

**DELEGATION ORDER**



**Retrainee - Job Creation  
Training Proposal for:  
Hollywood Bed & Spring Mfg. Co., Inc.**

**Small Business ≤ \$50,000**

**ET15-0421**

**Approval Date:** April 15, 2015

**ETP Regional Office:** North Hollywood      **Analyst:** E. Fuzesi

**CONTRACTOR**

- Type of Industry: Manufacturing  
Priority Industry:  Yes  No
  
- Number of Full-Time Employees  
California: 80  
Worldwide: 80  
Number to be trained: 97  
Owner  Yes  No
  
- Out-of-State Competition: NAICS Code Eligible
- Special Employment Training (SET):  Yes  No
- High Unemployment Area (HUA):  Yes  No
- Turnover Rate: 5%
- Repeat Contractor:  Yes  No

**FUNDING**

- Requested Amount: \$20,176
- In-Kind Contribution: \$18,594

**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 SB <100 Priority Rate	Business Skills, Computer Skills, Cont. Impr., Manufact. Skills	44	8-60 Weighted Avg: 8	0	\$208	\$15.97
2	Retrainee SB <100 Priority Rate HUA	Business Skills, Computer Skills, Cont. Impr., Manufact. Skills	36	8-60 Weighted Avg: 8	0	\$208	\$11.98
3	Retrainee SB <100 Priority Rate Job Creation Initiative	Business Skills, Computer Skills, Cont. Impr., Manufact. Skills	9	8-60 Weighted Avg: 8	0	\$208	\$13.31
4	Retrainee SB <100 Priority Rate Job Creation Initiative HUA	Business Skills, Computer Skills, Cont. Impr., Manufact. Skills	8	8-60 Weighted Avg: 8	0	\$208	* \$9.98

\* The trainees will never be paid less than the statewide minimum wage in effect at the end of retention (Final Payment) regardless of the wages expressed in this table.

- Reimbursement Rate: Job #'s 1-4: \$26 SB Priority
- County(ies): Los Angeles
- Occupations to be Trained: Accounting Staff, Customer Service Staff, Production Staff, Supervisor/Manager
- Union Representation:  Yes  
 No
- Health Benefits: Job #'s 1 - 3: \$3.00 per hour Job #4: \$0.98 per hour

**SUBCONTRACTORS**

- Development Services: JVS Business Development (JVS) in Marina del Rey assisted with development for a flat fee of \$2,000.
- Administrative Services: JVS will also provide administrative services for the amount not to exceed 11.5% of payment earned.
- Training Vendors: To Be Determined

## **OVERVIEW**

Founded in 1925, Hollywood Bed & Spring Mfg. Co., Inc. ([www.hollywoodbed.com](http://www.hollywoodbed.com)) (Hollywood Bed) is a manufacturer and distributor of quality bedding support products including bed frames, bases, rails, supports, and accessories. Headquartered in Commerce, the Company's customer base includes many retail home furnishing and hospitality companies worldwide. This will be Hollywood Bed's second ETP Agreement.

Over the past few years, the bedding industry has become highly competitive, encountering competition from numerous manufacturers in both domestic and foreign markets. As such, Hollywood Bed is continually subject to the risk of losing market share and customers. Consolidations within the industry have magnified these competitive risks; therefore, attracting new customers is key importance to remain competitive. Hollywood Bed invests significant time and resources in research and development to improve its product offerings and introduce new product lines.

Hollywood Bed recently implemented an Enterprise Resource Planning System (ERP) to improve business efficiencies, and control costs. This is especially important because the volume of Internet orders is increasing, and customers are demanding faster shipping. ERP will expedite order processing by linking and automatically downloading orders to the Company's database.

### **Retrainee - Job Creation**

The Panel offers incentives to companies that commit to hiring new employees. Under the Retrainee-Job Creation program, newly-hired employees will be subject to a lower post-retention wage.

In this proposal, Hollywood Bed has committed to hiring 17 new employees as shown in Job Numbers 3 and 4. Hollywood Bed represents that the date-of-hire for all trainees in the Job Creation program will be within the three-month period before contract approval or within the term-of-contract. The Company also represents that these trainees will be hired into "net new jobs" as a condition of the contract.

With the introduction of the Company's newest patent-pending product, the E3 Bed Frame, production demands have increased to unanticipated levels. Hiring of new staff is needed to keep up with demand. Training is needed to keep the workflow demands manageable and enhance employee-skill sets to meet Company expectations.

### **Modifications**

#### **High Unemployment Area**

All trainees in this proposal work in a High Unemployment Area (HUA). This is a region with unemployment exceeding the state average by at least 25%. The determination of HUA status is based on unemployment data from the Labor Market Information Division of the Employment Development Department. The Company's facility in the city of Commerce qualifies for HUA status under these standards, for trainees in Job Numbers 2 and 4.

