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STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

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December 26, 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, 2019, 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,

  
Scott T. Murakami  
Director

Enclosure

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## **EMPLOYMENT AND TRAINING FUND (ETF) PROGRAM FY 2019**

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### **Fiscal Year 2019 (2018-2019)**

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 Hawai'i'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 Hawai'i'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 ETF Micro Program; and,
- 3) Participation in a workforce training site internship through the Volunteer Internship Program (VIP).

### **ETF Macro Program**

The ETF Macro program has provided 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 included, 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 were 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 Macro Program.



### **ETF Micro Program**

The ETF Micro Program is also known as the Employer Referral Program, and offers training opportunities to individual businesses. Unlike the ETF Macro Program, individual employers are not required to 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 to upgrade employees' skills and capabilities to meet the competitive demands of the workplace.

The program is open to all within a company: business owners, managers, supervisors, and workers. The ETF Micro Program pays 50% of the cost (up to a \$400 reimbursement cap per course) for any course meeting its eligibility criteria. To date, approximately 78,990 individuals have been trained through the micro program.

### **VIP Program**

Developed January 2011, the Volunteer Internship Program (VIP) was created to stimulate job growth in Hawai'i. Participants can acquire new skills and experiences from job-specific training. During the internship, UI claimants are exempt from their three weekly job searches and continue to receive their UI benefits. The opportunity to train through VIP is limited to 16-32 hours per week for 4-8 weeks.

### **Legislative History and Employer Contribution**

Act 68 (SLH, 1991) created the Employment and Training Fund for the purposes described above through a .03 percent 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 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 to 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 Global Financial Crisis 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 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 which revenue was collected.

During the 2013 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 2019 Results**

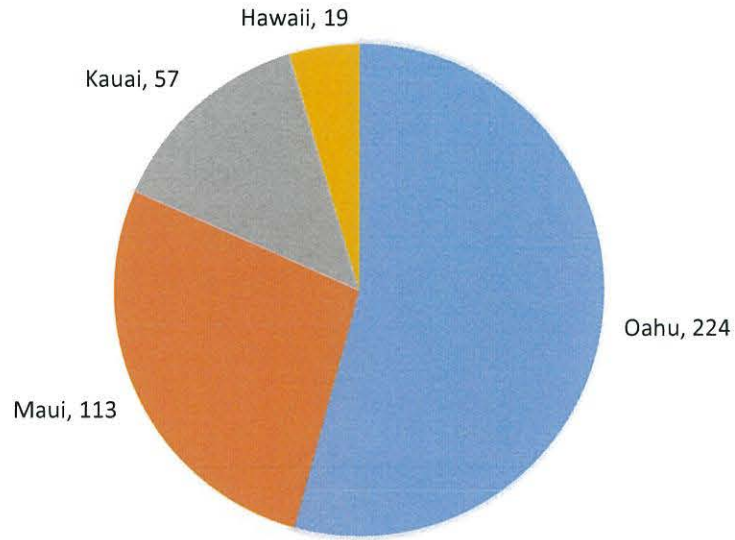
ETF's total funds available during FY 2019 consisted of an unobligated balance of \$3,670,998 from FY 2018. ETF revenue and interest generated during FY 2019 was \$1,234,263. FY 2019 ended with balance of \$4,145,199.

