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Testimony

of Drew Greenblatt
President

Marlin Steel Wire Products LLC

before the House Committee on Education and Workforce
on “Expanding Opportunity in America’s Schools and Workplaces”

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**TESTIMONY OF DREW GREENBLATT
PRESIDENT
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Good morning Chairman Kline, Ranking Member Scott and distinguished members of the committee. Thank you for the opportunity to appear before you and for holding this hearing today.

My name is Drew Greenblatt, and I am president and owner of Marlin Steel. I am currently on the Executive Committee of the National Association of Manufacturers (NAM) and serve as the vice chair of its Small and Medium Manufacturers Group.

The American manufacturing renaissance is real. Marlin Steel is optimistic about the future. We are expanding our factory floor space by 53 percent and will be investing in new infrastructure that will allow my factory to draw seven times more power from the grid so we can grow our cutting-edge technology—robots and automation. We will need to hire high-priced talent to meet demand and run these productive machines.

Marlin Steel makes custom wire material handling baskets, wire forms and sheet metal fabrications for the automotive, pharmaceutical, medical and industrial markets. Twenty percent of our employees are degreed mechanical engineers, and their innovations make our products fixtures in American factories. They are so talented that we actually export to 37 countries, including my favorite country to export to, China. We make everything in Baltimore City, MD, and import nothing.

I am very proud of my team. They are exceptional and by far my most important asset. I take care to provide as safe and rewarding of a workplace as I can. As a matter of fact, we have gone more than 2,241 days without a safety incident.

However, our government's policies are hindering the growth we are experiencing. We can surge faster and hire more talent (unemployed steel workers in the city) if we can refine some of our current laws and regulations so that we have an opportunity to win more sales.

The United States is the world's largest manufacturing economy, producing 21 percent of global manufactured products. Manufacturing supports an estimated 17.0 million jobs in the United States— or about one in six private-sector jobs. More than 12 million Americans, 9 percent of the workforce, are employed directly in manufacturing. This roughly equates to the entire populations of Pennsylvania, Illinois or Ohio. Or, if you prefer, a little less than the population of Minnesota and Virginia combined.

Many manufacturers today see a bright future ahead for our country, their communities and their companies. In the most recent NAM/*IndustryWeek* survey, 91.2 percent of manufacturers said they were either somewhat or very positive in their company's outlook. Sales, capital spending and hiring expectations were also moving in the right direction. Sales growth has reached its highest level since March 2012, averaging 4.5 percent. Recent events, such as the dramatic decline in oil prices, economic uncertainty in the European Union and the value of the dollar relative to other currencies, were not known when this survey was taken, so the outlook may have changed since then, but generally the mood has been upbeat.

Regardless of the economic mood, in order to succeed, manufacturers need our elected leaders to choose policies that make our nation a better place to invest, to innovate, to headquarter and from which to export. They must choose policies that strengthen our workforce so it meets the needs of manufacturing in the 21st century.

Every day we compete with Canadian factories that pay at a 15 percent tax rate while we pay more than 40 percent. If we were taxed at that rate, I would be forced to hire more people to keep up with all the jobs we would win—a problem I would like to have.

Manufacturers seek a coherent vision or strategy from policymakers in Washington that focuses on ways we can ensure the future success of manufacturing in our country. We need policies that are grounded in free enterprise, competitiveness, individual liberty and equal opportunity. To achieve this goal, the NAM has laid out four goals we believe are achievable realities for us to maintain and strengthen our country's economic advantage. The NAM Growth Agenda can bring our country together and put more people to work, ensuring the United States always remains the brightest beacon of hope, optimism and opportunity in the world.

- 1) The United States will be the best place in the world to manufacture and attract foreign direct investment.

- 2) Manufacturers in the United States will be the world's leading innovators.
- 3) The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.
- 4) Manufacturers in the United States will have access to the workforce that the 21st-century economy demands.

