



# Workforce Santa Cruz County

## **WIOA Incumbent Worker Training (IWT) Policy**

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### **Policy Memorandum 18-05 Change 2**

Date: January 24, 2025

To: All WIOA Staff and Service Providers

Purpose: To provide guidance to staff and contractors (service providers) utilizing incumbent worker training services for eligible clients.

Rescissions: Policy Memorandum 18-05 (September 11, 2019)

References: Workforce Innovation and Opportunity Act (WIOA) (Public Law 113-128) Sections;  
122(h)&(i), 134(d)(4), 134(G)(ii), 134(c)(3)(H), and 194(4);  
Title 20 Code of Federal Regulations Sections 680.780 – 680.820;  
Training and Employment Guidance Letter (TEGL) 10-16, Change 1,  
Subject: Performance Accountability Guidance for WIOA Title I, Title II, Title III, and Title IV Core Programs (August 23, 2017);  
TEGL 19-16: Guidance on Services provided through the Adult and Dislocated Worker Programs under the Workforce Innovation and Opportunity Act (WIOA) and the Wagner-Peyser Act Employment Services (ES) as amended by title III of WIOA, and for Implementation of the WIOA Final Rules (March 1, 2017);  
California Unemployment Insurance Code Sections 14000-14530;  
Workforce Services Directive WSD18-10 (PDF), WIOA Training Expenditure Requirement, (January 31, 2019);  
WSD18-03 (PDF), Subject: Pathway to Services, Referral, and Enrollment (August 29, 2018);  
WSD17-08 (PDF), Subject: Procurement of Equipment and Related Services (March 14, 2018);  
WSD16-18 (PDF), Subject: Selective Service Registration (April 10, 2017);  
WSD16-16 (PDF), Subject: Allowable Costs and Prior Written Approval (February 21, 2017);  
Workforce Services Directive WSD16-15, Subject: Dislocated Worker Additional Assistance Projects (December 28, 2016);  
WSD16-13, Subject: Monthly and Quarterly Financial Reporting Requirements (November 28, 2016);  
WSD16-04, Subject: Rapid Response and Layoff Aversion Activities (July 22, 2016).  
WSD15-23 (PDF), Subject: Transfer of Funds – WIOA Adult/Dislocated Worker Programs (March 29, 2016);  
Workforce Services Information Notice WSIN12-31 (PDF), Subject: Assisting Employers in the New CalJOBS (February 15, 2013);

## **Background:**

Incumbent Worker Training (IWT) helps employers and workers strengthen skills and maintain a high-quality workforce. The program supports businesses by helping them keep skilled employees or prevent layoffs. It also helps workers qualify for promotions, opening up opportunities for new hires. To participate, employers must meet specific requirements, and they share in the cost of the training as outlined by WIOA guidelines.

## **Layoff Aversion Through Incumbent Worker Training:**

Incumbent Worker Training (IWT) is critical in the SCC WDB's efforts to prevent layoffs and stabilize the workforce. IWT helps employers address challenges such as:

- Economic disruptions that threaten business viability.
- Skill gaps that are due to new technologies or processes.
- There is a need to retrain workers to change job roles.

As part of the SCC WDB's layoff aversion strategy, IWT may be coordinated with Rapid Response teams to assess the needs of at-risk employers. Rapid Response staff will collaborate with businesses to develop tailored solutions to prevent layoffs and ensure workers remain employed. These efforts align with Workforce Services Directive (WSD) 16-04, encouraging proactive layoff aversion strategies. The SCC WDB ensures IWT supports the long-term competitiveness of both businesses and employees by fostering skill development and workforce stability.

## **Policy:**

### **A. Incumbent Worker Eligibility**

To qualify as an incumbent worker for training:

1. An eligible employer must currently employ the worker and have worked for the employer for at least six months.
2. The worker must have an employer-employee relationship that complies with the Fair Labor Standards Act.
3. The worker must meet Selective Service registration requirements, if applicable.

### **Exception:**

There is an exception to the six-month employment history requirement for incumbent worker training. If the training is provided to a group of employees (a cohort), not all employees in the group need to have worked for the employer for six months or more if most of the employees being trained meet this requirement (as outlined in [Title 20 CFR Section 680.780](#)).

Incumbent workers do not need to meet the same eligibility requirements as participants in WIOA adult or dislocated worker programs unless enrolled in those programs and receiving additional WIOA-funded services.

Incumbent Worker Training can also be used for underemployed workers, for example, part-time employees who prefer full-time work but work part-time due to economic reasons.

