

FY 2011 Budget Testimony
Harold Wirths, Acting Commissioner
New Jersey Department of Labor and Workforce Development
April 15, 2010

Chairman Sarlo, Vice-Chairman Stack, honored members of the Committee; thank you for this opportunity to appear before you to discuss Governor Christie's 2011 budget request for the Department of Labor and Workforce Development.

My name is Harold J. Wirths and I am the Acting Commissioner of the Department.

While the Department is largely funded by the federal government and by dedicated funds, we also are working to accomplish our mission within the austerity of Governor Christie's budget request.

The Department in its various roles touches nearly 260,000 businesses and more than four million men and women in New Jersey's workforce.

The mission of the Department is to maintain a skilled and productive workforce and provide an effective labor exchange to match the right workers with the right employment opportunities so that all workers who want jobs can achieve employment to the best of their abilities.

The Department compiles, analyzes and disseminates labor market and demographic data and enforces the labor laws of our state ensuring fair competition among law-abiding employers, protecting the rights of workers and promoting safe and healthy workplaces.

Our social insurance programs, notably unemployment insurance and temporary disability insurance, have provided lifelines to working families during this recession.

In these difficult economic times, the work of the men and women of the Department is vital to employers, working families and to the recovery of jobs in our state. We continue to help prepare our state's workforce for new employment opportunities as our economy grows and businesses hire more workers.

New Jersey's economy has been battered by the national recession with job losses in almost all sectors, except the education and health services industry sector where 18,000 jobs have been added.

The hardest hit sectors were trade, transportation and utilities which lost 64,700 jobs; manufacturing, down by 51,700 jobs; the professional and business services sector, which has lost 47,000 jobs; and construction, which is down by 42,800 jobs.

These statistics are not merely numbers – they represent thousands of New Jersey workers who have been displaced from jobs.

Although we are still optimistically waiting for sustained improvement to show up in our economic data, the trends indicate that the worst of the recession is likely behind us. The pace of job loss has slowed over the past several months and the unemployment rate appears to have stabilized and pulled slightly back from its recessionary high point of 10 percent in December.

In the first 18 months of the recession, New Jersey averaged more than 12,000 lost jobs per month. From August 2009, through this February, job loss has averaged 3,300 per month.

While our economy appears to be moving toward recovery, there is much more work ahead of us and we will continue to see large numbers of workers collecting unemployment insurance benefits for some time to come.

UNEMPLOYMENT INSURANCE

In 2009 the Department delivered more than \$7.3 billion in state and federal unemployment benefits to nearly 830,000 workers. A hopeful sign for our economy is that in the first three months of this year, new claims for unemployment insurance benefits have declined compared to the number of claims filed during the same period in 2009.

The recession and the large number of unemployed workers have challenged our Department. The Department has done its best to handle the claims workload during a time when New Jersey experienced its highest unemployment rates in over 30 years.

By encouraging unemployed New Jerseyans to file for unemployment insurance benefits online at the homepage of the Department's newly revamped website or at www.njuifile.net enables the Department to process a substantial portion of initial claims with no agent intervention. Agent-less Internet filing has saved the Department more than 4,000 hours of claim processing time just in the first quarter of this year and enabled our claims agents to put that time to serving claimants whose issues must be addressed over the phone.

Our Reemployment Call Centers are open from 7 am to 7 pm Monday through Friday, and Saturday from 8 am to 3:30 pm. These expanded hours, funded by the federal government, are essential to keeping up with the high level of unemployment claims.

Department staff members worked diligently when Congress enacted additional tiers of federally funded emergency unemployment compensation programs. The Department responded to each new extension of benefits working to help claimants move smoothly into the new programs and to implement the various tiers and supplemental payment programs.

The tiers of federally funded emergency unemployment compensation had provided as

many as 73 additional weeks of federal compensation to workers who had exhausted their regular state unemployment benefits. Now we are waiting to learn if Congress will again extend those tiers of benefits beyond the present April 3, 2010 final filing date.

Even if Congress does extend these programs, there are many workers who remain jobless and totally out of unemployment insurance benefits.

More than 46,000 New Jerseyans had collected the last weeks of all the available benefits by the end of March and thousands more will continue to exhaust their benefits each week. We continue to offer job-search and other services to these workers at our One-Stop Career Centers and are helping connect them with state and local assistance programs.

We also are waiting to learn if Congress is going to pass legislation to extend the final filing date for the federal extended benefit programs which ended April 3, 2010, cutting many workers off from additional weeks of federal benefits.

