John J. Heldrich Center for Workforce Development

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Winning the Workforce Challenge

A Report on New Jersey's Knowledge Economy

Closing the Skills and Education Gap

Re-employing Dislocated Workers

Ensuring Economic Opportunities for All New Jerseyans

Strengthening the Management and Effectiveness of Government Programs

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Introduction

ew Jersey has been continuously reinventing itself, structurally and spatially, maintaining a leading-edge position on the nation's economic frontier. When America was the world's center of industrial production, New Jersey was one of its epicenters. In 1943, for example, 55 percent of the state's jobs were in manufacturing, compared to only 42 percent nationally. Thus, our image as a blue-collar, lunch-pail state was anchored in statistical reality. But, as the nation began to shift to a post-industrial service economy, New Jersey shifted along with it. By 1988, manufacturing's share of state employment had dropped to 18.3 percent, and for the first time fell below that of the nation as a whole (18.1 percent), rendering our lunch-pail sobriquet fully obsolete.

The state's economy continued to move into the new post-industrial, knowledgebased, information-dependent future. By 2001, only 11.2 percent of the New Jersey's jobs were in manufacturing, a share now far below that of the United States (13.4 percent). And that which remained was high-technology, high-value added, knowledge-dependent manufacturing, typified by the pharmaceutical industry. The state accounts for 15.3 percent of the nation's pharmaceutical employment, fully five-times our share of total national employment (3 percent). New Jersey is home to one of the world's dominant concentrations of a key industry of the future.

Advanced information-age services are now providing the motive power propelling the state's evolving economy into the future. One example is "Wall Street Type" financial employment. In 1982, there were fewer than 15,000 jobs of this type in New Jersey. By the end of 2002, there were 82,000, a more than five-fold increase in just 20 years. Much of this is the result of shifts of the financial industry from Wall Street to New Jersey.

This also reflects the reinvention of the economic geography of the broad New York City-New Jersey metropolitan region. A virtual tidal wave of economic and demographic decentralization has swept the state. In 1950, New York City's employment base of 3.4 million jobs was fully double that of New Jersey (1.7 million jobs). By 2000, New Jersey's 4 million jobs had eclipsed New York City's 3.7 million jobs by 8 percent. So in the span of one-half century, New Jersey's economy had moved from one-half the size of New York City to 8 percent larger. Much of this growth is housed in the state's burgeoning office inventory. The emerging economic order is now housed in office buildings. Offices are the factory floor of the new economy, where an increasing share of value-added is produced. And the north-central New Jersey office market now stands as the fifth largest metropolitan office market in the country.

(continued next page)

A key underpinning of this structural and geographic transformation is the highly-educated, highly-skilled labor force that is found in New Jersey, benchmarked by the high levels of educational attainment within the state. Based on the Census 2000 Supplemental Survey, 31.1 percent of the population 25 years and over have a bachelor's degree or higher, the fifth highest among the states; 1.4 percent have doctorates, the third highest in the nation. (As an aside, these high education rankings were achieved despite high levels of immigration into the state. New Jersey ranks third in the proportion of the population that is foreign born. This hard-working population, however, tends to depress a range of educational statistics. Those states that rank higher than New Jersey typically have much lower levels of immigration and foreign born.)

As a state, New Jersey has the highest median household income in the country, also according to the Census 2000 Supplementary Survey. The state's \$54,226 median exceeded the nation's

\$41,343 by approximately 31 percent. If New Jersey seceded from the United States and became a separate country, we would be the richest nation on earth, followed by Luxembourg. This is perhaps the best indicator of the economic performance of the state, and the current quality of New Jersey's job base. Nonetheless, many challenges remain to be met if this progress is to be realized across the spectrum of the state's citizenry.

But there will be a continual evolution of the global and national economies in the future, just as in the past. Thus, New Jersey's future prosperity cannot be guaranteed in an increasingly competitive economic climate. The state's economy will have to continue to reinvent itself successfully, just as it has done before. And this reinvention will have to be centered on workforce quality and workforce competitiveness.

James W. Hughes, Dean Edward J. Bloustein School of Planning and Public Policy

Table of Contents

Challenge 1

Page 5: Closing the Skills and Education Gap

Challenge 2

Page 13: Re-employing Dislocated Workers

Challenge 3

Page 17: Ensuring Economic Opportunities for all New Jerseyans

Challenge 4

Page 20: Strengthening the Management and Effectiveness of Government Programs

Challenge I. Closing the Skills and Education Gap

n today's economy, economic development is workforce development. They must work hand-in-hand to balance prosperity with opportunity, values at the core of New Jersey's identity. During the past decade, New Jersey burst from the recession and downsizing of the early 1990s to reap powerful gains in job and corporate growth. Our state attracted corporate and scientific talent from around the nation and the world, and further cemented its strategic value to health care and other knowledge industries. The congestion and sprawl associated with the state's growing wealth bore tangible tradeoffs—rising incomes, business opportunities, a renaissance of culture and retail expansion in New Jersey's urban cores. This period also witnessed historic volatility in the structure of the workplace and economy. Whether white, blue, or 'new'

collar, New Jerseyans are working hard but enjoying less security in their employment, retirement, or health care than was known in the three decades following World War II.

The 'creative destruction' -the accelerating turnover of companies, jobs, and economic relationships—of the emerging new economy has made work and life more stressful in our state. Average job tenure declined for key groups of workers during the 1990s, and New Jersey commute-to-work times became the third longest in the nation. Worker surveys identified growing concern over how families will balance demanding work agendas and family needs, over getting enough sleep, and staying ahead. Income and opportunity gaps between the rich and poor, the well-educated and poorlyskilled, continued to widen.

