



RETRAINEE - JOB CREATION

Training Proposal for:

Headway Technologies, Inc.

Agreement Number: ET16-0226

Panel Meeting of: November 5, 2015

ETP Regional Office: San Francisco Bay Area

Analyst: R. Jackson

PROJECT PROFILE

Contract Attributes:	Priority Job Creation Retrainee	Industry Sector(s):	Manufacturing Technology/IT Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Santa Clara	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: 702	U.S.: 702	Worldwide: 702
<u>Turnover Rate:</u>	1%		
<u>Managers/Supervisors:</u> (% of total trainees)	1%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$674,940		\$94,311 (Job 1: 15%)	\$0		\$580,629

In-Kind Contribution:	100% of Total ETP Funding Required	\$750,000
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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	Mfg. Skills, Computer Skills, Cont. Imp., Business Skills, PL-Mfg. Skills	499	8-200	0-8	*\$1,071	\$16.44
				Weighted Avg: 70			
2	Job Creation Retrainee Priority Rate	Mfg. Skills, Computer Skills, Cont. Imp., Business Skills, PL-Mfg. Skills	30	8-200	0-8	\$1,540	\$13.70
				Weighted Avg: 77			

*Reflects Substantial Contribution

Minimum Wage by County: Job Number 1: \$16.44 in Santa Clara County
 Job Number 2 (Job Creation): \$13.70 in Santa Clara County
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
 Up to \$2.75 per hour may be used to meet the Post-Retention Wage in Job Number 1 and up to \$2.70 per hour in Job Number 2.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1		
Administrative Staff		
Production Staff		
Technicians		
IT Staff		
Technical Director		
Supervisor		
Manager		
Job Number 2		
IT Staff		
Technical Director		
Supervisor		
Manager		
Administrative Staff		
Production Staff		
Technicians		

INTRODUCTION

Founded in 1994 and based in Milpitas, Headway Technologies, Inc. (Headway) (www.headway.com) designs and manufactures recording heads for high performance hard disk drives used in laptops, portable computers and computer servers. This process utilizes giant magneto-resistive technology, the industry's current standard. Headway continues to research and develop the next generation of disk drives to maintain large customer accounts with Toshiba, Seagate and HGST.

The Company has four locations in Milpitas where the proposed class lab and productive lab training will take place for both incumbent workers and newly hired staff.

PROJECT DETAILS

Prior ETP Projects

This is Headway's fourth ETP Agreement in the previous five-year period. The most recent ETP Agreement (ET14-0257) terminates in February 2016, but all training has been delivered. That Agreement funded training on design, marketing and manufacturing of new-generation of data storage devices. According to Headway, emerging technology continues to require constant training and a high level of investment in new tools. ETP funding will help improve production speed to delivery, increase efficiency, and boost customer satisfaction to remain competitive. Additionally, multiple manufacturing lines are expected to transition to 24-hour production lines.

The proposed training focuses on training newly hired staff and select incumbent workers on Manufacturing Skills. This proposal assists Headway in reaching their efficiency and cross training goals related to increasing production line activities, and decreasing waste. The proposal also reinforces continued hiring and intensive training to meet demands for highly-skilled technical workers in their Milpitas location. Incumbent workers (Job Number 1) will receive customized coursework that was not delivered under any previous ETP-funded program.

Retrainee – 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 (\$20 per hour) and trainees will be subject to a lower post-retention wage. Headway has committed to hiring 30 new employees (Job Number 2). Trainees must be hired within the three-month period prior to Panel approval or during the term of contract.

Over the past year, Headway's workforce has grown to some 700 full-time employees. The Company recently completed the installation of a 14,700 square foot clean room space and purchased new production equipment and software (estimated value of \$3,150,000). Headway expects to add at least 30 more net new jobs over the next 21 months at its Milpitas facilities to handle company growth.

Training Plan

Headway's training will be delivered via Classroom/laboratory, Computer-Based Training (CBT), and Productive Lab (PL). Trainees will receive up to 200 hours of training (60 PL per trainee).

Business Skills (5%): Training will be offered to Technicians, Supervisors, Managers, Technical Director, Administrative, Production and IT Staff to increase worker knowledge with leadership, products, improve accounting, increase customer satisfaction and improve

marketing. Training will also include Strategic Planning, Customer Satisfaction and Project Management.