Delivering benefits to workers is not the only challenge facing our unemployment insurance system. There is a great deal of work to be done to address the challenges posed by the negative balance of the unemployment insurance trust fund.

TRUST FUND

The New Jersey Unemployment Insurance Trust Fund was designed to be forward-funded, building up surpluses during strong economic times to carry it through down periods of the business cycle. The magnitude of this economic downturn, combined with low fund balances due to \$4.6 billion in past diversions, led New Jersey to join 33 other states in borrowing from the U.S. Unemployment Insurance Account in order to continue to pay state unemployment insurance benefits.

Responding to the Trust Fund shortfall and to the automatic payroll tax increase it would trigger for New Jersey employers, Governor Christie has proposed phasing in the wage-tax increase over time and other changes to benefits to bring them in line with our neighboring states.

Phasing in the tax increase will start the process of rebuilding the fund while limiting the negative impact on businesses as our nation begins to emerge from this recession. The full automatic hike could bring an additional \$1 billion into the Trust Fund, but it also could slow the economic recovery by discouraging employers from hiring new workers and expanding operations in the state.

Legislation is needed to address this challenge. I ask the members of the Legislature to work swiftly and cooperatively to embrace the Governor's proposal to amend the unemployment insurance law. This proposal not only phases in the tax increase, but also brings the state's benefit structure in line with our neighboring states. These changes will

help to protect the future of our unemployment insurance system, our employers and our workers.

Our unemployment system assists so many people each day, but I would also like to highlight some of the other important programs and initiatives of the Department.

SECOND INJURY FUND

As noted in the Transition Report for the Department, the Second Injury Fund, which provides benefits to workers who are totally disabled due to a combination of work injuries and pre-existing disabilities, has cash flow problems related, in large part, to diversions from this Fund in previous years.

While passage of the proposed Constitutional Amendment this year would preclude such diversions in the future, we will consider measures to stabilize the Fund. A subcommittee of the Advisory Council on Workers' Compensation, chaired by Dr. John F. Burton of Rutgers University, will present options for Fund stabilization to the Department for review in the near future.

WORKERS' COMPENSATION

The New Jersey's Workers' Compensation program has been a leader in court-related technological innovations which have proven to be cost effective and efficient to this Department and to the workers, employers, insurance carriers and attorneys that utilize our system. We already have in place the electronic filing of documents and accident reports, e-mail court lists, interactive forms and case party access to file information. This year we plan to redesign much of the program with enhanced security protocols, updated computer language and automated orders, motions and judgments.

WORKFORCE DEVELOPMENT PARTNERSHIP PROGRAM

As New Jersey emerges from the global recession, we anticipate that jobs will be created that require workers trained in specific skills. Through the department's customized training grants, we partner with employers to train incumbent and newly-hired workers in skills that are highest in demand.

In fiscal year 2010, the Department has awarded \$26.2 million in Customized Training grants to assist employers in training more than 54,000 employees at 330 businesses.

The Workforce Development Partnership Program also provides dislocated and displaced workers with individual grants of up to \$4,000 for training to upgrade their skills in demand occupations. Nearly 3,000 training grants totaling \$9.4 million were awarded to program participants during fiscal year 2010. The Department also provides services to nearly 500 unemployed workers under the Self-Employment Assistance program. This initiative provides the equivalent of unemployment insurance benefits to potential entrepreneurs, and provides counseling, technical assistance, and training grants to

unemployed workers seeking to establish their own businesses.

GREEN TRAINING INITIATIVES

New Jersey has been awarded two federal Employment and Training Administration (ETA) grants to explore and develop the state's Green Economy and ensure that New Jersey has a trained workforce to take advantage of these new opportunities.

In the first grant, New Jersey is part of an eight-state consortium of Northeast and New England states, which, working together, will develop clear definitions of "green" jobs and "green" industries. In addition, it will develop automated tools to identify skill and knowledge requirements relating to standard and "green" occupations. The total grant is for \$3.9-million, of which New Jersey is receiving \$245,000.

The second grant is for development of a sophisticated labor supply and demand analysis methodology that can be applied to both "green" and "non-green" occupations. The goal is to use this methodology to guide unemployment insurance claimants into the right job or the right training program. This kind of tool also will help local One-Stop Career Center staff to identify individuals in need of significant intervention.

A database of "green" training programs and higher education courses in New Jersey will be used to create career development tracks for new and emerging occupations in the Green Economy. In addition, a series of career videos will be developed to illustrate high demand "green" careers and the world of work.