1. New Jersey's Workforce Snapshots

| | New Jersey 1990 | New Jersey 2000 | US 2000 |
|---|--------------------|-------------------|------------------|
| Median age | 34.4 | 36.7 | 35.3 |
| Population, % change 1990-2000 | | 8.6% | 13.1% |
| Black or African-American population | 1 13.4% | 13.6% | 12.3% |
| Hispanic or Latino origin population | 9.6% | 13.3% | 12.5% |
| Non-Hispanic Caucasian population | 74% | 66% | 69.1% |
| Asian population | 3.5% | 5.7% | 3.6% |
| Workforce | 4.1 million | 4.4 million | |
| Median household income | \$40,927 | \$55,146 | \$41,994 |
| Median value of owner-occupied housing unit | \$162,300 | \$170,800 | \$119,600 |
| Number of households below \$35,000 income | 1.2 million/42.2% | 937,000/36.3% | 47.4% |
| Families in poverty %/# | 5.6%/113,848 | 5.9%/131,000 | 9.2%/6.8 million |
| School enrollment | 1.86 million | 2.2 million | |
| Percent bachelor'sdegree or higher | 24.9% | 29.8% | 5% |
| Speak a language at home other English | 1.4 million (19%) | 2 million (25.5%) | U.S. (17.9%) |
| Executive/administrative/manageria professional occupations | al/ 1.1 million | 1.5 million | |
| Service occupations | 352,043 | 538,952 | |
| Mean travel time to work | | 30 minutes | 24.3 minutes |
| | | | |

2. Professions and Services Lead New Jersey Employment Growth Through 2010

| Projected Job Growth or Decline, 2000-2010 | Number of Jobs | Percent Growth or Decline |
|--|----------------|---------------------------|
| Professional and Related Jobs | 170,800 | +20.9 |
| Service Jobs | 137,900 | +18.8 |
| Management, Business, and Financial Jobs | 50,500 | +11.5 |
| Sales and Related Jobs | 45,200 | +9.1 |
| Office and Administrative Support Jobs | 31,100 | +3.8 |
| Transportation and Material Moving Jobs | 24,200 | +7.3 |
| Construction and Extraction Jobs | 12,700 | +7.9 |
| Installation, Maintenance, and Repair Jobs | 5,200 | +3.5 |
| Production Jobs | -16,800 | -5.8 |

Source: New Jersey Department of Labor

In preparation for Governor James E. McGreevey's Summit on the Workforce, we have prepared this overview of four critical challenges facing New Jersey's economy and workplace that merit public attention. The report highlights policy directions deserving of further exploration by policymakers, educators, employers, unions, and workers. It documents the importance of building a knowledge economy workforce in our state that will retain and attract companies and institutions that keep New Jersey's competitive position razor-sharp. It also illuminates the importance of addressing the gaps in income, education, and opportunity that can undermine our state's social cohesion and ability to sustain diverse and productive communities.

New Jersey became a magnet for information technology, pharmaceutical, biotech, and health care companies during the 1990s. Between 1990 and 2000, New Jersey's workforce grew from 4.1 million in 1990 to 4.4 million—many of these high-quality jobs in knowledge industries. Over the past twenty years, median family income in New Jersey nearly tripled. During the 1990s, poverty and unemployment were below national averages.

But during this boom decade, New Jersey's workforce reflected the disturbing

national and global trend of the shrinking middle. Between 1981 and 2002, the size of the service industry more than doubled in the state to over 1.3 million jobs, while the manufacturing workforce declined from about 780,000 jobs to 420,000. The ten fastest growing occupations in New Jersey through 2008 are projected to include desirable computer-related, health care, legal, and human service professional jobs. However, this list also includes lawn maintenance, home health care, and child care workers, jobs that continue to grow as a share of the workforce, but offer relatively low pay and benefits.

New Jersey became a strong drawing card for advanced technology workers during the 1990s, often luring talent from other states. High-tech firms employ 59 out of every 1,000 private sector workers in New Jersey, ranked 10th in this proportion nationwide (American Electronics Association 2002). Since 1987, the health care industry has provided near double-digit job growth or better across the state (New York Times, December 31, 2002).

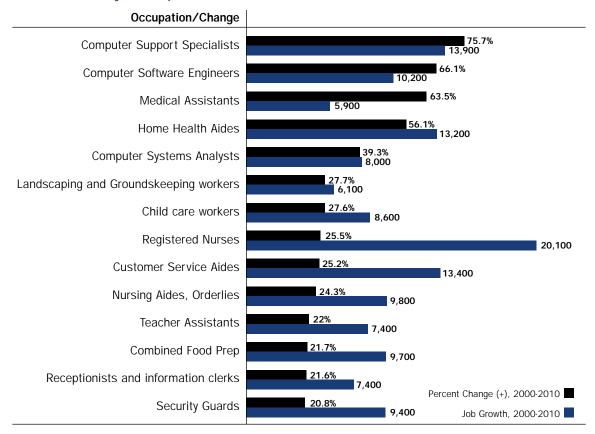
If New Jersey's leading 'knowledge' industries are to remain here in the state, it is vital that New Jersey build a knowledge workforce to match. Business leaders here and across the nation have identified worker recruitment and reten-

tion as a critical growth concern. Nearly one in three CEOs of high growth firms have found deficiencies in the problemsolving skills of new hires, and 40% of executives say they cannot modernize operations because workers lack necessary skills (Schaffner and Van Horn 2003). Data indicate that the state could experience a major shortfall of college-educated and advanced technical workers over the next twenty years:

- New research by Anthony Carnevale and Richard Fry of ETS shows a national shortfall of some 12 million college-educated workers by the year 2020, about 80% of projected skilled jobs (Carnevale/Fry 2002).
- The need for higher education in New Jersey is expected to increase by 25 percent within the next ten years as the so-called 'baby boom' echo begins

- to graduate from high school. Yet, New Jersey ranks 44th in the number of available seats it provides at its four-year colleges per 1,000 state residents.
- While New Jersey's pharmaceutical and medical technology firms are growing and expect to add 15,000 jobs by the end of the decade, there won't be enough qualified workers in the state to fill those jobs, particularly at the post-graduate degree level (Heldrich Center/Health Care Institute of New Jersey).
- In the fast-growing health services field, New Jersey will experience critical shortfalls in the supply of registered nurses (18 percent below demand) and licensed practical nurses (17 percent below demand) where substantial postsecondary education is needed, as well as shortfalls in

3. Computer Software and Health Care Among Fastest-Growing New Jersey Occupations, 2000-2010



Source: New Jersey Department of Labor

nurse's aides and attendants (20 percent), and home health aides (61 percent). (Robert Wood Johnson Foundation 2002).

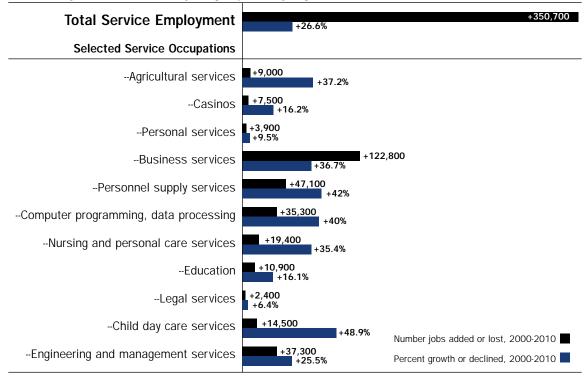
While New Jersey institutions are awarding growing numbers of degrees and certificates in high growth areas such as computer and information sciences, degree attainment in a number of essential growth disciplines has been weak or in decline. Biological and life science degrees declined by 11% between 1998 and 2002 at New Jersey institutions. Physics and mathematics degrees declined, agricultural science degrees declined, and engineering degrees increased only by 9%, during that period.

