



Employment Training Panel

# Memorandum

To: ETP Policy Committee  
Gretchen Newsom, Chairperson  
Janice Roberts, Member  
Rick Smiles: Member

Date: October 29,  
2020

CC: Executive Staff  
Reg Javier, Executive Director  
Peter Cooper, Assistant Director

From: Lis Testa, Policy Manager

Subject: ETP Policy Committee Meeting Agenda Item 3.d.  
Report to Policy Committee Re: Wages

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I. Brief Issue Statement:

ETP's wage requirements are complicated. There is often confusion at the Panel meetings over the wage information that is presented in the Panel Proposals. Wages are also an extremely important metric for determining trainee eligibility, application quality, and project performance, especially during these challenging economic times, which also coincide with our lowered funding capacity and simultaneous increased demand for ETP funds. To address these issues, wages, including how they are displayed within the Panel Proposals, how they are used to assess the strength of an application, and how they are used to assess the performance, impact, and outcomes of ETP contracts, will be a continuing item at future Policy Committee meetings.

For the October Panel meeting, we implemented the first in a series of changes in the way our Panel Proposals are presented to Panel, especially in regards to wage issues. These changes are designed to provide clarity and accuracy in the way that wages are presented in the Panel Proposals. In this month's Proposals, we implemented four changes: HUA areas were divided into separate job numbers, language clarifying the wage progression requirement for HUA trainees was added to the Proposal narrative, occupational wage ranges were divided into smaller ranges to provide a more accurate picture on how many trainees are being paid at each wage level, and the lowest amount in the wage ranges was standardized to not default to the ETP required minimum wage, but rather to reflect the actual wages being paid to the trainees.

We would like today to continue this work on all of these wage issues. This memo will outline some additional topics or possibilities that we can implement in stages to help address these issues, to create a higher quality product for Panel to review, and to

hopefully also help improve the performance and wide-ranging impacts that our contracts have on their participants and communities.

II. Potential Options:

- 1) Actual wage vs. ETP required minimum wage: ETP has utilized multiple wage presentation schemes in Panel Proposals in the past. Previously, the actual wages being paid were listed in both the Training Plan table (as the Post-Retention Wage), and were the wages that were included in the contract that had to be met for a successful retention period. Currently, the ETP required minimum wage is listed in the Training Plan table (as the Post-Retention Wage), and is also the contractual wage.

Here is an image of the Training Plan table columns for reference:

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		

During the development process, ETP staff notify the contractor what the ETP required minimum wages are, and verify that all trainees that will be participating in the contract will meet or exceed the minimum wage requirements. Panel is never presented with a project where the trainees do not meet the minimum wage requirements.

Given this, staff would like to return to a wage presentation system that is closer to the one used previously – namely, to include the actual wages being paid during retention in the Training Plan table’s Post-Retention Wage column and as the contractual wage. Additionally, since all projects that appear before Panel have already been vetted to be meeting or exceeding the ETP required minimum wage, we feel that this information is not necessary to include in the Panel Proposals.

By having only actual wage information presented in the Panel Proposals, Panel can be confident that all Proposals presented to them meet or exceed our minimum requirements, and can then assess the Proposal based on more accurate wage information.

Additionally, using the actual post-retention wage information as the contractual wage helps to guarantee that the project that Panel has approved is administered and completed as it was approved; in other words, it helps to ensure that the trainees are being paid at the same amount (or higher) during retention as was presented to Panel. Currently, since the ETP required minimum wage is used as the contractual wage, the required minimum wage is what is verified by our Fiscal unit for the Post-Retention wage, rather than the actual wages being paid to the trainees during retention as presented in the Panel Proposal.

ETP’s Legislation section 10205c states that the Panel shall “solicit proposals and write contracts on the basis of proposals made directly to it”. This section allows for

the actual wages being paid to the trainee be used as the contractual wage, rather than using the required minimum wage, since the actual wages are included in the Panel proposals in the “Wage Range by Occupation” table.

