



**DELEGATION ORDER**

**Training Proposal for:  
Betts Company  
Agreement Number: ET15-0354**

**Approval Date:** December 4, 2014

**ETP Regional Office:** Sacramento

**Analyst:** M. Mazzone

**PROJECT PROFILE**

Contract Attributes:	Retrainee Priority Rate HUA Job Creation Initiative	Industry Sector(s):	Manufacturing  Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Alameda, Fresno, Los Angeles, Sacramento, San Bernardino, San Joaquin	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 256	U.S.: 256	Worldwide: 256
<u>Turnover Rate:</u>	8%		
<u>Managers/Supervisors:</u> (% of total trainees)	9%		

**FUNDING DETAIL**

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	<b>Total ETP Funding</b>
\$98,388		\$0	\$0		\$98,388

In-Kind Contribution:	100% of Total ETP Funding Required	\$136,000
-----------------------	------------------------------------	-----------

**TRAINING PLAN TABLE**

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee Priority Rate	Business Skills, Computer Skills, Continuous Impv, Mfg. Skills, Literacy Skills, PL- Mfg. Skills	168	8-200	0	\$378	\$14.90
				Weighted Avg: 21			
2	Retrainee Priority HUA	Business Skills, Computer Skills, Continuous Impv, Mfg. Skills, Literacy Skills, PL- Mfg. Skills	38	8-200	0	\$378	\$11.17
				Weighted Avg: 21			
3	Retrainee Priority HUA Job Creation	Business Skills, Computer Skills, Continuous Impv, Mfg. Skills, Literacy Skills, PL- Mfg. Skills	27	8-200	0	\$760	* \$9.14
				Weighted Avg: 38			

\* It will be made a condition of contract that the trainees in this Job Number will never be paid less than the statewide minimum wage rate as in effect at the end of retention (Final Payment) regardless of the wage expressed in this table.

**Minimum Wage by County:**

Job 1: Alameda \$16.25, Fresno \$14.90, Los Angeles \$16.04, Sacramento \$15.59, San Bernardino \$14.90 and San Joaquin \$14.90.

Job 2: Fresno and San Joaquin \$11.17.

Job 3: Fresno \$9.14.

**Health Benefits:**  Yes  No This is employer share of cost for healthcare premiums – medical, dental, vision.

**Used to meet the Post-Retention Wage?:**  Yes  No  Maybe

\$1.95 per hour may be used to meet the Post-Retention Wage for Job Numbers 1 - 3.

**Wage Range by Occupation**

Occupation Titles	Wage Range	Estimated # of Trainees
Administrative Staff		24
Sales Staff		34
Production Staff (Job No. 1)		41
Production Staff (Job No. 2)		25
Production Staff (Job No. 3)		22
Mechanic		21
Warehouse Staff (Job No. 1)		8

Warehouse Staff (Job No. 2)		8
Warehouse Staff (Job No. 3)		5
Driver (Job No. 1)		11
Driver (Job No. 2)		5
Maintenance Staff		5
Engineer		3
Manager		7
Supervisor		14

## **INTRODUCTION**

Established in Fresno in 1868, Betts Company, (Betts) [www.betts1868.com](http://www.betts1868.com), is a sixth generation family owned business. Prior to the 1900's, Betts manufactured steel springs for carriages, streetcars, and wagons of every kind. As the automotive industry developed, Betts was at the forefront of development and manufacturing of springs for the automobile.

Currently, Betts services a multitude of industries through three divisions – Spring Manufacturing, Truck Parts and Service, and Vehicle Component Manufacturing. The industries served include: trucking, automotive, agriculture, oil and gas, mining, military, and construction. Approximately 37% of Betts' products are sold to out-of-state businesses such as Freightliner, Volvo, Mack, and Kenworth.

Betts is eligible for standard retraining under the out-of-state competition provisions for industrially classified manufacturers retraining current employees.

