

Calendar Year 2018 Voluntary Incentive Program (VIP) Pilot

INTERIM REPORT

March 25, 2019

Introduction:

In February 2018, the Federal Highway Administration (FHWA) approved the Michigan Department of Transportation's (MDOT) On-the-Job Training (OJT) Program Voluntary Incentive Pilot (VIP) Program proposal, along with the Special Experimental Project (SEP) Number 14 Work Plan. MDOT's SEP-14 Work Plan was programmatically approved for evaluation under SEP-14 from Calendar Year 2018 through Calendar Year 2021.

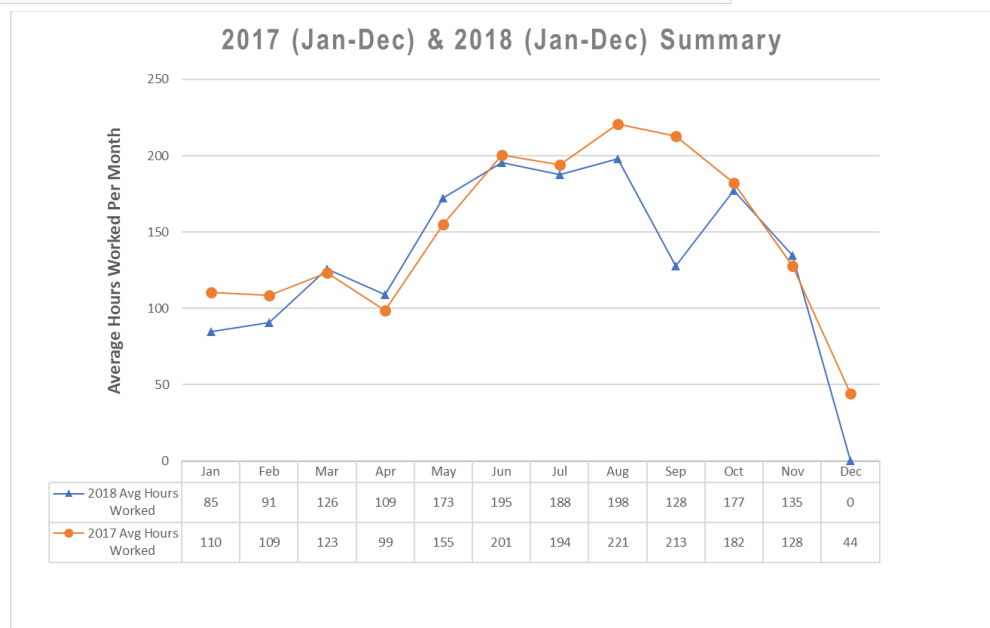
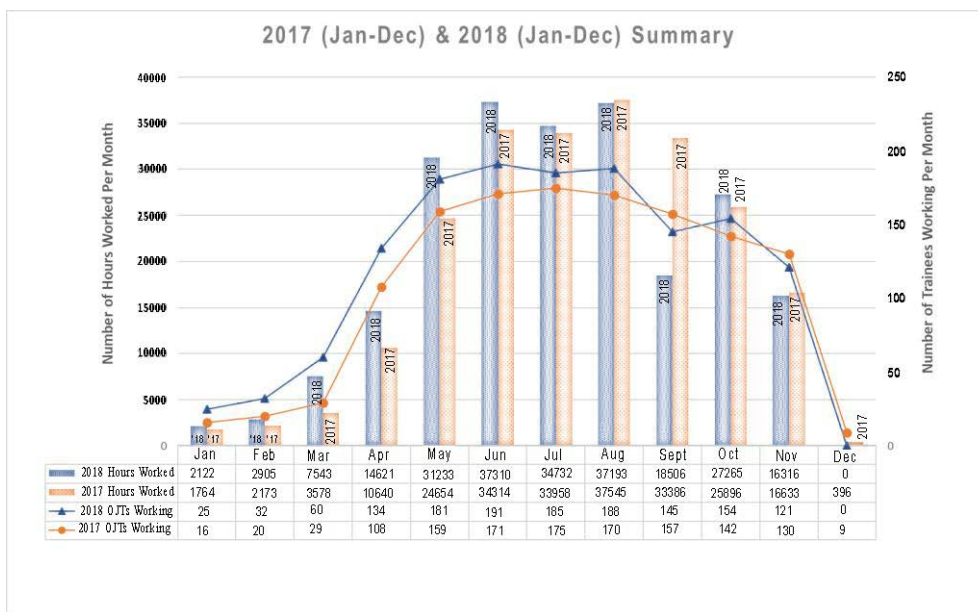
The SEP-14 request proposes to offer and apply bid incentives (deductions from the bid amount) for selected projects to bidders who have voluntarily worked their OJT employees additional hours than the established baselines and/or hired and worked additional OJT employees more than their required allocation. This SEP-14 request intends to help achieve improved outcomes for minority and disadvantaged individuals' entry and participation in the construction skilled trades. The request will accomplish this while also determining if this can be achieved without unduly affecting competition by applying a specific approach based on the contractor-centered model of how we currently administer federal aid for the OJT Program.

