

 The Fund for New Jersey

# CROSSROADS NJ

POLICY CHOICES THAT DEFINE OUR FUTURE

JOBS AND THE ECONOMY

## PROMOTING JOBS AND ECONOMIC GROWTH FOR ALL NEW JERSEYANS



# Promoting Jobs and Economic Growth for All New Jerseyans

Establishing a framework of shared economic well-being will take assertive public policies.

**Wherever they live, whatever their backgrounds, and regardless of the obstacles they have faced, New Jerseyans benefit when they are offered long-term economic opportunity.**

Today, disparities in earning power and overall economic security among its residents prevent New Jersey as a whole from achieving and sustaining the growth needed to promote well-being and to keep the state an attractive place to raise a family, start a business, and build a future.

Establishing a framework of shared economic well-being will take assertive public policies that build on New Jersey's assets—its location, its excellent higher education institutions, its extensive (if fraying) transportation network, its ability to attract striving immigrants—while attacking the many barriers to full participation in the economy.

A three-pronged approach is required:

- Reducing structural barriers to opportunity
- Increasing public investment in small businesses
- Helping New Jerseyans gain the education and skills needed for a good job

## **New Jersey's Economy Today**

Today's New Jersey economy is a study in contrasts.

In a state with the nation's second highest per capita income, millions of people struggle to make ends meet. The wealthiest 5% of households have 15.6 times the income of the bottom 20%, a gap exceeded in only five other states.

Only four states have a higher percentage of college graduates than New Jersey's 37.6%; at the same time, 10.9% of residents over age 18 lack a high school diploma.<sup>1</sup>

New Jersey is seventh nationally in the number of Fortune 500 companies and focuses its job-creating strategies on large corporations; yet, small businesses employ more people. These businesses often struggle to get capital.



37% of New Jersey households earn too little to provide for necessities.

For policymakers, the task of extending to everyone the opportunities that many enjoy means coming to terms with the difficulties of getting by on low pay in a state where the cost of living is significantly higher than the national average.

Although employment in New Jersey has rebounded from the 2008 recession, jobs continue to grow more slowly than in neighboring states and in the U.S. on average.<sup>2</sup> The October 2016 employment numbers showed that New Jersey had recovered 99% of jobs lost in the recession, but that is not as impressive as it might sound: in the nation as a whole, jobs *surpassed* pre-recession levels by 76%.<sup>3</sup> New Jersey's job growth was the nation's eighth slowest.

Just over 4.3 million New Jersey men and women are employed; the state's 4.1% unemployment rate, as of May 2017, was slightly below the national level of 4.3%.<sup>4</sup>

At more than \$72,000, the median annual wage in New Jersey is significantly higher than in the nation overall. While this is chiefly due to a significant number of high-wage jobs, even jobs at the low end of the income scale are slightly higher-paying than equivalent employment in the rest of the country—though not enough to meet the state's living costs.<sup>5</sup>

There are various ways to measure economic distress. One approach focuses on the fact that 24.7% of the people who live in New Jersey meet the federal government's classification of "low-income,"<sup>6</sup> making no more than twice the federal poverty level. (In 2016, the low-income level was \$40,320 for a family of three, and \$48,600 for a family of four.) Another measure uses the federal poverty level itself (\$20,160 a year for a family of three), even though it is widely viewed as outdated because it underestimates how much it takes for a family to meet basic needs and build for the future. Overall, 10.7% of New Jerseyans, and more than 15% of children,<sup>7</sup> fall below the federal poverty level. The child poverty rate increased by 7% from 2011 to 2015—making New Jersey one of only two states with worsening child poverty rates during a four-year national trend of modest improvement.<sup>8</sup>

A major shortcoming of federal poverty and income classifications is that they do not account for state-to-state differences in the cost of living. The yearly income levels that constitute federal poverty or low-income status are the same in all 48 contiguous states. A more meaningful measure was developed by The United Way of Northern New Jersey, partnering with the Rutgers University-Newark School of Public Affairs and Administration. This measure of economic security, called ALICE (for "Asset-Limited, Income-Constrained, Employed"—a description of working families who struggle for economic traction) considers New Jersey's high cost of living and accounts for county-by-county variations. By this measure, 37% of New Jersey households earn too little to provide for necessities, and in no county is the figure below 24%. People at this level of income struggle from paycheck to paycheck, making less than the "survival budget" of \$64,176 a year that a family of four would require. A survival budget means enough money to afford a two-bedroom apartment at fair market rate, maintain one car, and pay for licensed in-home child care, food, out-of-pocket medical expenses, and taxes, plus an additional 10% of the total of all these items in case of overruns.

