



RETRAINEE - JOB CREATION

Training Proposal for:

Michael Kors (USA), Inc.

Agreement Number: ET16-0291

Panel Meeting of: December 4, 2015

ETP Regional Office: North Hollywood

Analyst: E. Wadzinski

PROJECT PROFILE

Contract Attributes:	Retrainee Job Creation Initiative Priority Rate	Industry Sector(s):	Manufacturing Wholesale Trade Transportation/Logistics Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Los Angeles	Repeat Contractor:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 1,910	U.S.: 5,378	Worldwide: 7,528
<u>Turnover Rate:</u>	4%		
<u>Managers/Supervisors:</u> (% of total trainees)	10%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	=	(High Earner Reduction)	=	Total ETP Funding
\$503,520		\$0		\$0		\$503,520

In-Kind Contribution:	100% of Total ETP Funding Required	\$579,048
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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	Business Skills, Comm. Skills, Computer Skills, Cont. Imp., Literacy Skills, OSHA 10/30	370	8-200	0	\$576	\$15.97
Weighted Avg: 32							
2	Retrainee Job Creation Initiative Priority Rate	Business Skills, Comm. Skills, Computer Skills, Cont. Imp., Literacy Skills, OSHA 10/30	363	8-200	0	\$800	*\$13.31
Weighted Avg: 40							

*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 Number 1: \$15.97 per hour for Los Angeles County.

Job Number 2: \$13.31 per hour for Los Angeles County (Job Creation).

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 \$3.97 per hour may be used to meet the Post-Retention Wage for Job Number 1 and up to \$3.31 per hour for Job Number 2.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1		
Maintenance Mechanic		11
Cycle Counter		12
Clerk		55
Equipment Operators		108
General Labor		40
Lead		49
Professionals		35
Supervisor		24
Operations Supervisor		27
Operations Manager		9

Job Number 2- Job Creation		
Maintenance Mechanic		6
Cycle Counter		3
Clerk		85
Equipment Operator		162
General Labor		60
Lead		16
Supervisor		11
Operations Supervisor		18
Operations Manager		2

INTRODUCTION

Michael Kors (USA), Inc. (MKors) (www.michaelkors.com), established in 1981 produces a range of products by or under the signature of designer Michael Kors. The Company manufactures and sells Michael Kors labels that include the Michael Kors Collection and MICHAEL. These products include accessories, footwear, watches, jewelry, men's and women's ready-to-wear, eyewear and a full line of fragrance products. The Company operates their business in three segments (retail, wholesale and licensing) and has a controlled global distribution network focused on company-operated retail stores, leading department stores, specialty stores and select licensing partners.

MKors has added 133 company stores over the last three quarters. This expansion played a key role in driving the Company's record results in the third quarter of 2015. The primary driver behind MKors' strong performance was the 27.8% increase in comparable-store sales, a metric that measures customer traffic generated by its stores. This increase has led to growth and need for expansion of the Company's primary distribution and fulfillment center located in Whittier.

PROJECT DETAILS

MKors is increasing market share and experiencing significant growth. ETP funds will be used to train workers at MKors' primary distribution and fulfillment center. To accommodate growing product demand, the Company has invested an estimated \$3 million in expanding MKors' primary distribution and fulfillment facility. The expansion includes additional equipment and an increase in space by approximately 260,912 square feet at this facility. The new equipment and additional space is required to accommodate the Company's existing business growth, driving the need to add more jobs for existing job functions.

There is also a need to hire new employees for new functions, as MKors relocated their E-commerce functions from Columbus, Ohio to Whittier in October 2015. Managing E-commerce is a new function for MKors, as this part of the business was previously handled and operated by a third party logistics company in Ohio. This move will create 120 new positions in Whittier where training will take place.

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 and trainees will be subject to a lower post-retention wage.

MKors is investing an estimated \$3 million to expand its Whittier distribution and fulfillment facility. This investment will include increasing facility capacity to meet current and future production requirements. In addition, the Company has already begun repurposing some of its non-production space to accommodate anticipated manufacturing growth.

In this proposal, MKors has committed to hiring 363 new employees over the next two years (in Job 2) for both its new E-commerce business and expansion of its primary distribution center. MKors represents that the date-of-hire for 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 contract.

Training Plan

Training is needed to develop workers; however, the bulk of the training will be for newly created and transferred positions due to the relocation of MKors E-Commerce functions from Ohio to California. Employees will train on updated warehouse management applications and material handling equipment, which includes forklifts, electric pallet jacks, turrets, stand-up reach trucks and sit down propane reach forklifts. Training will also provide new skills to associates in receiving, order picking, packing, auditing and shipping. ETP funding will assist MKors achieve its training plan.