New Jersey lags behind other key Northeast states in its share of advanced degree professionals. While immigrant workers and visitors are part of the family of New Jersey, that about one-quarter of technology workers in New Jersey work here under H1-B visas, is a challenge to New Jersey's education and workforce systems (Heldrich Center Focus Group 2003).

The number of students and workers needed to meet the challenges of the knowledge-based New Jersey workforce is one aspect of the challenge facing our state. Just as important is what students learn and how well they are prepared. A comprehensive survey of New Jersey employers completed in 1995 for the **Education Commission of the States and** State Higher Education Executive Officers—findings confirmed in later, more recent national surveys—found that no more than a third of recent college graduates were "highly prepared for work" and a major of employers felt that graduates of four-year institutions were "prepared for work but could be better" (Van Horn 1995). Employers told researchers that qualities such as integrity and honesty (84 percent) and skills such as listening (73 percent), reading (70 per-

4. Booming Service Employment, A Closer Look: Projected Percent Change in Job Growth, 2000-2010

Industry and Service Industry subgroups/new job growth or loss



Source: New Jersey Department of Labor

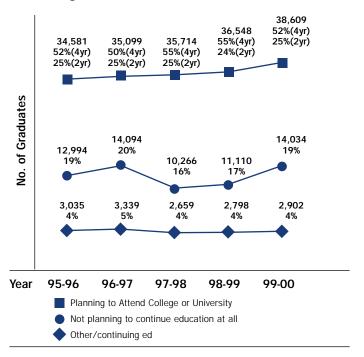
cent), and oral communications (68 percent) were among the most important.

New Jersey's economy will benefit from an expanding supply of well-educated workers equipped with a variety of niche skills. But it will also benefit from an education system that places more emphasis on the needs of workforce preparation and readiness. New Jersey state educational data show that high school graduation rates have improved moderately over the 1990s; the number of New Jersey workers with bachelor's degrees are growing. Yet the reality remains. The share of high school graduates planning to attend four-year colleges has hovered at around 50%, and as is well-known graduation rates are well below this number. The number of graduates stating they have no plans for continuing education dropped from about one-quarter to one-fifth of graduates by 2001. For too many New Jersey high school graduates, the bachelor's degree is not serving as their passport to success. The state must develop better options and pathways for lifelong learning and training are needed.

Expanding links between academic and real-world workplace practice will increase the employability of high school graduates and assist some in identifying more targeted routes for secondary and post-secondary education. As noted in the New Jersey SETC paper 'The Crisis of the Workforce,' "It has been the reluctance to firmly link vocational education and academic education that is most responsible for the gap between the skills of our students and the needs of the labor market."

Evaluations of "Career Academies" across the nation indicate high-quality academics and school-to-work curricula and partnerships can be integrated to produce positive outcomes for the non-college bound and the college-bound student. Typically, a Career Academy is organized as a school-within-a-school, starting in ninth grade. Academies coordi-

5. NJ High School Graduates With No Plans for Continuing Education Declines in 1990s; Graduates Seeking Four Year College Hover at 50%



Source: New Jersey Vital Education Statistics (www.state.nj.us/njded/data/vitaledtoc/htm)

nate student coursework around a career theme such as healthcare, tourism, or

electronics. The themes and curricula are tied to skills demanded by local industries. The Academies form partnerships with local employers to provide students with career awareness and work-based learning opportunities such as summer internships. Originally, Career Academies focused on dropout prevention and work preparation for atrisk youth, but by shifting their focus to college preparation as well as

career development, the Academies now serve a wide range of students.

A multi-year longitudinal study following Career Academy students through

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6. Share of New Jersey Workforce with Graduate and Professional Degrees Ranks Below Some Northeast States

| Washington, DC | 17.2% |
|----------------|--------|
| Connecticut | 11% |
| Maryland | 10.9 % |
| Massachusetts | 10.6% |
| New York | 9.9% |
| Vermont | 8.9% |
| New Jersey | 8.8% |
| Rhode Island | 7.8% |
| Pennsylvania | 6.8% |
| | |

Source: New Jersey Business Resource Center, National Center for Educational Statistics

> high school and postsecondary education by the Manpower Demonstration Research Corporation (MDRC) found that Career Academies have the strongest impact on students at high-risk of school

failure. For these students, Career Academies reduced dropout rate, and increased attendance, course taking, and application to college. Among low-risk, 'good' students, Career Academies have modest, but positive effects on some student outcomes. The MDRC study concludes that the strengths of Career Academies are the small learning communities that they create, the promotion of school-to-work objectives, and the connections made between teachers, employers, and students, as well as the remarkable impact on dropout prevention for at-risk youth. The presence of lowrisk, high-achieving youth in the small learning communities is integral to the success of "high-risk" students in the Academies. (These findings are preliminary and do not reflect the impact of Career Academies on college and career access, success, and retention.)

1998-2002 Change

7. Degrees Awarded in Some Key Degree Areas for New Jersey Economy Declining

Degrees and Certificates Awarded by NJ Institutions of Higher Education

| egrees/Certificates | in Degrees or Certificates Awarded +/- |
|---|--|
| Agricultural sciences | 114/103 –9% |
| Biological sciences/ life sciences | 2,102/1,859 –11% |
| Business management/administrative services | 9,899/10,818 +8% |
| Communications | 1,288/1,861 +30% |
| Computer and information Sciences | 1,622/3,086 +47% |
| Education | 4,895/5,628 +13% |
| Engineering | 2,011/2,208/ +9% |
| Engineering-related technologies | 893/581 -34% |
| Health professions and related sciences | 5,003/4,360 –13% |
| Liberal arts & sciences, general studies & humanities | 4,988/5,142 +3% |
| Mathematics | 451/398 –12% |
| Physical sciences | 687/623 -9% |
| Psychology | 2,538/2,805 +6% |

Source: State of New Jersey Commission on Higher Education

8. New Jersey Among Leading States in R&D Performance, Though Not in Higher Education and Federal Government R&D Investment

| Total R&D milions of | | Top Ten States i | n Size of R&D, by typ | pe of performance | |
|----------------------|---------------|------------------|-----------------------|-------------------|--|
| 1995 dollars) | Top 10 States | • | Universities & Colleg | • | |
| 36,133 | California | California | California | Maryland | |
| 13,275 | Michigan | Michigan | New York | DC | |
| 10,954 | New York | New York | Illinois | California | |
| 9,969 | Mass. | New Jersey | Mass. | Virginia | |
| 9,128 | New Jersey | Mass | Texas | Alabama | |
| 8,385 | Texas | Texas | New Mexico | Ohio | |
| 7,487 | Illinois | Illinois | Penn. | Florida | |
| 6,919 | Penn. | Penn. | Maryland | Texas | |
| 6,519 | Maryland | Washington | Michigan | New Mexico | |
| 5,314 | Ohio | Florida | North Carolina | North Carolina | |

Source: National Science Foundation/SRS, National Patterns of R&D Resources. Annual series.