Computer Skills (10%): Training will be offered to Engineers, Managers, Supervisors, IT and Administrative Staff. Topics include Intermediate and advanced MS Office, Software Programming, Windows 10, and Enterprise Resource Management. Training will enable workers to create databases, spreadsheets, reports, charts, graphs and professional presentation materials needed for clients. The training will also provide an understanding of customer product management software, and includes database tools and analysis tools for Engineers. IT Staff specifically needs training related to supporting the software in use.

Manufacturing Skills (75%): Training will be offered to Production Staff, Technicians, Leads, Supervisors, Managers and Engineers. Topics include Product Repair, New Product Design, and Troubleshooting. The Company will offer some training across occupations to build and maintain specialized manufacturing skills.

Continuous Improvement (10%): All occupations will receive training applicable to their department and job function to develop efficiency through High Performance Work Teams initiative trainings. Staff will be able to make decisions and take immediate action, resulting in a greater attention to detail, error reduction and a reduction in customer response time. Lean Manufacturing, ISO 14001/9001, leadership training will also be provided to ensure quality standards are met for various customer and industry requirements.

Computer-Based Training

Headway's training program was developed to also include CBT in Continuous Improvement. Through CBT, trainees will train at their own pace which will be provided prior to or subsequent to a Classroom/Instructor-Led training to ensure learning/skills transfer has occurred. Trainees may receive up to 8 hours of CBT training. CBT will not exceed 50% of total training hours per trainee.

Productive Lab

The Panel recently adopted regulations to authorize reimbursement for training delivered in a PL setting. PL trainees may produce goods for profit as part of the training in the courses identified under the Curriculum. The instructor must be dedicated to training delivery during all hours of training. Headway states an estimated 325 Production Staff trainees will receive PL from experienced operators to operate equipment and produce disk drive components.

Trainees will receive up to 60 hours of PL, with a 1:1 trainer-to-trainee ratio. CBT and PL methods of training offer additional ways to deliver training to obtain expertise needed. Headway estimates that the Company delivers up to 250 PL hours annually to Production Staff. However, this request for up to 60 hours per trainee is specifically related to training needed to operate new equipment and processes. Many of the machines require competency before they can be safely operated independently. Certifications for operating new machines such as PVD03 & 04 (Pressure Vapor Deposition), Mask Tracking System, Atomic Layer Deposition will likely increase productivity, help avoid personal injury or decrease damages to products.

PL training is primarily focused on skill upgrades and cross-training to support production goals such as decreasing error rates, reduce re-work schedules, increasing the speed to order completion, and implementing 24 hour production line operations.

Technical Directors

The eleven Technical Directors identified in the Wage Range by Occupation table are actually frontline employees who work primarily as project managers. They are not considered executive-level staff and do not set company policy. Therefore, they are eligible to be included as trainees.

Commitment to Training

Headway's annual training budget is \$250,000. The Company's training covers new hire orientation, compliance training, health and safety, basic computer skills and department specific training requests.

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

➤ Training Infrastructure

Headway has a structured training department with two dedicated internal Administrators and over 100 in-house trainers. The majority of the training is scheduled to be delivered in-house.

Impact/Outcome

Certifications will be issued for operating new machines such as PVD03 & 04 (Pressure Vapor Deposition), Mask Tracking System, Atomic Layer Disposition.

Temporary to Permanent Hiring

Some of the trainees in Job Numbers 1 & 2 may come under Panel guidelines for "temporary to permanent" employment. The number of such employees is relatively small in proportion to the total trainee population. The Company retains 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. The retention and post-retention wage requirements cannot be satisfied until after they have been hired by the Company. Until then, the Company will not receive progress payments for these individuals.

Substantial Contribution

Headway is a repeat contractor with payment earned in excess of \$250,000 within the past five years at its facilities in Milpitas. Accordingly, reimbursement for trainees in Job Number 1 will be reduced by 15% to reflect the Company's \$94,311 Substantial Contribution to the cost of training. In accordance with ETP guidelines, Job Creation (Job Number 2) is not subject to substantial contribution requirements.

