

NEW JERSEY DEPARTMENT OF
Labor & Workforce Development
NEWS RELEASE

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Fiscal Year 2017

New Jersey Assembly Budget Committee, Budget Testimony

Harold J. Wirths, Commissioner, Labor and Workforce Development

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Good afternoon Chairman Schaer, Vice-Chairman Burzichelli and honored members of the Committee.

Thank you for this opportunity to discuss Governor Christie's fiscal year 2017 budget request for the Department of Labor and Workforce Development. I look forward to sharing with all of you the tremendous successes we have achieved over the past several years, through bipartisan efforts working with the Governor, Lieutenant Governor and the state Legislature.

Allow me to begin by introducing some of the executive staff members sitting at the table with me today—just a few of the many hardworking people in my department who are responsible for the concerted effort that goes into the delivery of our services and the many successes at the Department of Labor, some of which I will outline shortly.

With me today are

- Deputy Commissioner Aaron Fichtner,
- Chief Financial Officer Bob Voorhees, and
- Assistant Commissioner Ron Marino.

Seated behind me are members of my senior staff who continue to help in our daily efforts to provide employment services and other assistance to the residents of New Jersey.

ECONOMIC DATA AND OUTLOOK

I want to begin by discussing New Jersey's economic recovery since the Great Recession.

Early in the recovery, New Jersey lagged behind our neighboring states and the nation, but our economy really took off in 2015. Private sector employers added 83,600 jobs last year, representing the best year for private sector employment growth since 1999. And we have now recovered all of the private sector jobs lost during the Great Recession.

As I have noted in my testimony year after year, we have to base our analysis of the state's economy on the Bureau of Labor Statistics benchmark report issued each March, not the monthly reports. The month-to-month jobs reports that grab headlines are preliminary numbers that are revised several times as more

reliable data becomes available. Each monthly survey is often off-the-mark and the data gets adjusted in the following months, and then the benchmarking is done every year to confirm – or as in New Jersey’s case – significantly revise the data from the prior year. The most recent benchmark report shows that over the past two years, the state actually added 35,200 more jobs than initially reported.

Today, we have near-record high of almost 4.4 million New Jerseyans employed. Over the past year, New Jersey employers have added 63,900 jobs and the state’s unemployment rate has fallen 1.3 percentage points. At 4.7 percent, New Jersey’s unemployment rate is among the lowest in the region and lower than the national rate of 5.0 percent.

It is also important to note our falling unemployment rate cannot be attributed to workers leaving the labor force. Our labor force participation rate continues to grow, and remains 1.6 points higher than the national rate, which shows that residents are encouraged about their prospects of finding work.

EMPLOYER-DRIVEN PARTNERSHIPS

Even though we have more New Jerseyans employed than ever before, we haven’t stopped looking for new and innovative ways to match the skills of our workforce with employers’ needs. One of my department’s priorities has been working with employers to identify in-demand skills and then focusing our training efforts on those areas.

Over the past several months, our labor market analysts have been working with employers to compile a list of 170 in-demand credentials and degrees that will be the focus of the state’s workforce programs. Going forward, we hope to focus at least half of our occupational training investments on programs that result in one of these credentials.

An example of the results we have seen with this approach is demonstrated by a 100 percent job placement rate for a recent class of Certified Production Technician training program graduates. All members of the class were offered a job at Kellogg’s Blue Anchor production facility—before they even graduated.

We are continuing to build on these successes with the launch of a new initiative to align the curriculum of our state’s institutions of higher education to better meet the training needs of our economy. Last month, I joined Governor Christie in announcing a new \$2.7 million investment in three New Jersey colleges to develop and offer training to both dislocated and currently employed workers in three of the state’s key industries: Transportation, Logistics and Distribution at Union County College; Health Care at Rutgers University; and Advanced Manufacturing at Camden County College.

In addition, the continuation of our Skills Partnership Grant program provides matching grants to employers to improve the skills of their workers. In this fiscal year we will award nearly \$13 million to over 1,400 companies to train more than 45,000 workers. These customized training grants assist New Jersey businesses in giving their employees up-to-date skills to help workers advance in their careers while also assisting New Jersey companies to remain competitive in the global economy.

Continuing our efforts to assist individuals with disabilities in finding employment, our Division of Vocational Rehabilitation Services placed 3,818 individuals with disabilities into competitive, integrated employment last year.

UNEMPLOYMENT INSURANCE TRUST FUND

I would also like to discuss with this committee one of our biggest success stories to date – a fully solvent Unemployment Insurance Trust Fund.

Two decades of diversions totaling \$4.6 billion, a severe economic recession resulting in high unemployment levels rendered the UI Trust Fund insolvent. We had to borrow from the federal

government to make these mounting payments, which triggered automatic business tax increases and interest fees under state and federal law.

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

New Jersey employers bore the burden of the tax increases and interest payments. Thanks to Governor Chris Christie and our state Legislature, the impact of most of those automatic tax hikes were lessened annually, while we worked tirelessly to bring the fund into solvency.

I recently joined Governor Christie in announcing a \$380 million tax break for New Jersey employers beginning July 1. These new savings are in addition to the \$213 million tax break that was announced in January 2014 and part of the \$1 billion in savings we expect to see over the next few years.

I am also happy report that the Unemployment Insurance Trust Fund has a balance of more than \$1.8 billion.

Major reforms, including our anti-fraud efforts, have saved more than \$1 billion from being taken from the Fund. Through our aggressive and ongoing anti-fraud efforts, we've been able to stop \$700 million from leaving the fund fraudulently since March 2011.

In conjunction with our anti-fraud measures, we are also improving our ability to recover improperly collected funds. Through our efforts to partner with the IRS for the Federal Treasury Offset Program, or "TOPs," we have seized more than \$100 million of federal income tax refunds, and that money continues to roll in each week. We recently expanded this effort by implementing Employer TOPs to recoup unpaid UI taxes owed to the department by employers.

These reforms and responsible management of the Fund have reduced financial burdens on employers, the very people we rely on to create jobs. New Jersey now has a fully solvent UI Trust Fund. We plan to keep it that way.

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

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

Thank you.



New Jersey Labor Commissioner Harold J. Wirths (3rd left) testifies before the New Jersey Senate Budget Committee. Commissioner Wirths is joined by (left to right) Assistant Commissioner Ronald Marino, Chief Financial Officer Bob Voorhees, Deputy Commissioner Aaron Fichtner, Executive Director of Workforce Development and Economic Opportunity Patricia Moran, and Chief of Staff Gary Hasenbalg.