

Fiscal Year 2012 Senate Budget Committee Testimony
Harold J. Wirths, Commissioner
New Jersey Department of Labor and Workforce Development
April 27, 2011

Chairman Sarlo, Vice-Chairman Stack, honored members of the Committee:
Thank you for this opportunity to discuss Governor Christie's Fiscal Year 2012
budget request for the Department of Labor and Workforce Development.

I am Harold J. Wirths, Commissioner of the Department of Labor and Workforce
Development.

We find ourselves facing the same fiscal challenges this year as we did last year,
when Governor Christie signed the Fiscal Year 2011 budget into law.

He called on all departments to maintain essential services as he made tough
choices to move the state towards fiscal responsibility.

While my department receives the majority of its funding from the federal
government, we have been examining and continuing to review our daily
operations to become more efficient.

The many men and women who represent the department each and every day have
worked tirelessly to streamline systems and advance initiatives that improve our
services at reduced costs to taxpayers.

We have asked a lot from them, and then we have often asked for more.
I thank them all.

Through their efforts, my department has launched several initiatives over the past
year, while improving upon other services.

We introduced the use of debit cards for individuals collecting unemployment
insurance benefits, and we are very close to a 100 percent paperless system.
Offering debit cards allows people to choose to receive their benefits through
direct deposit or our new debit card program.

This is expected to save the department between \$7 million and \$8 million dollars per year. In addition to the financial benefit, the debit cards have brought a new level of convenience to the customer.

The success has shown that we can use debit cards in other benefit programs in the department. Our “temporary disability insurance” and “family leave insurance” programs began to move toward debit cards just two weeks ago. We anticipate that effort will result in an additional annual savings of \$400,000 to \$600,000 per year.

We took steps to change New Jersey’s regulations on the “rounding of hours worked” to make them consistent with federal rules and eliminate confusion for employers and workers.

Federal labor law provides that “rounding” workers’ time is permitted, provided that the method used by the employer over a period of time will not result in a failure to compensate workers for all time actually worked.

Instead of following federal standards, New Jersey enforced a “rounding” policy that required employers who “round-off” time worked in any increment, to “round it off” in favor of the employee. This was confusing to large corporations who have multi-state sites, it was unfair to all employers and it was in need of reform.

We have undertaken a review of a similar regulation that has caused confusion and unnecessary administrative penalties to the business community: “overtime exemption.”

My department has proposed the repeal of existing state rules regarding exemptions from overtime for bona fide executive, administrative, professional and outside sales employees. We have proposed replacing those rules with the analogous federal overtime exemption regulations.

Adopting this change is important to ensure consistency between the state rules and federal regulations on overtime exemptions for individuals employed in a bona fide executive, administrative, professional or outside sales capacity.

This straight forward and simple approach will be of assistance not only to the regulated community, but also to the department in its enforcement efforts.

The change will have a positive economic impact on employers in that having a better understanding of the department's enforcement policy should help them avoid running afoul of the state overtime law and rules, thereby incurring fewer administrative penalties.

We also worked with the state Department of the Treasury to implement the first-ever, accelerated Unemployment Insurance and Temporary Disability Insurance Debt Collection Project.

Between September and November last year, many employers with outstanding debts for unpaid unemployment insurance and temporary disability insurance taxes were able to reduce the amount of penalties and interest on these debts by paying their accounts in full.

We also contacted individual claimants who were overpaid unemployment or disability benefits, encouraging them to repay these debts. Through this program, the state released any judgments filed against an employer or claimant who paid in full.

What did New Jersey get out of it?

- We collected nearly \$10 million from employers.
- We collected nearly \$2 million from individual claimants.

Additionally, two weeks ago, we extended our website service for people certifying their unemployment claims, allowing them to file on Sundays. This move not only enables claimants to collect their benefits earlier in the week, but it also will enable the department to reassign personnel to handle the more complex cases, and in turn will reduce the waiting time for people whose cases require agent intervention.

Let me also mention our new Fraud Prevention and Risk Unit.

My department has an obligation to protect the unemployment insurance benefits of taxpayers who have paid into the system and who are rightfully eligible to collect those benefits. Individuals who commit fraud can always be counted on to take advantage of the worst economic times in our state.

That is why we have become more diligent in stopping fraud rather than spending department resources trying to recover money after it has been illegally or improperly paid out.

By using a combination of technology, software, and cross matching to prevent payments going out to individuals who are not entitled to benefits, my department has moved beyond fraud detection to fraud prevention.