**People Struggle in Every County**

New Jersey Counties, 2014

COUNTY	HOUSEHOLDS	% ALICE & POVERTY
Atlantic	101,937	42%
Bergen	337,469	29%
Burlington	165,424	34%
Camden	188,064	44%
Cape May	40,779	40%
Cumberland	50,593	59%
Essex	277,735	44%
Gloucester	104,305	33%
Hudson	253,300	40%
Hunterdon	47,387	24%
Mercer	131,564	39%
Middlesex	282,860	34%
Monmouth	230,391	31%
Morris	179,654	25%
Ocean	220,941	40%
Passaic	159,309	48%
Salem	23,832	46%
Somerset	117,482	26%
Sussex	54,174	33%
Union	186,037	36%
Warren	41,607	29%

Source: ALICE Study of Financial Hardship, United Way of Northern New Jersey<sup>9</sup>

Economic well-being in New Jersey strongly correlates with race and ethnicity. The African-American poverty rate of 18.6% and Hispanic poverty rate of 20.2% are both more than double the 8.2% rate of poverty among whites in the Garden State.<sup>10</sup> More than 15% of the state’s African-American children and 12% of Hispanic children live in what is classified as “deep poverty”—less than half of the federal poverty level, which means less than \$12,150 in annual income for a family of four. Only 3% of non-Hispanic white children live in such households.<sup>11</sup>

Contrary to conventional wisdom, economic insecurity is not a predominantly urban issue. While urban Hudson County’s percentage of 40% ALICE households is above the state average, the rate in largely rural Cumberland County is the highest in the state, 59%. Economic vulnerability affects all regions of New Jersey.<sup>12</sup>

Like the rest of the United States, New Jersey faces a future of new jobs that will pay less than the jobs they replace. The high-cost state is expected to see a large growth of new jobs in the relatively low-wage service sector. Of the eight job categories with the largest projected growth in employment by 2024 (76,850 jobs), six are lower paying occupations such as home health aide, food preparation and service, retail sales, and laborers and hand movers.<sup>13</sup>

These jobs can be the first rungs of the ladder into the middle class for many people if the state adopts policy solutions that effectively address barriers to employment, and if wages keep up with living costs. Without supportive public policy decisions, these jobs will be dead ends.



No racial, ethnic, or demographic group in New Jersey is immune to economic difficulties.

## Reducing Structural Barriers to Opportunity

The barriers that far too many New Jerseyans face in trying to obtain jobs—particularly those that pay enough to support a family—must be overcome for the state’s economy to reach its potential. For many, the recession is permanent. Those of prime working age (18 to 59) often face significant, structural causes of unemployment. Helping them will require removing obstacles that reflect employer hiring practices, societal attitudes, and legal requirements. For individuals, these obstacles include disabilities, involvement in the criminal justice system, family obligations, and discrimination.

No racial, ethnic, or demographic group in New Jersey is immune to economic difficulties. Young people—especially males of color—face particularly significant challenges in gaining a foothold in the labor market.<sup>14</sup> Because of income inequality and housing discrimination, youth of color often live in economically depressed, racially segregated neighborhoods with few prospects for work. Many young people from families struggling to make ends meet lack the networks and relationships to find job leads and internship opportunities—connections that middle-class and more-affluent New Jerseyans, who are more likely to be white, take for granted. Racial discrimination is also implicated in erecting barriers to employment. A 2013 study of job-seekers in the New Jersey labor market found that, after controlling for all other factors, at least one third of the raw wage gap between blacks and whites was due to racial discrimination.<sup>15</sup>

### WAGE LEVELS

Following passage of a 2013 ballot referendum raising New Jersey’s minimum wage above the national level and establishing subsequent automatic annual increases pegged to inflation, the minimum wage in the state stood at \$8.38 per hour in 2016 and rose to \$8.44 in 2017.

With a minimum wage exceeding the federal rate of \$7.25 per hour, and with the 2016 enactment of an increase in the state’s Earned Income Tax Credit for families where a parent works at low wages, New Jersey offers modest support for workers at the lowest end of the wage scale. Given that more than 80% of poor adults in New Jersey are working, this is a valuable strategy to improve the economic prospects for those in jobs that pay too little for a family to afford necessities. However, more support is needed.

