

Fiscal Year 2012 Assembly Budget Committee Testimony
Harold J. Wirths, Commissioner
New Jersey Department of Labor and Workforce Development
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Note: Introduce attendees at the table and other executive staff members in the gallery. (At present, we have Deputy Commissioner Rich Constable, CFO/Assistant Commissioner George Krause, and Assistant Commissioners Ron Marino, Aaron Fichtner, and Mary Ellen Clark.)

Chairman Greenwald, Vice-Chairman Schaer, honored members of the Committee, thank you for this opportunity to discuss Governor Christie's 2012 budget request for the Department of Labor and Workforce Development.

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

When Governor Christie signed the Fiscal Year 2011 budget into law last year, he called on all Departments to maintain essential services as he made tough choices to move the State towards fiscal responsibility.

Although my Department receives the majority of its funding from the federal government, these tough choices have led to an examination of our daily operations. We have become more efficient, we have streamlined systems, and we have advanced initiatives that improve our services.

We have been able to do this as a result of the tireless work from the dedicated staff within the Department.

I would therefore like to start by acknowledging the many men and women who represent the Department each and every day. We have asked a lot from them, and then often asked for more. I want to publicly thank all of those men and women, for maintaining the services that the Department provides, and doing all that we have asked them to do.

While the economic recovery is slowly taking hold in New Jersey, we continue to see signs that our state is well positioned for the future and efforts to bolster the economy are taking hold.

The state's unemployment rate of 9.2 percent is still too high. But it is well below the 33-year high of 10.1 percent reached just one month before Governor Christie took office. In private sector employment, where the state had lost 96,000 jobs between February 2009 and February 2010, we witnessed an increase of 17,000 jobs between February 2010 and February 2011. Companies, such as Honeywell and Bayer are moving into the State, not out.

The Department, has been, and will continue to be focused on helping unemployed New Jerseyans return to work and helping employers find the talent that they need to grow and prosper in our State. During the past year, our One-Stop Career Centers, located throughout the State, provided reemployment services to an unprecedented number of residents of the State, helping nearly 85,000 of them to get a new job. We are working to strengthen our workforce services by implementing a streamlined customer flow to job seekers, targeting local job fairs and career events and focusing on the needs of NJ's employers through layoff aversion and transitions, and positive recruitment activities.

Over the past several years we have sought and won several Federal National Emergency Grants totaling \$14.3 million to help New Jerseyans hard hit by large layoffs – most recently \$3.6 million to help those affected by the pharmaceutical restructurings within NJ, the Ft. Monmouth BRAC closing, and financial institutions affected by the economic crisis. In addition, three NJ counties Essex, Passaic and Atlantic were awarded On the Job Training federal funds. We utilized federal ARRA funds to supplement this On the Job Training money so the rest of New Jersey's counties could provide On the Job Training incentives to New Jersey's businesses as well.

We feel one of the most cost-effective ways to get New Jerseyans back to work is through On the Job Training. This allows us to match a job seeker who has most, but not all the skills required for a job, with an employer. The program provides financial incentives to the company to hire the trainees and help offset the business's training costs. This provides assistance to New Jersey employers, and helps New Jersey's job seekers transition into potentially new careers.

We utilize our federal funding to provide programs that help the most vulnerable job seekers – those on Temporary Assistance for Needy Families (TANF), general assistance programs, ex-offenders, persons with disabilities and out-of-school youth.

We are launching an initiative called: “Jobs4Jersey.” Through a new website, jobs4jersey.com, we are bringing renewed focus to connect job seekers to employers.

The website is a means to steer job seekers who are surfing the Internet at home, at a One-Stop Career Center or at a local library, toward employers who need skilled workers. The site includes our New Jersey job bank with more than 165,000 New Jersey job listings, and another 410,000 jobs that are within a 50 mile radius of the State's borders. Additionally, the job bank connects individuals with valuable career guidance tools.

Jobs4Jersey is also designed to help employers find job candidates and to connect employers with the Department's many services, including On the Job training programs, which provide an important incentive to employers to hire new workers and Customized Training Grants, which help companies invest in the skills of their new and existing employees.

While we are working to better connect job seekers and employers, the Department is also focused on helping to build a world class workforce in the State.

Businesses come to New Jersey, and stay in New Jersey, because we have one of the most talented workforces in the country and the world. The State's key industries, from life sciences to advanced manufacturing, rely on a skilled workforce to compete in the global, knowledge-driven economy.

