Testimony of Spirit AeroSystems

ON: Jobs and Opportunities: Aerospace Manufacturing Perspective on the Jobs Gap

TO: House Ways and Means Committee

FROM: Justin Welner, Vice President, Human Resources, Spirit AeroSystems

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THE HOUSE WAYS AND MEANS COMMITTEE

by

Justin Welner

Vice President for Human Resources

Spirit AeroSystems

Chairman Smith, Ranking Member Davis, members of the Ways and Means Committee, thank you for allowing me to testify today about workforce pipeline challenges facing our company along with other advanced manufacturing businesses across our country. I am Justin Welner, Vice President for Human Resources at Spirit AeroSystems, and I have responsibility for managing our global workforce and talent acquisition programs.

Spirit AeroSystems designs and builds large, complex aerostructures for both commercial and defense customers. Our largest customers include Boeing and Airbus, and in 2016 we were named as one of seven suppliers on the B-21 Raider program for the Air Force. With headquarters in Wichita, Kansas, Spirit operates manufacturing sites in Oklahoma, North Carolina, Europe, and Asia. Our core products include fuselages, pylons, nacelles, and wing components. Spirit's ~16,000 employees focus on affordable, innovative composite and aluminum manufacturing solutions to support customers around the globe.

Spirit is the largest private-sector employer in the state of Kansas with more than 11,500 employees. Last December, our company announced we would be expanding our Wichita operations by adding 1,000 new jobs over two years and investing $1 billion over five years in capital projects. This was driven by production rate increases on existing programs as well as new programs in the areas of defense and fabrication.

Building a talented workforce from today's labor pool is one the largest challenges our company faces as we hire to keep up with natural attrition rates and seek to expand our base employment

to meet production requirements of our customers. Before I explain our experience with workforce constraints, I will provide additional context for what we are up against.

At our Wichita site, we employ about 8,000 front-line workers. These include sheet metal mechanics, assembly mechanics, CNC operators, and composite technicians who fabricate, build, and assemble large metallic and composite aircraft structures.

At our four U.S. sites, we have hired more than 4,000 front-line employees since 2015. About 1,000 of those front-line employees have been hired in the past three months. These hiring rates have been driven by our need to backfill positions from normal attrition, including retirements, as well our need to expand our production output to meet expanding customer programs.

As of the beginning of April, we had about 350 hourly openings at our Wichita site.

And like many other advanced manufacturers, Spirit is faced with an aging workforce. What keeps me up at night is that within the next five years, nearly 40 percent of our workforce will be retirement eligible. The enormity of this reality and the challenge it poses for us – along with thousands of other advanced manufacturers – cannot be overstated.

Spirit has been hiring as quickly as possible to fill open positions, but we are increasingly struggling to find qualified workers with the skillsets needed in today's aerospace manufacturing environment. A few years ago our industry found it difficult to find skilled labor, but it was a manageable challenge with a higher unemployment rate, which made it easier to find and attract higher-skilled talent. Today, our industry is struggling to find enough qualified workers for the open positions on our production lines. The jobs are available. The production programs are expanding. The work is rewarding. But the workforce pipeline has not kept pace with demand.

Three years ago it was customary for us to bring new hires into our training programs that lasted two to three weeks, depending on the experience level of new employees. Today, we have re-tooled and expanded our in-house training programs that now last up to seven weeks. That means when we recruit and hire new employees today, depending on their skill level, it may be seven weeks after their start date before they ever begin to do real work on the shop floor. And it takes several weeks beyond that before they are fully productive.

The challenge we are experiencing is not an isolated state or regional problem, it is a national problem. And we are nearing the verge of what could become a watershed moment for our country as we determine what we want the future of manufacturing to look like in the United States. How we respond and our ability to proactively pursue collaborative solutions will define our success.

While I've described some of our industry's obstacles to filling open jobs, I want to pivot for a moment and share with you some of the solutions we have deployed to help overcome those barriers.

We are investing millions of dollars into an expanded in-house training program that includes growing our training department by 30 employees whose focus is on improving the skillsets of

new hires and getting them better prepared to be successful on the shop floor. Spirit has expanded its recruitment efforts to reach well beyond the state borders where we operate, and in some situations, we are offering relocation packages for hourly employees. While this is much more common for salaried positions, it is very unusual for such packages to be offered for front-line employees because the labor pools have traditionally provided enough talent within a region.

