

**DELEGATION ORDER**



**RETRAINEE - JOB CREATION**

**Training Proposal for:**

**St. George Warehousing & Trucking Co. of California, Inc.**

**Agreement Number: ET15-0453**

**Approval Date:** May 15, 2015

**ETP Regional Office:** North Hollywood

**Analyst:** E. Fuzesi

**PROJECT PROFILE**

Contract Attributes:	Retrainee Job Creation Initiative Priority Rate SET HUA	Industry Sector(s):	Transportation/Logistics Warehousing Wholesale Trade Services 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: 110	U.S.: 320	Worldwide: 320
<u>Turnover Rate:</u>	5%		
<u>Managers/Supervisors:</u> (% of total trainees)	0%		

**FUNDING DETAIL**

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	<b>Total ETP Funding</b>
\$99,960		\$0	\$0		\$99,960

<b>In-Kind Contribution:</b>	<b>100% of Total ETP Funding Required</b>	<b>\$81,900</b>
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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 SET Priority Rate	Business Skills, Computer Skills, Continuous Impr., HazMat, Literacy Skills, OSHA 10/30	9	8-200	0	\$1,512	\$21.75
				Weighted Avg: 84			
2	Retrainee SET HUA Priority Rate	Business Skills, Computer Skills, Continuous Impr., HazMat, Literacy Skills, OSHA 10/30	14	8-200	0	\$1,512	\$16.00
				Weighted Avg: 84			
3	Retrainee SET HUA Reduced Wage Priority Rate	Business Skills, Computer Skills, Continuous Impr., HazMat, Literacy Skills, OSHA 10/30	32	8-200	0	\$1,512	\$11.98
				Weighted Avg: 84			
4	Retrainee-Job Creation HUA Reduced Wage Priority Rate	Business Skills, Computer Skills, Continuous Impr., HazMat, Literacy Skills, OSHA 10/30	10	8-200	0	\$1,680	\$11.00
				Weighted Avg: 84			

**Minimum Wage by County:** Job Number 1, SET Priority Retrainee: \$20.55 statewide. Job Number 2, HUA Retrainee: \$15.97 for Los Angeles County. Job Number 3, HUA Retrainee Reduced Wage: \$11.98 for Los Angeles County. Job Number 4, HUA Retrainee-Job Creation Reduced Wage: \$9.98 for Los Angeles 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 \$0.98 per hour may be used to meet the Post-Retention Wage in Job Number 3.

**Wage Range by Occupation**

Occupation Titles	Wage Range	Estimated # of Trainees
<b>Job Number 1</b>		
Administration/Clerical Staff		4
Frontline Supervisor/Manager		5
<b>Job Number 2</b>		
Administrative/Clerical Staff		5
Frontline Supervisor/Manager		6
Warehouse Staff		3

<b>Job Number 3</b>		
Administrative/Clerical Staff		7
Frontline Supervisor/Manager		1
Warehouse Staff		24
<b>Job Number 4</b>		
Administrative/Clerical Staff		10

## **INTRODUCTION**

Founded in 1985, St. George Warehouse & Trucking Co. of California, Inc. (STG) is a subsidiary of St. George Logistics ([www.stgusa.com](http://www.stgusa.com)). St. George Logistics is a comprehensive logistics and warehouse service provider offering ocean and air container freight services, distribution and transportation. The parent company is headquartered in south Kearny, NJ, with 12 US facilities strategically located in close proximity to large ports and metropolitan areas. STG, located in Compton, is a United States Customs-bonded container freight station serving the Ports of Los Angeles and Long Beach offering warehousing and transportation tailored to fit customers' specific requirements. STG's clients include some of the world's largest freight forwarders, shipment consolidators, major US retailers, and specialty importers.

