



## Workforce Development Training Fund 2017 Assessment

Idaho Department of Labor  
C.L. "Butch" Otter, Governor  
Melinda S. Smyser, Director

# Workforce Development Training Fund: 2017 Assessment



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## Executive Summary

This report focuses on the outcomes for Idaho Workforce Development Training Fund (WDTF) employer grants, including investments of more than \$19.7 million in training funds for 103 grants made to 90 businesses beginning in January 2009 and ending on or before June 2016, the latest date for which post-training wage data is available. This reporting period includes grants completed since the last published assessment of the Workforce Development Training Fund, in 2012. The report provides analysis of training costs, wage change rates, and the capacity of business to retain 7,944 trained employees. It also examines the outcome differences between trainees by year, industry sector and Advanced Manufacturing and High Tech sub-sector workers.

This report also examines the average wage change for employees and the average cost of training. The average grantee used 66 percent of his or her training funds during the contract period and 23 employers expended their entire grant funding. The average cost of training was \$2,480. The average employee who received training realized a 12 percent wage growth one year after training was completed. The fund reimbursed training costs for 1,080 individual workers claimed by 63 companies for which no wage data was available in tax records. Wage data was missing for 14 percent of all training records.

## Introduction

Established in 1996 by the Idaho legislature, the Idaho Workforce Development Training Fund (WDTF) reimburses qualified employers for the cost of training new and existing workers with the skills needed by businesses to pursue emerging economic opportunities and industrial expansion. The WDTF receives funding through a 3 percent offset to the state unemployment insurance taxes paid by employers.

In recent years, the Labor and Commerce departments along with the governor's office and Legislature have worked together to expand the program's focus on solving specific industry training needs such as increasing transferability of skills gained and increasing post-training credentials under the industry sector and micro-grants program. In 2016, the Legislature approved changes to allow greater flexibility to address workforce needs, including the training of existing workers. Sector grants fund courses at educational institutions and require three or more companies to join with the education partner in a targeted effort to address a specific talent shortage. The micro-grant program addresses training needs for rural and underserved groups. Applicants must show a combination of business, community and education partners working to solve a local need.

Three sector grants and one micro-grant closed during this reporting period. However, a lack of established performance measures prevented their evaluation. This report focuses on the outcomes for WDTF employer grants.

The methodology used by the Idaho Department of Labor for accepting grant applications changed during the reporting period. At the beginning of the reporting period, grants were available to all employers who marketed goods or services outside their region of the state and paid trained employees at least \$12 an hour with employer-provided health care benefits. The grant application process changed in March 2014 when the Workforce Development Council approved a quantitative funding model for accepting new applications.

Under the new methodology, potential grantees are required to meet the previous eligibility requirements. The new funding model also scores grant applicants based on starting wage and other factors that have a direct correlation to the amount of funding per job. These other factors include economic impact, unemployment insurance tax rates, county unemployment rates, occupational concentration levels and the nature of training. Out of 103 grants reviewed in this report, six were completed under the new methodology. These grants account for 4 percent of the total trainees. This report will review the preliminary impact of the methodology changes on wage and retention.

The fund reimbursed training costs for 1,080 individual workers claimed by 63 companies for which no wage data was available in tax records. Wage data was missing for 14 percent of all training records. At least some of these instances could be the result of typographical errors in recording Social Security numbers (SSNs). The Department of Labor uses SSNs to verify individuals are working at the company receiving grant funding before reimbursement. In the 2012 report, 406 out of 17,700 records had similar errors, 2 percent of the total records evaluated. It also is possible that a number of successful wage matches in this report resulted from matching erroneous SSNs with people who worked during the reporting period but were not the individuals for whom employers were reimbursed. Potential missing and erroneous employee data is estimated to include up to 16 percent of all records.

In total, about \$2.7 million in reimbursements were made to employers for workers with incomplete or unverifiable Social Security numbers. From 2009 to mid-2014 there was a decline in the quality of records supplied by employers when requesting reimbursement for their trained employees. However, starting in 2014 the Department of Labor implemented a stricter process of matching the employer-employee relationship using tax records before issuing reimbursements for the cost of training and the percentage of unverifiable records declined.

This report examines the differences in outcome data between trainees and the overall Idaho workforce and is not intended to determine whether or to what extent the differences are caused by WDTF training. Trained employees may differ in important ways from the average Idaho worker because their companies selected them to receive additional training. The program would need to collect more information, such as participant demographics and additional work history data, in order to determine whether wage change or retention differences were due to WDTF training.

## Findings

- WDTF workers realized an average annual wage growth of 12 percent one year after training occurred. The statewide labor force had an average wage growth of 2 percent during the same period (2009-2016). Average annual wage growth for trainees was higher than the statewide average in five of the seven years analyzed and for all years since 2012.
- The average cost per trainee increased since the previous report from \$1,700 to \$2,480. The industry sectors with the lowest average cost per trainee are manufacturing, information, construction and other services.

