

Workforce Development Division

Employment and Training Fund Program (ETF)

Fiscal Year (FY) 2014

ETF's purpose is to assist employers and workers through innovative programs, including, but not limited to, business-specific training, upgrade training, new occupational skills, management skills, and support services to improve the long-term employability of Hawai'i's people. The program provides businesses the opportunity to upgrade the skills of the existing workforce from entry-level to top management and enables workers to attain the job skills necessary to keep pace with local, national, and international competitors. These special funds are targeted specifically to keep Hawai'i's workforce competitive and employed at the cutting edge of their chosen profession and occupations.

There are three avenues for employers and/or employer groups to access ETF funds:

1) Statewide and Countywide Training Grants through ETF's Macro Program; 2) Existing short-term, non-credit training through ETF's Employer Referral Program also known as the Micro Program; and, 3) Participation in a workforce training site through the Volunteer Internship Program (VIP).

- The Macro Program provides grants to business associations and consortia to develop customized training projects where there are critical skill shortages. These grants provide "seed money" for innovative education and training curricula and program design. Each plan must include, but is not limited to, a needs assessment, project guidelines, marketing and delivery plan, and a self-sufficiency component to ensure the continuation of training beyond the grant period. Business and industry consortia are required to provide at least 50% cash and/or in-kind contribution to strengthen their commitment to the project. To date, approximately 19,117 individuals have been trained through the macro program.
- The micro program, also known as the Employer Referral Program, offers training opportunities to individual businesses. Unlike the macro program, individual employers need not submit a comprehensive plan to develop new training curricula, program design, and instruction. This program enables employers to register their workers for existing short-term, non-credit training courses offered by ETF-approved public and private training providers in order to upgrade employees' skills and capabilities to meet the competitive demands of the workplace. The program is open to all within a company: owners, managers, supervisors, and workers. The ETF will pay 50% of the cost (up to a \$500 tuition cap) for any course taken that meets its eligibility criteria. To date, approximately 73,020 individuals have been trained through the micro program.

- Developed by DLIR in January 2011, the Volunteer Internship Program (VIP) was created to stimulate job growth in Hawai‘i. Initial funding for VIP was derived through Reed Act in early 2010 in response to significant job loss at the time. VIP allows job seekers, especially those receiving unemployment insurance (UI) benefits, to volunteer at businesses to gain workforce training. During the course of the internship, claimants are exempt from their three weekly job searches and continue to receive their UI benefits. Upon successful completion of training, interns receive certification of the job skills acquired and consideration for employment. Benefits to businesses include: pre-screening of qualified individuals and limited medical coverage for injuries sustained by an intern. The opportunity to train through VIP is limited to 16-32 hours per week for 4-8 weeks.

Legislative History and Employer Contribution

Other states such as Florida and California have legislatively mandated a fifty percent in-kind contribution towards training costs. To balance the responsibilities and partnership between state government and business sectors, Hawai‘i’s legislators followed similar guidelines which were intended to develop a collaborative approach in workforce preparation and strengthen policies and programs that meet Hawai‘i’s job market needs. In 2002, lawmakers made the ETF program permanent while lowering the assessment rate from .03 percent to .01 percent of taxable wages (Act 248). They also required employers who access ETF funds for training to contribute fifty percent or more of the cost of assistance.

Due to the continued slow recovery from the Great Recession and taking into consideration overall business sentiment, during the 2012 Legislative Session, Act 6 was enacted, imposing a moratorium on collection of the ETF assessment from January 1, 2012 to December 31, 2012. The effect of this moratorium was largely felt during FY 13 because the resumption of the 0.01% assessment in January 2013 was not collected until April 30, 2013, making the last quarter of FY 13 the only one during which revenue was collected.

During the 2013 Hawaii Legislative Session, Act 25 was enacted to place greater emphasis on using ETF funds to help support local small businesses (as defined as fewer than 50 employees).

