STATE OF NEW JERSEY
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Fiscal Year 2019
New Jersey Senate Budget Committee, Budget Testimony
Robert Asaro-Angelo, Commissioner, Labor and Workforce Development
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I
WELCOME
Thank you, Chairman Sarlo, Vice-chair Cunningham, and members of the Senate Budget committee. It’s a pleasure to represent the Murphy Administration before the Legislature for the seventh time since my appointment, and an honor when so much important work is being done at the Department of Labor & Workforce Development.

II
WHEN WE LAST SPOKE
When I came before this committee nearly a year ago, I spoke of a hollowed out department without adequate staffing or resources to carry out its mission of protecting workers, and building New Jersey’s workforce.

Many of our accomplishments can be attributed to our close working relationship with you in the Legislature. So it should come
as no surprise that, today, I’m here to talk about how we have been improving since that point.

Over the past 15 months, I’ve visited nearly all of our 42 field offices, including all of our One-Stop Career Centers. In addition to meeting our field staff, these visits have allowed me to see firsthand a department focused, not just on reacting to the needs of our customers, but proactively anticipating the needs of businesses and workers, and taking action.

We’ve also been looking for savings and efficiencies, and have been diligent in applying for grants, but unlike many of our colleagues, Labor is almost entirely federally funded with only 4 percent of our funds coming from the state Treasury.

At the same time, our state has taken an increasingly active role to ensure worker protections, stepping up on the state level as federal protections have waned.

III
STATE OF THE STATE

As our unemployment numbers demonstrate, there are currently more workers to protect than in recent memory. Last year’s revised unemployment rate was 4.3 percent. Currently, our rate is 4.0 percent. That means New Jersey is almost at full employment. We are also doing more to help the long-term unemployed find meaningful work, and working closely with businesses to fill openings and develop talent. I’ll talk more about our Workforce programs in a few minutes.
IV
DEPARTMENTAL SUCCESSES

INCOME SECURITY –
Customer Service
First, I'd like to share some of the successes in our customer-facing Income Security programs.

Last year, you made no secret of your concern over the service constituents receive when they apply for unemployment, family leave or temporary disability insurance benefits.

I knew going into the job there were improvements to be made, having personally experienced an extended wait to receive unemployment benefits in 2017. But, as of early this year, approximately 85 percent of eligible people who filed for unemployment insurance received their first payment within 21 days – an 11% increase over last year. And we expect to continue to improve. In December 2018 we made all 8 of the USDOL’s performance measurements. The last time this occurred was July 2012.

Additionally, in October 2018, we introduced an online option for resolving issues adjudicated by claims examiners. Rather than waiting six weeks to get an examiner appointment, customers now have the option of completing a case-specific questionnaire online, then having an examiner review their submission. This process, known as E-adjudication, has greatly improved the time lapse for these claims. We are meeting the USDOL metric of 80 percent of determinations issued within 21 days. This is the first time NJDOL has consistently hit this mark in at least 20 years.

In October, we launched a new temporary disability and family leave website neatly packaged as MyLeaveBenefits.nj.gov. This
easy-to-use resource clearly spells out the complex benefits application process for our customers – literally guiding them through each step. We’ve also hired staff to address short-term needs, while researching the best course for modernizing in the long-term.

Our call wait times for TDI and FLI have continued to improve. The average call-wait time between January and March was 16 minutes. That’s down 5 minutes from a year ago.

I want to thank the Legislature for improvements we anticipate will significantly reduce the number of days to process a claim. The expansion law that took effect in February allows us to verify wages through existing quarterly payroll data – without having to contact an individual employer each time a claim is filed. It’s been less than two months since this change took effect, but we see promising potential for shaving several days off claim processing time.

While our work will never be finished, we believe we are turning a corner when it comes to customer service.

- Using the TDI-FLI website remodel as a template, we gave a major facelift to our department’s home page. And in a few weeks, you’ll see an all-new site for Unemployment Insurance.

- We’ll soon be rolling out an online application to allow employers to respond electronically to requests for wage information when there is a potential conflict, replacing a time-consuming manual process.

