

**New Jersey Department of Labor and Workforce Development
Office of Labor Planning and Analysis**

**Annual Economic Analysis Report Program Year (PY) 2006 for the New Jersey
Governor and
the State Workforce Investment Board**

Overview

New Jersey, located in the Mid-Atlantic region of the United States, is in the heart of one of the world's largest and most vibrant marketplaces. New Jersey is close to New York City, a global capital for business and finance, and Philadelphia, an important national business center. More than 60 million U.S. consumers are within a four-hour drive of the state. With its ports, airports, and other transportation resources, New Jersey is closely linked to the growing international economy.

Current Economic Status

One of New Jersey's strengths is its prime location along the eastern seaboard. Because of New Jersey's proximity to markets and a vast transportation infrastructure, more than 20% of the Fortune 500 companies are located in or near New Jersey. The extensive transportation network of airports, ports, highways and rail systems facilitates the movement of goods and materials, both into and out of the State.

The diversity of the state's economy is also one of its greatest assets. The New Jersey economy has been transformed over the past few decades from a production based manufacturing economy to a more service oriented, technology driven economy. The new mix of industries makes it easier to weather cyclical swings in employment and results in a more resilient economy.

The state's economy, although slowing, is fundamentally sound. Over the June 2006 to June 2007 period, businesses in New Jersey continued to invest resources and tap into the state's human capital to expand their enterprises or embark on new ventures. During the twelve-month interval, 17,900 workers have been added to payrolls by the state's employers. While this represents a slowing of the economic expansion that began in 2003, it is reflective of slower job growth evidenced both nationally and in neighboring states. However, the state's unemployment rate over the period has been either at or below the national rate.

Gross Domestic Product

As measured by Gross Domestic Product, the value added by New Jersey businesses is high. In 2006, New Jersey ranked fifth, one position higher than in 2004 and 2005, in per

capita real GDP at \$44,885 compared with \$37,714 for the U.S. Leading the way were the nearby states of Delaware, Connecticut, Massachusetts and New York. In New Jersey, positive contributions to growth in GDP came from the real estate, rental and leasing industry, followed by finance and insurance, information and professional and technical services, the same four private service sectors that were strongest nationally.

Employment

Despite the moderating growth, New Jersey jobholding reached an all-time high level in June 2007 of 4,077,600. More importantly, nearly three quarters of the job growth was recorded mainly among New Jersey's private sector employers.

The leading job producers were companies classified in two major industry sectors 1) professional and business services and 2) education and health services. Professional and business services are comprised of companies in three industry components: professional, scientific and technical services; management of companies; and administrative support/waste management/remediation services. Education and health services include the industry components educational services, and health care and social assistance. Positions in these two major industry sectors are the types of well-paying, benefit providing and labor attracting jobs that can fuel the New Jersey economy moving forward into 2008.

Percent June 07	June 06	Change	Change	Total Nonfarm	4,095.54	4,077.61	7.90	4
Total Private Sector	3,441.83	428.81	3.00	4				
Goods Producing	491.75	0.7	-10.0	-2.0				
Natural Resources and Mining	1.81	.80	0.00	0.0				
Construction	172.31	74.8	-2.5	-1.4				
Manufacturing	317.63	25.1	-7.5	-2.3				
Service-Providing	3,603.83	575.92	7.90	8				
Private Service-Providing	2,950.12	927.12	3.00	8				
Trade, Transportation & Utilities	875.88	76.0	-0.20	0				
Information	98.19	8.6	-0.5	-0.5				
Financial Activities	282.62	80.02	.60	.9				
Professional and Business Services	613.06	602.41	0.61	.8				
Education and Health Services	578.25	68.49	.81	.7				
Leisure and Hospitality	339.53	39.9	-0.4	-0.1				
Other Services	162.91	61.81	1.10	.7				
Public Sector	653.76	48.84	.90	.8				

New Jersey Nonfarm Employment June 06 - June 07

These types of desirable jobs, including those with these same characteristics in other industries, can draw upon the state's well educated and highly trained labor force and in addition attract more qualified workers into New Jersey.