- The average employer trained or retrained fewer workers than requested in their original statement of need from the grant application. One hundred and three grant contracts were approved in this reporting cycle, totaling \$34 million in available funds. Employers actually used an average of 66 percent of their authorized funds for a total of \$20 million. On average, employers tended to overestimate their training fund needs by 33 percent.
- Businesses in the manufacturing sector are the primary beneficiary of WDTF grants, comprising 61 percent of all individuals trained. No other sector had greater than 10 percent of the total trainees.
- Wages in the administrative and support and professional, scientific and technical services sectors showed the largest average annual wage growth.
- The average wage change for advanced manufacturing and high tech companies followed the statewide trend for all sectors. Wage changes for these sub-groups of employers outperformed the statewide averages for most years from 2012-2016. Trainees from companies considered both high tech and advanced manufacturing had the highest wages before and after training.
- Incumbent employees comprised 61 percent of all trainees. Newly hired trainees had a much higher percentage of wage change, in part, because many of these trainees did not work the quarter prior to starting training. Annual average post-training wage and employee retention rates are much better among individuals who worked with their companies before receiving training.
- Data collection has improved since the Workforce Development Council (Council) implemented the new grant approval methodology. More frequent analysis and continuous follow up on irregular data submissions will help improve future reports and allow staff to correct erroneous data before reimbursements are processed.
  - Preliminary data for trainings reimbursed under the new quantitative funding model for accepting grant applications reflects higher average wages and better employee retention. However, the limited amount of data calls for additional examination in a follow up report.
  - About 16 percent of all reimbursed trainees did not work for the company receiving reimbursement during the time training reportedly occurred. This could partially be due to clerical errors or a lack of record keeping. Additionally, some employers failed to report the actual dates when the training took place. Problematic recordkeeping made it difficult to pinpoint the precise period when training took place thus wage change and employee retention likely reflect inconsistent results. Unverifiable records account for 3 percent of all trainees after the methodology change.
- The average grant contract lasted two years. The longest contract lasted 7.5 years and the shortest contracts lasted one quarter. Inconsistencies in contract lengths impacts accuracy in calculating wage changes for individual trainees, particularly in instances where employers did not provide training dates. Long contract lengths also affect accuracy in assessing the successes of grant recipients compared to overall economic conditions.

- The capacity for business to retain trainees one year after training reflected trends in overall industry stability and quality of the employment pool. In terms of employee retention, the 90 companies receiving training funds were rated in three groups:
  - Best Performers: 63 percent or 57 of 90 companies retained 50 percent or more of their trainees.
  - Mid Performers: 19 percent or 17 of 90 companies retained more than zero but less than 50 percent of trainees
  - Worst Performers: 18 percent or 16 of 90 companies did not retain any of their trainees. This might be because of a low number of trainees for some companies or may be due to incomplete reporting.
- This report did not assess the impact of transferable skills for employees. Non-retained employees were no longer working for the company that provided training, but it is presumed they gained sufficient skills to remain active in the labor force. Employee retention is used as an indicator to determine which employers made a lasting investment in their workforce.

## Recommendations

- Policy and performance metrics are necessary for analyzing sector grants and micro-grants. Traditional wage matching data used to evaluate employer grants are currently unavailable for these grants.
- The Council should expedite the reimbursement process for grantees of sector grants or micro-grants when expected outcomes are unrelated to employment metrics.
- The Council should work to formalize a data transfer protocol with education institutions, which are the primary recipients of sector grants. Collection should include Social Security numbers for trainees.
- The grant recipient data collection processes should be improved by requiring training dates to be reported for each individual reimbursed. In many cases employers failed to report the dates that training occurred. In those instances, the only available date to check for wages was the date after the contract closed. Failure to report accurate training dates greatly undermines analysis of program effectiveness.
- The Council should promote uniformity in the length of contracts, minimize the number of contract extensions, and prohibit contracts from lasting for more than two years when possible. Long contract periods and extensions may lead to a perception of misuse of training funds and makes it more difficult to measure program effectiveness.
- The Council should continue to use the Quantitative Funding Model implemented in 2014 for grant approval and refine it if possible. Under this model, each potential grantee competes on a level playing field for grant money based on the quantifiable outcomes and potential economic impact. The first six contracts completed that were approved using this model showed promising results in terms of increased employee retention, lower training costs, increased employer accountability, and higher average wages.
- The average employer used 66.1 percent of the awarded grant. New contracts should include a clause that reimbursements are paid on a first-come, first-reimbursed basis until WDTF are exhausted. Such a clause

would allow the Council to serve a larger population of employers by maximizing funds that otherwise would end up obligated and held in reserves for years at a time.

## Economic Impact of Training Funds

During the reporting period from 2009 to 2016, the WDTF served 90 different businesses infusing \$19.7 million dollars into Idaho's economy. The estimated impact of those investments includes helping almost 8,000 workers by providing training that allowed them to retain their job or that provided transferable skills. This investment capital, under the assumption that those training dollars represent earnings change, is estimated to have created an additional 489 direct jobs, 91 indirect jobs and 306 induced jobs for a total of 886 new jobs. Those 886 new jobs produced \$40.2 million dollars in new wages and \$4.3 million in new taxes for a combined economic impact of \$44.5 million.

## Methodology

Since July 2014, the WDTF has had a project manager to perform daily duties and grant management, issue reimbursements, collect data and oversee the performance of the program. In 2015, Labor recommended new guidelines be added to the contract's provisions and assurances and required new reimbursement forms. This recommendation included upgrades to the customer service management program (CRM) used to track outcomes and expenditures, an updated application with additional details about skills being trained, an upgraded cross match system to track grantees and tax records, and a verification processes to ensure businesses are registered with the Idaho Secretary of State.

The project manager works with companies that have been approved for WDTF grants and collects administrative data from each grant recipient. Data collected includes employer tax identification number, grant beginning and ending dates, employee records for reimbursement including name, Social Security number and training dates. These records are used to determine individual wage change before and after training, employer and sector wage changes, employee retention and the cost per trainee.

For this report, wage changes were determined by comparing wages for each trainee one calendar quarter before the training end date (or contract end date if no reliable training end date was available) with wages one year later. Trainees are considered retained if they remained employed with the grant recipient when their post-wage was gathered. Cost per trainee was determined by dividing the contract amount expended by the number of trainees reported.