The United Way of Northern New Jersey has estimated a single adult in New Jersey needs to earn \$13.78 an hour to meet basic needs, and \$19.73 per hour for “better food and shelter, plus modest savings.”<sup>16</sup> Put another way, two people would each have to work about 70 hours a week at minimum wage to meet the \$64,176 annual “survival budget” for a family of four.

**Income Needed to Survive in NJ is Rising**



Source: ALICE Study of Financial Hardship, United Way of Northern New Jersey<sup>17</sup>

**RECOMMENDATION**

**Make the minimum wage in New Jersey a “livable wage” by mandating a pay level linked to the cost of meeting basic needs.**

Too many New Jerseyans are paid too little to support a family and build a future.

**HELPING TIPPED WORKERS**

Meanwhile, well over 100,000 New Jersey working men and women are legally paid less than the minimum hourly wage because, under state law, people whose jobs involve tips are guaranteed only \$2.13 an hour, the lowest in the Northeast—a rate unchanged since 1989. Employers are supposed to make up the difference for workers who do not make enough in tips to reach minimum wage, but that does not always happen. The average tipped worker in New Jersey makes less than half the pay of other workers and is far more likely to lack health insurance.

**RECOMMENDATION****Eliminate a separate minimum wage for tipped workers.**

This would boost the standard of living for many hardworking people and simplify labor regulations. In the seven states where tipped workers receive minimum wage, employment growth in the leisure and hospitality sector over the past 20 years outpaced states where tipped worker are paid a subminimum wage.<sup>18</sup>

**ECONOMIC SECURITY**

Having a job in New Jersey does not always mean having the right to paid sick leave. Over 1 million people have mostly low-paid jobs with no paid sick time. They must forfeit their pay—and risk losing their jobs—if they or a family member are sick.

**RECOMMENDATION****Require that all employees have the right to accumulate a specified number of earned sick leave days per year and be allowed to take time off with pay.**

Seven states and numerous municipalities, including 12 in New Jersey, require employers to grant earned sick days.

New Jersey in 2008 became the second state to adopt family leave insurance, a system where working people have a small portion of their pay set aside so they still receive part of their salary when they take time off to be with a new child or sick family member. For many people, however, the amount they would receive is too low for them to take advantage of the program. Reforms would enable more people to support their families at important times. As the law stands now, family leave can be granted for six weeks during a 24-month period, with compensation at two-thirds of an employee's regular pay.

**RECOMMENDATION****Strengthen family leave by increasing the current two-thirds wage replacement, including job protections for people taking leave, increasing paid leave to a maximum of 12 weeks, and improving outreach efforts so more people are aware of their rights.**

Family leave in New Jersey is funded entirely by mandatory worker contributions. A small increase in the amount withheld—now about \$26 a year—would cover these reforms.



Each year in New Jersey, 10,000 men and women return to society and seek jobs; employers often are unable or unwilling to give them a chance.

Federal and state Earned Income Tax Credits help low-paid working families afford necessities. New Jersey has been a leader in expanding the size of this tax credit as a share of the federal tax credit, with one key exception: families not raising children in their home are ineligible for the state EITC.

#### RECOMMENDATION

**Make the state Earned Income Tax Credit available to families not raising a child in the home.**

The state and federal EITCs help reward work and build assets while offsetting state and local taxes that fall hardest on those with the lowest incomes. Extending New Jersey's EITC to working people who are not raising a child would help the state economy.

#### HELPING PEOPLE WITH CRIMINAL CONVICTIONS

One in five residents of New Jersey has been involved with the criminal justice system. Employment barriers affect many of them.

In 2016, there were 94,315 New Jerseyans in prison or on parole or probation. Here again, every racial and ethnic group was represented. But slightly more than half (47,470) were African-American, the large majority of them male.<sup>19</sup>

Ultimately, 95% of the incarcerated population is released—about 10,000 each year in New Jersey.<sup>20</sup> In almost every case, these men and women return to society during their prime working years to seek jobs, and employers are often unable or unwilling to give them a chance. The formerly incarcerated must overcome barriers to employment beyond weak networking and the structural racism that leads to disproportionate criminal justice system involvement among people of color.

