

On-the-Job Training Reimbursement Rate and Cap

Background:

On-The-Job Training (OJT), funded by the Workforce Innovation and Opportunity Act (WIOA), is a reimbursement provided to the business (training provider) to pay for the extraordinary costs associated with training an eligible new hire who does not meet all minimum qualifications/requirements for the position, and for the costs associated with the initial lower productivity of the participant as they engage in productive work to fill their skills gap(s) and learn the skills necessary for full and adequate performance on the job.

The maximum OJT reimbursement per individual has been capped at \$3,000 in Niagara since 2011. The standard OJT reimbursement rate has been set at 50% since prior to 2000. (with rare variance due to limited funding or special grants)

Discussion Points: Reimbursement Rate

- Previous funding for OJT was provided by the Workforce Investment Act (WIA) (8/98) which has now been superseded by the Workforce Innovation and Opportunity Act (WIOA), signed into law on 7/22/14. WIA specified an OJT reimbursement rate of "up to 50% of the wage rate". WIOA allows the Governor or Local Board to "increase the amount of the reimbursement to an amount of up to 75% of the wage rate" if;
 - The Local Board approves the increase with respect to a program carried out with funds allocated to a local area under such chapter, taking into account these factors;
 - the characteristics of the participants
 - the size of the employer
 - the quality of employer-provided training and advancement opportunities; and
 - such other factors as the Local Board may determine to be appropriate.
- In June, 2010 the US Employment & Training Administration made available National Emergency Grant (NEG) OJT funds, and both NYS and Niagara participated. Under that program, local areas were allowed to request a Business-size waiver of the standard 50% WIA OJT reimbursement rate;
 - Small Businesses (1 – 50 employees) were eligible for up to 90% reimbursement
 - Medium Businesses (51 – 250 employees) were eligible for up to 75% reimbursement
 - Large Businesses (251 and more employees) were eligible for the standard 50% WIA OJT reimbursement rate

Discussion Points: Cap on Reimbursement per Individual

- The Erie County Workforce Investment Board (WIB) held an On-The-Job Training Employer Forum December 10, 2015 at which the WIB leadership solicited feedback from local businesses regarding why so few companies in that local area are taking advantage of OJT funding. Business feedback centered around the funding cap of \$3,000 being too low.
- Due in part to this same feedback, in March of this year the Chautauqua County Workforce Development Board approved an increase of their Individual OJT cap from \$2,000 to \$5,000
- Since July 1st Niagara has already had several OJT contracts where the training need of the company far surpassed our current cap of \$3,000 and we were required to reduce the reimbursable training hours accordingly. One example is an individual hired as a Quality Control/Lab Technician with a Lockport manufacturer at a starting salary of \$22/hour; the company outlined a training total of 400 hours, and the required NYS skills-gap assessment concurred, but due to the limitations of our current OJT cap we could only reimburse the first 272 hours.

- During NEG funding there was no cap per contract or per business, rather, NEG funding aligned with the NYS average wage rate to establish a guideline for the cap on Individual reimbursement; 50% - 90% of the NYS average wage rate of \$25.39/hour for a maximum of 6 months.

Under NEG funding, the combined factors of increased Reimbursement rate and generous cap on Reimbursement per Individual resulted in an increase of 47% in the annual number of contracts written in Niagara; from an average of 21 annual local OJT contracts to an average of 31 annual contracts under NEG funding, as local businesses saw an increased benefit to their utilization of OJT funds.

Recommendations:

- Increase the Reimbursement rate for local OJT contracts from 50% to 75% utilizing a business-size model similar to that under NEG;
 - Small to Medium Businesses (1 – 250 employees) are eligible for up to 75% reimbursement
 - Large Businesses (251 and more employees) are eligible for up to 50% reimbursement

The additional factors of *characteristics of the participant* and *quality of employer-provided training and advancement opportunities* remain part of the assessment and vetting process with both the trainee and business prior to contract approval.
- Increase the Cap on Reimbursement per Individual for local OJT contracts from \$3,000 to \$5,000