

Annual Economic Analysis Report 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 epicenter of one of the world's largest and most vibrant marketplaces. New Jersey is in close proximity 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 New Jersey. With our 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 facilitate 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 insulates it from cyclical swings in employment and results in a more resilient economy.

The state's economy, similar to the national economy, has slowed considerably, especially in terms of labor market conditions. From June 2007 to June 2008, businesses in New Jersey, primarily those within the construction, financial activities, and manufacturing sectors have dealt with economic conditions that necessitated the curtailing of hiring and a period of decreasing payrolls. During the twelve-month interval, New Jersey employers have pared 14,500 jobs from their payrolls. While this certainly does not bode well economically, it is reflective of negative job growth evidenced both nationally and in neighboring states. However, the state's unemployment rate over the twelve-month period has been either at or below the national rate.

Gross Domestic Product

In 2007, New Jersey maintained its fifth-place ranking in per capita real Gross Domestic Product (GDP) among the states at \$45,052 compared with \$38,020 for the nation. Occupying the top four spots were our regional neighbors of Delaware, Connecticut, New York and Massachusetts. In New Jersey, positive contributions to growth in real GDP came from the real

estate, rental and leasing industry, followed by professional and technical services, finance and insurance, manufacturing, and information. Nationally, the same four private service sectors also performed strongly.

Employment

As nation-wide economic troubles mounted, New Jersey was not spared of job losses during the period from June 2007 to June 2008. Factors such as turmoil in the housing and financial/credit markets, which trickled down to other industries; rising prices for everything from energy to food; and slower income growth all had negative impacts on jobs in New Jersey. Specifically, non-farm employment in New Jersey decreased by 14,500 jobs (-0.4%) for the twelve-month period from June 2007 to June 2008 to a decreased level of 4,068,700 jobs.

In terms of job losses the three sectors most impacted were construction (-3.7%), manufacturing (-3.5%), and the financial activities (-3.0%). While the losses in construction and financial activities can be tied to the housing crisis, the losses in manufacturing continues the decade's long downward trend in this sector and which is evident in losses to foreign production and outsourcing, both domestic and abroad.

The leading job producers were companies classified in three major industry sectors: education and health services (2.2%), information (1.1%) and professional and business services (0.5%). Growth in the information sector was welcome as it could reflect stabilization within the telecommunications industry. 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 included the industry components educational services, and health care and social assistance. Positions in these two major industry sectors are the types of well-paying, benefits providing and labor attracting jobs that can fuel the New Jersey economy moving forward into 2009.

New Jersey Nonfarm Employment				
June 07 - June 08				
	June 08	June 07	Change	Percent Change
Total Nonfarm	4,068.7	4,083.2	-14.5	-0.4
Total Private Sector	3,419.4	3,433.3	-13.9	-0.4
Goods Producing	470.4	487.6	-17.2	-3.5
Natural Resources and Mining	1.7	1.7	0.0	0.0
Construction	166.8	173.2	-6.4	-3.7
Manufacturing	301.9	312.7	-10.8	-3.5
Service-Providing	3,598.3	3,595.6	2.7	0.1
Private Service-Providing	2,949.0	2,945.7	3.3	0.1
Trade, Transportation & Utilities	873.0	878.5	-5.5	-0.6
Information	98.6	97.5	1.1	1.1
Financial Activities	267.8	276.2	-8.4	-3.0
Professional and Business Services	612.7	609.9	2.8	0.5
Education and Health Services	591.2	578.5	12.7	2.2
Leisure and Hospitality	339.8	340.3	-0.5	-0.1
Other Services	165.9	164.8	1.1	0.7
Public Sector	649.3	649.9	-0.6	-0.1

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.

Income and Wages

The annual average wage for jobs covered by unemployment insurance rose by 4.3 percent from \$51,650 in 2006 to \$53,856 in 2007. In 2007, New Jersey ranked 5th highest among the states; with wages that were 21 percent higher than the national average.