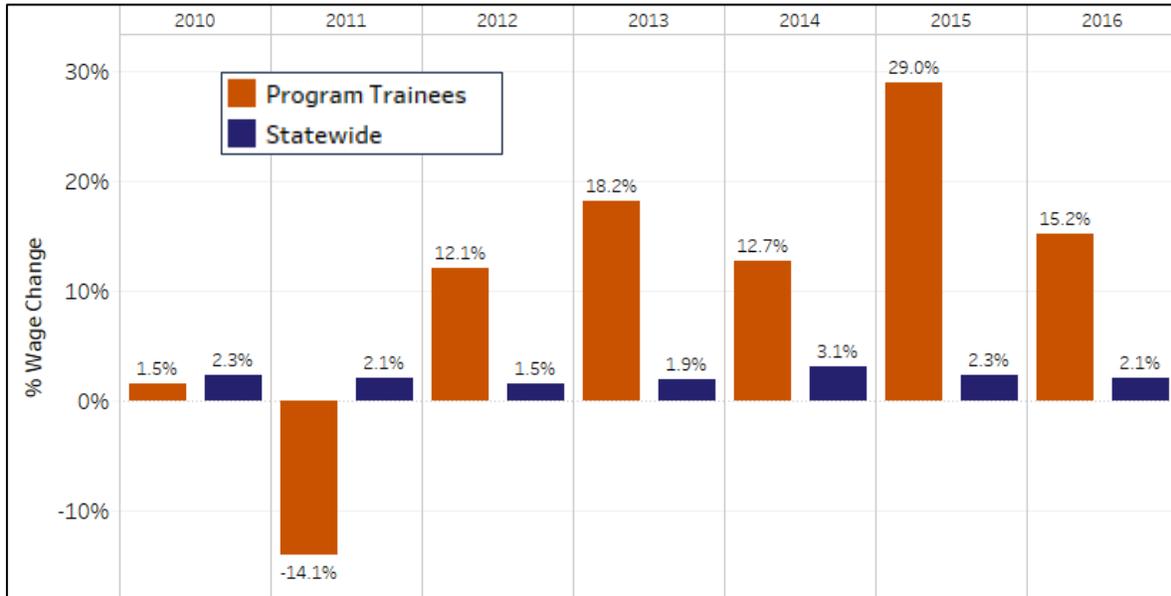
Employee retention rates are computed on records for which Social Security numbers were available. Research analysts anticipated employers lacking completeness in their list of trainees would not be properly assessed under this methodology and their true performance would be significantly under-rated. Additionally, assessments based on the wages before and after training, while considered an indicator of performance, may not fully quantify the actual wages an employee earns because wages in this report are not tied to hourly rates nor to the number of hours actually worked in any given calendar quarter.

## Results

## Training Fund Impact on Wages

Workers trained with WDTF grants reported annual average wage increases for every year except 2011. Wage change rates were below the statewide average in 2010 and 2011, however many Idaho businesses and workers were still recovering from the effects of the economic recession that ended in 2009 (Chart 1).

**Chart 1. Annual Wage Change for WDTF Trainees and Statewide Workforce**



During this period, trainees realized 12 percent wage increase, this increase is larger than the corresponding overall Idaho workforce average increase of 2 percent. Potential reporting errors were high for the first five years of the reporting period, which could distort the wage change outcomes and account for some of the differences between each year. Methodology changes to the quantitative funding model have resulted in fewer reporting errors since 2014. Additionally, the relatively small number of trainees and contracts in some years may have affected the average wage change for trainees when broken out by year.

In the 2012 report, which examined grants from 2000 through 2008, trainees realized an annualized average wage increase of 6 percent while statewide the wage grew 3 percent. In the current reporting period, the statewide wage growth was 2 percent with a 12 percent wage increase for trainees. This larger wage performance is most likely associated with new job creation; employers hiring new entrants in to the labor force rather than incumbent worker wage growth. The increase is also likely related to the WDC decision to refocus training priorities from service-oriented industries, dominated by call centers, to higher paying industries in manufacturing and high tech.

The majority of trainings during this reporting period were completed in 2013 and 2014. Those also were the years with the largest percentage of missing and potentially erroneous data. Employee retention improved and the percentage of reporting and record keeping errors declined in the final two years of this report (Table 1). This may be due, in part, to changes in the methodology of approving grant applications as well as changes at the Department of Labor in record keeping, personnel and processes over the past few years. The potential impacts of the methodology change are examined in a subsequent section of this report.

**Table 1. Performance Measures by Year**

| Year         | Number of Trainees | Percent of Total Trainees | Employee Retention | Average Cost Per Trainee | Unverifiable Records |
|--------------|--------------------|---------------------------|--------------------|--------------------------|----------------------|
| 2010         | 995                | 12.5%                     | 35.5%              | \$2,289.81               | 16.4%                |
| 2011         | 677                | 8.5%                      | 76.2%              | \$1,245.82               | 9.6%                 |
| 2012         | 459                | 5.8%                      | 55.3%              | \$2,142.88               | 17.2%                |
| 2013         | 2,346              | 29.5%                     | 40.2%              | \$2,634.69               | 22.6%                |
| 2014         | 2,806              | 35.3%                     | 47.1%              | \$3,544.27               | 14.9%                |
| 2015         | 450                | 5.7%                      | 66.9%              | \$4,735.36               | 7.8%                 |
| 2016         | 209                | 2.6%                      | 45.0%              | \$1,367.40               | 8.6%                 |
| <b>Total</b> | 7,944              | 100%                      | 47.6%              | \$2,480                  | 16.5%                |

## Training Fund Impact by Industry

While WDTF trainees realized increased wage growth overall compared with the statewide average, the difference is not uniform across industry sectors. For example, trainees in administrative and support and waste management and remediation services realized much higher annual wage changes compared with the statewide industry average while workers in the Utilities sector had average wage declines compared with growth in the industry statewide. In many cases, these differences were due to the limited amount of data or to the lack of the number of hours worked in the official wage records.