On a negative note, manufacturing employment in New Jersey has continued to decline.

The drop is a continuation of a long-term trend, and reflects productivity gains, losses to foreign production and the outsourcing of services, both domestically and abroad.

Unemployment

While the state's unemployment rate has been relatively low, not all areas of the state have benefited from the improved economy. With an average unemployment rate of 6.9 percent in 2006, Cumberland County's jobless rate was more than twice the 3.3 percent recorded in the suburban counties of Hunterdon and Morris. In many of the older urban counties and those dependent on seasonal tourist traffic, unemployment exceeds the statewide average. In 2006, the unemployment rate surpassed 10 percent in nine municipalities — Camden, North Wildwood, West Wildwood, Wildwood, Wildwood Crest, Paulsboro, Trenton, Asbury Park and Penns Grove.

2006 Unemployment Rates by County

(Annual Averages)

County Rate (%)

Hunterdon 3.3

Morris 3.3

Somerset 3.5

Bergen 3.9

Burlington 4.1

Monmouth 4.1

Sussex 4.1

Warren 4.1

Mercer 4.2

Middlesex 4.3

STATEWIDE AVERAGE 4.6

Gloucester 4.7

Union 4.8

Ocean 5.0

Salem 5.0

Camden 5.1

Hudson 5.5

Passaic 5.6

Atlantic 5.7

Essex 5.8

Cape May 6.8

Cumberland 6.9

Income and Wages

The annual average wage for jobs covered by unemployment insurance rose by 4.4 percent from \$49,461 in 2005 to \$51,650 in 2006. In 2005, the latest year for which comparable data are available, New Jersey ranked 5th highest among the states with wages which were 21 percent higher than the national average.

The highest wages in New Jersey were earned by those involved in the management of companies (\$113,686), finance and insurance (\$92,785) and the utilities (\$86,929) industries. However, each of these industries recorded below average job growth in 2006.

The largest over-the-year wage growth (14.0%) occurred in the relatively low paying and employment stable arts, entertainment and recreation industry. Wages averaged less than \$30,000 annually in accommodations and food services (\$19,951) and retail trade (\$29,304), both industries which employ large numbers of part-time workers.

By virtually any measure of income, New Jersey is considered a wealthy state. According to the 2005 American Community Survey, the median household income of \$61,672 placed New Jersey at the top of the state rankings, and median family income stood in second place at \$75,311. There is a wide range between the lowest and highest median household incomes that stretches from \$46,064 in Cumberland County to double that (\$93,342) in affluent Hunterdon County. Besides Cumberland, Essex County (\$49,460) is the only other county where the median household income in 2005 stood below \$50,000.

Based on estimates developed by the Bureau of Economic Analysis, the per capita income of New Jersey residents was \$46,344 in 2006, second only to Connecticut, and 28% above the \$36,276 per capita income for the nation. Between 2005 and 2006, New Jersey's per capita income grew by 5.7%, the 10th fastest of all the states while U.S. personal income expanded by 6.3%, up from 5.2% a year earlier.

New Jersey	Rank	United States	Median Household Income*	\$61,672	\$46,242	Median Family Income*	\$75,311	\$55,832	Per Capita Personal Income**	\$46,344	\$36,276	Persons Below Poverty*	8.7%	48	13.3%
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* 2005, ** 2006
Income Measures New Jersey and United States

However, not all residents have a comfortable lifestyle. While having one of the lowest poverty rates, 8.7 percent of New Jerseyans were living below the poverty level in 2005, and in need of assistance and services to improve their quality of life.

Education Attainment

New Jersey has a well educated workforce with a high percentage of college graduates, ranks seventh in the nation in the number of Ph. D. scientists and engineers per 1,000 workers and ranks 9th in the nation in the number of high – tech jobs. The high wages earned in the state reward the talents of a highly skilled technical workforce.