Challenge II. Re-Employing Dislocated Workers

he New Jersey knowledge economy can be unsteady ground for workers and their families. On February 2001, New Jersey's unemployment rate reached an historic low of 3.5%. Since then, more than 92,000 workers in the state have lost their jobs, driving the unemployment rate to 5.6 percent by November 2002. Although New Jersey is among the nation's most heavily unionized states, with a little over 20% of the current workforce now represented by labor, over 40,000 union jobs have been lost between 2000 and 2001 alone (BLS 2002).

Other trends illuminate the insecurity felt by many workers. During 2001, over 52,000 New Jersey workers lost jobs in mass layoffs, an increase of 14% over 2000 and an increase of 34% over 1999 (BLS 2002). Layoffs at blue-chip companies such as Lucent have devastated strong New Jersey communities, as have large layoffs listed in Table 3. Although the current recession is not as severe as that of the early 1990s, the increase in the numbers of unemployed is just as great, and the jobless are staying as long on unemployment and exhausting benefits in greater numbers than during the early 90s (National Employment Law Project/Economic Policy Institute 2002).

In New Jersey, the number of jobless exhausting their 26 weeks of UI benefits between the onset of the recession in the summer of 2000 and the summer of 2002, has nearly doubled. Nationally, the number of Americans who have been unemployed for more than six months has risen 55 percent since 2001 (Krugman, New York Times, 2002).

These numbers reflect changing currents in today's global economy that are far more complex than the rise and fall of short-term business cycles. Economic growth depends upon the ability of innovative firms to compete in volatile

regional, national, and global markets that are extraordinarily unpredictable. This is certainly true of New Jersey. Pharmaceutical and medical research firms, for example, maintain market share through long-term research investments that may or may not result in patent approval and market success. In the Internet age, professional and customer service firms and operations face a continually changing competitive map and mercurial consumer preferences. The rise of online travel reservation services and agencies offering remote location computer consultants and developers are just two examples of emerging services that can rapidly eclipse 'traditional' employment.

The implications of this economic transformation for the workforce are immense. Workers throughout the economy must change jobs and upgrade skills more frequently. Between 1983 and 2002, the share of male workers having at least ten years of job tenure with their current employer, dropped from a national average of 37.7 percent to 33 percent. For men in the prime of their careers, the dropoffs are striking. In 1983, 58% of men between 45 and 49 years of age had ten years of current tenure. By 2002, that share had dropped to 46% (BLS 2002).

Nearing the Cliff: New Jerseyans Exhausting Unemployment Benefits Continues to Rise in Recent Recession

| Year | Number of Workers Exhausting Benefits |
|----------------------------|--|
| March to August 2000 | 55,913 |
| March to August 2001 | 64,421 |
| March to August 2002 | 104,310 |
| Percent increase 2000-2002 | 2 87% |

Source: Philadelphia Unemployment Project/Emsellem, Wenger. Time to Fix the Unemployment Benefits Program. 2002. NELP/EPI. In just two years, Lucent went from being New Jersey's second largest employer to its 14th largest.

For women, these numbers actually increased somewhat over the 1990s, since women moved into the workforce in very large numbers during the 1970s and 1980s.

The 'innovation premium' at the high end of the economy that generates strong growth at the same time raises new barriers to the unemployed. Down cycles in the economy force many workers into longer periods of unemployment and more difficulty in recapturing lost wages and savings. Nearly one-third of U.S. families will be unable to replace even ten percent of their lost earnings from their savings during a spell of unemployment, a recent DOL analysis found (Gruber 2002). During the last two decades, mass layoffs of experienced long-term workers have been devastating for entire groups of highly-skilled workers such as aerospace engineers and research scientists. National surveys have shown that American workers acknowledge these realities and seek access to affordable lifelong learning and skills training to keep their resumes razor-sharp.

When skilled, committed workers experience extended layoff or underemployment, however, they are not the only ones

2. Total New Jersey Workers Affected by Mass Layoffs Rising

| Year | Total Workers in Mass Layoffs |
|------|-------------------------------|
| 1996 | 45,270 |
| 1997 | 48,294 |
| 1998 | 48,119 |
| 1999 | 34,439 |
| 2000 | 45,173 |
| 2001 | 52,530 |
| 2002 | 56,054* |

Source: Bureau of Labor Statistics, US DOL Preliminary data; does not include December

to pay the opportunity cost. Employers with strategic or even short-term work-force needs cannot maximize growth unless they identify and hire the best talent as quickly as possible. As the baby boom generation begins within the next ten years to retire in irreplaceable numbers, and if downsized professional and technical workers continue to relocate or leave the business world, New Jersey employers will experience a talent drain of immense proportions.

New Jersey currently addresses the challenge of dislocated workers with a progressive unemployment insurance and compensation system, and a variety of state and local workforce agencies and services. Although independent research confirms that New Jersey's unemployment insurance (UI) system is one of the most effective in the nation at reaching recipients, the UI model was created in 1935 as a response to the massive job losses of the Great Depression. As a result, many low-wage, women, and part-time workers do not meet UI eligibility requirements. As of 2001, New Jersey's UI program covered 255,900 active employers, and paid a maximum weekly benefit of \$446 per week (NJ DOL 2001), equivalent to \$30,000 annual salary in taxable income. Nationally, only 43.3% of unemployed workers received unemployment insurance benefits in 2001 (US DOL 2001).

