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**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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January 7, 2019

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, HI 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, HI 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting two (2) copies of the Department of Labor and Industrial Relations (DLIR) Employment and Training Fund Program Annual Report for the fiscal year ending June 30, 2018, as required by section 383-128(h), Hawaii Revised Statutes (HRS).

In accordance with section 93-16, HRS, I am also informing you that the report may be viewed electronically at <http://labor.hawaii.gov/find-a-report/>.

Sincerely,

Leonard Hoshijo
Director

Enclosure

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
WORKFORCE DEVELOPMENT DIVISION

Employment and Training Fund Program

Fiscal Year 2018 (2017-2018)

The Employment and Training Fund's (ETF) 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 Hawaii's people. The ETF 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 Hawaii's workforce competitive and employed at the cutting edge of their chosen professions and occupations.

There are three avenues for employers 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).

Legislative History and Employer Contribution

Act 68 (SLH, 1991) created the Employment and Training Fund for the purposes described above by charging a 0.03% tax on employers' taxable wages as part of the State's Unemployment Insurance program. Other states such as Florida and California have also legislatively mandated a 50% in-kind contribution towards training costs.

To balance the responsibilities and partnership between the state government and business sectors, Hawaii's legislators followed guidelines that were intended to develop a collaborative approach in workforce preparation and strengthen policies and programs that met Hawaii's job market needs. With the passage of Act 248 in

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2002, legislators made the ETF program permanent while lowering the assessment rate from 0.03% to 0.01% of taxable wages. Act 248 also required employers that access ETF funds for training to contribute 50% or more of the cost of assistance.

In response to the continued slow recovery from the Global Financial Crisis and overall business sentiment, the legislators passed Act 6 in 2012, 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 2013 because the resumption of the 0.01% assessment in January 2013 was not collected until April 30, 2013, making the last quarter of FY 2013 the only one during in which revenue was collected.

In 2013, the legislators passed Act 25 to place greater emphasis on using ETF funds to help support local small businesses, which were defined as businesses having fewer than 50 employees.

FY 2018 Results

Total ETF's funds available during FY 2018 (July 1, 2017 to June 30, 2018) consisted of an unobligated balance of \$3,143,110 from FY 2017. ETF revenue and interest generated during FY 2018 was \$1,404,456. FY 2018 ended with balance of \$3,670,998.

ETF Macro Program

This 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 or equivalent in-kind contribution to strengthen their commitment to the project. To date, approximately 20,488 individuals have been trained through the ETF Macro Program.

ETF Micro Program

The ETF Micro Program, also known as the Employer Referral Program, offers training opportunities to individual businesses. Unlike the ETF Macro Program, individual employers do not need to submit a comprehensive plan to develop new training curricula, program design, and instruction. Instead, the ETF Micro Program enables employers to register employees for existing short-term, non-credit training courses offered by ETF-approved public and private training providers to upgrade employees' skills and capabilities to meet the competitive demands of the workplace.

The ETF Micro Program is open to all within an individual business, including owners, managers, supervisors, and employees. The ETF Micro Program also pays 50% of the cost (up to a \$400 reimbursement cap per course) for any course meeting its eligibility criteria. To date, approximately 78,577 individuals have been trained through the ETF MicroProgram.

VIP

Developed in January 2011, the Volunteer Internship Program (VIP) was created to stimulate job growth in Hawaii. During the internship, UI claimants are exempt from the required three weekly job searches, but can continue to receive their UI benefits. The VIP is limited to 16 to 32 hours per week for between 4 to 8 weeks. For businesses, the benefits include the pre-screening of qualified individuals and limited medical coverage for injuries sustained by an intern.

Micro Program Results

In FY 2018, a total of twenty-one (21) authorized training providers delivered a broad array of training opportunities. There were 1127 course registrations that served a total of 709 individual participants from 348 businesses statewide (See Figs. A and B).

- ETF training providers are required to provide courses to upgrade high demand skills. Among the twelve types of training allowed, Figure C shows the three most popular courses were in Computer Skills (29%), Business (28%), and Health (14%).
- Largely due to targeted marketing, the top three categories of courses were popular with employers, including small businesses.

