

**The Workforce Connection, Inc.**

**Policy Title: Incumbent Worker Training (IWTS)**

**Reference Number 2016-500-02**

**Approved: March 1, 2016**

**Effective: March 1, 2016**

**Status: Active**

**Modifications: Mod 1-including a cap per employee**

**Purpose/Introduction:** Incumbent Worker Training (IWT) is a key resource to keep employers, and the jobs they provide, viable. Layoff aversion may begin as soon as an employer becomes aware of new threats and opportunities that impact its profitability or provide opportunities for growth.

**References:**

- WIA POLICY LETTER NO. 07-PL-33, Change 4
- WIOA Section 3(23)
- WIOA Section 134 (d)(4)
- Proposed 20 CFR 680.780, 680.790, 680.800, 680.810, 680.820, 680.210(b), and 682.320(b)(3)

**Background:** Incumbent worker training (IWT) is work-based training designed to either assist workers in obtaining the skills necessary to retain employment or to avert layoffs; and must increase both a participant's and a company's competitiveness. Local workforce areas may use up to 20 percent of their local adult and dislocated worker formula funds for incumbent worker training. The training should, wherever possible, allow the participant to gain industry-recognized training credentials and/or experience.

**Responsible Party:** The Business Account Managers and the Business Services Team will provide review and implementation of incumbent worker training projects.

**Definitions:**

**Incumbent Worker** - is an individual (or group of individuals) with an employment relationship with a participating employer or group of participating employers in a targeted industry; and an individual who is receiving upgraded skills training:

- to increase his or her skills in an occupation in which the individual is already an incumbent; or
- to prepare the worker for entry into a new occupation within the targeted workforce (i.e., the workforce of the participating employer or group of employers).

To qualify as an incumbent worker, the incumbent worker needs to be employed, meet the Fair Labor Standards Act requirements for an employer-employee relationship, and have an established employment history with the employer for 6months or more.

**Incumbent Worker Training** - training designed to meet the special requirements of an employer (including a group of employers) to retain a skilled workforce or avert the need to lay off employees by assisting the workers in obtaining the skills necessary to maintain or retain employment or have the opportunity for increased earnings potential through promotion. The training must satisfy the requirements in WIOA Section 134(d)(4) and §680.790 and increase the competitiveness of the employee or employer.

**Layoff Aversion** - a continuum of strategies targeted to specific employers or industries that are experiencing a decline and have the potential to undergo layoffs, or are experiencing a serious skills gap that impacts their ability to compete and retain workers.

**Policy/Procedures:** Local Workforce Areas must refer to the steps in the Illinois WorkNet Tracking System (IWTS) to track and report all incumbent worker activities to include project submission, employer and employee progress, training activity, and all other required reporting elements.

LWAs must consider the following factors when determining the eligibility of employers to receive funds:

1. The characteristics of the incumbent workers to be trained, specifically the extent to which they historically represent individuals with barriers to employment as defined in WIOA Section 3(24), and how they would benefit from retention or advancement;
2. The quality of the training (e.g., industry-recognized credentials, advancement opportunities);
3. The number of participants the employer plans to train or retrain;
4. The wage and benefit levels of participants (before and after training);
5. The occupation(s) for which incumbent worker training is being provided must be in demand as defined by WIOA Section 3(23) and as determined by local workforce area-specific labor market information;
6. The industry to which the employer is assigned, as determined by its North American Industry Classification System (NAICS) code, must be in demand as defined by WIOA Section 3(23) and as determined by workforce development area-specific labor market information produced by ESD;
7. The employer must not have laid off workers within 12 months to relocate to Illinois from another state;
8. The employer must attest, in writing, that it is not delinquent in unemployment insurance or workers' compensation taxes, penalties, and/or interest.

There are various strategies to ensure job retention and to avert a layoff. The first step in determining the appropriate strategy is to understand the "at-risk" indicators. In many cases, more than one "at-risk" indicator will apply to a given event. Below are some of the "at-risk" indicators Illinois has identified to determine if a business is in need of training assistance to maintain a competitive workforce. A layoff is considered to be averted when:

- Declining Sales - A company has undergone or will undergo (must be confirmed) a significant loss in sales that puts part of their workforce in threat of layoff. Declining sales must be expressed in terms of X dollars or Y units for Z period of time (months or years); along with information that provides known or suspected reasons for the decline. When determining if a decline in sales is the cause of a potential layoff, have considerations been given to the industry as a whole; is the decline a percentage of the market; has product quality, production delays, or pricing contributed to the decline in sales; etc.
- Supply Chain Issues - A company loses a supplier or consumer that threatens the employment of part of their workforce, or acquires a new supplier that requires new skills to maintain the workforce. Supply chain issues must be accompanied by an explanation as to why the change occurred. When determining whether a supply chain issue will contribute to a potential layoff, have considerations been given to other suppliers' ability to provide same or like products; has the company considered alternative product(s) production and sales that would not require retraining of staff or layoff; can the new training required be conducted by the new supplier; etc. Supply chain issues must be supported by documentation of the factors causing the supply problem.