Percent

Less Than High School Diploma 13.7 High School Diploma or Equivalency 29.5 Some College, No Degree 16.4 Associate's Degree 6.2 Bachelor's Degree 21.7 Graduate or Professional Degree 12.5* Population Aged 25 Years and Older Educational Attainment* New Jersey 2005

Overview – New Jersey Governor’s Economic Growth Strategy

Governor Corzine has promoted a statewide Strategic Plan for Economic Growth to increase the State’s competitiveness in the global economy and leverage the State’s advantages: a pool of talented workers; strategic location; quality of life; and innovative businesses. By leveraging the State’s advantages, New Jerseyans will have access to an increase in well-paying jobs.

In December of 2006, State leaders brought together representatives from the local workforce development system, education and economic development agencies to discuss the critical role of the workforce development system in supporting the Governor’s Economic Growth Strategy and converged on two goals: 1) aligning the local workforce development goals with the Economic Growth Strategy; and 2) optimizing the workforce development system by making it increasingly more flexible, efficient and effective.

Program Year 2006 Highlights of the Workforce Investment System

New Jersey presents the following highlights on programs and activities that occurred during Program Year 2006.

Workforce Innovation in Regional Economic Development (WIRED)

During the past, New Jersey has significantly increased its role in the Workforce Innovation in Regional Economic Development (WIRED). This initiative is being implemented through the nation by the United States Department of Labor (USDOL). WIRED provides crucial seed-capital investment by the Federal government to facilitate strategic regional efforts to tie workforce development to economic development needs.

In last year's WIA Annual Report, we were proud to note two regions in New Jersey participating in planning "virtual" WIRED projects. Since last year, USDDOL has provided investments enabling these two efforts, in Northern New Jersey and in the Tri-State partnership with Pennsylvania and Delaware, to become full-fledged WIRED generation 2 regions. This past spring, New Jersey was informed that yet another region in our State, Central Jersey, was selected for a WIRED Generation 3 award. The total federal funding for these investments exceeds \$15 million.

WIRED initiatives now cover more than 80% of New Jersey. These projects focus on regional approaches, and targeted growth industries recognizing that workforce needs are determined more by regional labor market demands rather than political boundaries. This approach aligns well with Governor Corzine's Economic Growth Strategic Plan, which calls for efforts to target industry clusters essential to our state's economy.

Given the importance of the life sciences industry to the New Jersey economy, all of the WIRED projects have some connection to this business sector. The Delaware Valley Innovation Network (DVIN) focuses on Life Sciences in the Tri-State Region around Philadelphia; the Northern New Jersey effort, known as the Northern New Jersey Economic Innovation Alliance, includes Health Care; and Central Jersey, preferred to as Bio-1, targets the Bio-Pharma industry. We envision these individual regional efforts benefiting this important industry in the State by working collectively to share best practices across their respective partnerships.

These WIRED areas are all in different stages of developing an Implementation Plan that will present a set of blueprints designed to improve and increase delivery for system customers, establish measurable goals, provide a guide for the sustainability of the process, indicate how the investment will leverage appropriate resources, and clarify how the existing system will change to reflect the concepts associated with WIRED.

By the fall of 2008, New Jersey will share detailed programming steps and early results from our WIRED projects. We are honored and grateful for the investment by USDOL in New Jersey and we look forward to building coordinated regional systems to ensure

that New Jersey's employers have the workforce they need to be competitive in the global economy.

Customized Training

New Jersey's Workforce Development Partnership (WDP) Program was established in 1992. One provision of the WDP law provides grant funding for customized skills training for workers and businesses located in New Jersey. The Customized Training program is designed to benefit both employees and businesses by enhancing the skills of incumbent workers, thereby increasing their productivity and the competitiveness of the employer. This investment by the State is designed to encourage the creation of new jobs, the retention of existing jobs and increased wages for the trained workers. The Customized Training Program is a key component in the Governor's Economic Growth Strategy.

The goal of this competitive grant program is to produce a more highly-skilled and versatile workforce that contributes to New Jersey's ability to attract new business and creates an environment conducive to expansion. Through this program, businesses in New Jersey are able to remain competitive through skill upgrade training for full-time employees.

