

**State of Ohio**  
**Request for waiver**  
**Employer Reimbursement of OJT Payments**

**Background**

The Ohio Department of Job and Family Services as the State's administrative entity for the Workforce Investment Act (WIA), is requesting a waiver to change the reimbursement schedule for employers who have on-the-job training (OJT) contracts with our local service providers. Twenty states have already implemented an improved system for such a reimbursement sliding scale. Further, this waiver is built on an already approved Ohio waiver for customized training.

Ohio would like to pursue two different programs under this waiver. The first program would change the OJT reimbursement rate to use a sliding scale based upon the size of a business. Second, Ohio would pilot a 100% OJT reimbursement rate for small employers who provide healthcare/other benefits, and pay more than minimum wage.

This waiver will encourage employers to participate in OJT by providing a financial incentive to hire individuals who meet job needs. The current employment market favors employers. The waiver will assist Ohio in best positioning dislocated workers and low-income adults for job opportunities in the recovering economy. For the job seeking participants of the employment and training system, this waiver will afford them the opportunity to receive highly relevant and job related training for positions for which there is a demand and enable one-stop customers to make a direct connection with an employer. This waiver would apply to our currently approved Program Year 2009 state plan.

This waiver request follows the required format identified in WIA Section 189 (i)(4)(B) and WIA Regulations at 20 CFR 661.420(c).

**Section I: Statutory or Regulatory Requirements to be Waived**

Pursuant to WIA Section 189(i)(4)(B) and the WIA federal regulations at 20 CFR 661.420(c), the State of Ohio is requesting a waiver of the requirement for employers to be reimbursed up to 50% of the wage rate of an OJT participant for the extraordinary costs of providing the training and additional supervision related to the OJT, as identified at WIA 101(31)(B).

**Section II: State or Local Statutory or Regulatory Barriers Removed**

There is no existing State or local statutory or regulatory barriers to the implementation of this waiver request.

### **Section III: Goals to Achieve Using the Waiver**

OJT enhances the employment and training resources available to meet the needs of potential employers and trainees. These resources train individuals for jobs that exist and for which employers are willing to make investments. Employer-driven OJT programs directly meet the current needs of the labor market and provide the potential of meeting the employer needs of the future. These types of programs focus on employer and job seeker requirements while minimizing programmatic and bureaucratic barriers.

Ohio would like to pursue two different programs under the requested waiver.

The first program proposes to change the current maximum 50% reimbursement rate for an OJT participant based on a sliding scale, ranging from 50 to 90 percent, dependent on the employer's size. Specifically, Ohio will establish the following allowable reimbursement: not more than 90% of the wage rate for employers with 100 or fewer employees, 80% of the wage rate for employers with 101-150 employees, 70% of the wage rate for employers with 150-175 employees, 60% of the wage rate for employers with 175-200 employees, and 50% of the wage rate for employers with more than 200 employees. This program would be available for formula Adult and Dislocated Worker funds, ARRA Adult and Dislocated Worker funds, and statewide funds.

Almost 75% of Ohio's nongovernmental employers are small businesses that have less than 250 employees. Small business do not typically have a Human Resources Department that can provide extensive training to their employees which increases their cost of training to their new employees. The current 50 percent reimbursement limits the ability to market OJT programming to potential employers. Local employers often conclude that the 50 reimbursement limit is too little of a compensation to train inexperienced individuals. They acknowledge the benefits of training individuals for specific needed jobs but indicate that costs often outweigh these benefits. A sliding reimbursement fee schedule will give the State's local Workforce Investment Areas a tool to present a more favorable picture of the program and to encourage employers to hire one-stop customers first. It will afford local staff the flexibility of encouraging the OJT participation of employers with jobs in demands and in industries that are growing. Further, it will improve job placement performance for individuals that are hard to place.

The second program would be operated on a pilot basis for a limited number of employers in Ohio. This program will provide a 100% reimbursement for employers who:

- Provide health care benefits,
- Pay more than minimum wage,
- Include small businesses with fewer than 100 employees,
- Commit to hire those individuals after the end of the OJT.