With the 2015 passage of New Jersey's Opportunity to Compete Act (OCA), also known as the "Ban-the-Box" law, employers cannot ask about an applicant's criminal history until after the first interview; nor can they use expunged or pardoned convictions in making hiring decisions. New Jersey is one of only seven states applying this prohibition to private-sector employers.<sup>21</sup> Recognizing that having a job facilitates re-entry, the OCA is an important first step in helping people with criminal convictions find work. More should be done.

**RECOMMENDATION**

**Strengthen the law to permit employers to inquire about an applicant's criminal history and complete a background check only after making a conditional offer of employment. In addition to government enforcement of this law, there should be a private right to sue to facilitate enforcement.<sup>22</sup>**

To rescind a conditional job offer, employers should be required to provide a written explanation to the applicant of why the criminal history makes him or her ineligible for the position, and provide the applicant with an opportunity to respond. New Jersey also should examine and publicly report on denials of employment based on criminal convictions across racial and ethnic groups in the state.

**ENDING WAGE THEFT**

Throughout the nation, working men and women lose millions of dollars a year to wage theft. The practice takes such forms as paying for fewer hours than worked, failing to pay for overtime work, and paying less than the minimum wage. Workers in fields including health and home care, trucking, and food service are among the most vulnerable, and undocumented immigrants are in the most precarious position. They often hold back on trying to collect what they are due for fear of retaliation. And the fine of up to \$500 that employers in New Jersey face for violations is too small to be a deterrent.

**RECOMMENDATION**

**Strengthen protections against wage theft and increase penalties for employers.**

A comprehensive approach would include:

- imposing higher fines;
- extending the statute of limitations' two-year period for victims to seek restitution, to increase the likelihood that a worker, who risks retaliation for reporting wage theft, will have a new job before making the complaint;
- holding employers and labor contractors jointly responsible for violations; and
- expanding efforts to inform people of their workplace rights and how to report violations.

**STRENGTHENING THE SAFETY NET**

Hundreds of thousands of New Jersey residents with extremely low incomes qualify for public assistance that provides relatively meager support. Approximately 16,000 parents of dependent minor children receive cash welfare assistance of no more than \$424 per month for a maximum of five years through federal-state Temporary Assistance for

Needy Families (TANF). An additional 17,000 adults receive General Assistance benefits of no more than \$210 per month.<sup>23</sup> Only half of the adults whose incomes qualify them for this assistance can work at all; many have mental or physical health disabilities that raise severe barriers to getting a job. In addition, around 450,000 New Jersey households receive support from the federally funded Supplemental Nutrition Assistance Program (SNAP), otherwise known as food stamps. The majority are families where at least one adult is employed—at low wages.<sup>24</sup> Among these public-support recipients are unemployed residents available for and capable of full-time work. For instance, approximately 11,000 “Able Bodied Adults without Dependents” (ABAWDs) are required to participate in job search, job training, or employment as a condition of receiving SNAP.

#### RECOMMENDATION

**Automatically increase levels for Temporary Assistance for Needy Families and other forms of public support yearly to reflect the rising cost of living.**

Increased support also should take the form of greater child care and transportation assistance, which can be crucial in helping people obtain well-paying jobs.

#### PRIVATE-SECTOR ENGAGEMENT

Recognizing the important role the private sector can play in strengthening New Jersey’s economy, leaders of large corporations in the state often engage in public-awareness campaigns and other voluntary actions to advance social justice. One example is the “Fair Chance Business Pledge,” in which 185 employers made a commitment to eliminate job barriers for people with past criminal convictions. In addition, several leading New Jersey businesses have joined concerted efforts to promote the hiring of persons with disabilities.

#### RECOMMENDATION

**Aggressively promote efforts to enlist more business leaders in adopting the “Fair Chance Business Pledge.”**

Voluntary coalitions targeted at employing people who have been convicted, people with disabilities, and youth of color from economically struggling families could improve the visibility of these groups and strengthen the case for their employment.

**Encourage corporate CEOs to form a high-profile working group charged with developing strategies to hire more women and people of color, and to increase purchasing from small businesses owned by women and people of color.**

Bringing to bear the collective influence of state corporate leaders would provide impetus valuable to achieving growth in hiring and in small business development.



With licenses, more New Jersey residents could contribute to the state's economy. And New Jersey's roads would be safer because there would be fewer uninsured and unlicensed drivers.

