support from programs like PS 2000 and DCCA are more essential now than ever before. However, TMA has seen its PS 2000 training dollar allocations reduced from a high of \$174,000 to \$53,000 this year. With today's economic conditions, it is not the time to cut funds for training programs.

We urge the House Labor Committee to examine ways to make more training dollars available to Illinois manufactures to help keep them competitive with the world market.

The Tooling and Manufacturing Association is a Chicago area association of more than 1,500 local tooling, machining and manufacturing companies employing approximately 65,000 individuals.

Submitted By

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