We need to protect that valuable asset by keeping people trained in the skills demanded by the industries that represent our future economic development. This will better position New Jersey in the economic arena.

The Department is using our labor market information, program data and feedback from employers, to better understand the present and emerging needs of key industry sectors to ensure that workforce development and training services are employed to achieve the greatest economic effect for businesses and for unemployed and underemployed individuals.

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 enable 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 nearly \$11.8 million in Customized Training Grants to train more than 32,650 workers at nearly 400

businesses. These businesses have invested another \$17.5 million in that training. We will be working in the year ahead to expand partnerships between companies and the State's colleges and universities in these key industry sectors.

The Department has also awarded more than \$1 million in Workplace Literacy training grants helping approximately 35 businesses increase the workplace capabilities of more than 3,800 workers, with \$1.5 million in matching funds.

Job growth is paramount for New Jersey's workforce. But there will be no job growth without robust growth in our business community. My Department views itself as an increasingly relevant resource for both workers and employers.

We have made several other major changes that are responsive to the business community's needs.

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 that 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 was in need of reform.

We also worked with the Treasury Department to implement the Department's 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.

While those initiatives have helped the employer community, in the past year we have also made changes to become more effective, more efficient and more user-friendly to provide responsive services at reduced costs.

My Department has improved the delivery of Unemployment Insurance benefits to claimants, which in turn, has reduced operating costs. The introduction of the debit card has enabled the Department to move closer to a paperless delivery of benefits, while at the same time making those benefits available more quickly and securely to customers.

The Department now issues Unemployment Insurance benefits through a prepaid debit card, which allows direct deposit of Unemployment Insurance benefit payments to those who do not have a traditional bank account or who do not want their payment deposited into their existing bank account.

New Jersey has negotiated the most user-friendly debit card agreement in the nation for our customers. Many fees associated with other States' programs have been eliminated in New Jersey's debit card program. As a result, New Jersey's unemployment insurance system is saving between \$7 million and \$8 million annually in processing and mailing costs.

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.

In the same fashion, our Division of Workers' Compensation initiated direct contact with and training for self-insured employers and workers' compensation insurance carriers to begin electronically filing documents. The elimination of paperwork and paper handling is helping them, as well as the State, cut costs and increase efficiency.

In response to this effort, 70 percent of claim petitions, answers and amendments are currently filed electronically and the rate is increasing. We do not yet have the capacity for e-filing of motions, but going electronic has greatly improved the reliability of our case management system and cases are scheduled much faster. Additionally, this process makes the documents electronically available to the parties of a case. This also expedites the processing of claims, decreases mailing and other costs and reduces the data processing and related activities required for paper documents.

In the realm of cost savings, let me 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, and we have become more diligent in stopping fraud rather than spend Department resources trying to recover money after it has been illegally or improperly paid out.

Last year, my Department identified \$60 million in overpayments and nearly \$25 million in fraudulent claims. Since then, we have refocused staff at the

Department and brought on a former FBI Special Agent to take a proactive approach to protect New Jersey taxpayers' money.

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

An overpayment occurs when an Unemployment Insurance claimant receives a payment, but is later determined ineligible for that payment. The majority of overpayments are attributable to claimant error or misunderstanding. On the other hand, fraud is the result of an overpayment when an Unemployment Insurance claimant conceals pertinent facts concerning eligibility. One of the top reasons for overpayments occurs when a claimant continues to claim benefits after they have returned to work.

The Department is working to tackle and dismantle fraud on different levels by using computer software, analytic tools, and cross matching. The National Directory of New Hires (NDNH) is a national repository of employment, unemployment insurance, and quarterly wage information that gathers data and records from State and federal agencies.

The NDNH is an effective tool used to combat fraud, assisting the Department as well as employers. It can give employers the advantage of making sure that benefits are not erroneously charged to their accounts, which affects their business experience rating.

As an example, in the past, an individual committing fraud had the potential of illegally collecting Unemployment Insurance payments by filing different fraudulent claims each month over the course of a year using various identities. Now, the Department can detect fraud earlier, making it possible for us to discover such a fraud within the second month, thereby reducing the loss significantly.

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.

While working to protect against fraud, my Department also has been 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.”

While we appreciate the recognition, it will not cause us to rest on our laurels. Comments such as these are gratifying and a clear testimony to the priorities laid out by Governor Christie for his administration as part of the “new normal.” We have more to do, and we look forward to working with the Governor and the legislature in advancing the State further towards fiscal responsibility.

I would be happy to answer any questions the Committee has for me at this time. Thank you.