The number of companies receiving WDTF funds may account for some of the differences. For example, administrative and support workers had a large wage change of 91 percent, but this sector included only one company and 180 workers. All of the growth in that sector also occurred in 2015 and 2016. During those two years wage growth occurred faster in that sector, averaging 7 percent compared to the overall 3 percent wage change for that sector during the reporting period. Additionally, wage growth for the trainees at the specific company receiving a WDTF grant were much higher than the industry average. Factors that could potentially cause this discrepancy include lower than average prior-to-training wages, training more new-hires, or attracting employees recently migrating to the state.

Trainees in most sectors realized increased wage growth compared with the average worker in their industry. However, management of companies and enterprises, utilities, and other services sectors showed negative wage changes. These three sectors combined to account for 286 trainees or 4 percent of the records examined in this report. Department analysts suggest the average wage comparisons for smaller samples may not be the best performance metric to ascertain true performance outcomes, due in part to lack of hours in official records and susceptibility of a few outlying record to influence the data. Additionally the percentage of wage change assumes full-time employment but experience indicates that is an unlikely assumption for many workers (Table 2).

**Table 2. Wage Performance by Industry 2009- 2016**

| Industry Sector  | Trainees     | Average Annual Prior Wage | Average Annual Post Wage | % Wage Change | Statewide Workforce % Wage Change |
|--|--------------|---------------------------|--------------------------|---------------|-----------------------------------|
| Administrative and Support and Waste Management and Remediation Services | 180          | \$17,763.17               | \$33,927.59              | 91.0%         | 3.0%                              |
| Construction   | 194          | \$23,659.32               | \$26,949.30              | 13.9%         | 1.6%                              |
| Finance and Insurance  | 668          | \$28,683.61               | \$34,414.32              | 20.0%         | 3.7%                              |
| Health Care and Social Assistance  | 141          | \$28,908.00               | \$31,708.86              | 9.7%          | 2.2%                              |
| Information  | 638          | \$25,286.71               | \$27,556.42              | 9.0%          | 2.6%                              |
| Management of Companies and Enterprises                                  | 271          | \$72,616.04               | \$67,260.56              | -7.4%         | 0.6%                              |
| Manufacturing  | 4,818        | \$41,719.87               | \$44,595.05              | 6.9%          | 2.5%                              |
| Other Services (except Public Administration)                            | 9            | \$27,773.00               | \$24,626.67              | -11.3%        | 2.6%                              |
| Professional, Scientific, and Technical Services                         | 334          | \$42,950.18               | \$64,981.77              | 51.3%         | 1.6%                              |
| Retail Trade   | 91           | \$59,402.16               | \$67,058.51              | 12.9%         | 2.7%                              |
| Transportation and Warehousing   | 312          | \$49,703.83               | \$58,407.67              | 17.5%         | 2.0%                              |
| Utilities  | 6            | \$106,170.00              | \$92,448.67              | -12.9%        | 3.9%                              |
| Wholesale Trade  | 282          | \$43,390.12               | \$50,095.28              | 15.5%         | 3.4%                              |
| <b>Total</b>   | <b>7,944</b> | <b>\$39,897.00</b>        | <b>\$44,561.91</b>       | <b>11.7%</b>  | <b>2.2%</b>                       |

The sector with the largest number of trainees is manufacturing. Wages in this sector grew at 7 percent, faster than the statewide average of 2 percent. Even though the average wage growth is not as large when compared with some other industry sectors, the number of trainees makes this data less susceptible to influence by one or a few individual companies with outlying wages. Data for the Manufacturing sector is more reliable than other sector data and wage growth is more than twice as large as the statewide sector average of 2.5 percent.

The Industry sectors with the fewest numbers of trainees showed the largest average wage changes. For example, professional, scientific and technical services realized a 51 percent wage growth with only 334 trainees. Utilities realized a 13 percent wage loss with only six trainees (Table 3). High or low wage change alone does not indicate whether companies within the sector are utilizing the fund efficiently or if the sector should be the focus of future grant funds.

**Table 3. Additional Performance Measures by Industry**

| <b>Industry Sector</b>  | <b>Percent of Total Trainees</b> | <b>Employee Retention</b> | <b>Cost Per Trainee</b> | <b>Unverifiable Records</b> |
|---|----------------------------------|---------------------------|-------------------------|-----------------------------|
| <b>Administrative and Support and Waste Management and Remediation Services</b> | 2.3%                             | 66.7%                     | \$2,500.00              | 1.7%                        |
| <b>Construction</b>   | 2.4%                             | 11.8%                     | \$1,883.58              | 36.1%                       |
| <b>Finance and Insurance</b>  | 8.4%                             | 53.7%                     | \$4,219.55              | 16.9%                       |
| <b>Health Care and Social Assistance</b>  | 1.8%                             | 56.0%                     | \$4,481.48              | 10.6%                       |
| <b>Information</b>  | 8.0%                             | 17.7%                     | \$1,911.72              | 22.4%                       |
| <b>Management of Companies and Enterprises</b>                                  | 3.4%                             | 0.0%                      | \$5,433.75              | 29.2%                       |
| <b>Manufacturing</b>  | 60.7%                            | 51.9%                     | \$1,992.73              | 15.5%                       |
| <b>Other Services (except Public Administration)</b>                            | 0.1%                             | 11.1%                     | \$1,392.89              | 55.6%                       |
| <b>Professional, Scientific, and Technical Services</b>                         | 4.2%                             | 52.1%                     | \$2,207.64              | 14.1%                       |
| <b>Retail Trade</b>   | 1.2%                             | 65.9%                     | \$2,525.02              | 18.7%                       |
| <b>Transportation and Warehousing</b>   | 3.9%                             | 66.0%                     | \$2,746.19              | 11.2%                       |
| <b>Utilities</b>  | 0.1%                             | 100.0%                    | \$4,075.42              | 0.0%                        |
| <b>Wholesale Trade</b>  | 3.6%                             | 50.4%                     | \$4,548.64              | 8.5%                        |

As with the overall wage change, missing and potentially erroneous data during this reporting period presents a challenge to drawing conclusions about training fund impacts. Industries with very few companies or trainees are the most susceptible to having unreliable data. For example, other services, which includes occupations like automotive mechanics, machine repairers and hairdressers, showed a loss in average wage of 11 percent. However, training costs were only reimbursed for nine individuals in this sector and five of them had missing or potentially erroneous data.