We are targeting the following industry sectors for this pilot: health care, logistics, manufacturing, and business services. The pilot program positions eligible for the maximum reimbursement will be at a rate higher than minimum wage due to the level of skill needed for these industries. Ohio is exploring a partnership with a metropolitan local based community based organization to implement this pilot program. This organization will develop or already have the capacity to work with the number of businesses to make this program a success. The selected organization will also be working with these small businesses, including minority-owned businesses (which will be a focus of the pilot program), to ensure they are aware of the tax credits that are available and how they can be integrated into this pilot program. The Columbus Area Chamber is currently surveying businesses to determine the scope of interest of the business community to determine how many would be willing to participate in this pilot. State staff will be assigned to work with this pilot to limit and remove some of the burdensome paperwork requirements that can be a part of OJT programs. The pilot would focus on serving low-income adults and dislocated workers with ARRA Adult, ARRA Dislocated Worker, and statewide funds.

By waiving the 50% reimbursement requirement local boards will be able to more effectively market OJTs to the employers in targeted growth industries and in-demand occupations. These proposals for the employer contribution are at rates that more appropriately represents a particular business' or industry's cost benefit ratio. The proposed changes to the reimbursement limit will increase the likelihood of job placement activity (both subsidized and unsubsidized).

The specific goals to be achieved by the waiver are to:

- (1) Improve the ability of the State of Ohio to respond to changes in employer and industry needs;
- (2) Increase control of program delivery;
- (3) Increase Employer/Board collaboration to address industry needs and worker training;
- (4) Provide greater flexibility in designing and implementing WIA programs.
- (5) Connect job seekers with hiring employers.

#### **Section IV: Programmatic Outcomes to Achieve Using the Waiver**

In the use of this waiver we expect to see:

Increased entered-employment rates, employment retention rates, wage gain rates, and increased use of OJT training as a training model.

#### **Section V: Individuals Impacted by the Waiver**

**Employers** will benefit from this waiver because of the increased reimbursement schedule. This will make OJT an attractive employer option for obtaining employees trained to their specifications. By engaging in OJT through the employment and training

system, employers will become more aware of the valuable resources that the One-Stop can provide.

**Job seekers** will benefit from this waiver because they will be afforded the opportunity to be trained for high growth/high demand occupations in industries that are expected to grow. They will be obtaining training signifying their acquisition of transferable and valuable skills that can help them obtain future employment should the present employment situation change. Job seekers also benefit from having a direct connection with a hiring employer.

**Individuals with multiple barriers to employment** will benefit from this waiver since they will be an economic encouragement for employers to train these individuals for jobs with high potential for growth. OJT, as a training model, also offers a paycheck to the trainee. This aspect of OJTs is even more important as thousands of Ohio Unemployment Insurance claimants exhaust their benefits.

**Local area One-Stop staff** will benefit from this waiver by having an additional tool to offer job seekers and employers that can be customized to meet mutual needs.

**Local Area Workforce Board members** will benefit from this waiver by having a firmer control on the services they can offer to employers and job seekers.

It is clear that this waiver will benefit a great number of people.

## **Section VI: Process to Monitor the Progress in Implementation of the Waiver**

The Ohio Department of Job and Family Services, Office of Workforce Development (OWD) is the State entity responsible for administering WIA, Wagner-Peyser and Veterans Programs. OWD also houses SCOTI — Sharing Career Opportunities and Training Information, which is the integrated case management and reporting system that is used to track and monitor the changes and outcomes that are caused by this waiver and OhioMeansJobs.com, the state's job search tool.

OWD will be monitoring the implementation of this waiver through feedback from the local areas. Meetings between OWD staff, local board directors and administrative entities are currently held on a regular basis which serves as a venue to address any issue with the implementation of this waiver. Ohio has already has a positive experience with our Project Hire program with ARRA funds, where we have had almost 600 One-Stop customers already receiving Ohio Learning Accounts which features a strong OJT component. We anticipate similar success with this waiver.

## **Section VII: Process to Provide Notice to Local Workforce Investment Boards and Opportunity to Comment**

Workforce development stakeholders were notified of the proposed waiver request through an email alert. The email alert contained the proposed waiver request and instructions on how to submit comments. In addition, both the general public and stakeholders had access to the waiver request on our web site:

<http://jfs.ohio.gov/workforce/>. The public comment period was open for seven days.

## **Waiver Questions and Comments Received, and the State's Responses:**

Attachment A contains all comments and responses that were received during the public comment period. ODJFS communicated the State's response to the comments through a memo was sent via an email to the same recipients.