The challenge of transforming unemployment into re-employment, particularly for dislocated workers ready at a moment's notice to reenter the labor force, requires the private sector, organized labor, and the New Jersey workforce investment system to at long last jointly address the paradigm change in the labor market, much as leaders from the private and public sector joined forces on education reform in the early 1980s. As noted by New Jersey SETC's Crisis of the Workforce, "For too many years, the system has focused on the needs of the agencies and of the "supply side" without

3. No Golden Parachutes: Ten Large Mass Layoffs in New Jersey

| Location | Layoff | Workers Affected |
|--------------|--|---|
| East Windsor | 9/1999 | 3200 |
| Statewide | 1/2001 | 3150 |
| Statewide | 4/1999 | 2660 |
| Statewide | 3/2001 | 2250 |
| Newark | 9/2001 | 1926 |
| Newark | 4/1997 | 1300 |
| Willingboro | 11/1998 | 1266 |
| Peapack | 7/1998 | 1242 |
| Statewide | 10/1995 | 1127 |
| Linden | 4/2002 | 1100 |
| | East Windsor Statewide Statewide Statewide Newark Newark Willingboro Peapack Statewide | East Windsor 9/1999 Statewide 1/2001 Statewide 4/1999 Statewide 3/2001 Newark 9/2001 Newark 4/1997 Willingboro 11/1998 Peapack 7/1998 Statewide 10/1995 |

^{*} Source – WARN Act Notifications (Worker Adjustment and Retraining Notification Act). Does not include layoffs not reported to WARN.

taking full account of the skill requirements of the labor market. Under these circumstances the workforce investment system, and to a great extent the K-12 and higher education systems, are playing catch up with the skill sets that are

lan

Workers with

emerging in the business or employment sector."

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One example of a 'demand-driven' approach is New Jersey's program that allows people who are enrolled in state-approved vocational training programs to

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4. Job Tenure Plunges During New Economy Period, Particularly for Men

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Share of employed workers 25 years and over who had ten years or more with current employer: selected groups; also median years of tenure for workers overall

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| 10 Years or more | 1983 | 1987 | 1991 | 1996 | 1998 | 2000 | 2002 |
|--|------|------|------|------|------|------|------|
| All workers, 45 to 49 years | 46.5 | 45.2 | 46.5 | 44.5 | 42.9 | 45.3 | 41.4 |
| Men, 40 to 44 years | 51.1 | 48.5 | 46.3 | 41.7 | 39.1 | 40.4 | 37.7 |
| Men, 45 to 49 years | 57.8 | 53 | 53.5 | 50.8 | 47.4 | 49 | 45.7 |
| Women, 40 to 44 years | 23.4 | 27.9 | 32 | 30.4 | 31.8 | 31.4 | 30.2 |
| Women, 45 to 59 years | 33 | 36.4 | 39.3 | 38.1 | 38.4 | 41.5 | 37.1 |
| Median Years of Tenure with Current Employer | | | | | | | |
| All workers, 25 and over | 5 | 5 | 4.8 | 5 | 4.7 | 4.7 | 4.7 |
| Men, 25 and over | 5.9 | 5.7 | 5.4 | 5.3 | 4.9 | 5 | 4.9 |
| Men, 45 to 54 years | 12.8 | 11.8 | 11.2 | 10.1 | 9.4 | 9.5 | 9.1 |
| Women, 25 and over | 4.2 | 4.3 | 4.3 | 4.7 | 4.4 | 4.4 | 4.4 |
| Women, 45 to 54 | 6.3 | 6.8 | 6.7 | 7 | 7.2 | 7.3 | 6.5 |

Source: Bureau of Labor Statistics, US DOL

Data for 1996, 1998, 2000, and 2002, are not strictly comparable with data for 1991 and earlier years because population controls from the 1990 census, adjusted for the estimated undercount, a re used beginning in 1996. Figures for the 1983-1991 period are based on population controls from the 1980 census.

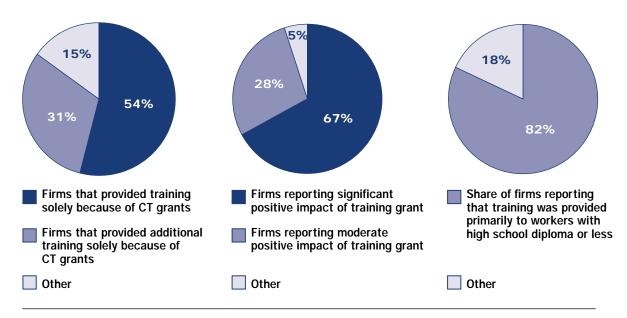
5. New Jersey Among Ten Most Effective States by Share of Jobless Receiving Unemployment Insurance

| State | Total Recipiency Rate |
|---------------|-----------------------|
| U.S. | 43.3% |
| Connecticut | 73.9% |
| Massachusetts | 73.6% |
| Pennsylvania | 62.1% |
| New Jersey | 61% |
| Alaska | 58.1% |
| Rhode Island | 57.6% |
| Wisconsin | 54.8% |
| Arkansas | 51.5% |
| Delaware | 51.4% |
| Oregon | 51.2% |
| | |

Source: Failing the Unemployed, 2002, Economic Policy Institute/Center on Budget and Policy Priorities/National Employment Law Project

receive an additional cash benefits during training, thereby encouraging jobless workers who need in-demand skills to acquire them. New Jersey's innovative Workforce Development Partnership Program (WDPP) has also demonstrated that workforce training can be a "winwin" for large and small employers, including those with seasoned, highlyskilled, veteran workers. By providing training grants and assistance to quality companies seeking to improve competitive position and long-term viability by improving or redirecting worker skills, WDPP preempts large-scale layoffs and downsizing. An independent evaluation of the program found that majorities of firms receiving customized training grants report gaining market share and increasing profitability, largely by training workers with high school diplomas or less (Heldrich Center 2000).

6. Workforce Development Partnership Training Grants Allow Small to Mid-Size Firms Retain Workers and Expand Market Share



Source: John J. Heldrich Center Evaluation

Challenge III. Ensuring Economic Opportunities for all New Jerseyans

ew Jersey's future as a center of knowledge industries, and highgrowth, high-skilled jobs is not secure as long as so many of its workers are insecure. While poverty declined in during the 1990s, the poverty rate in New Jersey is still far higher than the unemployment rate. Many of those who work full time live on very modest means. Nearly a third of the state's households earn less than \$35,000 a year. In addition, many low-income families do not receive public assistance in New Jersey. In 1999, less than sixty percent of the state's poor children received cash assistance through traditional welfare programs (Urban Institute). During 2000-2001, 5.9% of New Jersey families lived in poverty; 23% of female-headed families did, as did nearly 10% of families with children under 6 years old.

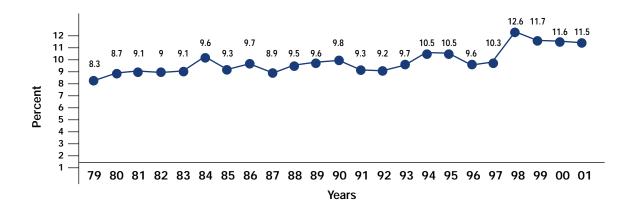
In an era when the debate over social policy has essentially ended at the political level in favor of 'work first' and self-sufficiency, and most leaders of both parties have proclaimed the end of the welfare state, rising numbers of working poor adults and families pose a signal challenge for public policy and the public interest. The national trend is striking.