## Historical Performance by Industry

The average percentage of trainees per industry has changed since 2012 report. The administrative and support services sector had the largest number of trainees at 43 percent. This industry included call center workers. During the previous reporting cycle requirements were changed for grant approval to companies that pay a minimum of \$12 an hour with employer-subsided health care benefits. This change excluded most call centers from eligibility. The effects of this change are apparent in this report. The administrative and support services sector dropped from 43 percent of trainees to 2 percent and the percentage of grants in the manufacturing sector almost doubled. Table 4 depicts comparative performance for the evaluation conducted in 2012 and 2017 (Table 4).

**Table 4. Historical Performance by Industry for Two Evaluation Periods**

| Report Year:  | % of Trainees |       | % Wage Change |        | Job Retention/Employee Retention* |        | Cost Per Trainee |          |
|---|---------------|-------|---------------|--------|-----------------------------------|--------|------------------|----------|
|   | 2012          | 2017  | 2012          | 2017   | 2012                              | 2017   | 2012             | 2017     |
| <b>All Sectors Combined</b>   | 100%          | 100%  | 6.2%          | 11.7%  | 85.4%                             | 47.5%  | \$1,671          | \$2,480  |
| <b>Administrative and Support and Waste Management and Remediation Services</b> | 43.0%         | 2.3%  | 8.3%          | 91.0%  | 83.0%                             | 66.7%  | \$1,275          | \$2,500  |
| <b>Construction</b>   | 0.4%          | 2.4%  | -13.9%        | 13.9%  | 80.3%                             | 11.8%  | \$2,077          | \$1,884  |
| <b>Finance and Insurance</b>  | 3.2%          | 8.4%  | 10.4%         | 20.0%  | 91.3%                             | 53.7%  | \$2,610          | \$4,210  |
| <b>Health Care and Social Assistance</b>  | 0.0%          | 1.8%  | -             | 9.7%   | -                                 | 56.0%  | -                | \$4,481  |
| <b>Information</b>  | 7.6%          | 8.0%  | 15.1%         | 9.0%   | 89.6%                             | 17.7%  | \$2,796          | \$1,912  |
| <b>Management of Companies and Enterprises</b>                                  | .04%          | 3.4%  | 9.0%          | -7.4%  | 83.8%                             | 0.0%   | \$1,314          | \$5,434  |
| <b>Manufacturing</b>  | 33.9%         | 60.7% | 5.0%          | 6.9%   | 89.7%                             | 51.9%  | \$1,775          | \$1,993  |
| <b>Other Services (except Public Administration)</b>                            | 1.9%          | 0.1%  | -2.8%         | -11.3% | 86.3%                             | 11.1%  | \$816            | \$1,393  |
| <b>Professional, Scientific, and Technical Services</b>                         | 4.2%          | 4.2%  | 4.6%          | 51.3%  | 80.3%                             | 52.1%  | \$1,708          | \$2,208  |
| <b>Retail Trade</b>   | 1.2%          | 1.2%  | -2.3%         | 12.9%  | 86.2%                             | 65.9%  | \$2,905          | \$2,525  |
| <b>Transportation and Warehousing</b>   | 0.7%          | 3.9%  | 9.5%          | 17.5%  | 74.0%                             | 66.0%  | \$2,620          | \$2,746  |
| <b>Utilities</b>  | 0.1%          | 0.1%  | -2.7%         | -12.9% | 100.0%                            | 100.0% | \$2,000          | \$4,075  |
| <b>Wholesale Trade</b>  | 2.4%          | 3.6%  | 8.3%          | 15.5%  | 86.4%                             | 50.4%  | \$1,943          | \$4,5489 |

**\*Non-comparable columns: Job retention in 2012 measured the ability of a trainee to find employment one year after training. The 2017 metric of employee retention measures the rate employers retained a trainee one year later. The difference in the two metrics is not an indicator of better or worse performance but included to highlight the differences in report methodology.**

During the current reporting period, the average cost per trainee is higher for 10 sectors. The overall average cost was \$1,671 in the 2012 report and is \$2,480 in this report. Economic changes may account for some of the differences in wages and training costs between these reports. However, these effects would be easier to recognize with more frequent reports and consistency in the number of years analyzed.

Retention averages are the same or lower than the previous report across all sectors, but differences in the method of calculating retention accounts for these differences. In this report, any trainee that had an unverified or incorrect Social Security number was counted as receiving training but not considered retained. This report counted employees as retained if they were working with the same company that provided training. For the 2012 report, analysts excluded all trainees who did not have correct Social Security numbers before calculating wage changes or retention and any trainee who remained employed one year later, regardless of employer, was considered retained.

Average wage growth also was inconsistent with the previous report. In many industries, wage growth was much higher or much lower than in 2012 report or the overall annual wage change for the sector during the reporting period. Again, this may be due to the limited number of contracts or trainees analyzed in this reporting period. It may also be due to incorrect data submissions by grantees or errors in record keeping. Missing and incorrect data can allow the existing data to exaggerate outcomes. In cases where data corresponds to incorrect Social Security numbers, some of the wages records may not correspond to the actual trainee.