- We’ve trained our staff to be more flexible and more customer-centric; staff are encouraged to work with the
customer to clear up discrepancies and err on the side of customer care.

I also have very good news regarding our Unemployment Trust Fund: Even with the unemployment tax rate moved from Column C to Column B for fiscal year '19, resulting in employers saving about $263 million dollars, the Trust Fund maintains a healthy $2.5 billion balance. In other words, the solvency rate rose 20 percent.

Potentially, there is even better news on the horizon. It’s possible that employers will see another column shift in FY20, when the unemployment tax rate is likely to move from Column B to Column A. If this move comes to fruition, employers will save another $200 million, for a combined savings of nearly a half-billion-dollars in two years.

That is great news.

**Misclassification**

One of the many ways we've strengthened the trust fund is through our focus on misclassification and increased inter- and intra-departmental efforts to tackle the illegal practice of misclassifying workers.

Workers misclassified as independent contractors are not eligible for unemployment, temporary disability, family leave, earned sick leave, nor are they afforded the same health and safety protections as employees. Employers who play by the rules are hurt by the unscrupulous employers who don't, and so is our state.
I know this issue is one that transcends party lines. In fact, I was pleased to read the letter sent from the New Jersey Republican Caucus in October – signed by Senators Kean, Singer, Bucco, Pennacchio, Oroho, Addiego, and Brown – reaffirming the urgency of this matter to the Governor. I can say confidently, we were already hard at work, having held several public forums and were under way in taking swift action on this matter.

We’ve sent a letter to the state’s accountants this tax season to remind them that just because an employer chooses to use a 1099 doesn’t automatically make an employee an independent contractor.

In 2018, our employer audits found 12,315 misclassified workers. That means about $462 million in underreported gross wages and $14 million in lost unemployment and temporary disability contributions to the State of New Jersey. What’s important to note here, is those numbers are based on audits of just 1 percent of employers. In other words, we estimate $46.2 billion was improperly paid on 1099s instead of W-2s.

We have very recently added 6 auditors to our staff of 35, and hope to add more, which will help increase the number of yearly payroll audits we’re able to complete each year by nearly 700.

In addition to our work on Governor Murphy’s Task Force on Misclassification, we’ve partnered with the US Department of Labor to establish a new level of information sharing to combat misclassification.

To emphasize our commitment to misclassification and prevailing wage as well as worker safety and health, I assigned each division its own assistant commissioner, to ensure that both of these areas critical to workers receive elevated attention.
This enables us as a department to be more targeted in our approaches and puts us in a stronger position to amend regulations to be inclusive and enforce new laws such as minimum wage.

**WAGE & HOUR – Investigations**
The Wage and Hour Compliance division focuses its resources on ensuring that every worker is taking home every penny they have earned – and that includes misclassified workers. We’ve taken this message directly to our constituents by holding Wage Theft clinics up and down the state.

Our Wage and Hour Division is in the field protecting our workers and enforcing laws under our umbrella. A $500,000 appropriation from the Legislature has made it possible to hire 8 new investigators, with 2 more in the Civil Service pipeline, which would bring our total to 23 inspectors devoted to misclassification and prevailing wage. Five of these new hires are bilingual. It should be noted, however, that because of attrition, and the need to backfill positions, Wage and Hour has not yet experienced the full complement of new inspectors.

We’ve already seen how investing in wage and hour staff yields results. Just last week, together with the Attorney General’s Office, we announced justice for workers who had been shortchanged wages by their employer. The contractor working on a project receiving public assistance and therefore required to pay the prevailing wage, admitted in his guilty plea that he had willfully ignored the law. As a result of our investigative work, those employees will now receive some $200,000 in back wages, and the state has recommended a three-year prison sentence.
Wage and Hour looks forward to enforcing newly passed laws such as minimum wage, earned sick leave and contractor registration, which requires public works contractors registered in New Jersey to participate in a Registered Apprenticeship program. Notably, the division is transitioning from solely complaint-driven enforcement to a more strategic enforcement position.

PEOSH
On another front, our Public Safety and Occupational Safety and Health division focuses on enforcing laws and regulations to protect the health, safety and welfare of employers, employees, citizens and property. It does this through safety consultations, inspections, training, testing and issuing licenses and permits.