BASIC SKILLS / LITERACY

Our commitment to workforce development is not limited to workers in high-skill occupations. Through the Supplemental Workforce Fund for Basic Skills, our Workforce Literacy Training grants are helping workers build a strong foundation of basic workplace skills such as reading, math, communication, computer operations and English as a second language. With that foundation they can continue to learn new skills and make their way up the career ladder. In this fiscal year, we awarded 43 grants totaling over \$4.0 million, which enabled New Jersey employers to train over 11,000 employees.

The Department is continuing to provide access to adult basic literacy training through our Workforce Learning Links (WLL) programs, funded by the Supplemental Workforce Fund for Basic Skills and located at the One-Stop Career Centers and partner agencies. Using a computer-based, self-paced learning program with staff-assisted instruction in a workshop setting, the Workforce Learning Links increase participants' literacy levels and improve their employability through training in GED preparation, math, reading, writing, financial literacy, life skills, workplace literacy, English as a second language and basic computer skills.

TEMPORARY DISABILITY INSURANCE

When a worker is unable to work due to an illness or injury that is not work-related, New Jersey's Temporary Disability Insurance program provides partial wage-replacement income. Last year, 171,241 workers filed claims for these benefits and the Department paid out approximately \$400 million in temporary disability insurance benefits.

The New Jersey Family Leave Insurance (FLI) program, implemented in 2009, is a benefit program that provides a monetary benefit to covered individuals who need to provide care for an eligible family member with a serious health condition or to bond with a newborn or newly adopted child.

Employee contributions began on January 1, 2009 and the Department began accepting claims on July 1, 2009. Through December 31, 2009, more than 17,000 claims have been filed. The majority of FLI claims (80 percent) were for bonding with newborn or newly adopted children. Among the highlights of the program is the fully automated web-based claim filing system for transitional bonding claims (for new mothers moving from pregnancy-related temporary disability to family leave insurance).

SOCIAL SECURITY DISABILITY

The Department's Division of Disability Determination Services (DDS), funded entirely by the federal Social Security Administration (SSA), uses medical evidence to make disability and blindness determinations that are used by SSA to process applications for long-term Social Security disability benefits for New Jersey citizens. Our DDS program has continued to improve the quality of service provided to New Jersey's citizens who file for Social Security Disability Insurance and Supplemental Security Income (SSI) disability benefits.

In federal fiscal year 2010, DDS is projected to receive 85,842 new claims for benefits. There are 159,525 aged, blind or disabled recipients in New Jersey receiving benefits of \$953 million under the SSI program annually. In addition, Social Security Disability beneficiaries in New Jersey receive \$2.8 billion annually, and the work of the DDS staff of our Department is essential to ensuring that these claims are adjudicated fairly, accurately, and in a timely manner.

VOCATIONAL REHABILITATION SERVICES

The Department's Division of Vocational Rehabilitation Services (DVRS) offers a complete array of services to prepare people with disabilities to succeed in the workforce and through extensive counseling helps ensure that our customers are able to retain their employment once they are placed. In federal fiscal year 2009, more than 4,000 DVRS customers were successfully rehabilitated and placed in jobs. For those persons placed in jobs, the average weekly wage was \$378, compared to an average weekly wage at the time of referral to DVRS of \$80. Through its state program that supports Extended

Employment for 2,699 individuals the agency was able to maintain the most vulnerable of our citizens with disabilities in their sheltered settings earning income to supplement other benefits.

WAGE AND HOUR LAW ENFORCEMENT

Last year, the Division of Wage and Hour Compliance recovered approximately \$8.3 million in back wages and overtime pay owed to more than 8,800 workers in New Jersey. To reduce the exploitation of low-wage workers and to make it easier for workers to pursue their wage claims, the Department holds wage collection proceedings at locations across the state to provide easier access for all parties.

The Department enforces the Prevailing Wage Act and Public Works Contractor Registration Act for contractors working on publicly-funded projects. Enforcement of these laws will require continued vigilance as more public works jobs get underway through federal Recovery Act funding. The Department conducted more than 1,200 Prevailing Wage Inspections last year and, while debarment is the last recourse in our efforts to bring a contractor into compliance, the Department debarred 76 companies and 91 individual owners last year.

The Department also revoked the Public Works Contractor Registrations of 22 contractors who violated our laws in an attempt to gain an unfair advantage over legitimate, law-abiding contractors. We refused to renew the registrations of 192 other contractors.