### **B. Employer Eligibility**

The Santa Cruz County Workforce Development Board (SCC WDB) staff or a designated review

panel will evaluate an employer's eligibility for Incumbent Worker Training (IWT) based on the following criteria:

1. The characteristics of workers in the program, such as whether they face barriers to employment.
  2. How will the training improve the competitiveness of both the worker and the employer?
  3. The employer's valid California Employer Account Number.
  4. Additional factors that may be considered include:
    - a) The number of employees participating in the training.
    - b) Opportunities for employee advancement, including wages and benefits before and after training.
    - c) Other training or advancement opportunities the employer provides.
    - d) Skills or credentials workers will gain through the training.
    - e) The number of layoffs that the training will help prevent.
    - f) How does the training align with larger sector strategies or career pathway initiatives?
    - g) The size of the employer.
- (Reference: [WIOA Section 134\(d\)\(4\)\(A\)\(ii\)](#) and [TEGL 19-16](#))

The following steps will be taken as part of the IWT process:

1. Employers will be notified of the SCC WDB staff's or review panel's decision on eligibility for IWT funding.
2. The SCC WDB staff or review panel will provide the reasons or rationale for approving the IWT initiative.
3. The agreement between SCC WDB and the employer must include proof that the six-month employment requirement for eligible employees has been met.
4. All IWT policy documents and supporting records will be kept locally. The SCC WDB, in partnership with the employer, is responsible for ensuring that:
  - o The training is completed.
  - o Certificates of completion are obtained for each trainee.
  - o All documentation is available for monitoring and review.

### **C. Employer Share/Reimbursements**

Employers participating in the IWT program must share the cost of training based on the size of their business:

- **10%** of the cost for employers with up to 50 employees.
- **25%** of the cost for employers with 51 to 100 employees.
- **50%** of the cost for employers with more than 100 employees. (Reference: *WIOA Section 134(d)(4)(C)-(D)*)

Employers can meet their share of the costs through:

- Employees' wages paid while attending the training program.
- Expenses related to the training, such as instructor fees, books, and materials.

The employer's contribution may be in cash or in-kind but must be fairly evaluated, tracked, and documented in the agreement. Businesses must calculate their share both during the application process and after training ends. The employer may be asked to repay the difference if the required share is not met.

Documentation such as payroll records, time and attendance sheets, and invoices for training-

related equipment must be used to verify the employer's share. Federal funds cannot be used as part of the employer's share unless specifically allowed by federal law.

The SCC WDB may provide up to \$10,000 per trainee in IWT funds. In special cases—such as smaller employers, workers with significant barriers, or funding limitations, the SCC WDB Director may approve a waiver to provide additional financial support up to the employer's required contribution.

#### **D. Performance and Reporting Requirements**

Eligibility for Incumbent Worker Training (IWT) is determined at the employer level, not the individual level. As a result, the Department of Labor (DOL) does not classify individuals in IWT as participants in the WIOA Adult or Dislocated Worker programs. This means individuals who only receive IWT are not included in WIOA Adult or Dislocated Worker performance calculations.

However, DOL requires the SCC WDB and the State to report certain data on all IWT participants, including:

- Demographic information.
- Employment status in the 2nd and 4th quarters after exit.
- Median earnings in the 2nd quarter after exit.
- Measurable skill gains.
- Credential attainment.

The exit date for these individuals is the last day of training, as stated in the training contract. The DOL encourages the collection of Social Security Numbers (SSNs) as part of the training agreement to simplify reporting for employers and local boards.

- The Employment Development Department (EDD) matches wage and employment data using SSNs.
- For individuals without an SSN (using a pseudo-SSN), the Local Board must provide supplemental data.

Additionally, the SCC WDB must ensure credential information for each IWT participant is entered into CalJOBS.

**Note:** If an IWT participant later enrolls in the WIOA Adult or Dislocated Worker program and receives additional services, they will be included in performance calculations for the core program providing those services.