Fig. A Number of ETF Participating Individuals by County
(Total 709)

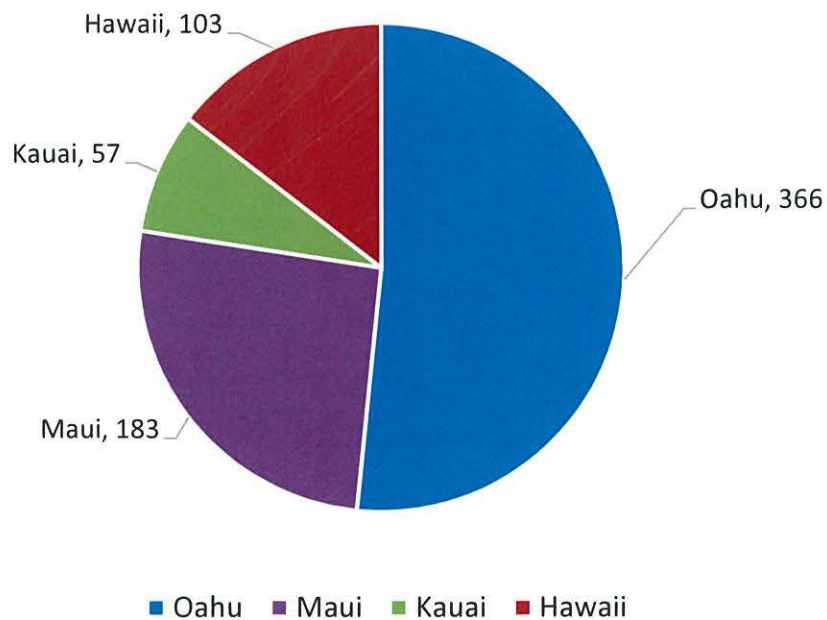
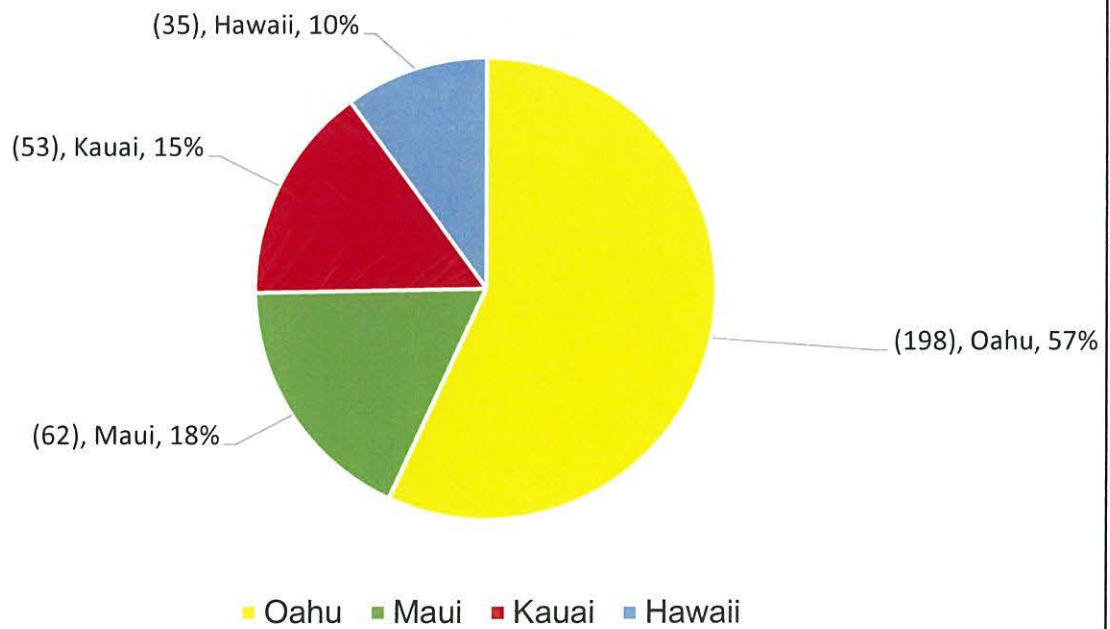
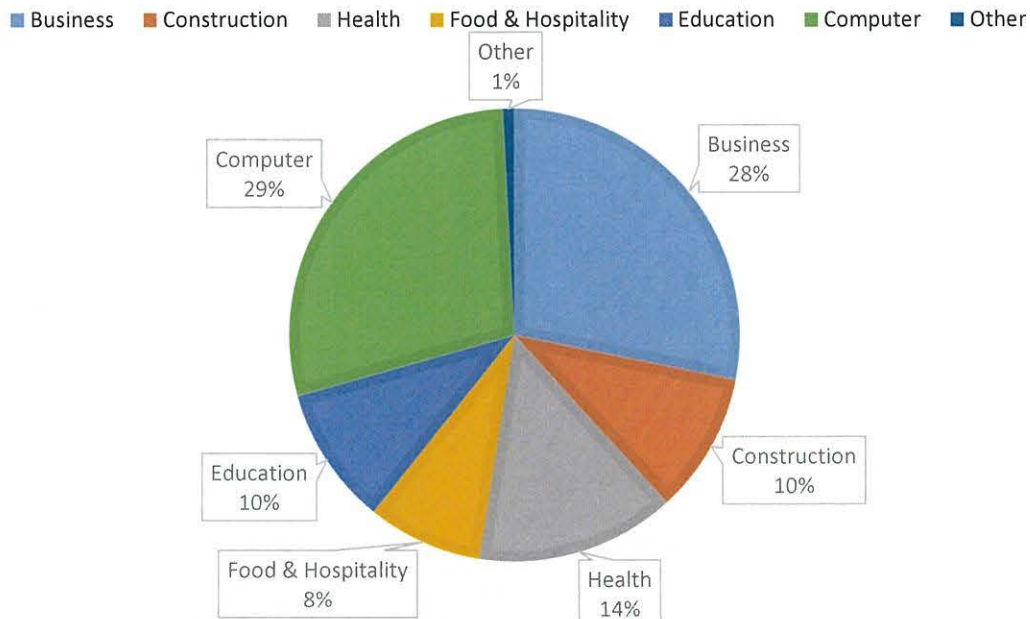