## **Training Fund Impact by Advanced Manufacturing and High Tech**

### **Performance Outcomes for Advanced Manufacturing Trainees**

Advanced manufacturing is a subset of the manufacturing sector and includes business with activities and processes centered on manufacturing plants. These activities can include production, product design, engineering and software support. The advanced manufacturing subset includes all of the manufacturing businesses analyzed in this report. Advanced manufacturing is not synonymous with high tech. Half of the high tech business examined in this report are also categorized as advanced manufacturing.

Advanced manufacturing trainee wages underperformed the statewide average for the years closer to the end of the recessionary period (2010 and 2011), but were higher than statewide advanced manufacturing wage growth in four of the six years analyzed. However, future wage performance for advanced manufacturing trainees is expected to decline as the overall statewide sector has experienced two years of negative growth in 2015 and 2016. Chart 2 depicts differences in average wage change between WDTF trainees and the statewide workforce in Advanced Manufacturing while Table 5 lists additional performance metrics for the sector.

Chart 2. Advanced Manufacturing Wage Performance 2010-2016

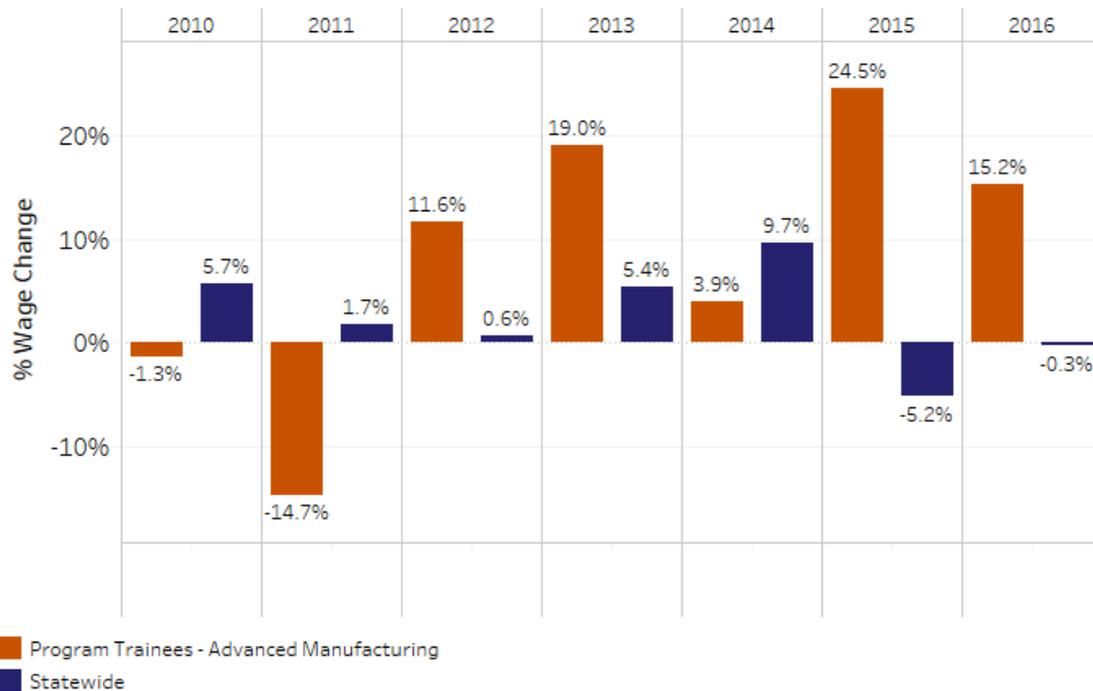


Table 5. Performance Measures by Advanced Manufacturing

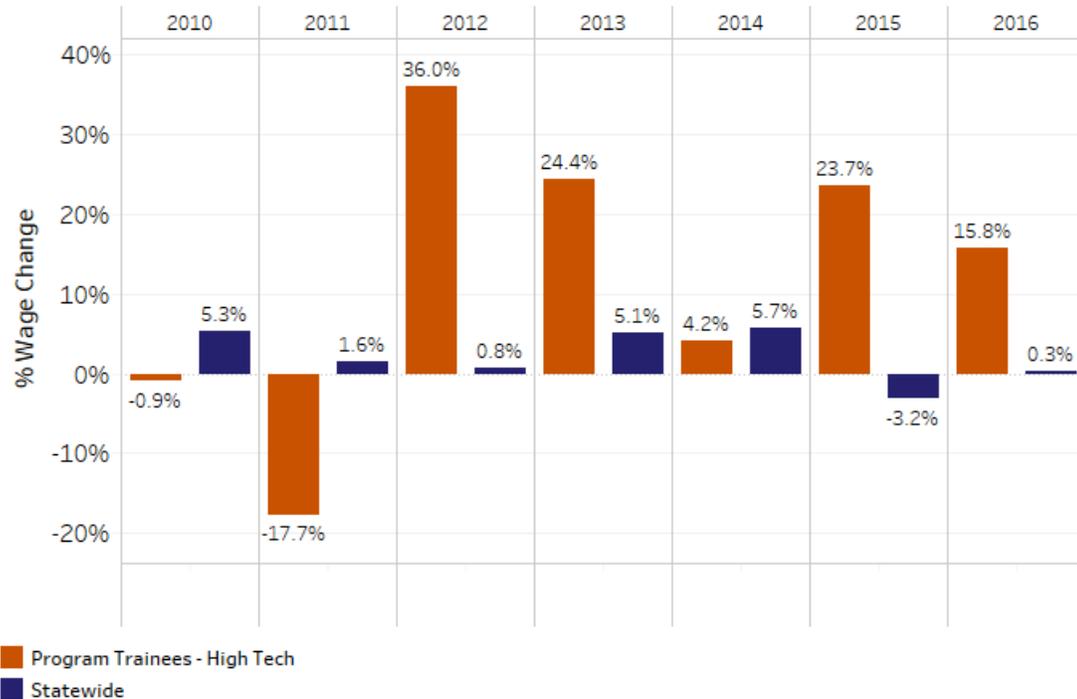
|                                       | Advanced<br>Manufacturing<br>Contracts | All Other Contracts |
|---------------------------------------|--|---------------------|
| <b>Number of Contracts</b>            | 60                                     | 43                  |
| <b>Number of Trainees</b>             | 4,818                                  | 3,126               |
| <b>Percent of Total</b>               | 60.6%                                  | 39.3%               |
| <b>Average Annual Prior Wage</b>      | \$41,719.87                            | \$36,981.26         |
| <b>Average Annual Post Wage</b>       | \$44,595.05                            | \$44,507.93         |
| <b>Average Percentage Wage Change</b> | 6.9 %                                  | 20.4%               |
| <b>Employee Retention</b>             | 51.9%                                  | 41.0%               |
| <b>New Employee Training</b>          | 20.1%                                  | 26.7%               |
| <b>Incumbent Employee training</b>    | 64.4%                                  | 55.7%               |
| <b>Unverifiable Records</b>           | 15.5%                                  | 17.6%               |