The division puts workers first by offering free safety consultations to public- and private-sector employers to decrease injuries and illnesses, especially in high-incident rate industries and occupations. The division also provides for the creation and expansion of new standards and methods for compliance.

Proactive Outreach Efforts
Hand in glove with our enforcement efforts, we are committed to a progressive outreach strategy. An example of that is our work around the new Earned Sick Leave Law.

After Governor Murphy signed the law guaranteeing no worker in New Jersey would have to again choose between taking a sick day and earning a day’s pay, we launched a campaign promoting the new MySickDays.nj.gov website page. We’ve made English and Spanish advertising and literature available and accessible
online. We've held several employer roundtables – with local legislators -- in the categories the earned sick leave law specifically mentioned (schools, elder care centers, hospitals, for example).

And parts of our initial outreach campaign can also be seen in the brightly colored bus ads and signage across the state, helping us spread the message that “paid sick time is now the law.”

**Minimum Wage**
We plan on employing a similar outreach strategy when it comes to New Jersey’s new minimum wage law.

The smart, common-sense move to enact a tiered phase-in to a $15 per hour minimum wage will give more than 1 million families stronger ground to stand on. The people this will help are the people we rely on, each and every day, to cook our food, mow our lawns, watch our children, clean our homes and tend to our sick and elderly. Rest assured, we’ll be doing our part to enforce this law.

My goal is for the Department of Labor to be one of the most proactive government agencies in this state.

I’d love to share a story that emphasizes my point.

**WORKFORCE – Marcal**
On January 31st, people across the state turned on the news to see a fire ripping through the Marcal Paper factory in Elmwood Park. Overnight, more than 500 employees found themselves
without the security of a job that put food on their tables for years or even decades. Their daily routines, their relationships with coworkers and their livelihoods would be changed forever.

But what came next will forever be a part of me.

Almost every division in our department came together to find new opportunities and provide assistance for these hardworking New Jerseyans suddenly unsure of where to turn. We reached out to employers and assembled a job fair with just a few days of preparation. We brought together Marcal executives, our local partners in Bergen and Passaic Counties and our federal partners in Congress.

Our team offered extended hours and hands-on assistance with unemployment filing. We reached out to other state entities to provide heating, housing, and food assistance information. Many of our employees, especially those in the area working at our One Stop locations, offered an ear – and sometimes a shoulder.

Additionally, our Office of Asbestos Control and Licensing has been working with Marcal, Alcohol, Tobacco and Firearms, and Bergen County health officials to make sure all asbestos abatement and decontamination of the burned buildings are completed in a safe and thorough manner by licensed asbestos abatement contractors.

I can imagine a world where others might have simply changed the channel, or sighed at the thought of the unemployment numbers ticking up. But our staff jumped into action. What they accomplished on such short notice was impressive and inspiring, to say the least.
Another example is the Labor Department's efforts to help NJ Transit fill critical workforce needs. When the transit agency identified acute shortages for locomotive engineers, bus drivers, diesel mechanics and other positions, our Workforce system, through the Newark One-Stop Career Center, hosted hiring events, provided occupational skill training and promoted NJ Transit career opportunities among the state's career seekers. NJDOL also supported NJ Transit by coordinating strategic meetings with Education and Higher Ed to develop education and training approaches that would meet their needs.

**Apprenticeship**
We also want to make sure we are supporting businesses and workers with the best opportunities out there, which is why this administration with your support has gone all-in on apprenticeship.

Simply put, apprenticeship works.

Our Office of Apprenticeship has been working diligently to change the way our state's businesses and young workers think about the often-overlooked – but viable and valuable – career pathway of apprenticeship.

Our job is to be a kind of Match.com, pairing our employers in high-demand industries with workers who can learn the specialized skills these employers value and rely on.

Apprenticeship reduces employee turnover, and increases productivity. Apprenticeship builds a pipeline of skilled workers, and creates a built-in model for succession planning. And apprenticeship opens the door to federal and state funding and
resources, because we know that investing in a stronger, fairer economy is good for everyone.