Fig. B Number of Participating Employers by Island
(Total 348)

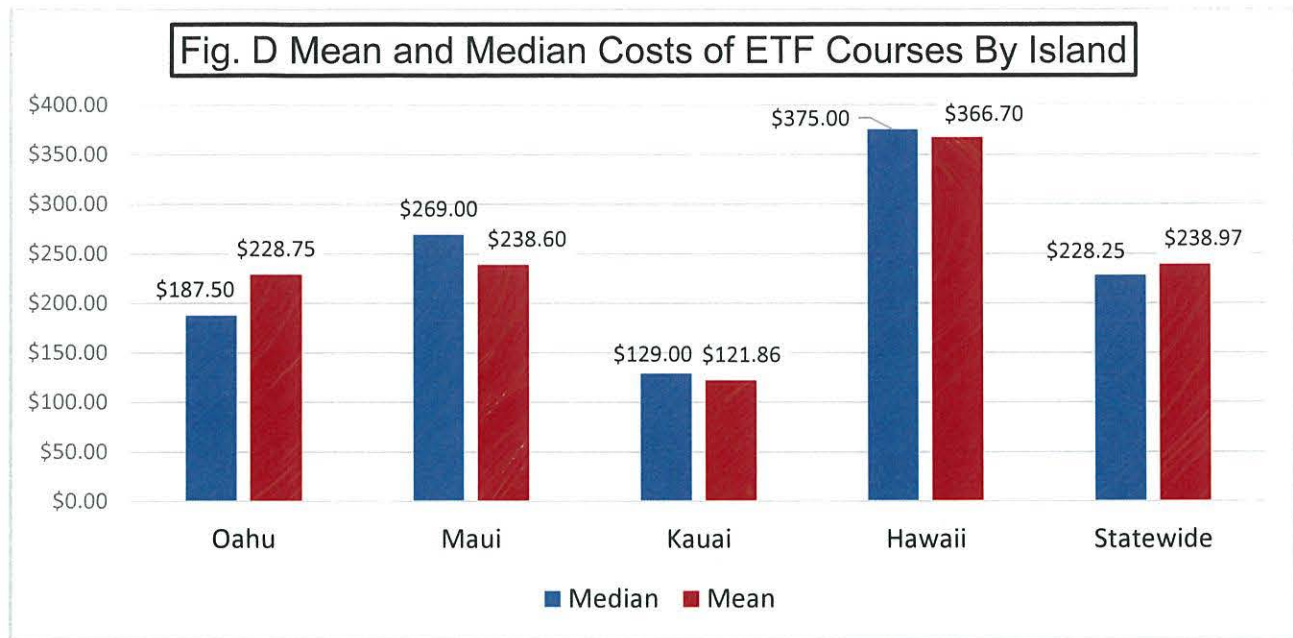


**FIG. C ETF Course Registrations By Type
(Total 1127)**



Employers sending their employees through ETF-funded training were provided 50% tuition assistance, up to \$400 reimbursement per course. The cost of current courses offered by ETF approved training providers varied. In general, basic computer skills, customer service, and basic soft skills training tended to be lower in cost.