Trainees in the advanced manufacturing sub-sector had lower average wage changes than trainees in all other sectors. However, other metrics performed better. Advanced manufacturing companies reported higher average prior and post-training wages than businesses in other sectors. Trainees in this sub-sector also had better employee retention rates at 51.9 percent compared with 41 percent for all other sectors. Additionally the total percentage of trainees with missing or potentially erroneous data was lower.

### Performance Outcomes for High Tech Trainees

Wage growth for high tech trainees was also greater than the statewide average for high tech employees. Wage change for trainees outpaced the statewide average in all years except 2010, 2011 and 2014. Trainee wages also grew in 2015 and 2016 while wages for the high tech employees declined or were stagnant statewide. Chart 3 shows the difference in average wage change between WDTF trainees and the statewide workforce at high tech companies.

**Chart 3. High Tech Wage Performance**



Additional performance metrics for high tech trainees indicate wages do not increase as much as they do for all other trainees. However, the wage base is much larger for this sector at \$63,726 prior to training and \$69,835 one year after. While non-high tech trainees experienced faster wage growth, their prior and post wages range from \$34,689 to \$38,905. The high tech sector also tends to use funding for new training more than for retraining existing employees when compared with all other contracts (Table 6).

**Table 6. Performance Measures by High Tech**

|                                       | <b>High Tech<br/>Contracts</b> | <b>All Other Contracts</b> |
|---------------------------------------|--------------------------------|----------------------------|
| <b>Number of Contracts</b>            | 27                             | 76                         |
| <b>Number of Trainees</b>             | 1,400                          | 6,544                      |
| <b>Percent of Total</b>               | 17.6%                          | 82.4%                      |
| <b>Average Annual Prior Wage</b>      | \$63,726.44                    | \$34,689.32                |
| <b>Average Annual Post Wage</b>       | \$69,834.85                    | \$38,905.42                |
| <b>Average Percentage Wage Change</b> | 9.6%                           | 12.2%                      |
| <b>Employee Retention</b>             | 44.6%                          | 48.3%                      |
| <b>New Employee Training</b>          | 26.6%                          | 21.9%                      |
| <b>Incumbent Employee training</b>    | 57.2%                          | 61.8%                      |
| <b>Unverifiable Records</b>           | 16.2%                          | 16.4%                      |

Although the average wage change for employees at High Tech companies is lower than for employees of all other industries, the average prior and post-training wages are much higher. The differences in average wage between high tech and all other contracts do not allow for direct wage growth comparisons because a lower rate of growth may result in a much larger real dollar increase in post training wages.

#### **Advanced Manufacturing and High Tech Sectors**

**Table 7. Performance Intersection Between High Tech (HT) and Advanced Manufacturing (AM)**

|                         | <b>Trainees</b> | <b>Average Annual<br/>Prior Wage</b> | <b>Average Annual<br/>Post Wage</b> | <b>% Wage Change</b> | <b>Employee<br/>Retention</b> |
|-------------------------|-----------------|--------------------------------------|-------------------------------------|----------------------|-------------------------------|
| <b>(HT) &amp; (AM)</b>  | 703             | \$69,573.42                          | \$71,883.08                         | 3.3%                 | 56.9%                         |
| <b>Only (HT)</b>        | 697             | \$57,496.39                          | \$67,725.70                         | 17.8%                | 32.3%                         |
| <b>Only (AM)</b>        | 4,115           | \$36,774.89                          | \$39,789.72                         | 8.2%                 | 51.0%                         |
| <b>Other Industries</b> | 2,429           | \$31,102.42                          | \$37,300.11                         | 19.9%                | 43.6%                         |

Trainees from companies that are both high tech and advanced manufacturing had the highest annual wages before and after training. Even though the wage change rate is lower, the average post-training wage for these workers was much higher than for other trainees. This subset of trainees also had the highest employee retention rate. Trainees at high tech but not advanced manufacturing companies had high wage growth but low retention rates. Wages are generally higher for high tech companies.

## Training Fund Impact by Type of Training

Average wage change and employee retention rates varied based on whether tax records indicate the employee worked for the company before training. Incumbent employees started working for the company receiving an employer grant at least one quarter before the beginning of the grant contract. New employees started working for their company during or after the contract began. Any trainees not found with the company receiving the grant, or without available wage data, were flagged as unverifiable records (Table 8).