Between 1978 and 2001, the percent of those working full-time in America but remaining poor increased from 7.7 to 11.5 percent. This does not include the millions more every year who eeked out a living just above the poverty line. In New Jersey an average of 98,000 families lived in poverty despite work during the mid-1990s, comprising 177,000 people in poverty—the majority of them under age 18 (Center on Budget and Policy Priorities 1999).

The dilemma of the working poor reflects the fact that many families cannot lift themselves above the poverty threshold (as defined by the federal government) with one earner working full-time at the federal minimum wage of \$5.15 per hour. A family of four supported by a fulltime, year-round minimum wage worker will fall short of the poverty line by 25%, even after receiving the federal Earned Income Tax Credit (a refundable tax credit that offsets payroll taxes). As has been documented elsewhere, increasing numbers of full-time workers must purchase their own health insurance or go without.

Simply rising above the poverty line is not enough for achieving even modest

1. Full-Time Workers As a Percentage of All Poor People



Source:U.S. Census Bureau www.census.gov/hhes/poverty/histpov/histpov18.html

economic security. While the official federal poverty line sets a minimum threshold, families making even twice the poverty line can still have substantial trouble making ends meet. Work Trends data gathered by the Heldrich Center in 1999 show that the majority (85%) of adults with incomes under 200% of poverty are working, but describe difficulties in paying for basic shelter and necessities. Most importantly for the future, the long-term economic changes seen in the US and New Jersey workforce place a high premium on literacy, skill acquisition, mobility, and the ability to manage work and family. For the poor and working poor, these represent major barriers to self-sufficiency.

It has been well-documented that over a fifth of New Jersey's adults read at the lowest literacy level, and nearly 40% function at a level of literacy beneath that required by the labor market. Nearly eight in ten who receive food stamps or TANF are at the lowest levels of literacy, and about half of our high school dropouts have reading levels well below the ninth grade. From 1979 to 1999,

workers whose educational attainment was high school or less found their incomes dropped by 27 percent (SETC 2002).

While access to computers and Internet has increased across all demographic groups, enormous disparities remain. Households with incomes over \$75,000 are twenty times more likely to have Internet access than lowest income levels. Almost all schools in the country now have Internet access. Yet while 63 percent of classrooms are wired, a divide exists between the haves and have-nots. In schools where 71 percent or more of the students are eligible for free or reducedprice school lunch, 39 percent of classrooms are wired, compared with 74 percent of classrooms in schools where fewer than 11 percent of students are eligible for subsidized lunch (Education Week/U.S. Department of Education, **National Center for Education Statistics** 2000).

But there are substantial numbers of workers with high school educations or better who have problems with transportation services, or live in neighborhood

2. Trends in Family Poverty in New Jersey 1995-2002: Hispanic poverty declines, while tenth of working families in poverty.

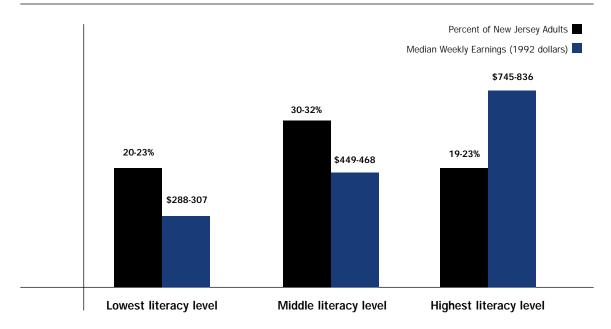
| | | Two- | year moving ave | | | |
|--|-------------|-------------|-----------------|-------------|-------------|-----------|
| Туре | 95-96 | 96-97 | 97-98 | 98-99 | 99-00 | 00-01 |
| of family | Number/Rate | Number/Rate | Number/Rate | Number/Rate | Number/Rate | |
| All families | 129/6.3% | 150/7.3% | 147/7.1% | 133/6.4% | 123/5.9% | 1313/5.9% |
| Female householder, spouse absent | 72/21.2% | 94/26.4% | 89/24% | 76/21.8% | 72/20.8% | 83/23% |
| White families | 91/5.4% | 82/4.9% | 71/4.2% | 73/4.3% | 68/4.1% | 83/4.7% |
| Black families | 30/12.9% | 57/19.3% | 66/21.4% | 49/16.8% | 42/14% | 37/13% |
| Hispanic families | 42/20.2% | 38/17.1% | 37/15.7% | 35/15% | 29/13.2% | 25/15% |
| Families with children under 6 years old | 40/9.3% | 53/12.3% | 44/10.2% | 33/7.7% | 37/8.7% | 42/9.6% |
| Families with one worker in labor force | 55/9.6% | 70/12.1% | 69/11.4% | 65/10.8% | 64/10.1% | 66/10% |

(Numbers in thousands)

Source: Census Bureau data, CPS: 1996-2002

Prepared by NJ DOL, Div. of Labor Market and Demo. Research

3. Literacy and Income in New Jersey/1992



Source: Educational Testing Service

with few good jobs, or face racial or ethnic discrimination. One-third of house-holds nationally earning less than \$15,000 a year do not own a car (Storen 2000). Finally, as single-parents on welfare have moved into the workforce in large numbers, affordable day care has become a backbreaking obstacle to successful employment. If the costs of childcare would be lowered by fifty cents an hour, the National Bureau of Economic Research has found, the result would be an 18% rise in labor force participation by unmarried mothers with children, and a 39% rise for unmarried high school

dropout mothers.

In a state and world where the success of our markets, the prosperity of our businesses, and the effectiveness of our health care system mandate that adults can read well, use technology, and process and evaluate information, more tools are needed to reward work and preserve human dignity. Our state is strengthened by an expanding sense of opportunity for young adults and workers across the income spectrum.