## **Need for Training**

Betts' main goal is to remain competitive with out-of-state competition and to retain their reputation for quality and service. To improve competitiveness, Betts has made substantial investments into new equipment and software. The new equipment and software will foster improvements in efficiency, increase productivity, and allow staff to react faster to customer needs.

During the prior ETP contract, Betts focused on Phase 1 of a lean transformation program. All Phase 1 training was completed during the prior contract or after retention. In the current proposal, Betts plans on instituting a more advanced, Phase 2, lean transformation program. Phase 2 will further develop staff production efficiencies and allow for added waste reduction. To support the rollout of the Phase 2 lean transformation, Betts has purchased a new Enterprise Resource Planning (ERP) system which will allow for greater control of inventory. The ERP system will be in use by the beginning of 2015. Training in this proposal will not duplicate the training in Bett's prior contract as Phase 2 is more advanced and will build on the Phase 1 training.

In addition to the new software, Betts has purchased new machinery including a brake press, robotic welder, and grinder. This machinery will be installed in the 4<sup>th</sup> quarter 2014 and will be used in production during the 1<sup>st</sup> quarter 2015. A new coiler machine will also be purchased in the 4<sup>th</sup> quarter of 2015 and will be used in production by the end of the quarter. The cost of the new machinery is approximately \$1.425 million.

Training will take place at one of the multiple Betts facilities located throughout California including: Fresno, Manteca, Fontana, Sacramento, San Leandro, and Santa Fe Springs.

### **Retrainee - Job Creation**

In support of job creation, the Panel offers incentives to companies that commit to hiring new employees. Training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

Betts has committed to hiring 27 new employees (Job Number 3). Trainees must be hired within the three-month period prior to Panel approval or during the term of contract. These trainees will be hired into "net new jobs" as a condition of contract.

Betts is in a tremendous growth mode which is requiring the Company to add new equipment in the amount of \$1.5 Million to increase capacities and expand services, which subsequently will require the addition of 27 New Hire employees during the course of this contract. Betts is aggressively taking steps to secure a larger market share. In May of 2012, Betts started contract ET12-0403 with 157 fulltime employee trainees. The number of fulltime employees to be trained in this proposal is 233, with future new hires causing the number to possibly increase further.

## **PROJECT DETAILS**

### **Training Plan**

Betts will provide between 8-200 hours of Class/lab and between 0-10 hours of Productive Lab training.

**Business Skills (10%):** Training will be offered to Administrative Staff, Sales Staff, Managers and Supervisors. The focus of training will be on the identification of customer needs and the management of the business short and long term. Training course topics will include Total Account Development, Fiscal Management Strategies, Strategic Planning, and Growth Management.

**Computer Skills (20%):** Training will be offered to all occupations. The focus of computer skills training will center on the Company's new ERP system to promote better decision making and planning. Administrative Staff, Engineers, Production Staff, Managers and Supervisors will also receive job specific software training to improve production efficiency, quality, and customer service. Training topics will include ERP, SolidWorks, CRM, ADP HR Software and Advanced Microsoft Office.

**Continuous Improvement (10%):** Training will be offered to all occupations as Betts will be starting Phase 2 of a lean transformation program. Phase 2 will build on the training received in the prior ETP contract. The training will focus on advanced concepts of defect reduction to improve production capabilities. Training will include Advanced Quality Control.

**Manufacturing Skills (30%):** Training will be offered to all occupations and will expand on the training received in Phase 1 (prior contract) of lean manufacturing training. The lean Manager will lead the Phase 2 training which will focus on lean concepts and principles, process mapping, kaizen, and waste identification and reduction. Manufacturing Skills training course topics are Advanced Lean Manufacturing (Phase II) and Production Equipment Operation and Maintenance.

**Management Skills (10%):** Training will be offered to Managers, Supervisors and Management trainees. The training will focus on enhancing the skills of Managers and Supervisors regarding their ability to create a productive work atmosphere motivate staff,

positively lead staff, and coach staff. Training will include Leadership, Coaching, Motivation, Facilitating a Collaborative Work Culture, and Supervisor Development.