### PROMOTING FULL ECONOMIC PARTICIPATION

Getting to work in most parts of New Jersey requires a car. Indeed, it is difficult to get through life without driving. A car is necessary to get to work, pick up children, go to the store, and do everyday tasks. But undocumented immigrants, people recently released from incarceration, and others who do not have enough documented roots to meet the Motor Vehicle Commission's identification requirements cannot get licenses, and driving without a license creates perpetual anxiety and vulnerability. A traffic stop, accident, or breakdown that would be a headache for license holders becomes a nightmare for others. New Jersey's policy on this issue turns law-respecting residents into scofflaws by definition, and it needs to be changed.

#### RECOMMENDATION

**Expand availability of New Jersey driver's licenses to all state residents who meet age and skill qualifications, regardless of immigration status; include strong privacy protections for personal information.**

These licenses would not be valid for such purposes as receiving government benefits, work authorization, or air travel.

Washington, D.C., and 12 states allow undocumented immigrants to drive. Doing so in New Jersey would enable 460,000 of the state's estimated 525,000 undocumented immigrants to drive legally.<sup>25</sup> With licenses, more New Jersey residents could contribute to the state's economy. And New Jersey's roads would be safer because there would be fewer uninsured and unlicensed drivers. In addition, the state could collect an estimated \$12.2 million to \$16.6 million in license and registration fees.<sup>26</sup>

### DO NOT LET PARKING FINES BE BARRIERS TO JOBS

People unable to pay accumulated parking fines can have their driver's licenses suspended. By taking away the right to drive, the Parking Offenses Adjudication Act hinders the ability of residents to work; license suspensions can lead to job loss and less income.<sup>27</sup>

**RECOMMENDATION**

**Repeal the state Parking Offenses Adjudication Act to help people, particularly those with low incomes, maintain full access to employment opportunities.**

Basing the availability of a driver's license on being able to pay a fine effectively denies the right to drive to low-paid people who struggle to make ends meet.

**Greater Public Investment in Small Business**

Small, local businesses are a crucial source of economic growth and opportunity, accounting for some 55% of all jobs and 66% of new jobs since the 1970s. New Jersey's nearly 200,000 small businesses employ 50.1% of the state's workforce.<sup>28</sup> These enterprises face considerable challenges in a state whose economic development policies rely almost exclusively on subsidies to retain large, multistate and multinational corporations or to bring them in from somewhere else. About one tenth of 1% of the state's large businesses have benefited from more than \$7.4 billion in corporate tax breaks awarded from 2010 through 2016.<sup>29</sup>

Devoting more resources and support to promoting small business prosperity has the potential to revitalize urban cores and main streets and help drive job growth throughout New Jersey.

**NURTURING STARTUPS**

Small businesses are not just mom-and-pop stores along New Jersey's Main Streets. They also can be the starting points for the next Google or Amazon. It is in New Jersey's long-term interest to help nurture entrepreneurship that starts out small and grows big.

**RECOMMENDATION**

**Develop a comprehensive set of state policies that range from helping universities move applied research to the market and teaching business owners how to manage cash flow and deal with other similar issues, to organizing networks of investors and linking entrepreneurs with mentors.**

**Gather and analyze data on these policies, so that New Jersey is current on what works best and can adjust priorities accordingly.**

Most jobs created in any state come from businesses that start up in the state or are already located there, as opposed to relocations—in New Jersey, approximately 85% of new job gains from 1995 through 2013 came from home-grown businesses.

**Most New Jobs Come From Businesses Already in New Jersey**

- First in-state branch of businesses headquartered out of state
- Jobs relocated from another state
- New branches of businesses headquartered out of state with prior in-state locations
- Home-grown startups and expanding in-state businesses

Share of gross private-sector job gains, 1995–2013



Source: National Establishment Time-Series data compiled by Center on Budget and Policy Priorities<sup>30</sup>

**ACCESS TO CAPITAL**

Owners of small businesses often have difficulty obtaining loans, lines of credit, business credit cards, and other types of credit from banks and financial institutions. If they are in economically struggling areas, small businesses often lack equal access to fair and affordable small business loans.

In a membership survey by the Main Street Alliance, a national network of small business coalitions, two thirds of New Jersey respondents reported being turned down for a bank loan in the past year. Of those who were turned down, 78% were unable to get the capital they needed, forcing them to hold off on repairs or expansions.

