



**STATE OF NEW JERSEY
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT**

Fiscal Year 2015

New Jersey Assembly Budget Committee, Budget Testimony

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Hello Chairman Schaer, Vice-Chairman Burzichelli and honored members of the Assembly Budget Committee

Thank you for this opportunity to discuss Governor Christie's 2015 budget request for the Department of Labor and Workforce Development.

Before I outline a few of the many achievements made by the hardworking people in my department, allow me to introduce some of the executive staff members sitting at the table with me today.

- Deputy Commissioner Aaron Fichtner
- Chief Financial Officer Joe Latoof
- And Assistant Commissioner of Income Security Ronald Marino

Seated behind me are other members of my senior staff, all of whom contribute each day to the yeoman's task of maintaining a smooth operation of the Department of Labor's many services, while helping the administration achieve the ambitious goals we have committed ourselves to reach.

During past appearances before this committee, I discussed the many steps we took to streamline operations and to protect, as well as save, tax dollars at my department while continuing the important work of helping people who have become unemployed or underemployed to restart their careers. I want to update you today on the status of the New Jersey Unemployment Trust Fund.

Back in 2009, the fund was declared broke. This very important safety net was rendered insolvent by two decades of diversions totaling \$4.6 billion, along with a severe economic recession and high unemployment levels requiring continued benefit payments.

By April 2011, the deficit had reached a peak of \$2.1 billion.

Today, I am proud to announce that the Unemployment Insurance Trust Fund will be fully solvent this May, two years ahead of when many predicted. We have reached this historic point as a direct result of our careful and deliberate steps to protect and improve the financial management of the Fund.

The immediate result of our work was realized in January, as we spared New Jersey employers, who are at the core of the Garden State's economic health, a \$213 million federal tax hike.

Federal tax assessments, required to replenish the Fund under the Federal Unemployment Tax Act or FUTA, had been increasing and compounding annually on New Jersey employers since the fund became insolvent five years ago.

By correcting the deficit, we brought the fund back into the black last year in time to prompt a reset of the annual FUTA tax assessment to basic levels for Garden State businesses. Because we will return the Trust Fund to full and consistent solvency in the coming days, New Jersey employers also will be spared FUTA tax hikes in coming years.

New Jersey employers also will be spared a Federal Loan Interest Assessment or FLINT tax this year and in coming years. Because the deficit forced New Jersey to borrow from the federal government to pay our unemployment benefits, our businesses also had shouldered paying off \$109 million in interest costs.

The importance of bringing the Fund into solvency cannot be overstated.

The deficit placed severe and increasing tax burdens on the very people we have been relying upon to improve our state economy – New Jersey’s business community. Eliminating the FUTA and FLINT tax burdens, a total of \$322 million in taxes, increases the potential for employers to invest in growth and create new Garden State jobs.

This turnaround was not accomplished by happenstance. The Trust Fund solvency is linked to key reforms under the Christie Administration that bolstered the fund’s integrity and saved nearly \$600 million.

- More than \$420 million was saved due to anti-fraud programs my department put into motion and which the U.S. Department of Labor has repeatedly recognized as leading the nation.
- Another \$171 million was saved through toughening of restrictions against people collecting unemployment benefits after being fired for misconduct. Misconduct reform

was accomplished with the approval and cooperation of the Legislature, and we thank you for that.

Let me be clear, the Trust Fund is constantly under attack. Every day people are trying to illegally divert money, and we are stopping them by undoing decades of neglect.

I realized the problem when I first arrived in Trenton and found that fraudsters had bilked the fund of nearly \$2 million in just one criminal scheme. To date, 26 of those criminals have been prosecuted and others are still being pursued.

This safety net was established for one purpose – to assist the hard working people in our state who, due to no fault of their own, lose their jobs and need support while getting back on their feet. The first precaution we implemented was the simplest measure we put into place, and it remains the most effective.

The bulk of the \$420 million saved through our anti-fraud efforts is the result of cross-checking the Unemployment Insurance rolls against the National Directory of New Hires to determine if claimants returned to work. We still catch about 1,600 claims each week as people try to grab a little more money from the Fund by filing claims even after they have returned to work.

Other major anti-fraud measures we adopted include:

- Software we installed to detect claims being illegally filed from foreign IP addresses
- Identity Verification checking that requires people filing Unemployment Insurance claims to answer questions to verify their identity

All of our anti-fraud programs are designed to prevent money from leaving the Trust Fund. Until recently, it was nearly impossible to recover the money once it went out the door. But we are now tracking down many of those who defeated the system. Last year, we joined the Federal Treasury Offset Program or “TOPS” to recoup improperly collected unemployment insurance payments by seizing refunds and deductions the individuals are due on their annual federal income tax.

I am proud to announce today that we have collected nearly \$43 million through TOPS in less than one year of operation. The U.S. Department of Labor has advised us that this is the highest one-year recovery amount of any of the 37 states enrolled in the program.

We also are going after employers who owe back taxes. In March, we collected \$5.1 million through garnishments against employers with state contracts. Make no mistake we’re going after anyone who owes money to the Trust Fund.