JOB TRAINING AND WORKFORCE DEVELOPMENT

Providing benefits to unemployed workers is one crucial mission of LWD. But in the long run, dislocated workers often need help finding a new job and obtaining job skills training. That is a key role of our workforce development efforts.

New Recovery Act funding for federal workforce programs will provide important services to dislocated workers, older workers, disadvantaged youth and adults, and workers whose jobs have been lost due to international competition.

The NJ Workforce Investment Act (WIA) program for dislocated workers received an additional \$32 million in Recovery Act funds. Of these funds, 25 percent or \$8 million was directed to services through our Rapid Response program. Five percent or \$1.6 million was directed to oversee the program and 10 percent or \$3.2 million was directed to fund statewide activities. Of the \$19.2 million that went to the local areas: \$9.4 million, or 48 percent has been spent and another \$5,594,000 has been obligated. As of January 31, 2010, \$4,646,000 remained.

The Recovery Act also provided more than \$9 million in new WIA funding to increase training and employment opportunities for disadvantaged adults and an additional \$21

million for the WIA disadvantaged youth program. This past summer for the first time in a decade, these special WIA Youth funds permitted summer youth employment programs that pay wages and served almost 6,600 young people across our. Our Employment Services program also received \$10.6 million through the Recovery Act to provide employment and reemployment services such as skills assessment, career exploration, resume writing, job-search and interview-skills workshops through the One-Stop Career Center network.

The Department is the recipient of two National Emergency Grants (NEGs) . The first NEG is to serve approximately 1,100 individuals who will be dislocated by the Base Realignment and Closure of Fort Monmouth. These individuals will be provided with all the services available through the One-Stop system including additional skills training where needed. This grant is for up to \$3.8 million. The second NEG is to serve those individuals that have been affected by the closure of specific financial institutions in the State of New Jersey. This grant is being administered by the 11 workforce areas that were hardest hit by the financial crisis. Of the \$5.5 million available for this activity \$2,781,000 has been made available by United States Department of Labor.

New Jersey Youth Corps

New Jersey Youth Corps (NJYC), with 12 program sites in the state, has provided 25 years of service to out-of-school youth (those who have left high school prior to receiving a diploma), and to their communities. During fiscal year 2009, NJYC served 1,261 youth providing academic instruction, employability and life skills training, work experience through community service, and transition assistance to work, college or additional vocational training; 336 participants have completed the program with a GED or Adult High School diploma, 108 have entered college; 94 have entered vocational training or an apprenticeship program, and 418 have entered the workforce or military service; and, Youth Corps members have provided over 151,000 hours of community service to non-profit and government agencies in their local communities at a value of nearly \$2 million.

Welfare to Work

The Department and the local One-Stop Career Centers continue to develop partnerships with the Department of Human Services (DHS) and local County Welfare Agencies to provide services with the goal of moving people off welfare and into gainful employment. The Department and DHS work together to increase the work participation rate of Temporary Assistance to Needy Family (TANF) recipients and provide employment and training services to the General Assistance (GA) and Food Stamp (FS) recipients.

In January, 2010, the Department partnered with DHS to initiate a subsidized employment program for TANF recipients. The program is being funded by the TANF

Emergency Contingency Fund in the Recovery Act and provides reimbursement to employers who hire TANF recipients through September 30, 2010. The Department hopes to provide employment to over 1,500 TANF recipients.

Prisoner Re-entry

The Department has continued its vital role in re-entry efforts designed to assist people moving from the criminal justice system to the workforce. In three major urban areas, ex-offenders participating in the Another Chance demonstration project are assigned a job coach to assist with their job development and placement needs. In coordination with the Department of Corrections and the State Parole Board, we registered and served approximately 950 Another Chance individuals over the past two years and anticipate that another 300 such individuals will be referred to One-Stop Career Centers during the current year.

Workforce Learning Link (WLL) sites at several Department of Corrections facilities are helping more inmates increase their workplace basic skills using interactive computer technology. In addition to WLLs located at many prisons, in cooperation with the Juvenile Justice Commission, we have established services at Jamesburg Training School to provide literacy skills, career guidance, and pre-employment preparation for transitioning older youth. The additional WLL sites placed at Northern State and Garden State Prison have proven to help inmates increase their workplace basic skills.

As you can see, the Department has a wide ranging impact on the employers and the workers of New Jersey and we are working hard to serve our residents.

I would be happy to answer any questions the committee may have for me at this time. Thank you.