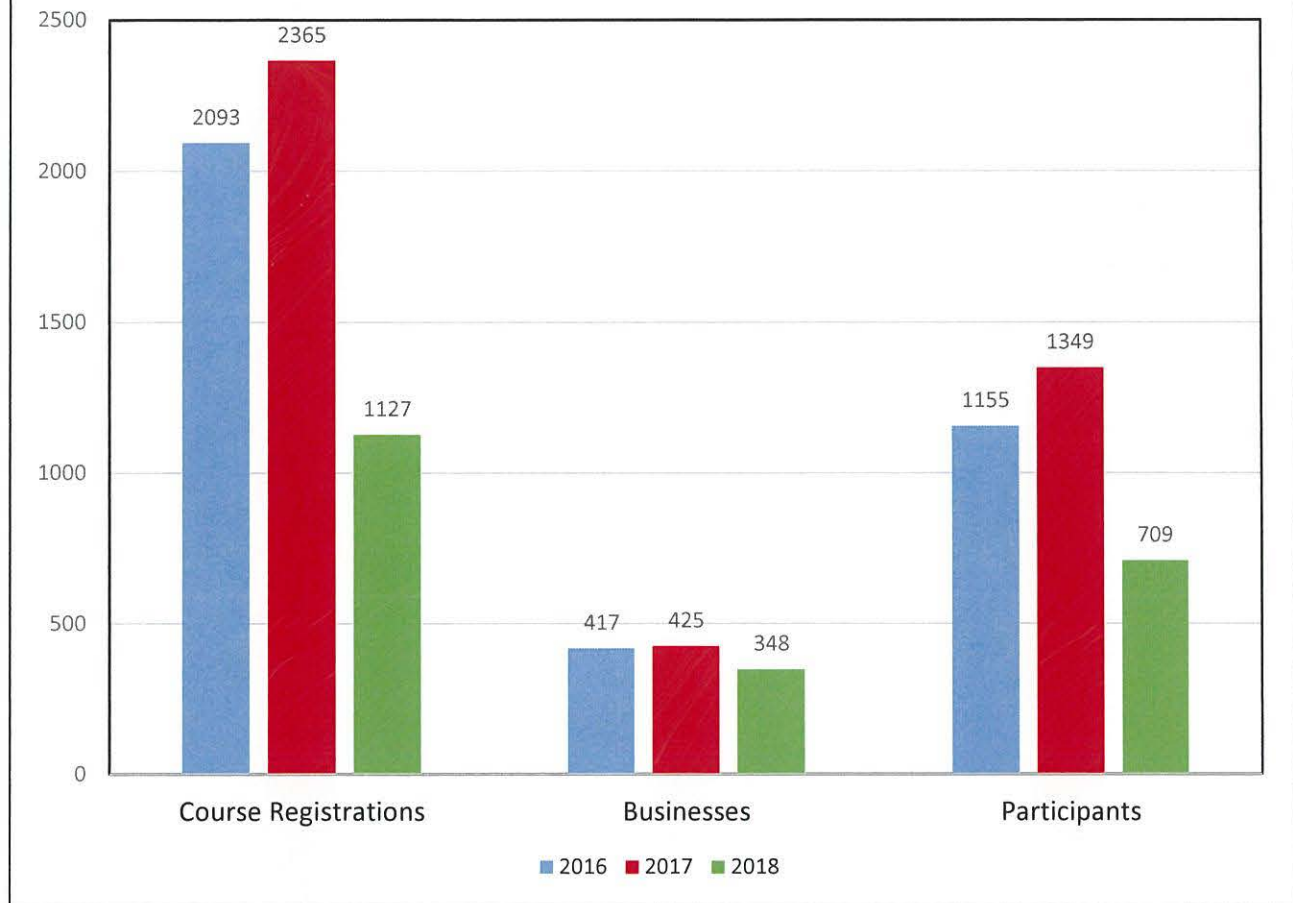
Courses that involved advanced computer skills, leadership training, upper-level managerial and advanced skill training had a higher tuition cost. When compared to statewide median and mean course costs, courses offered on Hawaii Island had the highest combined mean and median tuition cost (See Fig D.). Due to the large variety of options available to employers on Oahu, there was a wider range of course tuition costs. In the case of Neighbor Island ETF cost, certain types of courses offered by the training providers greatly affected the overall median and mean costs.



Following slight increases in FY 2016 and FY 2017 (Fig. E), there was an 18% decrease in the number of participating employers, 52% decrease in the number of course registrations decreased, and 47% decrease in the number of persons enrolled in FY 2018.

As the program enters its sixth year since the last ETF moratorium, employers are becoming familiar with the ETF and its potential to provide training related cost savings. Vendors have been working with employers to better identify and meet training needs that result in a better trained workforce.

Fig. E Change in Usage of ETF Funds (FY 2016-2018)



Volunteer Internship Program (VIP) Results

Upon successful completion of training, interns receive certification of job skills acquired and consideration for employment. In FY 2018, a total of 93 individuals were placed in VIP internships. From non-profits helping the environment to working in hotels and veterinarian offices, VIP offered a wide variety of internship opportunities for prospective VIP participants.