As finance in recent years has grown even more concentrated, speculative, and globally focused, current and potential small business owners often are left only with the choice of dipping into their personal savings, retirement plans, or credit card accounts to support their enterprises. It makes them reluctant to expand operations or open new storefronts—endeavors that would encourage job growth. Meanwhile, large corporations take the lion’s share of public capital funding available through state corporate tax subsidies.

One promising way to address this situation is through Responsible Banking Ordinances (RBOs), which create standards for leveraging assets worth millions, if not billions, of dollars in potential deposits and investments. Such measures create healthy competition among banks and motivate them to implement local community reinvestment practices in return for the ability to secure public contracts.

**RECOMMENDATION**

**Encourage cities and counties to adopt Responsible Banking Ordinances requiring financial institutions that take deposits from and do business with their jurisdictions to invest in and serve their communities equitably.**

The message to financial institutions: if you want our business, you must operate by standards that benefit the community and perform better than your peers. Essex County passed New Jersey's first RBO in 2015.

**CHANGING PRIORITIES**

New Jersey must do more to encourage grants, tax subsidies, and loans geared specifically toward small businesses. The state took a promising step in this direction in January 2017 by authorizing the Economic Development Authority to help small business obtain money for the bonds they need to bid on state and federal work.

**RECOMMENDATION**

**Revise the priorities of the New Jersey Economic Development Authority to reduce the amount of money spent on subsidies to large corporations and increase support for small businesses.**

**Include small business representation on EDA's public board to ensure that the small business perspective is heard.**

Many small business owners are intimidated by the paperwork and bureaucracy involved with government-sponsored programs. Any new EDA initiatives should include support for education, outreach, and technical assistance pertaining to such new funding opportunities for small business.

Funding opportunities also could be broken down by industry or service type, with priority for those businesses with fewer than 20 employees that operate, or plan to operate, in urban cores and downtown main streets with high walkability. Grants and subsidies also could be made available to smaller municipalities and associations seeking to revitalize or promote these same areas. Such funding could be used for such purposes as facade improvements, rental relief, or improving parking and transportation options—all endeavors to attract small business ownership and customers.

## Making Sure all New Jerseyans Have the Skills to Get and Hold a Good Job

In some ways, making sure New Jersey is a home for good jobs and offers families a secure future is a matter of effective matchmaking. Employers need to find qualified, well-trained people, and people need to find jobs. This issue looms large throughout the state. It affects communities where people struggle to get by, some of them needing the training in skills and job readiness that are prerequisites for meaningful employment. It also affects people who had the skills to make a good living, only to see their jobs disappear.

Achieving the match is made difficult by the antiquated nature of New Jersey’s work-force-training infrastructure.

Yesterday’s jobs are not today’s—and today’s jobs are not tomorrow’s. The increasing volatility of the labor market places a premium on improving one’s “human capital” to meet employers’ needs. Rapid changes in technologies and business practices exacerbate current trends and show the need for New Jersey to do a better job of helping people get the training and support they need to get work that supports a family.

One big target for such assistance is the nearly 75,000 New Jerseyans who, according to the U.S. Bureau of Labor Statistics, have not been able to find work after months or even years of joblessness. Many of the long-term unemployed have become part of the “missing labor force.” In fact, more than three in 10 of New Jersey’s unemployed have not been able find a job for more than six months. New Jersey’s rate of long-term unemployment is among the highest of any state, and significantly higher than the national average of 23.3%.<sup>31</sup>

Given such chronic problems, and their impact on the state’s competitiveness, New Jersey needs strategies for delivering far more robust and effective education and training. Educational attainment levels in New Jersey remain far below what most workers need to obtain good, family-supporting jobs. According to U.S. Census data from 2015, 10.9% of New Jersey’s residents have not earned a high school diploma, the minimum requirement for nearly every job today. While 42% of New Jersey residents have earned a postsecondary credential, far more New Jersey job applicants in the coming decades will need at least some postsecondary education to obtain a good job.

