

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

FY 2007 BUDGET TESTIMONY

Good Afternoon Chairman Greenwald, Vice-Chairman Payne, and members of the committee.

Thank you for this opportunity to provide you with insight into the programs and services offered by the Department of Labor and Workforce Development. The dedicated men and women of the department work every day to strengthen New Jersey's economy, develop the skills of workers, protect the rights of workers and employers, and foster the state's economic growth.

I am David Socolow, Acting Commissioner of the department. Before becoming Acting Commissioner, I served in the department for four years as Director of the Division of Unemployment Insurance.

We recognize that these are tight fiscal times. That is evident in the difficult choices Governor Corzine had to make in the 2007 State budget he has presented. It is equally evident in the ongoing struggle for the federal dollars that make up the vast majority of the department's funding. The President's proposed 2007 budget will cut workforce development funds by 21 percent. This reduction, if it is accepted by Congress will have a serious negative impact on programs in our state and on the workers and employers we serve.

The Department of Labor and Workforce Development provides significant services to the people of New Jersey while expending minimal state funds. Almost 75 percent of the Department's funding comes from federal dollars. Approximately 19 percent is provided by dedicated funds such as employer and employee payroll contributions, workers' compensation assessments, penalties and fees. Only about six percent of the Department's budget comes from general State funds.

ECONOMIC GROWTH

New Jersey's economy is one of the most productive in the nation. Our unemployment rate has been consistently below that of the nation for 35 consecutive months. Our State has enjoyed an extended period of unemployment rates below 5.0 percent going back to May 2004. Economic indicators suggest that New Jersey's economy will continue to be fundamentally strong. Last year, we saw moderate job growth of 46,000 jobs – nearly all of them in the private sector.

The Department of Labor and Workforce Development will play a key role in Governor Corzine's strategy for promoting economic prosperity. Our Office of Labor Planning and Analysis produces crucial data that can help decision makers evaluate and guide economic-growth choices. And our One-Stop Career Centers are critical to developing one of New Jersey's greatest, competitive advantages: the workers of our State.

Workforce development is economic development. Having a more educated, skilled, adaptable and productive workforce can help overcome some of the other costs of doing business in our state.

Governor Corzine understands that the long-term success of New Jersey's economy will depend on fostering innovation and growth in key industry clusters that have good future prospects for growth and higher-wage jobs. Working with the Legislature, the Governor is committed to making New Jersey a national leader with an economy that embraces and encourages new technology and value-added jobs.

The department's programs will help develop a workforce with the skill sets needed in these industries and in helping employers find workers who match their needs. We plan to bring a strategic focus to target the department's Customized Training Grants to help promote economic growth. Whether in the technology industry clusters or the pharmaceutical and biotechnology clusters, in finance, logistics, energy or hospitality and

tourism, we will partner with businesses to ensure they continue to have the reliable, skilled and highly-productive workforce that has been the hallmark of New Jersey.

We will continue to invest in these matching grants to help employers grow their businesses and jobs in our State. We will focus on addressing the critical skill shortages in sectors that offer New Jersey the strongest opportunity to retain high-skill, high-wage jobs and to attract those businesses that will create such job opportunities.

UI TRUST FUND

Even as we are adding jobs, our unemployment insurance system continues to provide benefits to workers who have lost jobs due to the ever-changing economic climate. Last fiscal year, we disbursed nearly \$1.8 billion in benefits to out-of-work New Jerseyans.

I know you are familiar with the present state of our Unemployment Insurance Trust Fund. There is good news in the Governor's budget for employees and employers alike. Governor Corzine has recommended the first budget in 14 years that does not include a diversion from this Trust Fund to pay for health care expenses. Forgoing a diversion will put us on a path to restore the strength of the fund. Both business and labor groups have praised this aspect of Governor Corzine's budget proposal.

As the stewards of the Unemployment Insurance Trust Fund, we must assure its strength and ability to pay benefits to workers who need them. The UI Trust Fund is now at the point where any additional diversion could result in higher payroll taxes for employers in our state. In short, a diversion from the UI Trust Fund would become a *de facto* tax increase on our businesses, thus harming our State's competitiveness and prospects for future economic growth.