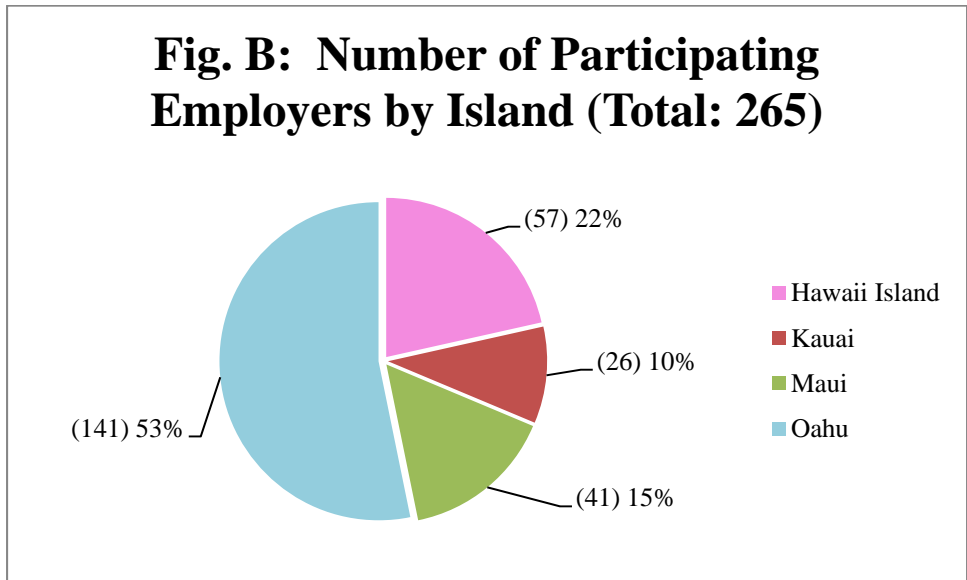
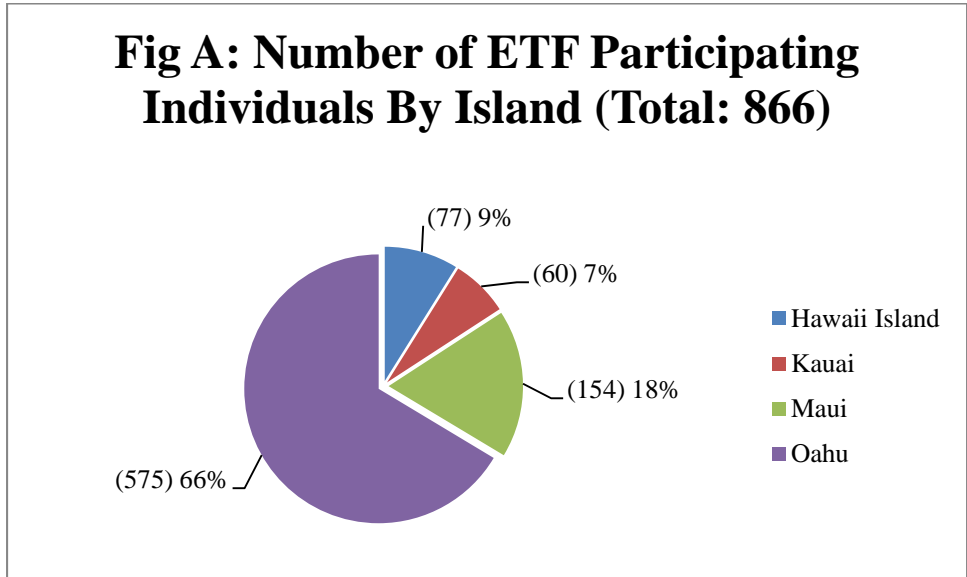
FY 2014 Results

The ETF’s total funds available during FY 2014 consisted of a carryover balance from FY 2013 of \$2,797,829 plus \$1,335,781 in revenue (including revenue for UI interest), for a total of \$4,133,610. Of this amount, \$580,200 was held in reserve for outstanding contractual obligations and \$990,014 in expenses left a balance of \$2,563,396 at the end of FY 13.

Micro Program Results

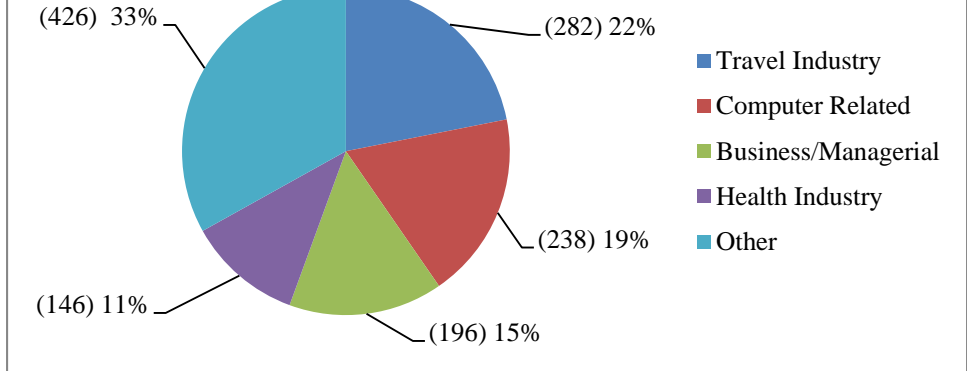
During the course of the fiscal year, a total of twenty-two (22) authorized training providers delivered a broad array of training opportunities. From July 1, 2013 to June 30, 2014, 1,288

course registrations took place which served a total of 866 individuals from 265 companies statewide (See Figs. A and B).