### Most New Jersey Jobs In 2020 Will Require College Degree

	LESS THAN HIGH SCHOOL	HIGH SCHOOL DIPLOMA	SOME COLLEGE	ASSOCIATE'S DEGREE	BACHELOR'S DEGREE	MASTER'S DEGREE OR MORE
Managerial/ Professional Office	7,390	71,610	82,640	44,000	329,250	194,010
Science/Technology/Engineering/Math	570	12,150	25,070	13,720	90,840	77,960
Social Sciences	0	0	1,740	0	3,750	21,240
Community Services/Arts	3,890	13,260	24,380	17,050	105,970	45,060
Education/Training/Library	3,200	13,840	19,530	9,770	123,690	126,680
Healthcare Professional/Technical	350	13,840	24,480	33,800	70,080	76,840
Healthcare Support	12,950	55,970	38,980	12,110	11,950	5,940
Food/Personal Services	99,500	296,270	144,330	48,800	89,300	12,610
Sales/Office Support	55,160	361,440	326,170	113,740	387,470	74,600
Blue Collar	126,210	350,180	146,290	42,070	61,460	9,360
<b>TOTAL</b>	<b>309,220</b>	<b>1,188,560</b>	<b>833,610</b>	<b>335,060</b>	<b>1,273,760</b>	<b>644,300</b>

Source: “Recovery: Job Growth and Education Requirements Through 2020,” Georgetown University Public Policy Center, June 2013<sup>32</sup>

### INCREASING SCHOOL COMPLETION RATES

One place to start is increasing high school and college completion rates. According to the New Jersey Department of Education, the state average high school graduation rate is 85%. However, graduation rates are far lower in several large urban school districts, including Camden (70%), Newark (73%), and Atlantic City (76%).<sup>33</sup>

Graduation rates from state colleges and universities also vary widely. While 73% of College of New Jersey students and 54% of Rutgers University students graduate within four years, less than a tenth of students complete their degrees in that time frame at New Jersey City University, and less than a fifth graduate in four years at Kean University or William Paterson University. At community colleges, the overall completion rate for students seeking an associate's degree is less than one in five after three years of enrollment. And, thousands of students who did not finish their postsecondary education need assistance to complete their course work in class or online.<sup>34</sup>

### RECOMMENDATION

**Make greater efforts to increase high school and college completion rates in order to prepare young people for good jobs in the 21st-century economy.**

Completing degrees in a timely manner is good for students because it helps lower their debt burden, and it is good for New Jersey's economy. Completion rates have increased dramatically in several states where higher education institutions focus on such structural changes as making remedial education more available and providing additional guidance for students throughout their college careers.<sup>35</sup>

**Expand state financial aid eligibility to undocumented students.**

Undocumented young people face additional challenges in their pursuit of college and careers. Laudable policy changes have enabled undocumented students to pay in-state tuition at New Jersey's public colleges and universities. But too many are still kept from success because they are prohibited from receiving state or federal financial aid. Eight states allow aid for undocumented students, helping them contribute productively to their communities' economic well-being.

### WORKFORCE DEVELOPMENT

Public workforce development efforts, funded primarily by the federal government and administered at the state and local levels, are crucial for unemployed job seekers, many of whom lack postsecondary education credentials. These efforts help people achieve basic literacy and math skills, and provide skills training and postsecondary education that lead to industry-recognized credentials in occupations ranging from auto mechanics to robotic machine technicians.

At a time when the job market brings unprecedented demands for better-qualified labor, federal funding for workforce education, training, and employment assistance



Through the state unemployment insurance system, New Jersey can provide valuable help to make joblessness as brief as possible.

has diminished. After an increase during and immediately after the 2008 recession, funding dropped below pre-recession levels. Because New Jersey did not make up for the funding losses, fewer people can get services, and the quantity and quality of those services have declined.

#### RECOMMENDATION

**As federal support wanes and the state's fiscal crisis continues, focus resources on chronically unemployed youth, low-paid workers, people with disabilities, veterans, and the long-term jobless.**

Pennsylvania sets a good example by setting aside 70% of funding from the federal Workforce and Opportunity Act for these "hardest to serve" groups. Adopting this focus, New Jersey public workforce agencies should coordinate with other providers of support services to develop individual employment plans aimed at increasing opportunity.

#### TYING UNEMPLOYMENT INSURANCE TO TRAINING

Through the state unemployment insurance system, New Jersey can provide valuable help to make joblessness as brief as possible. In New Jersey, as in most other states, UI provides six months of support to the unemployed except part-time workers and those who come in and out of the labor market frequently.

#### RECOMMENDATION

**Reform unemployment insurance so all recipients receive job-search assistance and coaching during the early stages of joblessness.**

The current setup misses out on key opportunities.