ONE-STOP CAREER CENTER SYSTEM

How people perceive the department often depends on how they come in contact with us. Some see us as the Unemployment Insurance Department – others as the Labor Board

resolving wage and hour complaints. The Department does all of these things and more. But one of our primary goals is to gain greater recognition of New Jersey's Workforce Development System and the One-Stop Career Centers in each county. Quite simply, we are in the employability business.

The One-Stop Career Center system consolidates and coordinates services among the agencies that serve employers, job seekers, students, youth and displaced workers. It is a gateway to state, county and local programs and services for those who need workforce-related services. Last year, nearly 270,000 workers, from New Jersey's 4.5 million member labor force, received services through One-Stop Career Centers.

The department and its partners in the One-Stop system help prepare New Jersey workers for the jobs of today and tomorrow. We help people build foundations in basic skills they need to be successful workers – skills like math, English usage and basic computer skills. We assist displaced homemakers returning to the workforce. Our Workforce Learning Links have served more than 15,000 individuals in the past five years.

In addition, the New Jersey Youth Corps last year provided services to 790 young adults between the ages of 16 and 25. Eighty-two percent of those entering at the pre-GED level received the GED or an Adult High School Diploma.

FEDERAL WORKFORCE INVESTMENT ACT PROGRAMS

One-Stop Career Centers provide real value to the workers, families and communities affected job losses. Last year, 23,000 adults, dislocated workers and youth who needed more than basic services or training to regain employment, received counseling, testing, occupational skill training and other services to help them become self sufficient.

For an average cost for occupational training of about \$6,000 per customer, the results were impressive. More than 95 percent of the adults or dislocated workers receiving these services were employed within three months of completing their program. Six

months after becoming reemployed, they were earning above their previous levels. Adult participants, for example, achieved an average annual increase of \$3,989 in wages.

We pay for training that meets real workplace demands. Last year, 1,700 workers received training to become commercial truck drivers because employers, including those at Port Newark, expressed an ongoing need for trained, qualified drivers. A recent *Star-Ledger* article noted that one trucking company now offers drivers wages of \$50,000, full benefits and profit sharing.

The public's investment of \$3,800, on average, for Commercial Driver's License training is paying off for those workers. And all of society reaps the reward when workers find and keep good jobs. We also train workers to meet the demand for health care, office work, information technology, food service and customer service workers, and the list goes on.

WELFARE-TO-WORK

The Department of Labor and Workforce Development, in conjunction with the Department of Human Services, works to ensure that welfare recipients are ready to work and that they gain employment that will enable them to become self sufficient.

This year, we provided skills-assessment and testing, labor market information and job search assistance to almost 18,000 welfare recipients. Department of Human Services data show that more than 11,000 individuals obtained employment.

The SMART Steps Program, implemented as part of our 2004 consolidation of workforce development services, enables welfare recipients to pursue two- and four-year college degrees. SMART Steps is currently supporting 375 individuals pursuing two-year degrees, and 93 pursuing four-year degrees. Twenty-six participants already have completed college.

Our challenge for the coming year has been increased significantly. A new federal law requires the State to ensure that half of our welfare recipients become actively engaged in work activities. Failure to meet this ambitious goal may result in the loss of part of the State's federal welfare grant. To meet this challenge, Governor Corzine has allocated an additional \$12 million in federal funding to support the increased level of work activities and \$11 million for case management staff to ensure that there are no delays in placing and monitoring welfare recipients in these work activities.

EMPLOYER SERVICES

The Department also provides vital services to employers through our One-Stop Career Centers. Together with the Commerce, Economic Growth and Tourism Commission and the Economic Development Authority, we heard from key business leaders at an Economic and Workforce Development Symposium last fall about employers' needs and their views on critical issues and state policies.

We learned that employers value services like Customized Training for upgrading the skills of their workers or, where more basic skills are needed, our literacy training. This fiscal year we will have contracted to train more than 46,000 workers through these programs. Also, last year, 11,000 employers used the Business Resource Centers in our One-Stop Career Centers to obtain labor market information, help in finding low-cost loans and worker recruitment, job fairs and applicant screening for 30,000 job openings.

LABOR STANDARDS

The Department of Labor and Workforce Development also has a vital mandate to protect the rights of workers and to enforce New Jersey's labor laws to ensure that employers can compete fairly and are assured of a level playing field.

That job is accomplished by the men and women of our Office of Labor Standards and Safety Enforcement. Last year, we recovered approximately \$6 million in back wages

and overtime pay owed to nearly 10,000 workers in New Jersey. These and other enforcement efforts depend on sanctions, including penalties and fines to be effective.