Voluntary Incentive Program (VIP) Pilot Schedule:

January, 2018	MDOT determines and communicates the OJT allocation for contractors for Calendar Year (CY) 2018 (January 2018 through December 2018) according to the OJT program procedures.
	MDOT determines and communicates a list of Incentive Year (IY) 2019 projects (March 2019 through February 2020) for consideration of inclusion in the OJT VIP Pilot program.
CY 2018	Contractors employ OJTs and work them according to the hours and provisions in the OJT VIP Pilot Program Procedures, if they intend to voluntarily pursue OJT VIP bid incentives in IY 2019.
January, 2019	MDOT evaluates contractor compliance with the OJT VIP Pilot Program Procedures and determines the total number of qualifying OJT employee hours for CY 2018 and associated bid incentive for IY 2019. Contractors will be notified and all determinations made publicly available by February 1 st .
March, 2019 – February, 2020	Contractors apply their bid incentives to projects selected by MDOT in accordance with the Special Provisions.
CY 2019-21	The steps above are repeated for each calendar year, 2019 through 2021.

Evaluation & Report:

1. MDOT has evaluated the hiring practices by contractors in the OJT Program for Calendar Year 2018:
 - a. There was a significant increase in the number of trainees working as well as hours worked in 2018 as shown. Some of factors contributing to the large increases were: an increase in the number of MDOT active projects, several active Mega projects and a direct correlations to the OJT VIP program. Program hours decreased in September due to a labor strike.



- b. A total of 52 Contractors participated in the OJT Program:
- 40 Contractors (77%) of the 52 Contractors participated in the VIP Pilot
 - 2 Contractors with no OJT assignments voluntarily participated in the OJT VIP Pilot
 - 38 Contractors with OJT assignments participated in the VIP Pilot
- Of these 40 Contractors:
- 18 Contractors hired more trainees than assigned
 - 5 Contractors were unable to meet the requirements of the VIP Pilot
 - 11 Contractors earned a bid incentive
- 12 Contractors (23%) of the 52 Contractors with OJT assignments opted to not participate in the VIP Pilot
- c. A total of 267 trainees worked in calendar year 2018, compared to 225 in calendar year 2017.
- 80 trainees (30%) of the 267 trainees in calendar year 2018 were VIP Trainees

- d. A total of 27 trainees completed their training program in Calendar Year 2018 compared to 19 graduates in calendar year 2017.
- e. Retention data will be collected and analyzed throughout the calendar year 2019 and included in the Calendar Year 2019 VIP Pilot Report.

Retention data will include:

- The number of OJT employees who are retained as permanent employees by the contractor after completion of the OJT Program
- The number of OJT employees who remain in the heavy construction skilled trades with any employer after completion of the OJT Program

2. MDOT's first contract within the pilot program is scheduled for letting in December 2019.

Pursuant to the VIP Pilot Implementation Schedule and the scheduled letting of the first contract there is currently no data available for evaluation. MDOT will evaluate the bidding process to determine if an overall competitive bidding environment is preserved and will provide an analysis report to FHWA Michigan Division office in the Calendar Year 2019 VIP Pilot Report.