#### **➤ Wage Modification**

The Panel may modify the ETP Minimum Wage by up to 25% for training in a HUA. Hollywood Bed is requesting this wage modification to \$11.98 in Job number 2, and \$9.98 in Job Number

4, so that lower wage Production Staff trainees can be included in the contract. In Job Number 2, post-retention wages will have to exceed the start-of-training wages. This wage increase does not apply to Job Number 4 (Job Creation).

### **Temporary to Permanent**

Some trainees in Job Numbers 3 and 4 (Job Creation) come under Panel guidelines for “temporary to permanent” employment. Hollywood Bed 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. (Unemployment Insurance Code Section 10201(c).) However, the retention and post-retention wage requirements cannot be satisfied until after they have been hired by Hollywood Bed. Until then, Hollywood Bed will not receive progress payments.

In addition, some of the trainees, both incumbent workers in Job Numbers 1 and 2, and Job Creation, will be employed on a part-time basis during the start of training. Hollywood Bed is aware that retention and post-retention wage requirements cannot be satisfied until the trainee has been placed into a full-time permanent position, and progress payments cannot be invoiced until then.

### **Training Plan**

**Business Skills** (10%) – Training will be offered to Customer Service Staff and Supervisor/Manager occupations to enhance staff’s communication skills and industry knowledge, to provide excellent service to customers and ultimately close the sale.

**Computer Skills** (40%) – Training will be provided to all staff, as the new ERP system will impact all departments throughout the organization. These modules will cover inventory control, sales, finance, order entry, billing, accounting, and quality control. Electronic Data Interface (EDI) will introduce trainees to the new software interface helping them process orders more efficiently. In addition, advanced Microsoft Office skills will be delivered to employees tasked with writing correspondence, maintaining databases, and generating reports.

**Continuous Improvement** (10%) – Training will be provided to Production Staff and Managers/Supervisors focusing on the principles of Six Sigma, trainees will learn new processes, measures, and problem solving methods that promote sustainable quality improvements, minimize downtime and quality control issues.

**Manufacturing Skills** (40%) – Training will be provided to Production Staff. This training will cover Lean Manufacturing techniques, teaching trainees how to apply critical thinking skills to eliminate wasteful practices, and reduce defects. Cross training in Tool and Die Making will help trainees create the molds for the bedframes. Equipment Operation and Maintenance training will contribute to keeping the business operational to accommodate high customer demands.

### **Impact/Outcome**

Hollywood Bed’s goal, by establishing and maintaining consistency in providing training, is to help trainees learn to perform better, faster, and more efficiently by gaining classroom and hands-on experience in a structured setting. The training outcome will generate a stronger, more productive company with cross-trained employees, updated skills, and stronger teams.

**RECOMMENDATION**

Staff recommends approval of this proposal.

**PRIOR PROJECTS**

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

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET13-0155	Commerce	09/19/12- 09/18/14	\$90,558	\$20,306 (22%)

Hollywood Bed reports that low performance was due to the unexpected business impact training on its proprietary E3 BedFrame. This product became very successful in a short period of time, generating a large increase in production demand and sales. This necessitated hiring 50 part-time employees, who received a large number of training hours, but were not eligible for reimbursement by ETP. Many of those employees are now full-time staff. Hollywood Bed is planning on converting more part-time employees into full-time status during the upcoming project.

In order to ensure the success of the proposed contract, Hollywood Bed has implemented administrative tools to help document training. Now that the Company has adjusted to higher production demands by expanding its workforce, these tools will help organize the training process by creating structure and increase accountability company-wide:

- A set training schedule will be published for department heads and supervisors providing dates and times of training sessions;
- Creating a systemized formal training and record keeping process;
- Part of managers' evaluation process will be to make sure their teams receive the necessary training;
- Set up training progress evaluation meetings with leadership and solicit their input to ensure training success.

## **Exhibit B: Menu Curriculum**

### **Class/Lab Hours**

8-60 Trainees may receive any of the following:

#### **BUSINESS SKILLS**

- Customer Service

#### **COMPUTER SKILLS**

- Electronic Data Interface (EDI)
- Epicor: ERP
- MS Office (Intermediate/Advance)

#### **CONTINUOUS IMPROVEMENT**

- Six Sigma
- Team Building

#### **MANUFACTURING SKILLS**

- Equipment Maintenance & Repair
- Forklift
- Lean Manufacturing
- Machinery/Equipment Operation
- Shipping
- Tool and Die Making

Note: Reimbursement for retraining is capped at 60 total hours per-trainee, regardless of method of delivery.
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