#### RETHINKING ON-THE-JOB TRAINING

In decades past, when workers remained with employers for most or all of their careers, employers provided most of the necessary skills training. As layoffs become more common due to downturns in the economy, corporate restructuring, and technological change, fewer companies are willing to take responsibility for employees' career development.

Apprenticeships and management training programs are disappearing rapidly, and companies in competitive job markets demand that new employees come prepared to "add value" as soon as they are hired.

In short, responsibility for workforce preparation today rests more with individual workers, many of whom lack the skills and resources to navigate a web of occupational requirements and training programs. Rapid technological innovations, constant organizational restructuring, and ongoing market shifts transform job functions and requirements every few years, not every few decades. Workers and educational institutions alike find it difficult to anticipate and train for this rapidly changing labor market.

#### RECOMMENDATION

**Focus workforce development programs on on-the-job training for industry-certified credentials.**

On-the-job training includes partial, temporary wage subsidies, usually 50% of wages for six months—which enables companies and the government to invest in advancing workers toward stable employment. Under such a strategy, employers provide training that meets their specific needs, and unemployed or underemployed workers get a pathway to a job with good wages. In turn, people enrolled in such programs can earn while they learn without paying tuition. On-the-job training can be developed in a wide variety of businesses, from entry-level health services to complex manufacturing and technology work.

**Make public funding of specific community college-based training for the unemployed available only when the curriculum leads to attainment of a credential that is endorsed by groups of private employers and, as such, is portable from one company to another.**

This would go beyond existing law by requiring community colleges and workforce training providers getting government support to provide certifications or course credits that can lead to a more advanced certification or degree acceptable to programs in the same field. Such “stackable” credentials help people achieve skills they can use to advance in their field. Generally, those credentials are transferable from one employer to another within the same industry and help promote career mobility. To help them implement this requirement, colleges and training providers should receive additional funding for assistance and support.<sup>36</sup>

**Give public money to customized training designed for a specific firm only when the costs are principally borne by the company that intends to hire those who complete training.**

This change will lead to a more effective use of funding now available under the Workforce Development Partnership Program. When the state provides training assistance to companies that are moving to New Jersey or retraining their in-state workforce, the companies should bear more than half the cost of the training.

### MOVING ONLINE

Today, Internet-based software platforms can deliver workforce development and reemployment services more efficiently than the One-Stop Career Centers found in nearly every New Jersey county. Unemployed persons are directed to go to these centers for job search assistance or to obtain training. This approach is inadequate in a society where services are increasingly delivered online and available 24/7 on computers, laptops, tablets, and smartphones.

Job seekers and students need timely access to ongoing career management supports, industry-recognized training programs, and accurate information about skill needs and occupational requirements. Advances in information technology enable customization of such services more quickly and at a lower cost than in the past. User-friendly software developed by a number of private firms can help job seekers to complete online applications, optimize their resumes, and prepare for interviews from smartphones or any computer with broadband Internet access.

### RECOMMENDATION

**Expand and enrich high-quality, Internet-based platforms to deliver workforce development and reemployment services.**

This first step in a long-overdue overhaul of state information technology systems would include selecting and implementing “best in class” workforce development software, acquiring the hardware, and hiring the staff to support these new technologies. A good model is the OpenSkills API released by the U.S. Department of Labor and the University of Chicago’s Center for Data Science and Social Good. It combines information about jobs, skills and training, and potential incomes, which can help policymakers, job seekers, and employers better understand the needs of the 21st-century workforce.<sup>37</sup>

This is a bigger issue than just workforce development systems. The IT systems New Jersey has in place throughout state government need to be updated for flexibility, user-friendliness, and consistency with what the public has come to expect in commercial and other applications.

## Conclusion

It is tempting to either understate or overstate the influence that policymakers can have on a state's economy. Certainly, the residents of any state are significantly affected by national and regional trends over which governors and state legislators have no control. It could even be argued there is no such thing as a "state" economy; rather, there is a set of statistics for conditions within the borders of a particular jurisdiction, influenced by many outside factors. Certainly, some states are better positioned than others to endure a downturn because of assets no human can create, such as the presence of oil under the ground or, for New Jersey, proximity to one of the world's most vibrant cities.

All of that said, policymakers make numerous decisions that end up either helping or hurting the economic well-being of large groups of people. They owe it to their constituents to pay attention to what works, to abandon what does not, and to recognize the importance of public investment.

## Endnotes

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