Our current contract language needs only a minor change to be able to accommodate this: “Post-Retention Wage: All trainees must earn at least the Post-Retention Wage identified below for the county or region in which trainees are employed. Trainees must earn at least the State or local minimum wage rate (base wage) that is in effect at the time of final payment, regardless of the ETP Minimum Wage [or Post-Retention Wage]. If a higher minimum wage rate is in effect for a city or county within this Job Number, then that wage will prevail.”

The actual wages being paid then need to appear in both the contract language itself, and in Exhibit A: Chart 1.

We would like to implement this change for the December Panel projects. The application due date for December projects has already passed (10/15/2020), however, since the application already requests the actual post-retention wages being paid to trainees, clarifying these wages should be able to be completed with some minimal additional communication to the applicants, if that is needed at all.

- 2) Wage Progression: Wage progression refers to the ways that an individual’s wages are increased over time. For some workers, this is codified in a Collective Bargaining Agreement or in a contract. For others, individual companies set up their own practices in regards to wage levels and wage progression.

Assessing the way a contractor utilizes wage progression plans for their employees can provide valuable information for the Panel members which can aid them in deciding what types of projects they would like to fund. For example:

- Wage progression can show the value of ETP training by comparing how much trainees earn before training as compared to during their retention period;
- Wage progression can show how an entry-level, low-wage worker can progress to a self-supporting wage level, and how long it takes for them to reach the higher wage levels;
- Measuring wage progression can help show the wider ranging impacts of the ETP program on the trainees and companies that participate, and also on the communities where they are located;
- Wage progression information can help create stronger applications for Panel to review. For example, comparing a project with \$15 wages and no wage progression to a project with \$15 wages and wage progression.
- Wage progression information can also help us to evaluate project performance, and the project’s total impact and outcomes.

ETP's Regulations (4429e) require wage progression for trainees in a High Unemployment Area (HUA), excepting New Hires.

ETP's Legislation (10205g) requires project evaluations to include information on wage progression for inclusion in our Annual Report.

With the exception of Apprenticeship projects who provide their Collective Bargaining Agreements including Wage Schedules to ETP as part of their eligibility and development processes, we do not currently explicitly collect any information on wage progression.

Staff would like to implement the following:

- The Impact/Outcome area of the Proposal narrative currently only contains information such as a listing of certifications that trainees may receive at the end of their training. We would like to add to this area of the narrative information on the wage progression policies that participating companies utilize. Higher wage levels are a vital part of the impact that ETP training can have on the lives of the trainees we serve. Additionally, being able to demonstrate a higher wage as the result of the ETP training is an important outcome of our program. Since we do not explicitly ask for this information from applicants currently, a question on this topic will need to be added to the ETP applications. We would also like to add to this area of the Proposals any transferable skills that the trainees will gain from the proposed training, in addition to certificates they may earn and wage progression information.
- It may also be beneficial to add a quick summary of any wage progression policies towards the beginning of the Panel Proposal, perhaps underneath the Wage Range by Occupation table. This will keep wage information close together, which will make it more visible for the Panel members as they assess the strengths of the applications they review. Another item that could be included here is basic information about the type and size of any benefits packages provided to the trainees.
- We would like to include the information from the Impact/Outcome area (transferable skills, certifications, wage progression) into the assessment of performance of prior projects. Currently, the active and prior project performance areas of the Panel Proposals only contain administrative information such as number of trainees, potential earned, and fully earned amounts. This is valuable information that should remain in the Panel Proposals. However, adding additional information on the impacts and outcomes of prior projects can be a great aid for the Panel members as they review the strengths of repeat project applications. Including this information in the assessment of prior projects will provide a clearer and more detailed over-all picture of the quality of the projects we fund. Adding this information into the Panel Proposals will require an edit to our Proposal templates to be able to accommodate this information. Staff will provide this information to Panel, along with their recommendation of project

approval. Panel can then take this information into account as they make their funding determinations.