We now have 750 Registered Apprenticeship programs, working with more than 7,600 active apprentices in the state.

We know this model works, and there is almost no industry sector that can’t benefit from apprenticeship.

The Department of Labor has made more than $7.5 million in competitive grant funds available to help eligible businesses, nonprofits and government agencies develop or grow apprenticeship or pre-apprentice programs.

Included in that is the $4.5 million Growing Apprenticeships in Nontraditional Sectors (GAINS) grant we first announced back in October.

We are proud of the diversity of the programs being funded, including opportunities in advanced manufacturing; the life sciences; retail, hospitality and tourism; health care; clean energy and more. We want to make sure we have the most highly trained workforce in the country, meeting employers’ needs for skilled workers.

Atlantic City Success Stories
In Atlantic City, where the opening of two new casinos – Hard Rock and Ocean – drove demand for thousands of new workers, the Labor Department’s Workforce division was proud to initiate a partnership with the new casino owners, the Casino Reinvestment Development Authority, and UNITE HERE Local 54 to develop a training program for culinary, environmental services and
housekeeping staff, using fully stocked CRDA kitchens and hotel rooms across the street at the Sheraton as training sites.

We helped get this program off the ground, with the expectation the casinos will fuel its continuation and growth. The first 38 students completed the training over the winter, and many had jobs waiting. The graduates were mostly local to Atlantic City, and many had come to the program from drug court or re-entry services. For these trainees, a second chance to achieve the dignity of work brought broad smiles, and in many cases, tears of joy and gratitude.

An Atlantic County Recovery Court Judge, who recommended some of the participants for the training and attended the commencement with me, summed up the goal of the program this way: “A job is, without a doubt, the only social program that works.”

This was our “whole of government” approach of collaboration in Atlantic City, that brought all of the right people, the right entities, and the right reasons to the table.

**NJPLACE**
The Pathways Leading Apprentices to a College Education program or NJPLACE establishes partnerships with post-secondary schools to award college credit to apprentices while enrolled. This is our way of demonstrating that New Jersey – and our post-secondary partners – believe your experiences, training, and on-the-job learning are of more value than just a paycheck.

By reinstating NJPLACE, we are proving how apprenticeships can exist not simply as an alternative to a college education – but rather as a pathway to a college degree.
Pathways to Recovery
We recognize other people may have fallen off a career path, and need help moving in the right direction.

The Pathways to Recovery Initiative is playing a part in tackling the epidemic of opioid addiction in New Jersey. This means we all have to get involved and find new, creative solutions to this problem.

We’re doing our part by providing job training opportunities, supportive services like transportation, childcare, clothing, driver’s license restoration and employment for up to 600 individuals whose lives and workforce trajectories have been impacted in the six hardest hit counties – Atlantic, Camden, Essex, Middlesex, Monmouth and Ocean.

We’re proud of these creative efforts that impact populations left behind, and in many cases, left to fend for themselves.

This is what Governor Murphy means when he advocates for a stronger, fairer – and more inclusive – economy.

NJ Career Network
And, finally, we have been working closely with the Heldrich Center at Rutgers University to develop innovative online resources for jobseekers. In the works is a self-guided, goal-oriented, and collaborative experience that will address personalized needs of people seeking new jobs, and those seeking to acquire new skills or a career change.
This is just one example of how the Murphy Administration is leading the way to develop an Innovation Economy using modern approaches and technologies to solve persistent workforce challenges.

V

CLOSING STATEMENT

So, as you can see, it has been an ambitious first year, but we are just getting started. We may have filled in the holes, and laid the foundation, but we still have a lot of building left to do.

Whether it’s making all of our income security programs easier to use, hosting an impromptu job fair at a time of unforeseen change, or taking the supportive partnerships we’ve made in Atlantic City and using it as a model for every other city in the state, we want to be proactive.

It may sound ambitious, but we are genuinely trying to undo some long-held stereotypes about government service by proving to New Jerseyans that we are here for them.

I look forward to continuing to work with our legislators, our governor, my Cabinet colleagues, and the great staff at the Department of Labor and Workforce Development to accomplish these goals.

Thank you.