### **Micro Program Results**

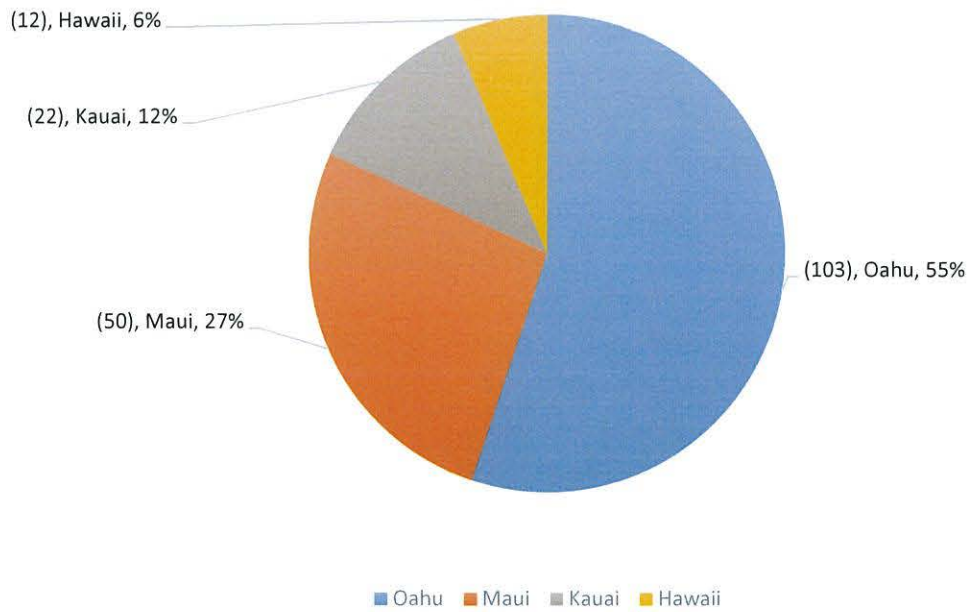
During the fiscal year, a total of twenty-one (21) authorized training providers delivered a broad array of training opportunities. From July 1, 2018, to June 30, 2019, 564 course registrations took place which served a total of 413 individual participants from 187 businesses statewide (See Figs. A and B).

- ETF training providers are required to provide courses to upgrade high demand skills. Among the types of training allowed, Figure C shows the three most popular courses were in Business (44%), Construction (18%), and Education (18%).
- Largely due to targeted marketing, the top three categories of courses were popular with employers, including small businesses.

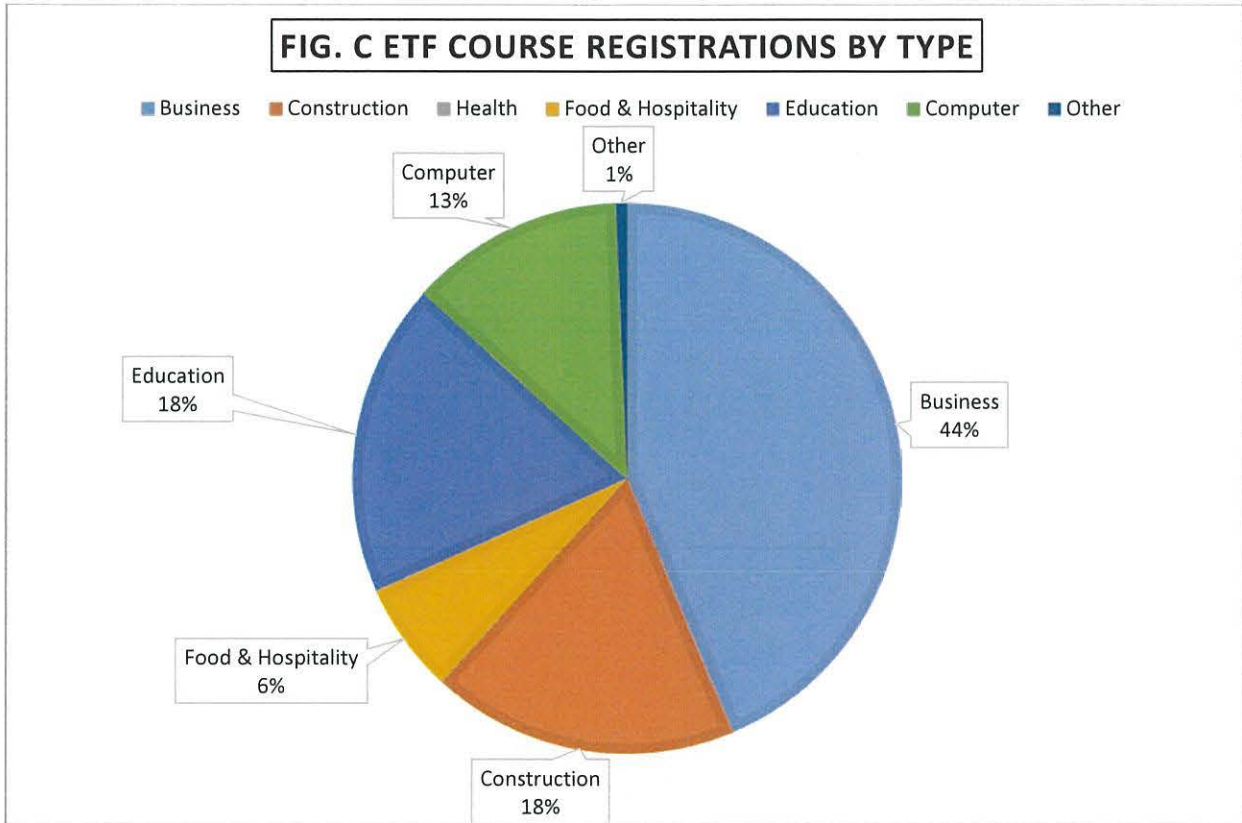
**FIG. A: NUMBER OF ETF PARTICIPATING INDIVIDUALS BY COUNTY**