We are committed to protecting this important safety net for New Jersey workers. It also is important for us to help people who are relying on the Trust Fund to return to work quickly, and my Department continues to pursue cutting edge programs designed to assist all unemployed and under-employed people in New Jersey, including those with disabilities or people on public assistance. We are focused on re-employing people, expanding economic opportunities and realigning our workforce development, where necessary, as we increasingly work with New Jersey employers to understand where the job opportunities exist.

National studies show the longer someone remains unemployed, the tougher it becomes for them to get back to work. Paramount is getting people to immediately ignite their job search when they are separated from employment, as is focusing them on developing the skills our employers tell us are needed to be hired.

Let me briefly outline just a few of our front-line efforts:

Jersey Job Clubs, an innovative program that received notice at the White House Forum on Job Clubs and Career Ministries in Washington, D.C. in 2012, has served more than 60,000 job-seekers in less than two years. Designed to offer people access to the most current job search information, tools and resources, the clubs are located in 23 of our One-Stop Career Centers, showing people how to aggressively find a new job.

There also is **Jobs4Jersey.com**, which my department launched in 2011 as an on-line portal to all services offered to re-employ job-seekers in New Jersey. It remains an easy-to-use and active website designed to connect job-seekers with employers by serving both communities.

Most importantly, Jobs4Jersey.com contains On-Ramp, a state-of-the-art search-engine that matches job-seekers with employers by scanning and comparing skills, not former job titles. For employers, Jobs4Jersey.com is a human resources department, allowing businesses to find people with the exact skills they want by basing talent searches on a list of specific abilities and ranking responses. On-Ramp takes the work out of the recruitment process for small companies.

Today, nearly 11,000 employers and 300,000 job-seekers are registered with Jobs4Jersey.com, and the site showcases about 200,000 job openings each week.

We also continue to reform and improve our grant programs. As I have said before, we do not want to train people for jobs that no longer exist. We are fully focused on the major industry clusters driving New Jersey's economic future and the skills those industries are identifying as necessary for any job-seeker to become employed. We also continue to focus our

incumbent worker training programs on those clusters, improving the marketability of workers while boosting the productivity of companies who then can hire more people.

Our **Skills4Jersey** program, which used to be known as our customized training grants, awarded \$18,428,768 in Fiscal Year 2013 to help employers train 68,518 workers. Of that amount, \$6.4 million was bestowed on manufacturing companies, supporting a targeted industry that remains important to New Jersey's future. So far, in Fiscal Year 2014, we have obligated \$10,128,904 to train 30,217 workers, and we estimate \$5.5 million will be added to the effort.

Opportunity4Jersey is a targeted-training program that continues to evolve as we gather data from employers about their hiring needs. It has been very successful, and demonstrates the effectiveness of skills-focused approaches to unemployment.

In Fiscal Year 2013 we issued about \$1.8 million in grants, with nearly 400 trainees getting into the training programs. In Fiscal Year 2014 we obligated about \$3.3 million to train 657 candidates. These funds have gone toward group trainings where specific skills were identified by employers, the industry helped to design a course of instruction and community colleges conducted the training.

The formula works. We have had significant success in placing graduates from these programs into jobs.

In Union County, for example, I had the pleasure of visiting graduates of our metal fabrication training program who had been hired by a small manufacturing company (DureX). They had been on the job for several weeks, beaming with pride. They shook our hands and thanked us for the opportunity we gave them.

I tried to explain that they created their own opportunity by pursuing the training and sticking with the program. But they couldn't express enough gratitude about landing jobs – good jobs. And during that discussion, I found out one of them had done so well that he had already been promoted to supervisor.

We gave these people the skills that employers needed to find to hire them.

What we need to do is to create more partnerships with many more employers to expand this approach. It requires continued and expanding efforts by everyone involved in workforce development, including our educational institutions.

Toward that end, I joined Lt. Governor Kim Guadagno in touring our Career and Technical Schools recently to witness some of our private-public collaborations and investigate how we can improve what we call our “workforce alignment efforts.” In short, we want to ensure young people entering the workforce, as well as everyone else seeking employment in New Jersey, are being given the opportunity to learn the skills that Garden State employers tell us are needed.

We found some impressive collaborations, such as BMW working with the Bergen County Technical High School and, at the Union County Academy for Information Technology, a collaboration with Novo Nordisk and the New Jersey Institute of Technology (NJIT). But we also learned that other schools are lacking employer involvement, and we need to bridge those gaps.

This spring, my department will move forward with a career awareness campaign to educate students, as well as our long-term unemployed and other job-seekers, about the occupations

and credentials that are in demand. We also plan to explore additional innovative training programs this year.

We are not guessing. We have people on staff, constantly analyzing employment trend data and industry clusters that are driving New Jersey's economic future to determine the prospects for meaningful careers within the Garden State. We are simultaneously talking to those employers, recruiting more of them to help us identify the skills our workers need to be marketable and our businesses to be competitive in an ever-changing world economy.

It is around these industry clusters that we have built our Talent Networks because these industry clusters employ more than two-thirds of our workers and pay more than two-thirds of the wages received in New Jersey. It will be within these clusters that we will find employment for generations to come.

At this time, I'd like to again thank the Committee for this opportunity to talk about the Department.

I would be happy to answer any questions the Committee has for me.

Thank you.