The agenda before the Education and Workforce Committee is an essential part of achieving these goals. The discussions, debates and decisions you make in this very room will help guide the trajectory of manufacturing in the United States for decades.

Workforce Training

All across the country, manufacturers are struggling to find people with the skills to help drive innovation and success. Our workforce must be proficient in science, technology, engineering and mathematics (STEM) at all educational levels and possess the skills that manufacturers seek. To remain competitive, the United States must grow its skilled workforce and retain and attract the best talent from inside and outside our country. This means addressing educational deficits so students can meet the demands of a 21st century workforce. It also means reforming our broken immigration system so we as a nation can benefit from the best and brightest the world has to offer.

Education reforms and improvements, such as those being addressed by this Congress in the form of the Elementary and Secondary Education Act, the Higher Education Act and the Carl D. Perkins Act, should include an emphasis on industry-based skills certifications. Just last week, the Manufacturing Institute and Deloitte released a study showing that in the next decade, manufacturers will require 3.4 million workers to fill jobs being vacated due to retirements and new jobs from expected expansions and increases in production. Unless something changes from now until 2025, up to 2 million of those manufacturing jobs could go unfilled because workers will not have the right skills. It is very plain to see that this skills gap threatens U.S. competitiveness.

The NAM and the Manufacturing Institute have worked tirelessly to address the skills gap. Last year, 17 CEOs of NAM member companies worked together for 10 months to discuss what the real problems were. They met with governors, university presidents, local workforce boards and others to define a

workable path forward for manufacturers. True to the manufacturing ethos, this team of CEOs didn't want to issue yet another report about what they found—they wanted a plan. The result was a road map, an action plan, for CEOs, human resource officers or plant managers to engage with local educators and other partners within their communities. Both small and large companies can use the road map to begin filling their workforce deficits and train people with the in-demand skills they need.

Much of this work started six years ago when the NAM endorsed a series of industry-recognized credentials for the manufacturing sector. Since that time, we have continued to pursue federal policies that focus on the value of skills training that is in-demand in the private sector. We were happy to see these efforts come to fruition with the passage and enactment of the Workforce Innovation and Opportunity Act (WIOA) last summer. The legislation guiding our principal federal workforce training programs languished for years, with no sign of compromise and hopelessly out of date in a world vastly different than when it was first conceived. However, through the good work and significant efforts of many members of this committee and the staff, a bipartisan, bicameral solution was agreed to. Frankly, it was a bright moment last year, and I hope the committee can use that momentum to begin the work on the type of legislating manufacturers need in 2015.

Immigration

The bipartisan method of addressing solutions that will help the economy I mentioned earlier should be employed when the House and Senate consider what to do about immigration. Too often, we have heard political reasons and excuses from both sides to leave the system as it is—broken and dysfunctional. My great-grandmother, Kate, came over on a boat from Russia in 1904 and made a living in her new country as a seamstress, helping set my family on our path to the American Dream. We all have an immigration story in our background. It's who we are as a nation, and we must not forget that.

As a manufacturer and an American, I believe there are moral, economic and national security reasons to act. From the economic view, a 2011 study from the Brookings Institute found that immigrants' productivity raises the U.S. Gross Domestic Product (GDP) by an estimated \$37 billion per year. Further, foreign nationals and foreign residents contribute work to more than half of the international patents filed by a number of large, multinational companies. But, the current system makes it too difficult for skilled immigrants to come to and remain

in the United States. We are also not fully engaged in the work we need to do to ensure the availability of a legal workforce.

Attracting and retaining talent at all skill levels will make the United States a more competitive place to manufacture, empower us to out-innovate our competitors in the global marketplace and increase our already world-leading productivity. Congress needs to find a way to break the immigration log-jam and do what the country needs done—repair the system—not only for manufacturers, but for the betterment of the entire U.S. workforce.