**FIG. B NUMBER OR PARTICIPATING EMPLOYERS BY COUNTY**

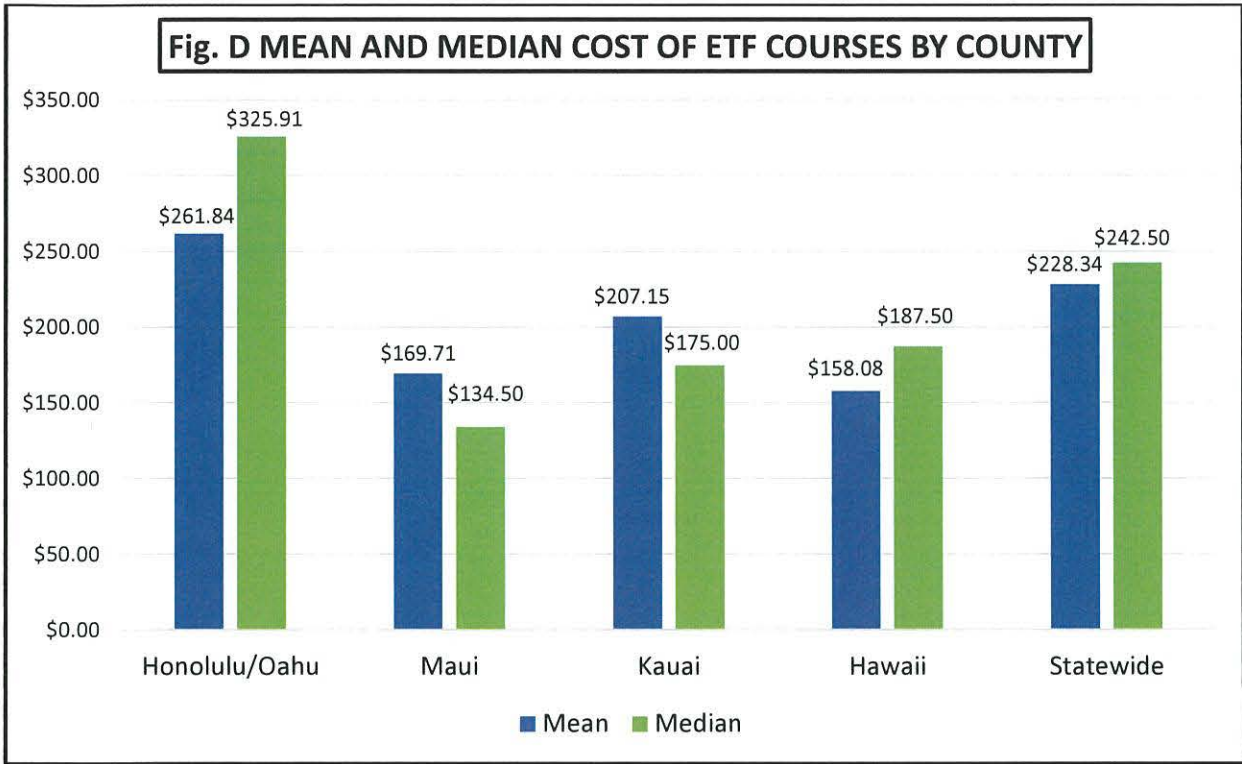






Employers sending their employees through ETF-funded training were provided 50% tuition assistance, up to \$400 reimbursement per course. The cost of current courses offered by ETF approved training providers varied. In general, basic computer skills, customer service, and basic soft skills training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