**Literacy Skills (10%):** Training will be offered to Production Staff, Warehouse Staff, Drivers and Mechanics to bridge the communication gap in the workplace. For many Betts employees English is their second language and it is common that an interpreter is needed. Supervisors will assess staff members training needs and a credentialed ESL instructor will be brought in to Betts to train staff in commonly used terms in the workplace and on workplace directions. Training course topics will include Vocational ESL, Basic Math, Reading and Comprehension Skills.

### **Productive Laboratory**

Training will be offered to all Production Staff and job specific Managers and Supervisors. PL training will supplement Class/Lab training to strengthen employees' understanding of how to perform equipment/operations related tasks. At a total cost of approximately \$1.3 million, Betts has purchased a hydraulic brake press, robotic welder, coiler and grinder. Staff will receive hands on training in the operation of the above stated machinery.

Incumbent workers in Job Number 1 and Job Number 2, and newly hired employees in Job Number 3 will receive between 0-20 hours of PL training.

The trainer will be an expert in the course topic and will provide demonstration of the process prior to observing the trainee perform the task. Coaching and mentoring will be provided by the trainer until the trainee has been determined to be competent in the area. During PL training, production is expected to decrease by 20-30% and items that have been determined defective by quality control will be scrapped.

The trainer-to-trainee ratio for PL training will not exceed 1:2. Betts is requesting this higher trainer-to-trainee ratio to increase the efficiency of the technical training. Each piece of machinery that PL training will take place with is new to the business and staff have no experience with their operation. In addition, a group of 2 trainees may encounter a different issue during PL training and will be able to learn from each other's experiences.

### **Commitment to Training**

Betts currently has an annual training budget of \$75,000 which includes state mandated safety training, new employee orientation and sexual harassment prevention training.

Betts represents that ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

### **High Unemployment Area**

The 38 trainees (Job Number 2) and 37 trainees (Job Number 3) work in a High Unemployment Area (HUA), a region with unemployment exceeding the state average by at least 25%. The Company's locations in Fresno and San Joaquin Counties qualify for HUA status under these standards.

Betts is requesting a wage modification to \$11.17 per hour for 38 trainees in (Job Number 2) and to \$9.14 for 37 trainees in (Job Number 3).

## **Temporary to Permanent Hiring**

A portion of the trainees in Job Number 3 (12 trainees of 27) come under Panel guidelines for “temporary to permanent” employment. Betts has retained these employees through a temporary agency, with the intention of hiring them into full-time, permanent positions after training.

These trainees must be determined eligible to participate in ETP-funded training before the start of training, while on payroll with the temporary agency. However, the retention and post-retention wage requirements cannot be satisfied until after they have been hired by Betts. Until then, Betts will not receive progress payments.

### **RECOMMENDATION**

Staff recommends approval of this proposal.

### **PRIOR PROJECTS**

The following table summarizes performance by Betts under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET12-0403	Fresno	05/28/12- 05/27/14	\$169,560	\$107,968 (64%)

ET12-0403 – Betts only completed 64% of the approved contract amount. The contractor’s underperformance was in large part caused by not having a training schedule for all training locations. There was a lack of communication between department heads, which caused training inconsistencies throughout the company. It also proved difficult to implement training in the smaller locations statewide with trainers being located at the headquarters in Fresno.

Betts has remedied the situation by developing a comprehensive training plan for all locations. Trainers will travel to the outlying locations on set dates to provide training. In addition, Betts will train staff that is not located at headquarters using videoconference.

With experience gained from the first contract, a comprehensive training schedule, a set person in charge of coordinating ETP approved training and the use of videoconferencing technology to make training easier to deliver, Betts expects to complete 100% of the requested funding. Betts Company’s Production Manager is coordinating all ETP training and has been in constant contact with department heads to set training dates. Betts has assigned an internal representative to assist the Production Manager with the ETP administrative responsibilities. The representative will work directly with the administrative subcontractor who handled the administrative duties on the prior contract.