- One other item to consider when adding wage progression to an assessment of project performance is if there should be a 'benchmark' measurement for the amount of wage progression. Wage progression varies tremendously across industries, business sizes, business organizational structures, etc. As noted above, some companies have a codified wage progression structure, while others do not. Our contracts have up to a 21 month training period (leaving the final three months of the contracts for the retention period). What is an acceptable amount of wage progression over a 21 month period? Is there one? Should it be the same for every industry and for businesses of all sizes? Should we just report to Panel what the wage progression was, and not institute a benchmark?
- Given the Legislated requirement to assess wage progression as part of our project evaluations for the Annual Report, we will also need to implement a way to measure the level of wage progression over the course of a contract. We can accomplish this by collecting the actual wage being paid to each trainee at the start of training as part of the enrollment process. We can then compare that beginning of training wage level to the wages being paid at the end of the retention period (the post-retention/contractual wage) in order to determine if there was any wage progression, and what the degree of that wage progression was. This information can then be included in the project evaluations for the Annual Report, and into the prior project performance areas of the Panel Proposals. The Annual Report will also need some adjustments in order to include this information. We will also need to revise the enrollment areas of the Legacy and Cal-E-Force systems to accommodate the collection of this information (add wage and occupation).
- Some of these items can be added to the December Panel projects (such as adding information on wage progression and transferable skills to the Impact/Outcome area of the Panel Proposals, and wage progression and benefit package information to below the Wage Range by Occupation table). Others will take us longer to implement (such as changing the enrollment areas of the systems to accept current wage information). Also, this information may not be able to be fully incorporated into the assessment of prior performance section of the Panel Proposal all at once, and may need to be added to the projects over time.

Lastly, at many past Panel and Committee meetings, the topic of 'incentivizing' lower wages and discontinuing this practice has been discussed. ETP does have our required minimum wages for all populations (retrainees, new hires, HUAs) set out in our Legislation and Regulations. There are times when funding a project at these lower wages can be desirable, such as when trying to serve a particular industry, population, or geographic service area. The larger issue, which has a more lasting benefit for the trainees in these projects, is if they have a wage progression schedule, a career ladder, or a pathway to obtain a more livable wage. By

requesting this information on wage progression to include in the Panel proposals, Panel will be able to more accurately assess those projects who do start their trainees out at the lowest wage levels, which can help to alleviate this issue.

- 3) Revisions that move funding: Panel approves projects as presented to them during the Panel meetings. Panel is approving projects based on many factors, including wages, which are often different for different job numbers. (For example, Job #1 technicians may earn more than Job #2 technicians if Job #2 is in a HUA).

Sometimes, during the course of a contract, the contractor may not have enough trainees to fill the allotted funding for one job number, or may have more trainees than are needed in another job number, or both. In these cases, the contractor can request a revision that moves funding from one job number to another. This can help their performance rate (if removing an under-filled job number), and allows additional training for the overpopulated job number trainees.

However, it is possible for these funding changes to drastically alter the project that Panel approved. For example, if the proposed project has a veteran job number, but then funding from that job number is moved, then there are no veterans in the project. Or, if Panel approved a project based upon the wage levels in one job number, but then funding was moved to a different job number with lower wages, the project has then substantially changed from the project that Panel approved.

ETP would like to put a limit on the amount of funding and/or trainees that can be moved from one job number to another, if the requested changes would constitute a material change in the contract elements, in order to ensure that the project that Panel approved is recognizable as the same project once retention has been completed. This determination will of course vary per project, given each project's unique contract structure, and will be made by staff when revision requests of this nature are received.

Again, the goal of this limitation is to ensure that the project which Panel approves is the same project once the contract has finished, with regards to trainee populations and wage levels.

### III. Recommendation:

Staff would like to know if Committee or stakeholders have any feedback or desire for more discussion on these items. We would also like to know which of these approaches you would like to be included in the December Panel projects.