



**STATE OF NEW JERSEY
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
OFFICE OF COMMUNICATIONS AND MARKETING**

Fiscal Year 2013

New Jersey Assembly Budget Committee, Budget Testimony

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New Jersey Department of Labor and Workforce Development

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

Thank you for this opportunity to discuss Governor Christie's 2013 budget request for the Department of Labor and Workforce Development.

Allow me to introduce my executive staff members seated with me at this table:

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

When I appeared before you last year, I discussed the many steps we took to streamline and save tax dollars at my department. Allow me to update you on those measures, particularly our endless reforms to protect the New Jersey Unemployment Trust Fund.

When I arrived here in Trenton two years ago, one of the first things to land on my desk was a report that as many as 30 people, working in concert in an organized crime venture, had syphoned \$2 million from New Jersey's Unemployment Insurance (UI) Fund. You may remember, last month, I joined the Attorney General's Office in unveiling indictments against each of them.

Well before last month, we resolved at the Department of Labor and Workforce Development to end the bleeding.

Let's remember, the fund had become insolvent by 2009 after two decades of diversions that totaled \$4.6 billion, along with multiple tax table adjustments, a severe economic recession and high unemployment levels that required continuing benefit payments.

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

Since then, the loan balance has not exceeded \$1.8 billion, and today it is down to \$880 million. We anticipate it will drop further as we receive tax receipts for the quarter.

Of course, the balance will continue to fluctuate up and down but with a downward trend.

The next peak will be at \$1.2 billion in April 2013, and by May 2013 it will reach a new low of \$179 million. It will continue to fluctuate but will not exceed \$500 million, and we anticipate payment in full by May 2014.

This is a fund into which both employers and workers contribute to provide a crucial safety net for our neighbors and family members when they lose their jobs. It is unconscionable for us to allow anyone, for any reason, to draw money from that fund if they do not deserve it.

We decided to rethink how we protect this safety net, and my Department pulled together staff members in charge of security efforts in all of our program areas to create a new anti-fraud unit, headed by a former FBI agent.

The Attorney General's office deputized several of my employees, and we launched the most focused and determined anti-fraud initiative this Department has ever seen. By March 2011, we kicked off an initiative to stop what the U.S. Department of Labor (USDOL) identified as the most common cause of improper payments being made from State UI accounts nationwide: people continuing to file UI claims after they have returned to work.

It was the main reason that nearly \$19 billion had been improperly paid across the nation during a three year period ending June 2011, according to a report the USDOL released last fall. In an updated figure, the USDOL reported two months ago that more than \$13.7 billion in improper payments were made last year alone.

I am proud to tell you today, that since March 2011, New Jersey has saved at least \$100 million from going into the hands of cheats, and that is a very, very conservative estimate.

We did that through a first-of-its-kind program in the nation by using the New Jersey New Hire Directory and the National Directory of New Hires to find if people collecting UI benefits had returned to work. Although those resources were used in the past, we have become much more proactive by stopping payment when we find a match until the person contacts us to explain the discrepancies.

As you can imagine, most of them don't bother to make the call.

They know they've been caught.

Last year, we were stopping payments on a weekly average of 2,000 to 2,400 claims. We now average 1,650 claimants each week. The word is getting out.

Last fall, the USDOL bestowed two innovation awards on our Department because of the program which, astonishingly, remains the only one of its type in the nation.

Quite frankly, the main thing needed to achieve this milestone was a desire to do it.

We also have employed a new system to identify claims filed through foreign IP addresses, otherwise known as Internet Protocol addresses. International organized crime efforts commonly try to beat the UI systems throughout the nation by filing claims from outside the country.

In a preliminary run of the new software we implemented, we identified more than 1,000 claims in a three week period that were filed from foreign addresses. Most were from South America, and we stopped them cold.

The software enabling us to do this cost \$1,600.

We conservatively estimate that we saved nearly \$8 million in weeding out just those initial claims.

Soon, we will be using a new Unemployment Insurance Fraud Identity Proofing program designed to catch the criminal imposters who would file phony claims by using stolen identities. With just a couple of questions posed as someone tries to process a new claim, we will be able to quickly ward off would-be scammers.

These anti-fraud measures are crucial. It is harder and sometimes impossible to retrieve money once it's out the door. We are now preventing fraud before it happens.

I should also mention that the Unemployment Insurance Fund has benefited greatly from a reform Governor Christie put in place by changing the state's misconduct standards in June 2010. The measure further restricted benefits from being paid to people who lost their jobs because of severe misconduct in the workplace.

It was not fair that people fired for misconduct were collecting almost as much in benefits as people who lost their jobs through no fault of their own. The misconduct statute previously recognized only two levels of misconduct, "gross misconduct" and "misconduct," for which people could be denied UI benefits for certain periods of time. The reform measure established three levels of misconduct and increased the UI benefit penalties in all categories.

As a result, the Fund has saved about \$100 million.

The Unemployment Insurance Fund was established for people who fall on hard times and need the safety net it provides. We are obligated to protect it, and my Department has been able to implement the safeguards I just described only because of the tireless work of a dedicated staff.