This is STG's first ETP contract. The Company's three commonly owned facilities in Compton and Santa Fe Springs in Los Angeles County will participate in this training. STG will hold the contract for itself, and will also be the lead employer for its two closely-affiliated entities: St. George Employee Leasing, Inc. co-located with STG in Compton, and St. George Distribution Corp. in Santa Fe Springs. St. George Distribution Corp. provides public warehouse operations servicing retailers with product pick up at the ports, storage and distribution across the United States. St. George Employee Leasing is the company under which the warehouse staff of STG is paid per their service agreement with STG, operating as a co-owner Professional Employed Organization.

Though classified as a priority industry, STG does not face out-of-state competition; therefore, the project will be funded under Special Employment Training (SET) provisions for frontline workers.

Recent industry changes have required the companies to focus on cost-cutting activities that are reshaping the nature of their services they offer. According to STG, clients are demanding greater transport efficiency due to the ongoing operational consolidation of major trade lines. These alliances bring high levels of utilization, low slot costs, and greater potential market share. More capacity in fewer hands has led to creative management techniques, new port drayage handling procedures, and the need to maximize terminal operations for shippers.

In response to these changes, STG has implemented new warehousing strategies. This includes overall inventory reduction; greater focus on employee performance; and investment in upgrading material handling systems, from the design phase to vendor selection.

In addition to these upgrades, STG operations must be more responsive to new order profiles, such as: more lines per order; fewer units per line; and smaller, more frequent orders. These new profiles result from the STG customer base shifting toward e-business and wholesale models.

Due to recent tax increases on imported cargo, STG revamped its own business model to focus more on local cargo. This shift requires training on local standards, productivity, and customer service.

### **Retrainee - Job Creation**

The Panel offers incentives to companies that commit to hiring new employees. Under the Retrainee-Job Creation program, training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

In this proposal, STG has committed to hiring 10 new employees in administrative/clerical positions as shown in Job Number 4. STG 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.

In addition to equipment purchases needed to meet customer increased demands, STG will also expand its services to include export consolidations. As a result, STG will increase its clerical workforce to ensure that the quality of service is met. These newly-hired workers are needed to support the strategic initiatives to become more efficient, and shift in business to be more competitive.

## **PROJECT DETAILS**

### **Training Plan**

Training will be delivered by in-house subject matter experts and/or training vendors based on specialty. The proposed training will take place at the Company's participating locations in Compton and Santa Fe Springs.

**Business Skills (20%)** – Training will be offered to all staff to improve daily interactions among staff and clients and to stand out from competitors in the market by offering superior service.

**Computer Skills (25%)** – Training will be offered to all occupations in order to upgrade and improve employees' skills in STG's new proprietary Cargo Manager Software so that staff can keep tabs on equipment and freight in real time, and keep the cargo moving. Some Warehouse Staff will be trained on processing orders via radio frequency devices enabling accuracy in handling cargo. Additional training will focus on MS Word/Excel to allow employees to produce reports for understanding key performance indicators.

**Continuous Improvement (25%)** – Training will be offered to all staff in order to improve and implement additional cost saving tools within the organization, and to reduce errors in cargo handling and shipping. Staff will be trained on new terminal operational and procedural changes, new internal cargo tracking and billing, and new customer requirements. Training will cover reporting milestone events such as vessel discharge, customs exams, and updating real-time cargo status. Quality Control will cover different types of packaging, how to read/understand cargo markings, how to stack/wrap packages on pallets to ensure proper handling with minimal errors. Teamwork will provide skills to enhance performance by working well with coworkers on completing assigned tasks. Leadership Skills will motivate employee performance. Productivity is required for proper handling of cargo receipts and shipping.

**Hazardous Materials (10%)** – Training will be offered to Warehouse Staff to ensure compliance with regulations, and employee safety when handling hazardous materials.

**Literacy Skills (10%)** – Training will be offered to Warehouse Staff to ensure employees' handling cargo understand the instructions provided, and can properly identify marks/numbers on cargo. Training will also improve communication between employees and supervisors.