#### **E. CalJOBS**

##### For Individuals:

All Incumbent Worker Training (IWT) participants must be reported to the Department of Labor (DOL), even if they are not enrolled in other WIOA programs. Individuals participating in IWT must be registered in CalJOBS and complete the following steps:

1. Title I Workforce Development Application:
  - a. Enter the IWT eligibility date.

- b. Note: The application and eligibility requirements for IWT are streamlined and require minimal information.
2. Eligibility Summary Tab:
  - a. Set “Incumbent Worker Eligibility” to Yes.
  - b. Add the appropriate IWT grant code, then select [Finish] to save the application.
3. CalJOBS Activity Code:
  - a. Use Activity (Code 308 – IWT) and associate it with the appropriate funding stream for the duration of the training.
  - b. If WIOA formula funds are used, add Grant (Code 2272) – Incumbent Worker Training Participant to IWT Activity (Code 308).
4. For Employers:

SCC WDB staff must ensure that participating employers are registered as preferred employers (recruiting employers) in CalJOBS. Additionally: Add Activity (Code E68 – IWT) to the employer’s CalJOBS account.

## **F. Funding**

Incumbent Worker Training (IWT) is a key part of the SCC WDB’s business engagement strategy. It is designed to meet employers’ unique needs by helping them upskill their current workforce.

### **Funding Allocation**

- The SCC WDB may use up to 20% of its total Adult and Dislocated Worker formula funds for IWT.
- These funds may only be used for programmatic activities, such as training costs, and cannot be used for administrative functions.

### **WIOA Business Service Designation**

Because WIOA defines IWT as a business service, certain requirements are waived:

- Individual Training Accounts (ITAs) are not required.
- Training programs do not need to be listed on the Eligible Training Provider List (ETPL).
- Employees participating in IWT are not required to meet WIOA Adult or Dislocated Worker eligibility requirements unless they also receive other WIOA-funded services.

### **Eligible Employers**

- IWT is generally intended for private-sector employers.
- However, IWT funds may also be used for non-profits or local government entities under specific circumstances. For example, non-profit hospitals can use IWT funds to upskill nurses in the healthcare sector.
- SCC WDB has the flexibility to adjust strategies and activities to meet the specific needs of Santa Cruz County in alignment with state and local policies.

## Expenditure Monitoring

- The EDD Workforce Services Branch's Financial Management Unit (FMU) monitors IWT expenditures to ensure Local Boards do not exceed the 20% cap.
- FMU tracks IWT spending through quarterly expenditure reports, which include a dedicated IWT line item for sub-recipients.
- Local Boards receive quarterly updates to monitor compliance. [WSD16-13](#) includes an example of the updated expenditure reports.

## Additional Considerations

- IWT expenditures count toward the training expenditure requirement outlined in Workforce Services Directive [WSD18-10](#).
- Employer contributions for IWT may also be counted as leveraged funds to meet matching requirements.

## G. Key Definitions

### *Business/Employer*

A business or employer refers to any private sector organization, local government, for-profit, or not-for-profit entity. These terms are used interchangeably throughout this policy.

### *California Employer Account Number-*

The California Employer Account Number is an eight-digit payroll tax number issued by the Employment Development Department (EDD) to registered employers. It is also referred to as the Employer Payroll Tax Account Number, State Employer Identification Number, or State ID.

### *Career Pathway*

A career pathway is a structured combination of high-quality education, training, and other services designed to:

1. Align with the skills required by industries in the local or state region.
2. Prepare individuals for success in secondary or postsecondary education, including apprenticeships.
3. Provide counseling to help individuals achieve educational and career goals.
4. Integrate workforce preparation activities with education for a specific occupation or occupational cluster.
5. Organize services to accelerate educational and career advancement tailored to the individual's needs.
6. Enable individuals to attain a secondary school diploma (or equivalent) and at least one recognized postsecondary credential.
7. Help individuals enter or advance within a specific occupation or industry sector.
8. (Reference: WIOA Sec. 3(7))

### *Credential or Certificate of Completion*

A recognized postsecondary credential is awarded to individuals who have attained measurable technical or industry-specific skills necessary to gain employment or advance within a specific industry or occupation. These credentials are typically based on standards developed or endorsed by employers or industry associations.

Recognized credentials include:

1. Industry-recognized certificates or certifications.
2. Certificates of completion from apprenticeship programs.

3. Licenses issued by state or federal governments.
4. Degrees, such as associate, baccalaureate, or graduate degrees, as required under the Vocational Rehabilitation program (Section 103(a)(5) of the Rehabilitation Act of 1973, as amended by Title IV of WIOA).

Note: Credentials awarded by the SCC WDB or work readiness certificates are not included in this definition because they do not document measurable technical or industry/occupational skills required for employment or career advancement.