In the ETF contract agreement, training providers are asked to provide courses within a list of allowable types or programs. Among the eleven types of training as well as allowable tests and certification, the top three popular types of courses included: Travel Industry (22%), Computer Related (18%), Business/Managerial (15%), and Health Industry (11%) (Fig. C).

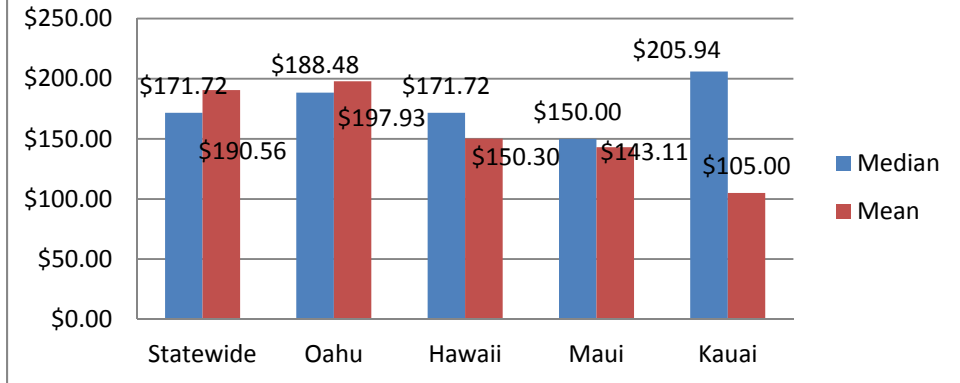
Fig. C: ETF Course by Type (Total 1,288)



Continual growth of visitor numbers to the state has resulted in steady demand for travel industry-related training. With the need to keep abreast of the latest technological trends, businesses that participated in the ETF program have also shown great interest in computer-related courses. Together, these two types of courses generated over 41% of all ETF referrals. General business/managerial-type courses generated nearly 15% of ETF referrals.

As mentioned earlier, employers sending their employees through ETF-funded training are provided 50% tuition assistance, up to \$250 with a \$500 tuition cap. The cost of current courses offered by ETF approved training providers vary greatly. In general, basic computer skills, customer service, and basic soft skills types of training tended to be lower in cost. Courses that involved advanced computer skills, upper-level managerial leadership training, landscape technician training, and more advanced skill training had a higher tuition cost. When compared to statewide median and mean class costs, courses offered in the City & County of Honolulu had the highest combined mean and median tuition cost (See Fig D.). Due to the sheer variety of options available to employers on O’ahu, there was a wider range of class costs. In the case of Kauai’s ETF cost, the explanation for high median cost can be attributed to the relatively few options for training providers and the popularity of certain leadership training and tree worker certification programs that were offered during FY 2014.

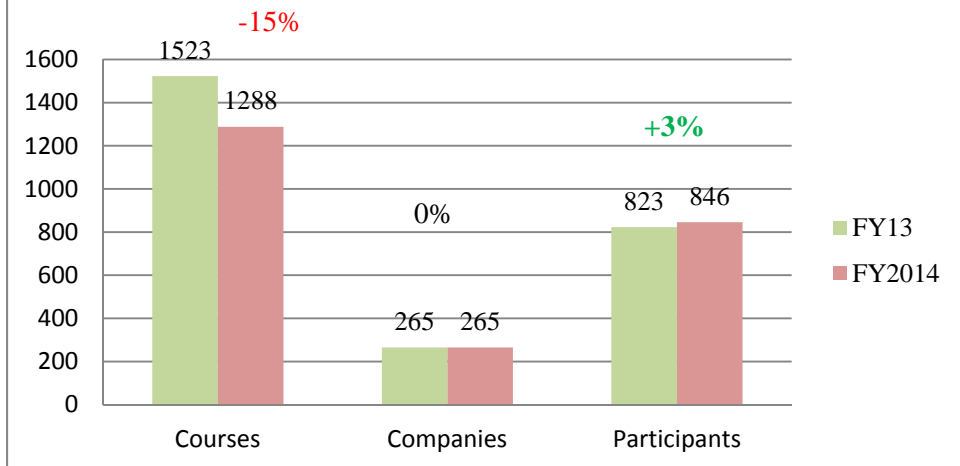
Fig. D: Mean and Median Cost of ETF Classes by Island