Customized Training Results Program Year 2006 # Grants	Grant Amount	# of Trainees	# Organizations Participating
CT Grants			
	162		
	\$14,236,179		
	37,547		
	192		
Targeted Industry CT Grants			
	93		
	\$12,782,804		
	30,282		
	115		
Totals			
	255		
	\$27,018,983		
	67,829		
	307		

During Program Year 2006, 255 grants were awarded in amounts ranging from \$5,600 to \$1,725,840 for a total funding of \$27,018,983, providing training for 67,829 workers.

To align the Customized Training grant program with Governor Corzine's Economic Growth Strategy, the Department set aside funds to train workers in certain targeted high-growth industries in 2006. These funds were awarded competitively to develop industry-specific training solutions. The targeted industries were Pharmaceutical/Biotechnology, Science/Technology, Information Technology, Logistics, Energy, Finance, and Hospitality/Tourism. In Program Year 2006, 93 grants were awarded to 115 businesses to train 30,282 workers in these industries. The chart below shows the distribution by percentage and dollar amount awarded to each industry.

Program Year 2006 Industry Breakdown of \$12,782,804 NGO Dollars

Awarded Hospitality/Tourism,

\$1,164,370, 9%

Science

Technology,

\$1,927,698,

15%

Logistics,

\$1,347,665,

11%

Finance,

\$896,498, 7%

Pharmaceutical/Biotech,

\$3,082,124,

24%

Energy,

\$290,800, 2%

Information

Technology,

\$4,073,649,

32%

Due to the successful outcomes achieved through competitively awarding Customized Training grants to businesses in the high-growth industry clusters, NJLWD expanded the competitive award process for all Customized Training grants in 2007 with bonus points awarded for businesses in a revised group of targeted industries.

Literacy Skills Training

The New Jersey Supplemental Workforce Fund for Basic Skills (SWFBS) was established in 2001, to provide funding for basic skill programs that promote adult literacy in the workplace by training both unemployed and incumbent workers. The incumbent worker portion of the SWFBS funds a competitive literacy/basic skills training grant program, with a priority on awarding grants that clearly demonstrate meaningful outcomes such as wage gain, career advancement and job creation for workers in low-wage, lower-skilled occupations. The Department of Labor and Workforce Development realizes that in order to achieve success in the workplace and self-sufficiency, all New Jersey's workers must be able to function at their highest potential skill levels.

During Program Year 2006, 94 literacy/basic skills grants were awarded in amounts ranging from \$5,050 to \$1,880,500, for a total of \$7,903,894. This funding will provide

basic skills training to 22,565 job seekers and workers. In the second half of Program Year 2006, due to the improvements in the quality of the regular Customized Training grants awarded through the competitive process, NJLWD adopted the competitive process for all future Literacy Skills grants. The primary objective in moving to the competitive process was to create incentives for employers to more effectively improve basic literacy skills of incumbent workers in low-wage, low-skill occupations.

Organizations or businesses awarded a Literacy Skills Grant were required to define results of improvement of workers' basic skills and validate the results through pre- and post-training assessments. During Program Year 2006, a total of 94 Literacy Skills grants in the amount of \$7,903,894 were awarded, and of that 59 grants were awarded under the competitive process. These grants will provide training to 7,267 job seekers and workers.

Literacy Skills Training Results

Program Year 2006

Grants

Grant

Amount

of

Trainees

Organizations

Participating

CTTS Literacy Grants

35

\$4,609,814

15,298

87

Literacy NGO

59

\$3,294,080

7,267

102

Totals

94

\$7,903,894

22,565

Program Year	2005	# Grants	Grant Amount	# of Trainees	# Organizations Participating
CTTS Literacy Grants	44	\$5,752,752	16,547	44	Totals
	44	\$5,752,752	16,547	44	44

There have been significant increases in the numbers and amount of funding for Basic Skills/Literacy grants awarded from Program Years 2005 and 2006. In Program Year 2005, 44 Basic Skills/Literacy grants were awarded compared with 94 Basic Skills/Literacy grants awarded in Program Year 2006, representing an increase of 113%. The overall results demonstrated an improvement in the quantity and quality in the delivery of service through the awarded Basic Skills/Literacy grants. Upon reviewing the successful outcomes achieved by competitively awarding Basic Skills/Literacy training grants, the improved process will continue to be utilized for future Basic Skills/Literacy grants.