The highest wages in New Jersey were earned by those involved in the management of companies (\$121,395), finance and insurance (\$98,729), utilities (\$89,002) and the professional/technical services (\$83,305) industries. However, each of these industries recorded below average job growth in 2007. The greatest over-the-year wage growth occurred in three sectors that experienced above average employment contraction: manufacturing (6.9%), management of companies/enterprises (6.8%), and finance and insurance (6.4%). Annual wages averaged less than \$30,000 in accommodations and food services (\$20,532) and retail trade (\$29,944). Both industries employ large numbers of part-time workers.

New Jersey is considered a wealthy state, regardless of the method used in measuring income. According to the 2007 American Community Survey, the median household income of

\$67,035 placed New Jersey second to Maryland at the top of the state rankings, and median family income also stood in second place at \$81,823. There is a wide range between the lowest and highest median household incomes that stretches from \$47,883 in Cumberland County to more than double that in affluent Hunterdon County (\$100,327). Five counties recorded median household incomes below \$55,000 in 2007: Cape May, Essex, Hudson, Passaic and Salem.

Based on the most recent estimates developed by the Bureau of Economic Analysis, the per capita personal income of New Jersey residents was \$49,238 in 2007, second only to Connecticut, and 28% above the \$38,564 per capita income for the nation. Between 2006 and 2007, New Jersey's per capita income grew by 5.4%, ranking 15th among the states, while personal income at the national level expanded by 6.0%, up from 5.0% a year earlier.

Income Measures			
New Jersey and United States - 2007			
	New Jersey	Rank	United States
Median Household Income	\$67,035	2	\$50,740
Median Family Income	\$81,823	2	\$61,173
Per Capita Personal Income	\$46,344	2	\$36,276
Persons Below Poverty	8.7%	47	13.1%

However, not all residents have a comfortable lifestyle. While having one of the lowest poverty rates in the nation, 8.7 percent of New Jerseyans were living below the poverty level in 2007, and in need of assistance and services to improve their quality of life.

Unemployment

New Jersey finished 2007 with an average unemployment rate of 4.2 percent compared with the national average of 4.6 percent. Reflecting the slower pace of economic activity and the national trend, New Jersey's unemployment rate has steadily increased during 2008 to the most recent reading of 5.9 percent in August 2008. The August rate was in-line with our neighboring states of New York (5.8 percent) and Pennsylvania (5.8 percent). Nationally, 6.1 percent of the labor force was unemployed in August. Among New Jersey's counties, unemployment in 2007 ranged from a low of about 3.0 percent in rural Hunterdon, Morris and Somerset Counties to a high of 6.5 percent in Cumberland County and tourist-dependant Cape May County. In many of the older urban counties and those dependent on seasonal tourist traffic, unemployment exceeded the statewide average. The unemployment rate surpassed 9 percent in nine municipalities — Camden, North Wildwood, West Wildwood, Wildwood, Wildwood Crest, Paulsboro, Trenton, Asbury Park and Penns Grove.

2007 Unemployment Rates by County	
(Annual Averages)	
<u>County</u>	<u>Rate (%)</u>
Hunterdon	2.9
Morris	3.0
Somerset	3.1
Bergen	3.4
Monmouth	3.7
Warren	3.7
Burlington	3.8
Mercer	3.8
Middlesex	3.8
Sussex	3.9
<u>STATEWIDE AVERAGE</u>	<u>4.2</u>
Gloucester	4.3
Union	4.5
Ocean	4.5
Camden	4.7
Salem	4.9
Hudson	5.0
Passaic	5.3
Essex	5.3
Atlantic	5.8
Cape May	6.5
Cumberland	6.5

Education Attainment

New Jersey has a well educated workforce with a high percentage of college graduates. It ranks 7th 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.