At this time, all training dates have not been set in stone as much of the training depends on when the new machinery is delivered, which will be between December 2014 and April 2015. Training at the outset of this proposal is expected to be intense due to the new equipment.

### **DEVELOPMENT SERVICES**

Betts retained Strategic Business Solutions LLC in Visalia to assist with development of this proposal for a flat fee of \$5,750.

**ADMINISTRATIVE SERVICES**

Betts also retained Strategic Business Solutions LLC to perform administrative services in connection with this proposal for a fee not to exceed 13% of the payment earned.

**TRAINING VENDORS**

To be determined

**Exhibit B: Menu Curriculum****Class/Lab Hours**

8-200

Trainees may receive any of the following:

**BUSINESS SKILLS**

- ❖ Total Account Development
- ❖ Fiscal Management Strategies
- ❖ Strategic Planning
- ❖ Growth Management

**COMPUTER SKILLS )**

- ❖ ERP System Training
- ❖ SolidWorks Software Training
- ❖ CRM (Customer Relationship Management) Software
- ❖ Advanced Microsoft Office
- ❖ ADP HR Software

**CONTINUOUS IMPROVEMENT**

- ❖ Advanced Quality Control Training

**MANUFACTURING SKILLS**

- ❖ Advanced Lean Manufacturing (Phase II)
- ❖ Production Equipment Operation and Maintenance

**MANAGEMENT SKILLS**

- ❖ Leadership Skills
- ❖ Coaching Skills
- ❖ Motivational Skills
- ❖ Facilitating a Collaborative Work Culture
- ❖ Supervisor Development

**LITERACY SKILLS**

- ❖ Vocational ESL
- ❖ Basic Math, Reading & Comprehension Skills
- ❖ English as a Second Language (ESL)

Literacy Training cannot exceed 45% of total training hours per-trainee  
Safety Training cannot exceed 10% of total training hours per-trainee

**E-Learning Hours**

0-200

**COMPUTER SKILLS**

- ❖ ERP System Training
- ❖ SolidWorks Software Training
- ❖ CRM (Customer Relationship Management) Software
- ❖ Advanced Microsoft Office
- ❖ ADP HR Software

**CONTINUOUS IMPROVEMENT**

- ❖ Advanced Quality Control Training

**MANUFACTURING SKILLS**

- ❖ Advanced Lean Manufacturing (Phase II)
- ❖ Production Equipment Operation and Maintenance

**MANAGEMENT SKILLS**

- ❖ Leadership Skills
- ❖ Coaching Skills
- ❖ Motivational Skills
- ❖ Facilitating a Collaborative Work Culture
- ❖ Supervisor Development

**Productive Lab Hours**

0-20

**PL MANUFACTURING SKILLS (1:2 Ratio)**

- ❖ Hydraulic Brake Press – 230PF+10
  - Set-up & Calibration (2 hours)
  - Brake Press Operation to meet Quality Control Standards (3 hours)
  - Brake Press Maintenance (1 hour)
- ❖ Coiler – Waffios FSE-93
  - Programming of Electric Controls (3 hours)
  - Coiler Operation to meet Quality Control Standards (5 Hours)
  - Coiler Maintenance (1 hour)
- ❖ Grinder – Bennett EG-36H
  - Grinder Setup and Calibration (1 hour)
  - Grinder Operation to meet Quality Control Standards (2 hours)
  - Changeover and Maintenance (1 Hour)

- ❖ Robotic Welder
  - Robotic Welder Setup and Calibration (1 hour)
  - Robotic Welder Operation to meet Quality Control Standards (2 hours)
  - Changeover and Maintenance (1 Hour)

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. PL is capped at 20 hours per-trainee.