The Customized Training or Literacy Skills application for financial assistance can be accessed online by visiting our website at:
http://lwd.dol.state.nj.us/labor/employer/training/incentives_training_index.html.

Apprenticeship Programs

LWD also administers workforce training and apprenticeship programs. The programs focus on youth, women, minorities and veterans. The Youth Transition to Work (YTTW) program, funded through the Workforce Development Partnership Act, awarded 14 grants totaling \$2,623,373. These grants provided funding to consortia of employers, organized labor and schools to implement school to registered apprenticeship transition programs. It is estimated that these grant programs will provide training to 2,100 students.

Women and Minorities Apprenticeship Initiatives

The Construction Trades Training Program for Women and Minorities (CTTP-WM), funded by LWD through an Memorandum of Understanding (MOU) with the NJ Schools Development Authority, awarded four grants, totaling \$1,578,816. The focus of the YTTW grants is to increase employment opportunities for women and minorities in construction occupations. To participate in these programs, individuals must live within one of the thirty-one Abbott School Districts. It is anticipated that these grants will provide training to 415 women and minorities within the Abbott School Districts.

The Highway Construction Trades Training Program for Women and Minorities (HCTTP-WM) is a new initiative to the Department in Program Year 2006. This initiative, funded by the Department of Transportation through an MOU with LWD, awarded three grants totaling \$418,663, with estimated training benefiting 130 participants. The objective of these grants is to increase employment opportunities for women, minorities and veterans in order to learn highway construction related skills. This initiative, funded by the Department of Transportation through an MOU with LWD, awarded three grants totaling \$418,663, with estimated training benefiting 130 participants.

Individual Training Opportunities

Financial assistance for skills upgrading is also available to individuals. New Jersey provides individual training grant opportunities through a number of its workforce development system programs that are designed to provide the state's citizens with the skills and knowledge employers need for their business to be competitive. With the necessary training services, the individuals are able to obtain employment and achieve self-sufficiency for themselves and their families. During the 12 months ending June 2007, over 23,000 persons received training services: 5,325 individuals through the State's Workforce Development Partnership Program; 8,123 individuals through the federal Workforce Investment Act (WIA) programs; 8,952 individuals through the State's WorkFirst (welfare) programs; and 779 individuals through the federal Trade Act program.

Challenges Ahead

Despite New Jersey's achievements, many challenges remain to keep New Jersey's productive workforce at a high educational, technical and professional level. According to a statewide survey published in August 2006 by the John J. Heldrich Center for Workforce Development, Rutgers University, the quality of the workforce is the top concern of employers¹. Based on New Jersey Business & Industry Association's 2007

¹ Highlights, The John J. Heldrich Center for Workforce Development New Jersey Employer Survey, page

1, John J. Heldrich Center for Workforce Development, Rutgers University, August 2006.

Business Outlook Survey, two-thirds of employer respondents said they are having trouble finding skilled labor². Fifty-four percent of employers reported having trouble finding qualified workers for professional and technical positions. It is critical that the state continue to invest in its workers through customized training, individual grants and other worker training enhancements as well as to improve the state's educational system at all levels if the economy is to continue on an expansionary path.

² Anthony Birritteri, Editor-in-Chief, State's Workforce Development Initiatives Become Focused and Integrated, page 30, New Jersey Business, May 2007.

In 2008, the Department of Labor and Workforce Development will continue to vigorously promote the opportunities that business and individuals can avail themselves of through its workforce development and training programs. This investment by the State is expected to result in the creation of new jobs, the retention of current jobs and an increase in wages for trained workers and will provide vital support for Governor's Corzine's Economic Growth Strategy.