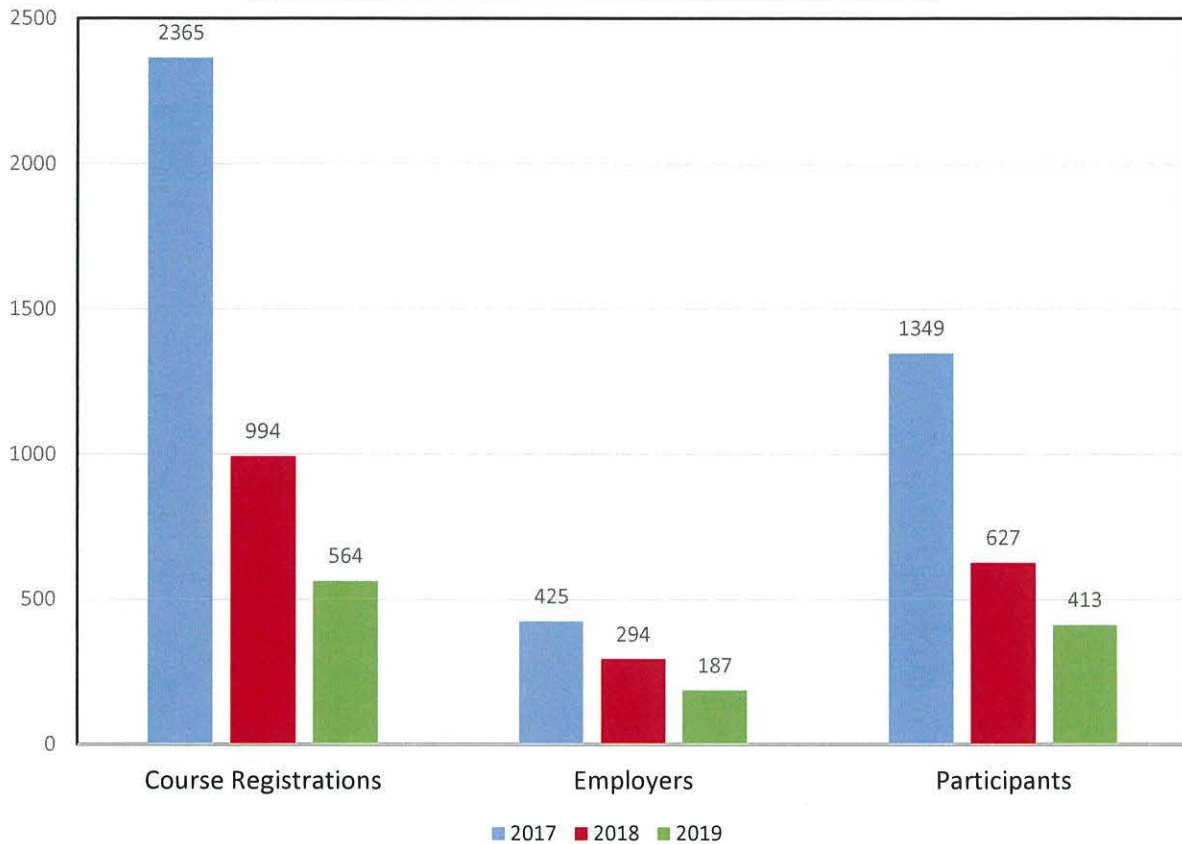
Courses that involved advanced computer skills, leadership training, upper-level managerial and advanced skill training had a higher tuition cost. When compared to statewide median and mean course costs, courses offered on Hawaii Island had the highest combined mean and median tuition cost (See Fig D.).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



From Fiscal Year 2017 to Fiscal Year 2019 (Fig. E), Fiscal Year 2019 showed an 36% decrease in the number of participating employers, while course registrations decreased 43% and persons enrolled had a decrease of 34% over the prior year.

As the program enters its eighth year since the last ETF moratorium, employers are 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 2017-2019)**



### **VIP Volunteer Internship Program Results**

Upon successful completion of training, interns receive certification of job skills acquired and consideration for employment. From July 1, 2018 to June 30, 2019, a total of 74 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.