We also work to protect the rights of workers through equitable enforcement of our laws and the safety of our residents through programs like boiler and pressure vessel compliance. These programs also rely on fees and penalties to provide critical funding.

In an effort to make sure we have adequate resources to carry out this important mission, we are undertaking a complete review of our revenue structure, which has gone unchanged for many years. These changes can help us fund more effective enforcement of New Jersey's labor laws and would generate millions of dollars in revenue.

We are using our compliance audits to help protect workers from employers who cut their own legitimate costs at the expense of their employees by willfully misclassifying workers as independent contractors. In our audits last year of just 2.2 percent of New Jersey employers, we found that more than 26,000 workers had been misclassified. These employees were not being covered by their employer for social security, unemployment or temporary disability insurance, nor were they covered by workers' compensation insurance in case of an injury on the job.

At Governor Corzine's direction, we are working with the Treasury Department to share and act on each other's audit findings to make sure that such employers do not gain an unfair competitive advantage at the expense of their workers. Not only is this a more effective use of existing resources, but also we estimate that New Jersey could recover at least \$4 million in additional gross income taxes each year. This will also send a strong message to employers who consider shirking their responsibilities to their workers.

The safety of workers is also part of the Department's mandate. Our consultation services worked with nearly 700 employers last year to help management and labor work together, not only to identify and correct workplace hazards, but also to implement a process to maintain a cooperative approach toward workplace safety.

Through the Public Employees Occupational Safety and Health program, we work in cooperation with the Department of Health and Senior Services to make sure that public-sector employers maintain safe and healthy workplaces. Last year, PEOSH inspectors visited 775 public sector workplaces to review the safety of working conditions.

The dedicated men and women of the Department are in the field at worksites every day to ensure that our workers are safe, our laws are complied with and our businesses compete on a level playing field.

SERVING INDIVIDUALS WITH DISABILITIES

Finally, I want to talk about one of the most important missions of the Department – helping individuals with disabilities achieve their greatest potential in the workplace. Governor Corzine, recognizing the importance of our services to the disabled community, has proposed a budget that maintains current funding levels for these services.

Our Division of Vocational Rehabilitation Services, or DVRS, is a federal-state partnership that works to provide individuals with disabilities the full range of services available through the One-Stop Career Center system. The DVRS offers an array of services to prepare people with disabilities for the workforce and, through its extensive counseling efforts, ensures that our customers are able to compete on a level playing field and retain their employment once they are placed in jobs.

In Federal Fiscal Year 2005, there were 4,177 recipients of vocational rehabilitation services in New Jersey who were successfully rehabilitated and placed in jobs. The difference in the lives of these customers is reflected in their earning power. The average wage of these workers when they were referred to DVRS was \$79 per week. After achieving employment, these workers earned an average weekly wage of \$393. Just as important, they were able to acquire the sense of accomplishment and independence that comes from having a job and demonstrating their abilities in the workplace every day.

In addition to direct services provided by DVRS staff, various community partners receive funding and oversight from DVRS. These partners promote the inclusion of individuals with disabilities in the workforce through a variety of programs.

These include Community Rehabilitation Programs – a network of programs offering facility-based services to determine if an individual can participate in the workforce. The process can include comprehensive diagnostic evaluation, work samples and short-term trial work activities. Some customers receive training and find jobs through the One-Stop Career Centers. Others remain as employees of the facility and participate as a worker in one of the facility's businesses or enter supported employment programs with job coaches to assist them in learning to perform on the job.

I am also pleased to report that in response to former Governor Codey's Task Force on Mental Health, DVRS has expanded our "fee for service" programs to offer supported employment to a greater number of individuals with mental illnesses. We have also increased our supported employment grant to the Division of Mental Health Services, enabling us to serve additional mental health clients through contracts with 22 Community Mental Health Centers.

As you can see, the Department of Labor and Workforce Development touches many lives, many businesses and many communities in New Jersey. Working at Governor Corzine's direction and in partnership with the Legislature, the employees of the Department of Labor and Workforce Development will continue to provide vital, caring and quality services to our customers – the people of New Jersey.

Thank you for this opportunity to provide you with this overview of the Department. I would be pleased at this time to answer any questions you may have.