**Table 8. Performance Measures by Training Type**

| Training Type                      | Trainees | Percent of Total | Average Annual Prior Wage | Average Annual Post Wage | % Wage Change | Employee Retention |
|------------------------------------|----------|------------------|---------------------------|--------------------------|---------------|--------------------|
| <b>New Employee training</b>       | 1,803    | 22.7 %           | \$31,441.47               | \$40,048.53              | 27.3%         | 10.2%              |
| <b>Incumbent Employee Training</b> | 4,843    | 60.9%            | \$42,870.12               | \$46,556.96              | 8.6%          | 73.7%              |
| <b>Unverifiable Records</b>        | 1,298    | 16.3%            | -                         | -                        | -             | -                  |

Incumbent employees had the largest number of trainees and higher prior and post-training wages. New employees had lower prior-training wages, in part because many of these individuals did not work in the quarter before being hired. The lower starting wage for new employees allowed for a much higher average wage change, even though incumbent employees had higher average post-training wages. Employee retention was much higher among incumbent employees.

## Impact of the Quantitative Funding Model

The Idaho Workforce Development Council implemented a quantitative funding model for approving employer grants in March 2014 in an effort to ensure the beneficial use of workforce training funds for Idaho's economy. The new methodology for awarding workforce development grants included an objective assessment using a department-developed formula and a financial risk assessment by a regional labor economist where the business is located.

Under the quantitative funding model, grant applications are allocated points for training reimbursement in six areas: the job's wages, the job's economic multiplier, the business' unemployment insurance tax rate, the county unemployment rate where the job will be performed, the concentration of the job type in the overall economy and the transferability of the skills and the type of training or education planned. The point total determines grant approval and the amount of reimbursement.

This reporting cycle included grants that closed by June 30, 2016; among those grants were six contracts completed that were approved using the new methodology. Preliminary results from these six grants indicate a positive difference in terms of wage stability, lower average training costs and higher employee retention rates. However, these findings may also be, at least partially, the result of renewed administrative efforts for record

keeping and active verification of Social Security numbers before processing payments. The new methodology, along with stricter record keeping, shows promising results (Table 9).

**Table 9. Performance after Methodology Change**

| Methodology | Trainees | Average Annual Prior Wage | Average Annual Post Wage | % Wage Change | Employee Retention | Unverifiable Records | Cost Per Trainee |
|-------------|----------|---------------------------|--------------------------|---------------|--------------------|----------------------|------------------|
| <b>New</b>  | 326      | \$24,020.00               | \$39,216.06              | 63.3%         | 60.4%              | 3.1%                 | \$2,468          |
| <b>Old</b>  | 7618     | \$40,668.85               | \$44,816.08              | 10.2 %        | 47.1%              | 16.9%                | \$2,764          |

## Appendix A: WDTF Timeline and Recent Milestones

Since its inception in 1996, WDTF has provided grant dollars to bring companies to Idaho and help existing Idaho companies retain or expand their workforce through retraining and increasing the transferability of knowledge, skills and abilities of Idaho's workforce. In recent years, grant funding also has focused on solving specific industry training needs under the Industry Sector Grant and Micro-Grant programs.

Industry sector grants require three or more companies to join with an education partner in a targeted effort to address a specific talent shortage. Businesses participate in development of the curriculum and are required to make a 25 percent cash match. In order to address training needs for rural and underserved groups, the Council also established the micro-grant program.

In 2016, the Legislature approved changes to the WDTF to allow greater flexibility to address workforce needs, including the training of existing workers. Later that year, the Council established a sub-committee comprised of industry and other stakeholders to increase industry engagement and participation in the WDTF priority setting process. Recent policy changes to WDTF processes and methodology are outlined below:

### **June 13, 2013**

The WDC approved the Industry Sector Grant program. Idaho public post-secondary institutions are eligible to apply for a two-year WDTF grant of up to \$1 million if they partner with three businesses within a single, qualified industry to provide identified training to develop a pipeline of skilled workers for the industry.

### **March 6, 2014**

The WDC approved \$3 million available annually to support expansion and retention efforts of Idaho business and up to \$1 million each year to support Industry Sector Grants.

The Council approved a new financial model for determining employer grant eligibility. Under the new funding model, grant applications are allocated points based on starting wage and other factors that have a direct correlation to the amount of funding per job. Other factors include economic impact, unemployment insurance tax rate, county unemployment rate and type and nature of training. The point total determines grant approval and the amount of reimbursement.

### **January 8, 2015**

The directors of Idaho Department of Labor and the Idaho Commerce Department were given joint authority to make WDTF program guideline modifications when there is a compelling benefit to the state and community to do so. The purpose of this change was to create uniform and consistent WDTF guidelines available in one place.

### **June 25, 2015**

The Council approved the use of WDTF funds not to exceed \$500,000 to support the micro-grant program. The Council approved the micro-grant program to encourage creative and innovative training solutions to local workforce challenges and to encourage youth and young adult workers to stay in their communities. The program provides up to \$25,000 per award for one year to assist grantees in developing these solutions.

**April 20, 2016**

The Council approved a second round of micro-grants, including an additional \$500,000. Grant requirements followed the guidelines established the previous year.

**July 1, 2016**

The Legislature changed Idaho code allowing the retraining (incumbent workers) for skills necessary for specific economic opportunities and industrial expansion initiatives. Previously the statute allowed for only retraining of currently employed workers at the risk of getting laid off.

**October 26, 2016**

The Council Chair appointed an advisory committee made up of representatives from business and industry to provide guidance on WDTF grant expenditures. The committee also was charged with making recommendations to the Workforce Development Council for adopting procedures, criteria and performance measures. This committee has direct responsibility to:

1. Review existing WDTF guidelines and policy and make recommendations to the Council;
2. Review current approval criteria for all WDTF-funded grants and provide recommendations;
3. Review WDTF funds and recommend how to allocate funds for all WDTF and CTE grants;
4. Review & recommend appropriate outcomes for WDTF funded programs.

Any future actions by this advisory committee, if approved by the WDC, would supersede previous grant policies and guidelines for WDTF funded grants.