4. The Impact of Literacy Training 1996-2000: Benefits and Outcomes for Participants in the United States

| | Entered | | | Employment | | Removed |
|---------|-------------------|------------------------------|-----------------------|-------------------------------|----------------------|---------------------------|
| Year | Other Training | Received U.S. Citizenship | Registered to Vote | Retention/ Job Advancement | Gained Employment | From Public Assistance |
| 1995-96 | 175,255 | 122,942 | 89,027 | 149,377 | 157,605 | 33,095 |
| 1996-97 | 178,520 | 55,433 | 53,534 | 182,316 | 157,890 | 34,473 |
| 1997-98 | 158,167 | 30,900 | 48,016 | 130,414 | 164,341 | 26,789 |
| 1998-99 | 149,808 | 28,507 | 37,295 | 194,526 | 214,536 | 39,749 |
| 1999-00 | 161,650 | 14,309 | 35,667 | 250,754 | 203,564 | 23,300 |
| Total | 823,400 | 252,091 | 263,539 | 907,387 | 897,936 | 157,406 |

Source: National Center for Education Statistics

Challenge IV. Strengthening the Management and Effectiveness of Government Programs

n 1998, Congress and the White House wrote into law the Workforce Investment Act, new national legislation redrawing the charter for the management of publicly-funded skills and job training programs that are often the principle point of entry to training and skills programs for welfare recipients and the unemployed. This law also provides states with more flexibility and autonomy, and suggests but does not require that governments combine and streamline redundant funding sources. WIA programs are often the only door to training for impoverished Americans and parents leaving welfare. The WIA has established a network of **One-Stop Career Centers that ensure**

agencies provide cutting-edge information services and have engaged a number of major employers in the public workforce system

The Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) of 1996 ended cash and other assistance for poor parents and families as an 'entitlement', introduced time limits and sanctions for welfare recipients, and provided greater flexibility for states which were required to design guidelines for how welfare recipients would participate in work and work activities. Cash block grants were made to states under the Temporary Assistance for Needy Families (TANF) provision. As

1. The Safety Net in New Jersey

| Category | New Jersey | United States | |
|--|------------|---------------|--|
| Welfare benefits, maximum monthly benefit, family of three No income | | | |
| 1996-AFDC | \$424 | Median: \$415 | |
| 1998-TANF | \$424 | Median: \$421 | |
| 2000-TANF | \$424 | Median: \$421 | |
| Ratio of children receiving welfare to all poor children | | | |
| 1996 (AFDC) | 74.5% | 59.3% | |
| 1998 (TANF) | 57.1% | 49.9% | |
| Percent of All Children Without Health Insurance | | | |
| 1997 | 8.9% | 12.2% | |
| 1999 | 8% | 12.5% | |
| Income Cutoff for Children's Eligibility for Medicaid/State Children's Health Insurance Program (percent of poverty level) | | | |
| 1996 | 97.9% | 123.8% | |
| 1998 | 200% | 178.4% | |
| 2000 | 350% | 205.1% | |
| Income Cutoff for Children's Eligibility for Child Care Subsidy (percent of state median income/federal poverty level) | | | |
| 1998 | 52%/200% | 57%/182% | |
| 1999 | 50%/200% | 59%/178% | |

Source: Urban Institute

with other states, New Jersey drew up its version of the welfare law, Work First New Jersey. As was required, New Jersey's program emphasized a 'work first' approach to moving low-income parents from assistance to full-time employment.

Much progress has been made under these laws. Welfare caseloads in New Jersey fell by just under 50% between 1996 and 1999, and unemployment and poverty rates in New Jersey have remained below the national median. Employment for single mothers and other recipients substantially increased in the nation since 1996, boosted by the roaring economy. New Jersey has been justly recognized for its generous health care assistance programs for near-poor and poor children, and New Jersey Cares for Kids child care subsidy for low-income working parents.

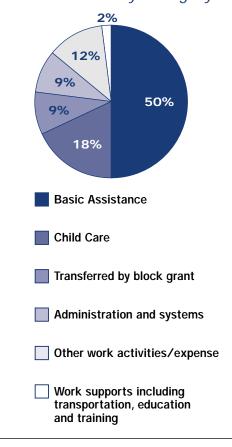
However, as with other states, the barriers that persist in the system result in many eligible children and adults not receiving assistance. Many of the working poor are unaware of assistance programs for which they qualify, and only a fraction of those eligible for publicly-funded training and work programs take part. Nationally, a recent study found that full participation of all eligible families with children in food stamps, Supplemental Security Income, TANF, and the Earned Income Tax Credit, would raise 3.8 million people out of poverty (Zedlewski, Giannarelli, Morton, Wheaton 2002).

In addition, despite the success of the 1996 laws in moving recipients into work, many adult TANF recipients have not yet had meaningful training or work experience. Government estimates show that 45 percent of TANF recipients nationally participated in some type of work activity, and that at least 20 percent of those required to participate in work activities leading towards self-sufficiency, did not do so (Committee for Economic Development/U.S. Department of Health and Human Services 2002). Under Work

First New Jersey, welfare recipients are making progress toward self-sufficiency after leaving welfare for work, Mathematica Policy Research has found in their comprehensive evaluation. However, clients still face many challenges to sustaining employment.

After three years of going on welfare, 48% of WFNJ clients were employed and off TANF, up from 34 % after one year. By the third year, clients earned \$8.70 per hour in their jobs, up from \$7.80 two years before. However, job turnover was high, more than 60% of clients reported problems outside of work that made working difficult, and half of the survey group still made \$8 or less an hour three years after entering welfare. At this date in welfare reform, many analysts agree states can place more emphasis on sustainable employment and supports that

2. Share of Federal and State TANF Funds by Category



Source: Urban Institute

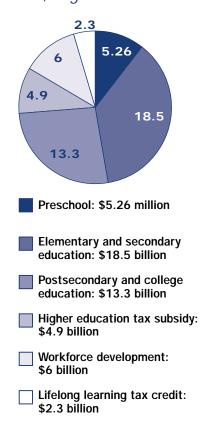
help keep welfare recipients on the job, rather than caseload reduction (CED 2002).

To achieve this goal, the complexity and balkanization of employment, job training, health care, and child care programs at both the federal and state level must be recognized. More must be done to eliminate negative incentives to work. For example, although most states (including New Jersey) allow poor families to continue to be eligible for some public assistance and benefit programs during employment, these earnings disregards are usually quite limited. In 2000, a minimum wage worker supporting a three-person family and working 35 hours a week would receive no TANF benefits in their fourth month in 18 states and less than \$1000 per month in another 10 states.

In New Jersey, participating families that voluntarily close their TANF cases qualify for \$200 each month as a work support for up to two years if earnings remain below 250% of the federal poverty level, and the TANF time clock is stopped. Like other post-TANF recipients, families can receive up to two years of childcare benefits, specified transportation assistance, receipt of full child support payments, and 24 months of extended Medicaid if otherwise not available due to earnings.

To meet these 'to work' challenges, the welfare and workforce development system must be adequately funded and coordinated. While New Jersey spends some \$14 billion on K-12 education and \$2 billion for higher education, it invests only roughly \$300-400 million on the workforce investment system, which is by far the widest gateway to training and job preparation for people leaving welfare (SETC 2001). At the state and federal levels, responsibilities for to-work programs, training, and other services are spread across dozens of agencies and management structures.