Labor

On the regulatory front, manufacturers face a number of new rules that look to be costly and cumbersome. As manufacturers, we need stable and predictable pro-growth policies to create jobs and remain globally competitive. We find ourselves, however, stuck between the proverbial rock and a hard place. A rock of harsh and unforgiving global economic competition and a hard place made of inflexible and ever-proliferating regulations. The consequence of this pressure is the fragile root of innovation being pushed out. If we, as manufacturers, lose our ability to innovate, we lose the ability to manufacture. Rather than creating new jobs and opportunities for current employees, employers will have to dedicate resources toward complying with an ever-growing regulatory burden. We see this particularly in the labor sphere. Being a small-business owner, I definitely have more than my fair share of labor statutes and rules to navigate through; however, it is further exacerbated by the Administration charging the Department of Labor (DOL), the National Labor Relations Board (NLRB) and the Occupational Safety and Health Administration (OSHA) with making significant rule changes.

Particularly troublesome are a number of decisions and rules issued by the NLRB over the past few years. These alter the landscape of employer–employee relations and, in some cases, the board has overturned or is about to overturn decades-old precedent of labor law. This is creating friction where it need not exist and adds confusion and uncertainty into the workplace—for employees and employers.

While the NAM and other organizations were successful in invalidating the poster rule from a few years ago, late last year the NLRB recycled the “ambush election” rule, which will significantly compress the time from which a petition for representation is filed and an actual election is held. The effect of this new rule is to stifle open dialogue between employers and employees and restrict or outright strip the rights employers currently have to ensure fair elections are held. Most

importantly, it denies employees a reasonable amount of time to consider all the information they need to make a fully informed decision about whether or not they want to join a union. Just as serious is that the rule requires employers to hand over employees' private information, such as personal emails, cell phone numbers and even shift information. Employers take the responsibility of protecting employees' personal information very seriously. Turning over the private information of employees, like their home address and when they work, is an open invitation to mischief or worse. To impose this burden on employers, with no assurance that the information will be handled securely, easily landing in the wrong hands, is alarming to say the least. The NAM, the U.S. Chamber of Commerce and the Coalition for a Democratic Workplace have filed suit against the NLRB to stop them from implementing this unneeded rule.

The NLRB is also considering overturning a decades-old precedent on how to define a joint-employer in the *Browning Ferris, Inc.* case. We anticipate that if the decision goes in the wrong direction, manufacturers who hire or contract from time-to-time with temporary employees may now be jointly liable for these employees with respect to federal labor law. This is a complete departure from the current definition and will place enormous burdens on all employers who in-source work.

The President has also exercised his authority through executive orders and memoranda in directing the DOL to amend and change existing rules with respect to eligibility for overtime pay and federal contracting. We anticipate the overtime rules to be proposed in the next month. We expect the threshold salary will not only be increased, but also that the amount of time an employee spends on certain job duties will be required to be measured and tracked, making it more difficult for employees to be in a salaried position. Manufacturers are likely to experience issues with our first-level managers, who enjoy the title and responsibilities of being managers, but also work on the line with their teams. These employees will not only lose the tangible benefits of the salaried position, but also other benefits that come with it, such as having the flexibility to attend a child's ball game or a school meeting. The overtime rules were last changed just 10 years ago, and the confusion of the rule's application has taken that much time to be fully settled through the courts. Changing the rules again will only open up employers and the federal government itself to more litigation, adding to our costs and creating more confusion when we all thought the confusion was largely settled.

Another example of challenges we face is the President's so-called Fair Pay and Safe Workplaces Executive Order, issued last July. It directs the DOL

and the Federal Acquisition Regulatory (FAR) Council to issue guidance and rules, which could ultimately exclude certain federal contractors and their suppliers from doing business with the federal government if they have been accused of violating any labor laws. As a business owner, I take all labor laws very seriously—whether it is paying my employees a fair wage for a day’s work or ensuring they have the safest work environment possible. Inadvertent mistakes do happen. Even the federal government itself has violated labor laws recently. Yet, when mistakes occur, I do whatever is necessary to rectify the issue as quickly as possible.