Educational Attainment*	
<u>New Jersey 2006 - 2007**</u>	
	<u>Percent</u>
Less Than High School Diploma	12.8
High School Diploma or Equivalency	31.5
Some College/Associate's Degree	19.1
Bachelor's Degree	22.9
Graduate or Professional Degree	13.8
*Population Aged 25 Years and Older	
** Two year moving average	

Customized Training

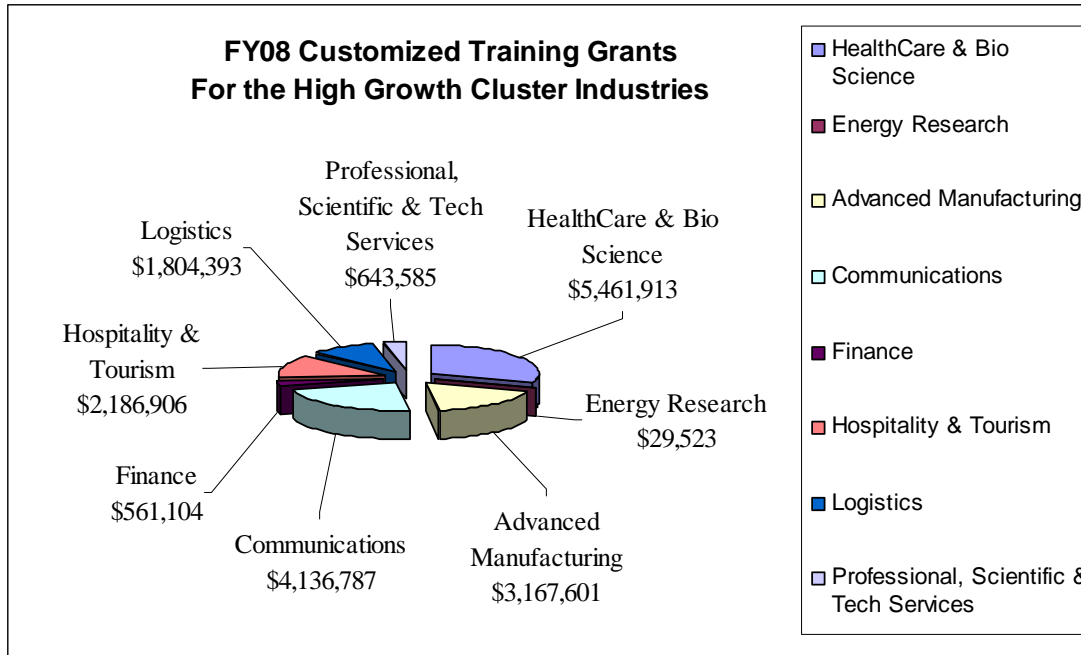
New Jersey's Workforce Development Partnership (WDP) program was established in 1992. One provision of the WDP law provides grant funding for customized skills training for workers and businesses located in New Jersey. The Customized Training program is designed to benefit both employees and businesses 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 create an environment conducive to expansion. Through this program, businesses in New Jersey are able to remain competitive through skills upgrade training for full-time employees.

Customized Training Results				
Fiscal Year 2008	# Grants	Grant Amount	# of Trainees	# Organizations Participating
CT Grants	215	\$27,431,208	60,482	410*
*Based on supplied grantee data as of 8/04/08				
Fiscal Year 2007	# Grants	Grant Amount	# of Trainees	# Organizations Participating
CT Grants	255	\$27,018,983	67,829	223
Totals	255	\$27,018,983	67,829	223

During Program Year 2007, 215 grants were awarded in amounts ranging from \$1,314 to \$2,418,000 for a total funding of \$27,431,208, providing training for 60,482 workers.

To align the Customized Training 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 Health Care and Bio-Science, Energy Research, Advanced Manufacturing, Communications, Finance, Hospitality and Tourism, Logistics, and Professional, Scientific, & Technical Services. The chart below shows the distribution by percentage and dollar amount awarded to each industry.



Due to the successful outcomes achieved through competitively awarding Customized Training grants to businesses in the high-growth industry clusters, LWD expanded the competitive award process for all Customized Training grants in 2007 with additional consideration awarded to businesses in high growth clusters.

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. 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.