### **OSHA 10/30 (10%)**

OSHA 10/30 is a series of courses "bundled" by industry sector and occupation. It consists of 10 hours for frontline workers and 30 hours for supervisors. This training is not required as a condition of doing business in California; however, the coursework must be approved by, and the instructors must be certified by Cal-OSHA. To ensure that each trainee receives certification, ETP will only consider payment earned upon completion of the full 10-hour or 30-hour course. OSHA 10/30 is not included in the 10% limitation on safety training.

For this project, OSHA 10/30 will be provided to Warehouse Staff and Frontline Supervisors to ensure compliance with regulations about emergency action plans, personal safety equipment, recordkeeping and reporting, and becoming safety leaders. The courses will cover accident prevention, emergency response procedures, and monitoring the work area to ensure compliance with safety guidelines.

### **Impact/Outcome**

The proposed ETP-funded training will help STG subsidize the high cost of training of new and incumbent staff. As a result of the training, trainees will be able to excel in their current jobs and become eligible for promotion. Effective cargo management will generate quality outcomes, reduce customer complaints, reduce errors, and increase total volume of cargo moved; thereby, increase profitability, reduce turnover, and sustain growth.

### **Commitment to Training**

STG represents that ETP funds will not displace the Company's 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.

STG's training budget is \$20,000 per facility. This includes training in state-mandated courses, company policies and procedures, safety, hazardous materials, forklift, and Cargo Manager Software. The proposed contract will allow STG to implement more training initiatives, and increase training efforts by allowing training on a larger scope.

### **Modification**

#### **SET Frontline Worker**

The Company uses several job classifications with a "supervisor" or "manager" in the title. These frontline supervisors do not have the ability to hire or fire, and they spend the majority of their work hours as frontline workers performing the same responsibilities as other employees in their occupation. Based on the nature and scope of their job duties, these employees are not exempt from overtime compensation. Therefore, they meet the Panel's definition of frontline workers. As such, 12 Frontline Supervisors will participate in training to be able to develop work teams and effectively coach and mentor team members.

## **High Unemployment Area**

56 trainees in this proposal work in a High Unemployment Area (HUA), a region with unemployment exceeding the state average by 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 location in Compton (Los Angeles County) qualifies for HUA status under these standards.

### **➤ Wage Modification**

The Panel may modify the ETP Minimum Wage by up to 25% for training in a HUA. STG is requesting this wage modification to \$16.00 in Job Number 2, and \$11.98 in Job Number 3. In Job Number 3, post-retention wages will have to exceed the start-of-training wages. STG is also asking for the HUA wage modification for trainees in Job Number 4 to \$11.00, in conformity with the Panel's Standards for Job Creation.

### **Temporary to Permanent Hiring**

10 trainees in Job Number 4 (Job Creation) come under Panel guidelines for "temporary to permanent" employment. STG 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 STG. Until then, STG will not receive progress payments.

### **Part-Time to Full-Time Employment**

Some of the trainees, both incumbent workers and Job Creation, will be employed on a part-time basis during the start of training. STG 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.

## **RECOMMENDATION**

Staff recommends approval of this proposal.

## **DEVELOPMENT SERVICES**

STG retained Jewish Vocational Services (JVS) in Marina Del Rey to assist with development of this proposal for a flat fee of \$7,950.

## **ADMINISTRATIVE SERVICES**

JVS will also perform administrative services in connection with this proposal for a fee not to exceed 13% of 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**

- Customer Service
- Over Short & Damaged (OSD) Reporting

#### **COMPUTER SKILLS**

- Cargo Manager
- MS Office (Intermediate/Advanced)
- Radio Frequency (RF)

#### **CONTINUOUS IMPROVEMENT**

- Cargo Handling Processes and Procedures
- Forklift
- Leadership for Frontline Workers
- Package Type Sorting
- Quality Control
- Team Work

#### **HAZARDOUS MATERIALS**

- Handling Hazardous Cargo
- Understanding Hazardous Placards

#### **LITERACY SKILLS**

- Vocational English as a Second Language

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

#### **OSHA 10/30 (certified OSHA Instructor)**

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

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