In the last few months we launched a retiree and alumni program where former employees are now hired as workplace coaches to mentor and guide less experienced mechanics as they navigate the complexities of the manufacturing environment. We have hired about 40 former employees where many of them are focused on helping coach, mentor, and train front-line employees. We are already seeing positive results using this approach, and it has helped less experienced mechanics learn processes and build confidence necessary for long-term success.

For several years, Spirit has had an apprenticeship program with the International Brotherhood of Electrical Workers, and we are in the process of launching an apprenticeship program with the International Association of Machinists this year.

Spirit has a long history of working cooperatively with the technical colleges located near our manufacturing facilities to guide and shape curriculums to best meet the needs of our industry, and we have intensified our engagement with these schools in recent months as the job markets have tightened. A week ago today, we announced a collaboration agreement with Wichita State University (WSU) that expands their applied learning program for students to engage with Spirit on active design and production programs. The collaboration agreement includes a plan for the WSU Campus of Applied Sciences and Technology (WSU Tech) to replicate a shop floor environment that more accurately mimics a real production line. This new model will simulate an educational environment where training is less about textbooks and classroom instruction and more about advancing the instruction model to better equip students with skillsets and technical certifications tailored for aerospace and advanced manufacturing.

As of last year, Spirit is a participating member of the Kansas Advanced Manufacturing Program (KAMP) grant, which is a partnership between the Workforce Alliance Center, WSU Tech, and Spirit. This state program is funded through the U.S. Department of Labor. Spirit's participation in the KAMP grant focuses on three areas for front-line employees: employee onboarding training that allows lower-skilled recruits to earn a wage while they are trained at Spirit; on-the-job-training for our defense program employees; and upskilling training for some of our existing employees. Through this grant, for example, assembly mechanics hired by Spirit who meet the eligibility requirements can earn eight hours of college credit and a Structural Assembly certificate upon completion.

In addition to Spirit's college intern programs, last year we offered a high-school summer internship program. Based on the interest in the program and its success, we are doubling the number of high-school interns this summer as one more way to engage prospective students and demonstrate career opportunities in manufacturing.

Another strategy targeted toward high school students that has helped address the talent pipeline shortage is through the Excel in Career Technical Education initiative, commonly referred to as

Kansas SB155. This Kansas law took effect in 2012 and pays for students to obtain technical certifications and credentials before they graduate high school. By covering the cost of tuition at a technical college and creating a financial incentive for high schools to encourage their students to enroll, more than 7,000 credentials have been earned by high school students since the program began. While these certifications span numerous other industries outside aerospace, there have been a significant number of certifications obtained by high school students targeted for aircraft manufacturing.

Spirit has hired many of these SB155 students who have successfully completed their certification programs, and because of this program's success, the Kansas state legislature is currently considering additional funding to expand and fully fund the program.

While all these initiatives are helping address the challenge faced by our industry on a local level, I will conclude by highlighting three additional opportunities this Committee and Congress could consider to further assist aerospace and advanced manufacturers nationally.

The first thing is for more leaders to understand that if our country cannot solve the workforce problem and talent pipeline issues, our U.S. industrial base will erode because businesses will be forced to shift work to countries that can satisfy production demand. Without qualified workers to perform the required statements of work, businesses cannot continue placing production where there is a labor shortage. This is not a threat targeted at our elected leaders – it is a threat we all face together given the realities of operating in a global economy.

A second thing for all of us to address is the need to better promote the dignity of career paths in technical fields such as advanced manufacturing. All too often parents and our education system encourage students to seek post-secondary education through a four-year degree, and we ignore career paths that require a technical degree or certification. As we encourage high school students to pursue careers in technical fields, I think we will begin to see the talent pipeline expand for manufacturing and technical positions.

Finally, I would encourage this Committee and Congress to consider legislative options that allow Pell Grants to be used for students seeking certifications and credentials in technical programs that are less than 16 weeks long. By limiting qualifying students from receiving Pell Grants for credentialed technical training programs that are under 16 weeks, we create an unnecessary barrier for lower-income students to achieve success through a career in manufacturing. I believe there is an under-tapped labor market across the country who could find success earning higher wages in fields such as advanced manufacturing, and I hope we can continue finding ways to encourage upward mobility for those who are eager for the opportunity.

I appreciate being invited to testify on behalf of Spirit AeroSystems. This Committee is faced with many challenges of national significance, and we are grateful you are spending time further exploring ways to help the private sector address these workforce challenges.

Thank you for your leadership on these matters. I look forward to answering your questions.