Last year, my department identified \$60 million in overpayments and nearly \$25 million in fraudulent claims. Since then, we have refocused staff and brought on a former FBI Special Agent to take a proactive approach to protect New Jersey taxpayers' money.

The department now has several cases of fraud under investigation, including one involving approximately 100 claimants and \$2.4 million in fraudulent benefit collections. The case is currently with the Office of the Attorney General.

On another front, three weeks ago, we launched Jobs4Jersey, a new website that helps us to build on the Christie Administration's hands-on approach to creating jobs by helping businesses in New Jersey.

www.Jobs4Jersey.com is a virtual one stop that already is helping to quickly link New Jersey job seekers and employers.

Both will find the new website to be a quick and easy portal to the vast and previously scattered assortment of state and federal data, weblinks and programs designed to assist them both with training, financial assistance and employment advice.

It is designed to be an easy-to-use navigation site, guiding job seekers to some of New Jersey's best online tools for finding jobs. Businesses will find skilled employees and will be connected to the many programs and incentives that New Jersey offers.

The site includes our New Jersey job bank with more than 165,000 New Jersey job listings and another 400,000 jobs that are within a 50 mile radius of the state's borders.

Our long-term plan is to continuously update the website with new tools as they become available and to constantly make sure the information is useful and relevant.

As part of the Department of Labor's main website, it supplements our work by focusing on New Jersey's paramount concern: generating jobs and helping our key business sectors remain competitive in the current marketplace.

Speaking of jobs, we were very encouraged to see job growth over the past two months in the state.

The number of jobs in New Jersey rose for the second consecutive month in March, increasing by 4,600 jobs. This is on top of a 13,700 gain in February, which was the second largest monthly job growth in the past three years.

Since the height of the recession, we now have more jobs, more people employed and more people entering the workforce; all of which are hopeful signs of a recovery.

As more jobs become available, we need to prepare our workforce for a changing environment.

We have to come to the realization that some of the jobs lost over the past three years simply will not be coming back. Automated manufacturing has led to many layoffs at some of New Jersey's staple manufacturers.

As part of our proactive approach to assist people who are in need of employment, we have created “talent networks” in life sciences, transportation and logistics, and green jobs that are connecting our workforce programs to employers and educational institutions.

For example, the “Bio One-Stop” initiative, managed by BioNJ, the state’s biotechnology industry association, is assisting the department to help workers in the pharmaceutical industry to transition to new opportunities in the growing biotechnology sector. This partnership, with this key industry, has expanded our capacity to help both job-seekers and employers.

We will be expanding this effort to other industries, including health care, advanced manufacturing, technology and financial services.

Focusing on employers in these key industry sectors, we are targeting our Customized Training Grants to enable continued growth. These grants allow us to share the costs of skills training specifically needed to keep these New Jersey employers competitive in a global economy with workers trained in vital new technology or business practices.

To date, in Fiscal Year 2011, we have provided over \$14 million in “customized training” grants to train more than 38,000 workers at over 460 businesses. These businesses have invested another \$20.8 million in that training.

The department has also awarded more than \$1.2 million in “workplace literacy training” grants helping approximately 45 businesses increase the workplace capabilities of more than 4,000 workers, with \$1.7 million in matching funds.

In fact, we are happy to announce that this week, we are awarding nearly \$2.5 million in “customized training” grants to 70 businesses, and over \$200,000 in “literacy training” grants. This investment in training is being matched by those companies with \$3.5 million.

This is an encouraging sign that businesses in New Jersey understand that the way to prepare for the future market is to train their employees for the changing work environment.

As a result of all of the efforts described, the department was recognized for outstanding service to the public by the U.S. Department of Labor.

Keeping in mind the high demand placed on unemployment insurance systems due to the national recession in Fiscal Year 2010, the U.S. Department of Labor honored the New Jersey Department of Labor and Workforce Development in December as “the top performer in 2010 among large states for Unemployment Insurance Tax Operations.”

Federal Unemployment Insurance Administrator Gay Gilbert wrote, “It is gratifying to know that workers and businesses in your state are receiving the outstanding services offered by staff at the New Jersey Department of Labor and Workforce Development.”

This recognition provides reassurance that we are going in the right direction. We are looking at new ways to do business, new ways to look at problems and new ways to solve them. Status quo is no longer the norm at the Department of Labor and Workforce Development and it is no longer the norm in the State of New Jersey.

Thank you again for the opportunity to discuss the department. At this time, I welcome any questions from the committee members.