RECOMMENDATION

Staff recommends approval of this proposal.

ACTIVE PROJECTS

The following table summarizes performance by Headway under an active ETP Agreement:

Agreement No.	Approved Amount	Term	No. Trainees (Estimated)	No. Completed Training	No. Retained
ET14-0257	\$336,540	2/3/14 – 2/2/16	225	225	225

Based on ETP Online Systems, 17,601 reimbursable hours have been tracked sufficient to support earnings of \$322,266 (96% of approved amount).

PRIOR PROJECTS

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

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET13-0135	Milpitas (4 locations)	9/10/12 – 9/09/14	\$99,538	\$99,538 (100%)
ET10-0199	Milpitas (4 locations)	9/28/09 – 9/27/11	\$156,240	\$57,660 (37%)

During the first ETP Agreement (ET10-0199) Headway experienced turnover of Administrative Staff and consequently did not pursue the ETP program until the last six months of the Agreement. This affected the amount of ETP eligible training delivered and tracked. Subsequent agreements have shown the Company now understands the importance of maintaining administrative support and earnings have been consistently strong.

DEVELOPMENT SERVICES

California Training Administration in San Jose assisted with development for a flat fee of \$2,500.

ADMINISTRATIVE SERVICES

California Training Administration will also perform administrative services for a fee not to exceed 13% of payment earned.

TRAINING VENDORS

- Computer Magic, in San Jose, will provide Computer Skills for a flat fee of \$7,500.
- San Jose City College, in San Jose, will provide Continuous Improvement for a flat fee of \$5,500.
- TeamWorx, in Sacramento, will provide Continuous Improvement for a flat fee of \$4,700.

Other trainers will be identified for ETP record-keeping purposes once they are retained.

Exhibit B: Menu Curriculum

Class/Lab Hours

8-200 Trainees may receive any of the following:

MANUFACTURING SKILLS

- Engineering Process Concepts
- Writer Process Development
- Lean Manufacturing
- Magnetic Head Technology
- Equipment Maintenance
- Material Handling
- New Product Design/Development
- Operating Production Equipment
- Product Repair/Inspection
- Production/Processes/Assembly
- Change Control Notification
- Troubleshooting/Testing/Reliability
- Warehouse Inventory Procedures

COMPUTER SKILLS

- Manufacturing Information System
- Microsoft Tools Excel & Word (Intermediate/Advanced)
- Microsoft Access, Project Tools, Dynamics
- Automatic Data Processing Software
- Document Change Order System
- Enterprise Resource Management System
- Software Programming/Database
- Engineering and Development Tools
- Windows 10 Operating Systems

CONTINUOUS IMPROVEMENT

- ISO 14001/ISO 9001
- High Performance Work Teams
- Root Cause Analysis
- Problem Solving
- Product/Process Improvement
- Writer SPC
- Team Meetings for Process Improvement
- Handling Difficult Situations--Conflict Management
- Leadership/Coaching Skills

BUSINESS SKILLS

- Effective Communications
- Customer Satisfaction
- Headway Product Knowledge
- Managing Projects, Products, Customers
- Presentation Skills (Technical/Non-Technical)
- Strategic Planning
- Technical Training Delivery Skills (Train-the-Trainer)

Productive Lab Hours

0 - 60

MANUFACTURING SKILLS (1:1 Ratio)

- Equipment Maintenance
- Material Handling
- New Equipment Knowledge/Certification
- Operating Production Equipment
- Production/Processes/Assembly
- Troubleshooting/Testing/Reliability/Repair/Inspection

CBT Hours

0 - 8

CONTINUOUS IMPROVEMENT

- Basics 1 – Leadership (1 hr.)
- Basics 2 – The Customer is the Business (1 hr.)
- Basics 3 – Leader vs. Independent Contributor (1 hr.)
- Basics 4 – Communicating with Management (1 hr.)
- Basics 7 – Handling Difficult Situations (1 hr.)
- Basics 10 – Your Influence Potential (1 hr.)
- Basics 11 – Coaching Style Flexibility (1 hr.)
- Basics 12 – Initiative and Delegation (1 hr.)

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. CBT is capped at 50% of total training hours, per trainee. PL is capped at 60 hours per-trainee.