In Fiscal Year 2008, Office of Grants Operations (OGO) embarked on a special initiative to develop solutions to improve the basic literacy skills of incumbent workers in low-wage, lower skill occupations living in New Jersey Housing Authority residences and/or receiving Section 8 vouchers. Grants were awarded on a competitive basis to the strongest applicants who demonstrated that the training will improve low wage workers' basic communication skills, basic computer skills, basic math skills and English as a second language (ESL) skills, along with other work readiness skills as defined by the Work Readiness Profile. Grants were awarded to Hightstown, Long Branch, Paterson, Jersey City, Camden, and Asbury Park totaling \$486,797 to train 560 residents.

During Program Year 2007, 34 literacy/basic skills grants were awarded in amounts ranging from \$10,644 to \$761,308, for a total of \$4,206,650. This funding will provide basic skills training to 12,893 job seekers and workers.

Literacy Skills Training Results				
Program Year 2007	Number of Grants	Grant Amount	Number of Trainees	Number of Organizations Participating
CTTS Literacy Grants	34	\$4,221,150	12,795	270*
Housing Authority Grants	6	\$486,797	560	6
Total	40	\$4,707,947	13,355	276
*Based on data supplied by grantee as of 8/4/08				
Program Year 2006	Number of Grants	Grant Amount	Number of Trainees	Number of Organizations Participating
CTTS Literacy Grants	94	\$8,059,594	21,009	94

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

Apprenticeship

The Department of Labor and Workforce Development administers workforce training programs promoting apprenticeship to youth, women, minorities and veterans.

Youth Transitions to Work (YTTW)

The Youth Transitions to Work (YTTW) program, funded through the State Workforce Development Partnership Act, awarded 14 grants in program fiscal year 2008, totaling \$2,624,963. These grants provided funding to consortia of employers, organized labor and schools to implement transition programs from school to registered apprenticeships.

As of June 30, 2008, during the past three years of the YTTW program, 5,838 students were enrolled in the program and 415 students have been placed into registered apprenticeship programs. LWD expects additional placements to occur as the grants end September 30, 2008.

Youth Transitions to Work (YTTW) Results

<u>Fiscal Year</u>	<u># Grants</u>	<u>Total Grant Amount</u>	<u># of Students Enrolled</u>	<u># Placed into Apprenticeships</u>	<u># Placed into Trade Related Employment</u>
FY06	15	\$2,673,992	1,597	117	68
FY07	14	\$2,619,873	2,470	172	123
FY08 *	14	\$2,624,963	1,771	126	64

* Results thru 6/30/08 – Contract period ends on 9/30/08

Construction Trades Training Program for Women and Minorities (CTTP-WM)

In 2002, the New Jersey State Legislature passed the Educational Facilities Construction and Financing Act, N.J.S.A. 18A:7G-1 et. seq., which provided approximately \$8.6 billion dollars to rebuild New Jersey’s schools with an emphasis on those located within the Abbott School Districts. Under New Jersey law, one half of one percent of all construction project dollars must be utilized to train individuals in the area of the building and construction trades. The construction projects and subsequently the one half of one percent construction dollars are administered by the New Jersey Schools Development Authority (SDA), formerly the New Jersey Schools Construction Corporation. The SDA sends monies (amounts vary by fiscal year) to the NJ Department of Labor and Workforce Development, through a Memorandum of Understanding (MOU). LWD administers the Construction Trades Training Program for Women and Minorities (CTTP-WM) with these construction dollars.

The focus of the CTTP-WM grants is to increase employment opportunities for women and minorities and to provide training in construction-related skills, so that they may benefit from jobs created by school construction projects in local communities. To participate in these programs, individuals must live within one of the thirty-one Abbott School Districts.

LWD awarded four grants for FY08 totaling \$1,200,000, funded through the SDA. Also, in FY08 two additional grants were awarded through LWD totaling \$549,748 that were funded through LWD’s Supplemental Workforce Fund for Basic Skills. It is anticipated that these grants will provide training to 175 women and minorities within the Abbott School Districts and will have placed at least 88 individuals into registered apprenticeship positions and the remaining individuals placed into quality construction jobs paying at least \$10.80 per hour by the end of the grant period of March 31, 2009.