I need to acknowledge their efforts.

Everything we do is only possible because of the commitment demonstrated every day by our employees. They have been responsible for many innovations through which we are better serving New Jersey, especially those who need our help in finding employment and securing the training necessary to meet the demands of a constantly changing market.

One of those innovations, if you are not already familiar with it, we call Jobs4Jersey.com.

Launched about the same time I appeared before this committee last year, Jobs4Jersey.com began as a website that offered job-seekers and employers a single portal through the maze of previously scattered state and federal programs established to assist them both.

Today, Jobs4Jersey.com is much, much more. We have added a new service we call OnRamp, giving job-seekers a robust job-search engine that uploads and creates resumes to present their profiles to employers across 2,400 job-search sites.

Today, we have more than 66,000 people floating resumes through OnRamp. The number of jobs available from week to week varies, but as of last week, about 121,000

jobs within New Jersey were in the job bank, with about 284,000 jobs total when you include available employment within a 50 mile radius of the state.

OnRamp uses an artificial intelligence to match job-seekers with employers based on skills, not just job titles. Job-seekers are alerted to opportunities via e-mail, and they may constantly update their resumes or create several different resumes, accentuating their skills for different jobs.

The full potential of OnRamp is soon to be realized as we expand its service for employer use in the coming weeks. The employer module at OnRamp will give New Jersey businesses an improved ability to fill key positions by finding the specific skills-set and talents they need in prospective employees. Employers will be able to do much more than merely post their job listings.

They will be able to tailor and customize their searches by taking advantage of the same artificial intelligence inside OnRamp that already is being used by job-seekers.

Think of it as a free Human Resources department.

With 90 percent of New Jersey's employers being small businesses, Jobs4Jersey.com now can perform the type of employee searches that businesses have neither the time nor the money to handle. New Jersey employers may tap into the OnRamp services to weed through thousands of resumes, quickly isolating the skill-matches and the final candidates they want to bring in for a face-to-face interview.

Again, this service is FREE to job-seekers and employers, alike.

Jobs4Jersey.com already helps employers to more easily access the training services and Rapid Response teams we offer to assist them. It provides an easier and more active way for New Jersey residents to link to our employment services, including Veterans, persons with disabilities, ex-offenders, out-of-school youth and people on General Assistance and the state's Temporary Assistance for Needy Families program.

Now, Jobs4Jersey.com is about to improve the way it links job-seekers and employers. It is a service designed to bridge the gap between the thousands of job-seekers in New Jersey and the employers who keep telling us they have job openings, but cannot find the right candidates.

Jobs4Jersey.com also represents just one way my Department has refocused its mission and way of doing business to proactively address the unemployment issue in New Jersey.

My Department knew it had to rethink the traditional models used to re-employ and re-train people left out of work by this recession. In contrast to past economic declines, New Jersey has been dealing with many middle class, well-educated, white-collar professionals being left jobless along with blue-collar and service industry workers.

To address the needs of this varied population of job-seekers we had to start focusing on the needs of the employers who hold the potential to hire them. We especially needed to focus on the industries that formed the vanguard of New Jersey's future growth.

The state's unemployment rate of 9.0 percent is still too high. But it remains well below the high of 9.7 percent reached just one month before Governor Christie took office.

In private sector employment, the state had lost more than 248,000 jobs between February 2008 and the recessionary low-point of February 2010, which was Governor Christie's first full month in office. Despite some losses last month, we have witnessed a growth of 60,600 private sector jobs since February 2010, and we are capitalizing on that solid growth.

We have committed more than \$18 million in Customized Training grants and \$3.4 million in Literacy Training grants from July 2011 through today to provide our workforce with skills that keep them employed, make them marketable and help their employers maintain a competitive edge.

Nearly 500 companies will participate in well over 200 grants and will train an estimated 52,000 employees and add an estimated 10,000 new hires. About 55 percent of the grants will focus on small companies with less than 100 employees.

In fact, under a rule I approved last year, the matching grant requirement on Literacy Training grants was removed for small businesses with under 250 employees so their workers may qualify for the basics in communication skills that are so important for them to advance in any job.

Less than two weeks ago, my deputy visited the Accurate Box Company in Paterson, which we awarded \$41,000 to give basic skills, communication skills, personal computer training and English-as-a-second-language training to 52 workers. A class of 16 workers was underway when he arrived, and he observed first-hand how the training was designed to prepare them not only for higher-paying positions in the company but also to improve their life-skills outside the workplace.

We are not wasting tax dollars training people in jobs that are disappearing or which no longer exist. We are using our labor market information, program data and feedback from employers to focus our workforce training on the emerging needs of key industry sectors.

We are focusing our grants on industry sectors that employ more than half of New Jersey workers and pay more than two-thirds of wages paid in New Jersey, the industry sectors that will drive the future of New Jersey's economy.

We are offering people in the Garden State an opportunity to find meaningful careers in their home state, and at the same time, we are allowing our local industries to find the talent they need to meet market challenges and grow.

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.