- **Industry/Market Trends** - The industry/market standards have changed to the point where new training is needed to retain the current workforce. For example, have the employer's customers asked for production or delivery of products to be handled in a specific way that requires skill upgrade training? When considering whether industry/market trends may cause a potential layoff, has the company consulted with industry experts to determine if assistance is available to assist with upgrades to the manufacturing process or employee knowledge, or contacted other companies in the industry to share upgrades in skills training or equipment, etc.
- **Changes in Management Philosophy, Ownership** - A company has undergone a new approach to conducting business, or new ownership requires new skills to maintain the employment of part of the workforce. Changes in ownership are generally the result of a lack of profitability, but may also occur where a company is profitable, but not profitable enough (this level of profit may meet the profit requirements of another owner) or the current owners do not have the resources to take advantage of new business strategies. An owner may also pass away unexpectedly without a succession plan in place. New or changes in philosophies will generally accompany new ownership. Changes in philosophy may also occur when operations no longer meet their core business application or are viewed as excess capacity to their overall operations. When considering changes in ownership or philosophy as the cause of a potential layoff, has new ownership been determined (including such options as employee stock ownership plans), have alternatives been considered in the restructuring of the company that might reduce the number of layoffs, have community groups and labor organizations been involved in the discussions to lend their expert advice, etc.
- **Worker Does Not Have Necessary Skills** - A worker's skills or functions are no longer relevant to the employer's production process and the worker is at risk of losing their employment without undergoing training to acquire new skills. A lack of necessary skills may be the result of a change in philosophy or product line or a change in the industry demands that results in the need for new technologies and abilities by the current workforce. Products and production lines are ever changing as they adapt to the needs of the market. With this change comes a need for evolution of the skill set of the workers. When considering if the lack of necessary skills is the cause of potential layoffs, has it been determined which workers have the ability to attain new relevant skills, are there other considerations to be made with an increase in skills such as new equipment/machinery needs or safety devices, etc.
- **Strong Possibility of a Job If a Worker Attains New Skills** - The worker is in a position that is subject to layoff, and by acquiring new skills training he/she can move into a position that is not subject to layoff. New skills attainment may avert a layoff for individuals within a company or may make them more attractive to other companies. When considering whether the new skills will provide a strong possibility to prevent layoffs, what considerations have been given towards where the positions would be moved (in-house or with a new company), does the company have the capacity to expand another line of product (new or existing) to support the workers subject to layoff, has the business community shown a need and capacity for additionally trained workers, are the workers willing to relocate if the new opportunities are with another location of the same company or with a new company in a different locale, etc.
- **Other "At-Risk" Indicators** - Additional causes for potential layoffs may exist that the company and local area need to outline in making a case for assistance for incumbent workers. There may be other criteria that the Local Workforce Area (LWA/WIOA) can gather with the consultation of the employer that puts part of their workforce "at-risk" for layoff (e.g., trend in company layoffs).

**Training:**

- Training will be in occupations in a targeted sector as defined in the local plan.
- Skill Attainment will be skills that directly benefit the workers receiving the training by making them more qualified in their field of employment, and/or provide new skills for new product lines or processes.
- All training programs provided as part of an IWT project must be competitively procured.

**Employer Share of Training Costs:**

Employers participating in incumbent worker training are required to pay the non-WIOA (non-federal) share of the cost of providing training to their incumbent workers. The employer share is based on the size of the workforce (wages paid to the participant while in training can be included as part of that share) as follows:

- At least 10 percent of the cost for employers with 50 or fewer employees
- At least 25 percent of the cost for employers with 51 to 100 employees
- At least 50 percent of the cost for employers with more than 100 employees

Listed below are costs that may be reimbursed through the grant or used as the matching contribution.

- Instructor wages; includes wages and benefits for instructors who are employed by the company.
- Tuition
- Training materials and supplies
- Fees required to complete training
- Training facility costs (off-site or on-site) (matching costs only)
- Cost for use of employers equipment during training (matching costs only if company is producing @ less than full capacity)
- Fees for technical or professional certifications and/or licensures for incumbent workers as a direct result of the training received.

The Workforce Connection will not approve training costs exceeding \$10,000 of grant funds per employee. No exceptions will apply.

Funds for Incumbent Worker Training is based on funds available.

**Action Required:** This information should be disseminated to all The Workforce Connection, Inc. staff, fiscal agent staff, program service providers, partner agencies, sub-awardees, and contractors.

**Inquiries:** Questions regarding any aspect of this policy should be directed to The Workforce Connection Executive Director.

**Effective Date:** Immediately