Business Skills (15%): Training will be provided to all occupations. Skills acquired will allow trainees to support all customers. Training in effective communication skills and customer service techniques will also provide skills to help improve communication, reduce order rework and increase customer satisfaction.

Commercial Skills (40%): Training will be provided to all occupations. New employees will receive training on warehouse processes, procedures, order selection, forklift operations, electric pallet jack operation and WMS Labeling Systems. Current employees will receive training on new equipment and upgraded systems.

Computer Skills (10%): Training will be provided to all occupations. Topics will include Warehouse Management Systems, Labor Management Systems, Inventory tracking, Data Analysis and MKors proprietary applications. New computer technology will provide employees with skills to respond to business needs more efficiently and effectively

Continuous Improvement (20%): Training will be provided to all occupations. Training will include High Performance Teams, Lean Thinking, Resolving Customer Problems and Team Communication. Training will focus on internal business systems and functionality by providing skills to create a more efficient business environment, improve quality and delivery times, and accurately meet customer orders and requests.

Literacy Skills (10%) - Training will be provided to Maintenance Mechanics, Cycle Counter, Clerks, Equipment Operators, General Labor and Leads. This training will enable employees with limited English skills to increase their speaking, listening, and comprehension skills in the workplace.

OSHA 10/30 (5%) - OSHA 10/30 is a series of courses "bundled" by industry sector and occupation. OSHA 10 will be provided to frontline Leads, General Labor, Maintenance Mechanics and Equipment Operators. OSHA 30 training will be provided to Operations Managers and Supervisors to ensure a safe work environment.

Temporary to Permanent

Based on production demand, MKors may hire temporary employees to fill production and administrative positions. Approximately 240 trainees from Job Numbers 1 & 2 qualify under Panel guidelines for “temporary to permanent” employment. MKors will retain 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 MKors has hired them. Until then, the Company will not receive progress payments.

Commitment to Training

MKors Company representative states it invests \$500,000 a year for training at the Whittier California facility. Currently the Company provides new hire orientation, sexual harassment prevention, basic computer and on-the-job training.

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

MKors Process Engineering Training Specialist will oversee project administration and the implementation of their training plan. In addition, the Company is currently in the process of retaining an outside administrative consultant to ensure that training documentation adheres to ETP requirements. Training will be delivered by in-house experts and outside vendors if needed.

The Company has a detailed training plan focused on process control and distribution processes. Upper management supports the planned training and is involved in the implementation process.

RECOMMENDATION

Staff recommends approval of this proposal.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

To Be Determined

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum

Class/Lab Hours

8-200

Trainees may receive any of the following:

BUSINESS SKILLS

- Communications and Active Listening
- Project Management
- Time Management
- Team Building
- Dealing with Conflict
- Customer Service
- Documentation and Reporting Forms
- Decision Making
- Setting Goals
- Product Knowledge

CONTINUOUS IMPROVEMENT

- High Performance Teams
- Inspection Procedures
- Process Improvement
- Project Management
- Leadership Skills
- Six Sigma

COMPUTER SKILLS

- Exception Orders
- Warehouse Management Systems
- Internal Proprietary Software
- Business Transformation
- Network Management
- File Maintenance
- Windows/Excel/Outlook (Intermediate/Advanced)

COMMERCIAL SKILLS

- Best Practices
- Barcoding
- Handheld Barcode Scanner Computerized Glove
- Order Processing
- Equipment Operation, Maintenance and Troubleshooting
- Tool Maintenance
- Building Customer Orders
- Operating Forklifts
- Operating Electric Pallet Jacks
- Order Selection Procedures
- Palletizing Products
- Product Handling
- Preferred Work Methods
- Labeling Systems

OSHA 10/30 (Certified OSHA Instructor)

- OSHA 10 (Requires Completion of 10 Hours)
- OSHA 30 (Requires Completion of 30 Hours)

LITERACY SKILLS*

- Vocational English as a Second Language
- Basic Workplace Terminology
- Introduction of Process Terminology
- Written Communications
- Understanding Manuals and Reports
- Basic Math
- Locating Information on Charts and Graphs

*Literacy Training cannot exceed 45% of total training hours per-trainee
Safety Training cannot exceed 10% of total training hours per-trainee (Safety Training cap does not apply to OSHA 10/30 or HAZWOPER)

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