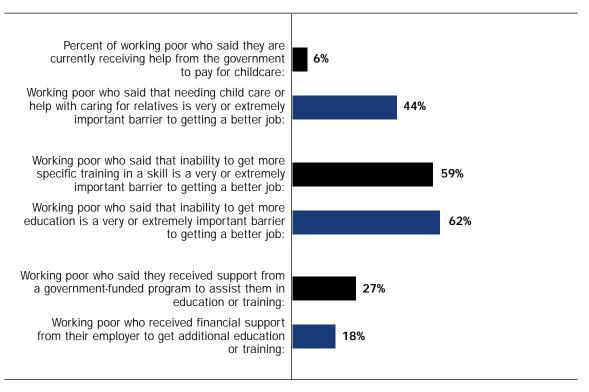
4. Discretionary Federal Spending on Education and Training Tilts Toward K-12, Higher Ed



Source: U.S. Department of Education

In New Jersey, cash assistance, child care, food stamps and child welfare programs are administered by the Division of Family Development in the Department of Human Services. The Department of Labor oversees many employment and training programs, and is responsible for the system of Workforce Investment Boards that oversee local employment and training activities. County and municipal welfare agencies are initial points of contact and case managers for the WFNJ system. A web of about 1,500 social service agencies under contract to the welfare agencies provide ancillary services such as transportation assistance, child care, job readiness, skills training, and job search and placement. When clients are

5. Barriers to Mobility for the Working Poor



Source: John J. Heldrich Center/Center for Survey Research and Analysis, U Conn. 1999. National survey of working poor: defined as adults in workforce, with incomes up to twice the federal poverty line.

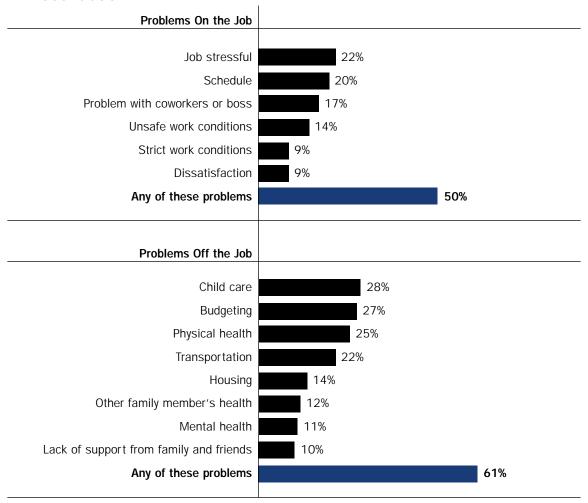
deemed eligible for certain training and skills programs, their cases are forwarded to the Department of Labor. While an array of vendors will provide employment and training services under TANF/WFNJ jurisdiction, an overlapping but not identical set of contractors will provide Workforce Investment Act and federal Welfare-to-Work funded training and job services.

In fact, as noted by the New Jersey SETC, "multiple departments and agencies share responsibility for some programs and services for this population [in need of training]. These agencies range from the Departments of Labor, Education, Human Services, Community Affairs, and Corrections to the Commission of Higher Education, Juvenile Justice, and Commerce and Economic Growth." Although New Jersey has made progress in seeking to improve coordination and collaboration among

workforce services, federal and state funds are devised with many restrictions and requirements that make collaboration time-consuming and often counterproductive. Even within the Department of Labor itself, workforce activities are divided amongst different administrative chimneys from the Employment Service to Food Stamps to US DOL Welfare-to-Work grant. The SETC's *Crisis of the Workforce* provides an astute, in-depth analysis of these administrative challenges.

The nation's leading analysts also agree that public workforce services are greatly hampered by a lack of hard data about the performance and effectiveness of training programs, offered in formats that would be widely available to employers and jobseekers. According to a well-argued analysis written by Anthony Carnevale and Richard Fry of the Educational Training Service,

7. WorkForce New Jersey Clients' Problems in Current or Most Recent Job



Source: Mathematica Policy Research Inc., Third WFNJ client survey

"Information and accountability problems also hamper the effectiveness of our public and private training efforts. The workforce development system needs a comprehensive means of helping potential students understand the trade-offs between work and school, and between curricula. ... We have no integrating infrastructure policy or universally effective performance standards at the interface among postsecondary institutions, labor markets, and employers."

New Jersey Governor McGreevey's proposal announced this past December to consolidate 'to work' and training programs within a redesigned Department of Labor and Workforce Development represents a helpful and hopeful step towards these goals.

In addition, the work of the Governor's Commission and its Report of The Commission on Health Science, Education, and Training has provided well-documented analysis of New Jersey's higher education system and how it could be restructured to meet the needs of the state's economy, and its future generations of students.

As this report has shown, we work in a period of all-encompassing change that is driven by a number of forces, some of which are economic, managerial and technological, while others are more demographic and societal in nature. The current workforce development system has not kept pace with the changing econ-

omy and expectations for the role of education and training.

In a white paper and strategic plan developed for the Ford Foundation by the National Governor's Association and a number of the nation's leading workforce policy scholars, the authors crystallized a vision for how workforce programs should evolve over the next generation. The document, "A Governor's Guide to Creating A 21st Century Workforce," was published by the National Governor's Association and drew upon the work of three university based policy centers-the John J. Heldrich Center for Workforce Development, the Ray Marshall Center for the Study of Human Resources at the University of Texas at Austin, and the Institute for Public Policy and Management at the University of Washington. These centers joined the NGA in engaging a wide range of policy makers and practitioners as well as academics in a spirited dialogue regarding the knowledge-based economy, its workforce implications, and the major policy challenges facing the field in reforming the workforce development system. The project sees the Workforce Investment Act as a modest first step in restructuring the federal investment in the nation's workforce development system. However, the WIA does create a climate of change in which to pursue the broader, more fundamental workforce development policy and system reforms required to meet the needs of the knowledge-based economy.

The "next generation" team found that the workforce development system must:

- be more market driven—that is, driven by the needs of employers, workers, and job seekers;
- support and promote lifelong learning;
- incorporate new ways of learning, including learning technologies, so that workers and job seekers can access education and training opportunities anywhere, anytime;
- recognize new performance measure-

- ment and accountability mechanisms for employers, workers, job seekers, institutions, systems, and communities; and
- provide flexibility and responsiveness in public and private policies and practices, so that employers, workers, job seekers, government, and communities can successfully adapt to rapid economic change.

This report offers these suggestions, and the trends and findings throughout these pages, to spark the fire of knowledge and change wherever and whenever dedicated New Jerseyans and their leaders consider the future of their state and its people.

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