



Employment Training Panel

Memorandum

To: ETP Policy Committee
Gretchen Newsom, Chairperson
Rebecca Bettencourt, Member
Rick Smiles, Member

Date: December 14,
2023

CC: Executive Staff
Jessica Grimes, Executive Director
Peter Cooper, Assistant Director
Jaime Gutierrez, Chief Deputy Director

From: Elisabeth Testa, Policy Manager

Subject: ETP Policy Committee Meeting
Discussion Regarding Potential Elimination of the Retrainee Job Creation Program

I. Brief Issue Statement:

The Retrainee Job Creation (RJC) Program became effective on January 1, 2011. This program was developed in response to the still elevated unemployment rates that arose out of the recession of the recent preceding years. It was designed as a pilot program, and in that first year, \$2M in ETP Core funds were reserved for Critical Proposals that contained a job creation component.

This 'pilot' program is still in effect, but we are no longer allocating any funds specifically for RJC projects. Additionally, the higher unemployment rates from the previous decade are no longer at such elevated levels. Similarly, the RJC Program has morphed over the past decade, with some of the changes making the RJC Program less effective in its original mission. Lastly, the 'lowered wage incentive' contained in the RJC program has been raising some concerns recently with Panel. For all of these reasons, the Panel has requested the Policy Committee to hold this discussion today, regarding potentially eliminating the RJC Program.

II. Background Information:

The RJC Program was designed specifically to incentivize hiring among Single Employers. MECs have always been able to dedicate a portion of their funds to increasing hiring among their Participating Employers by using the New Hire designation for a portion of their trainees. New Hires, by definition, are unemployed when they begin training in an ETP contract – and hence, can only appear in MEC contracts. The New Hire designation is specifically designed to help move unemployed individuals into secure

employment. MECs originally were not able to participate in the RJC Program, since they have the New Hire trainee designation to rely upon. In February 2019, Panel allowed the expansion of the RJC program into MECs who were training CNAs (given the then healthcare worker shortage) and other occupations with the approval of Executive Staff. Now, in practice, MECs are able to add RJC job numbers as easily as Single Employers.

The RJC Program created a new ‘kind of trainee’ – the RJC trainee – who is required to be ‘newly hired’. This means that they must be hired by the Single Employer anywhere from 90 days before their ETP contract term begins, all the way through any time during the contract term, as long as the trainee can complete their minimum hours of training and their retention period within the term of the contract. RJC trainees are retrainees, not new hires, and are *not* unemployed when training begins.

Additionally, when the RJC Program was first established, the RJC trainees in a project were required to create “Net New Jobs” – meaning that the RJC trainees (who are retrainees, remember) could not be used to simply back-fill into existing positions at the Single Employer’s facilities, but must be hired into newly created positions – this is what helped to guarantee that the RJC Program actually was an incentive to increasing hiring and lowering the then high unemployment rate. The requirement that RJC trainees be hired into Net New Jobs was removed from the RJC Program in December 2021 – and now is used to show simply how many employees that the company plans on hiring are expected to participate in the ETP contract.

The RJC Program does provide some other ‘benefits’ or incentives to applicants, however, most of these benefits have been diluted over time. RJC trainees receive a higher reimbursement rate – however, with our simplified reimbursement rate structure, they are now receiving the same reimbursement rate as most other trainees (except for non-Priority Industry companies, JATC trainees, and CBT training). Therefore, the higher reimbursement rate incentive has disappeared. RJC projects must report on their turnover rate, and they do not receive a higher turnover rate threshold than any other projects – but they are exempt from having a turnover rate penalty applied. This would happen so rarely, in any case, that it is not a true ‘benefit’ of the program.

Lastly, and perhaps most importantly, the RJC trainees are held to their own wage level, which is set at \$1.50 above the state minimum wage – this puts the RJC wage above the new hire wage but below every other wage level we have (retrainees, HUAs, SET, SET PI, etc). Panel has expressed concern at this lowered wage incentive for retrainees, that we are perhaps encouraging applicants to pay their RJC trainees lower than their other retrainees.

ETP has also received some comments from contractors/subcontractors that, since the RJC trainees must be enrolled into a separate job number just for them, with little benefits being provided, that this is logistically and administratively cumbersome for them. For staff, as well, since they are tasked with creating the contract cost structure, which is based on job numbers, and with monitoring these projects, their training rosters, and performance records.

Some background data: Please note that this data is very old – for projects completed between FY 15/16 and FY 17/18. For this time period, approximately 40% of projects had an RJC component, however, the RJC components only earned approximately 12% of total funds – which means that the RJC trainees trained much less in hours than other trainees, especially given the higher reimbursement rate for this program. Approximately 12% of all trainees were RJC trainees in this same time period, which means that the number of RJC trainees per project was quite low. Also, a full third of the RJC trainees required the use of health benefits to meet their required minimum wage – which means that they were being paid at a rather low wage level for the most part, especially since the RJC program has a low required wage amount to begin with. In summary, this data shows that the RJC trainees make up a small percentage of our total trainee count, are being reimbursed at a higher rate, but are being paid a lower wage, and are earning a lower amount of total ETP funds.

An additional note: applicants who are requesting a Critical Proposal designation from GoBIZ can still obtain that designation without ETP's RJC Program. These applicants can still highlight and provide figures for the amounts of job creation, hiring, new plant and location openings, etc, in their negotiations with GoBIZ. Likewise, the Panel Proposals can still highlight the efforts of these companies as well – so ceasing the RJC Program will not have any effect on the Critical Proposal designation process.

III. Recommendation

No action items beyond soliciting and receiving any feedback from the Policy Committee, contractors, stakeholders, and the public concerning eliminating the Retrainee Job Creation Program.