#### *Eligible Employer*

For an employer to be eligible for Incumbent Worker Training (IWT), the SCC WDB will evaluate the following:

1. **Characteristics of the individuals in the program:** This includes factors such as workers' barriers to employment or the specific skill development needs of the workforce (refer to the IWT definition).
2. **Competitiveness:** The relationship between the training and its ability to improve the competitiveness of both the individual worker and the employer.
3. **California Employer Account Number:** The employer must have and provide a valid California Employer Account Number issued by the Employment Development Department (EDD).
4. **Other Considerations:** Additional factors the SCC WDB may review include:
  - a. The number of employees who will be trained.
  - b. Current wages and benefits, including planned increases after training.
  - c. The employer's existing training programs or opportunities for workforce development.

(Reference: [WIOA Section 134\(d\)\(4\)\(A\)\(ii\)](#))

#### *Employer Share*

The employer share is the portion of the training cost that the employer contributes on behalf of their employees participating in a training program. The employer's share must meet the following minimum thresholds:

- 10% of the training cost for employers with up to 50 employees.
- 25% of the training cost for employers with 51 to 100 employees.
- 50% of the training cost for employers with more than 100 employees.

The employer's contribution can include:

- The employees' hourly wages paid while attending the training program.
- Other training-related costs include instructor fees, books, materials, and equipment.

#### *Follow-up*

A follow-up will be conducted six months after the reported completion of Incumbent Worker Training (IWT) to assess the outcomes of the training. This evaluation determines whether:

- Employees have retained their employment.
- Employees have experienced career advancement, such as promotions.
- Employees have achieved wage increases as a result of the training.

#### *Incumbent Worker*

*An incumbent worker is an individual who meets the following criteria:*

- **Employment Relationship:** The worker must be employed in a situation that complies with

- the Fair Labor Standards Act requirements for an employer-employee relationship.
- Selective Service Compliance: If applicable, the worker must meet Selective Service registration requirements.
- Employment History: The worker must have an established employment history with the employer for at least six months.
  - Exception: If the IWT program is being provided to a cohort of employees, not all workers in the cohort are required to have six months of employment history. However, the majority of employees in the cohort must meet this requirement.
- Eligibility Note:
  - An incumbent worker does not need to meet WIOA eligibility requirements for career and training services under the Adult or Dislocated Worker programs unless they are also enrolled as participants in one of those programs.

(Reference: [Title 20 CFR Section 680.780](#) and [TEGL 10-16](#))

#### *Incumbent Worker Training (IWT)*

Incumbent Worker Training (IWT) is designed to address the specific needs of an employer or group of employers by:

- Helping retain a skilled workforce.
- Averting layoffs by equipping workers with the skills needed to maintain employment.
- Providing training that supports career advancement and income mobility for employees.
- IWT requires a commitment from the employer to:
  - Retain employees for at least six months following the completion of the training.
  - Prevent layoffs of the trained incumbent workers.
  - Promote employees to higher-paying positions when applicable.
- This training enhances the competitiveness of both the employer and the employees. It also supports career growth by enabling employees to obtain certificates or credentials tailored to the employer's specific needs.

(Reference: [20 CFR 680.790](#))

#### *Qualified Trainer*

A qualified trainer can be:

- In-house, provided directly by the employer.
- A training agency that specializes in workforce development.
- A third-party provider contracted for the training.

Training providers should preferably be California-based unless the training is so specialized that no qualified provider can be found within the state. Employers have the flexibility to determine both the choice of trainer and the training method.

(Reference: WIOA Section 134(d)(4)(C)-(D))

#### *Training Method*

The following types of training methods are allowed under Incumbent Worker Training (IWT):

1. Classroom Training:
  - Instruction provided to a group of trainees in a classroom setting.
  - Delivered by a qualified instructor.



2. Laboratory Training:
  - Hands-on instruction under the constant and direct guidance of a qualified trainer.
  - May involve the use of specialized equipment or facilities.
  - Conducted in either a simulated or productive work setting (also known as a Productive Laboratory).
3. Computer-Based Training:
  - Training delivered through a computer program at the trainee's own pace.
  - No live trainer is required, and the training does not have to be interactive.
4. Video Conference Training:
  - Live, interactive instruction a trainer provides through a video communications session.
5. E-Learning:
  - Instruction delivered through a web-based system in a virtual environment using web meetings or webinars.

*(Reference: WIOA Section 134(d)(4)(C)-(D))*

**Action:** All WIOA Staff and Service Providers will comply with the attached IWT policy. This policy memorandum is on-going and effective immediately.

**Inquiries:** Any questions regarding this policy memorandum may be directed to the WDB Director.

**Attachments:** None

This policy was authorized by: The Workforce Development Board on January 24, 2025