We take safety so seriously, we are approved by OSHA’s Safety and Health Achievement Recognition Program (SHARP). We will be one of a handful of companies nationwide distinguished by OSHA for companies proactively pursuing the best programs to ensure worker safety.

Actions of OSHA are also on the minds of manufacturers. It is not only proposing to make reporting requirements more cumbersome, duplicative and costly, but its methods of enforcement have become more adversarial rather than cooperative. This approach only frustrates and confuses employers and lends itself to an environment of skepticism. As an example, we expect OSHA to finalize a rule later this year that will publicly disclose a company’s injury and illness log information on the OSHA website. This is alarming because once the raw numbers are out for all to see, a company’s safety record could be mischaracterized and used against it, harming its reputation. Further, those injured could be discovered, again violating the privacy of employees.

Complying with the newest regulations and rules takes time away from day-to-day business operations. Resources are constantly rerouted away from customers, resulting in lower productivity and lower customer satisfaction. As a result, customers will go to other places that will be able to fully devote attention to them. As a business owner, I would welcome more collaboration with OSHA officials when issues come up during inspections, rather than having to navigate through new and confusing rules.

Health Care

The cost of health care remains a top concern for both large and small manufacturers. The volatility of implementation and the increased mandates have caused considerable uncertainty, especially for smaller manufacturers who are trying to navigate the changing health care system. Although we have yet to hear about increasing health care costs for small businesses in 2014, some smaller NAM member companies, like mine, have reported their health care

costs rose as much as 50 percent in order to meet the requirements of an Affordable Care Act (ACA) plan. This is a crippling increase that affects all facets of any company—from hiring new workers or giving raises to current employees to investing in research and development. And, it is not just the direct costs of mandates and coverage that are a problem. It seems the Equal Employment Opportunity Commission is suing companies that provide wellness incentives—incentives that were encouraged in the ACA. This potentially eliminates an opportunity for many businesses to promote a healthy workforce and control costs for all their employees.

Finally, there are the taxes. Taxes such as the so-called Cadillac Tax, which the NAM has taken to calling the Employee Benefits Tax, which is set to hammer companies that continue to provide robust benefits. In fact, Towers Watson released a study showing that the first year the tax takes effect, 38 percent of manufacturers will have to pay the surtax. Five years after that, in 2023, nearly 80 percent of manufacturers will have to pay the tax. The Medical Device Tax that raises health care costs across the board and the Health Care Insurance Tax that directly raises premiums for smaller businesses are also great examples of how health care costs keep going up and precious little in the law is going to lower costs.

When it comes to health care, manufacturers want three things: lower costs, more options and better information.

All of these factors add up to one conclusion: Congress needs to work together to make the law more workable for employers. Manufacturers didn't want the law, but we are now forced to deal with it. We can't count on political maneuvering to score a point or two—that's meaningless to us as a business and our employees. We can't wait until the next election hoping that the law, or portions of it, will be replaced, repealed or revised. It is the law, and we must comply with it as it is now. We need to change the facets of the law that will encourage employers to remain committed to providing coverage for their employees, and most of them are. We need solutions, not bromides and bombastic rhetoric. Collective, serious discussion can change the landscape, and manufacturers stand ready to work with both sides if the goal is to move forward.

Conclusion

There are clear and shining bright spots ahead for our economy, but also challenges. What has been included in this testimony is just a fraction of the regulatory challenges manufacturers face in the coming months and years. Taken individually, they may not seem like much to get worked up about, but

manufacturers don't have the luxury of looking at one or two regulations—we have to comply with them all. That takes a lot of resources that could be used to create more jobs or increase pay for the people we already employ. Thank you for inviting me to testify before you today, and I am happy to answer any questions.