FY 13 and FY 14 data comparison showed mixed results. Compared to FY 13, FY 14 experienced a 15% decline in overall class registrations. Two reasons can be cited for the decline in registrations: (1) During FY 13, one vendor, Native Hawaiian Hospitality Association (NaHHA) conducted a series of trainings on the island of Lanai which resulted in a considerable increase in ETF course registrations from Maui County; and (2), during FY 14, a popular training provider was unable to continue which reduce the number of courses offered. During FY 15, an RFP for new vendors for 2015-2016 should recruit new vendors to help meet employer training demands.

Despite the drop in overall course registrations, employers increased the number of employees referred to training. Compared to FY 13, FY 14 experienced a modest three (3) percent increase in the number of individuals served by ETF training.

Fig. E.: Change in Usage of ETF Funds



ETF Macro Results

During FY 14, ETF issued a request for proposals (RFP) to develop new training programs with an emphasis on small businesses. A total of six (6) proposals were given award notices. The awardees' contracts were executed between July to October. The following is a brief description of each project's objectives:

Retail Merchants of Hawaii (RMH) (\$125,000) – RMH will develop a series of trainings that focuses on 1) Talent Management (management/staff retention), and 2) Business Optimization (improvement of operations through development of business plans, proper training of employees to understand how to best provide service, focus of sales management and financial/pricing/loss prevention and risk management).

Japan Hawaii Travel Association (JHTA) (\$125,000) – JHTA will develop a five-component training curriculum that addresses service expectations of Japanese visitors. Currently, there is no curriculum available for training.

Native Hawaiian Hospitality Association(NaHHA) (\$125,000) – NaHHA will deliver their community specific Ola Hawaii hospitality and leadership curriculum, which is culturally based, for communities who have training access challenges due to location or cost prohibitive barriers. (South Shore Kauai, Kaneohe, Hana Maui and North Hawaii were initially identified).

Hawaii Island Workforce and Economic Development Ohana, Inc. (HIWEDO) (\$117,502) – HIWEDO will develop technical training modules for small businesses to learn how to gain more exposure on the internet.

Hawaii Tropical Fruit Growers (HTFG) (\$70,886) – HTFG will develop and establish a Master Food Preserver certificate pilot program. This program will teach participants to develop and safely preserve value-added products that use undersold and underutilized produce to increase capacity and income for small agribusinesses. The intent is the establishment of a program that can be offered statewide.

Service Corps of Retired Executives Association (SCORE) (\$94,000) – SCORE HAWAII will provide business owners, members of management and key personnel a comprehensive business training program that covers successfully leading and operating a business. The training and mentoring for both for-profit and non-profits will be led by both active and retired business executives as well as entrepreneurs.

Progress on these projects will be provided in next year’s ETF Annual Report.

VIP Results

From July 1, 2013 to June 30, 2014, a total of 132 individuals were placed in VIP internships. A total 52 VIP assessment completers, or 39.9%, reported being hired by their place of internship or elsewhere. Figure F shows the breakdown of VIP internship placements statewide. Internship opportunities for VIP participants varied greatly. From non-profits helping the environment to working on marketing for coffee farms, VIP offered a wide variety of internship opportunities for prospective VIP participants.

Strategically, the VIP is working on developing new recruitment strategies by connecting with other WDD funded programs. In June 2014, WDD in partnership with the Hawaii Ship Repair Association (HSRA) and the University of Hawaii, Honolulu Community College (HCC) developed a multi-staged program that helped connect those looking for work with association members that needed to fill crucial positions in their shipyards. VIP was part of the first stage of this pilot project. WDD staff recruited military veterans and other individuals receiving unemployment insurance benefits to participate in VIP internships in HSRA member company shipyards. Those that met the minimum requirements of the internship were then provided training at HCC in welding. Once training was completed, successful participants were then provided employment opportunities with their internship site. This pilot project may serve as a model for future collaborations between WDD and other employer groups.