<u>Fiscal Year</u>	<u># Grants</u>	<u>Total Grant Amount</u>	<u># of Participants Enrolled</u>	<u># of Participants Completed</u>	<u># Placed into Apprenticeships</u>	<u># Placed into Trade Related Employment</u>
FY06	4	\$1,383,136	195	171	136	8
FY07	4	\$1,619,046	281	238	83	52
FY08 *	6	\$1,749,748	32	30	16	1

* Results thru 6/30/08 - Contract period is 4/1/08 - 3/31/09

Highway Construction Trades Training Program for Women and Minorities (HCTTP-WM)

Another initiative, new to the Department in Program Year 2006, also involves training of women, minorities and veterans with the goal of job placement in the highway construction industry. The Highway Construction Trades Training Program for Women and Minorities (HCTTP-WM) will increase employment opportunities for women, minorities and veterans in highway construction projects throughout New Jersey. One grant was awarded for Fiscal Year 2008 in the amount of \$240,000, with training estimated to benefit 24 participants and all 24 participants being placed into a registered apprenticeship position.

<u>Fiscal Year</u>	<u># Grants</u>	<u>Total Grant Amount</u>	<u># of Participants Enrolled</u>	<u># of Participants Completed</u>	<u># Placed into Apprenticeships</u>	<u># Placed into Trade Related Employment</u>
FY07	3	\$459,024				
FY08*	1	\$240,000	30	30	2	n/a

* Results thru 5/31/08. The FY08 contract period is 3/1/08 to 2/28/09

Additional information on Apprenticeship Programs can be accessed online by visiting our website at: <http://lwd.dol.state.nj.us/labor/employer/training/Apprenticeship.html>.

Occupational Safety & Health Grants

NJLWD also awards Occupational Safety and Health (OSH) grants funded through the Workforce Development Partnership Act. The Department awarded five grants in Fiscal Year 2008 totaling \$1,064,895. These programs helped employers improve and strengthen workplaces by offering comprehensive health and safety training programs that meet Federal OSHA standards. The primary objective of the OSH grant is to increase awareness of OSHA standards and ultimately reduce the number and severity of injuries in the workplace. The five grantees provided training to 4,602 individuals for a total of 69,029 hours of training.

Occupational Safety and Health (OSH) Results						
<u>Fiscal Year</u>	<u># Grants</u>	<u>Total Grant Amount</u>	<u>Projected # of Trainees</u>	<u>Projected # of Hours</u>	<u>Actual # Of Trainees</u>	<u>Actual # of Hours</u>
FY06	5	\$1,176,741	3,726	30,920	3,105	28,112
FY07	5	\$1,175,650	3,261	29,930	3,713	29,927
FY08*	5	\$1,064,895	3,695	65,845	4,602	69,029

* FY08 results are as of 6/30/08, which is the contract ending date.

Green Initiatives

NJLWD embarked upon an initiative focusing on “Green Collar” Energy and Environmental Cleanup occupations. A grant for a one year period (6/30/08 – 6/29/09) in the amount of \$1,148,125 was awarded to ISLES (NJ Center for Energy and Environmental Training). The grantee is developing curriculum and training models to assist workers and employers that seek re-training of the workforce. The grantee and LWD staff are currently working together to develop specific participant guidelines and performance outcomes for inclusion to the contract. The program will also assist traditionally underserved workers including urban youth, women and ex-offenders. Participants will be able to obtain certification in energy technology or the environmental field.

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, individuals are able to obtain employment and achieve self-sufficiency for themselves and their families. During the 12 months ending June 2008, over 35,000 persons received training services: 5,423 individuals through the State’s Workforce Development Partnership Program; 12,891 individuals through the federal Workforce Investment Act (WIA) programs; 16,083 individuals through the State’s WorkFirst (welfare) programs; and 784 individuals through the federal Trade Act program.

**Training and Employment Guidance Letter No. 03-07
New Jersey Annual Report Program Year (PY) 2007
Workforce Information Core Products and Services**

The State of New Jersey certifies that it met the requirements in the submission of the annual performance report addressing the performance for each planned activity, per 29 CFR 97.40(b)(2) and as specified in Attachment IV, Section A. The report includes a description of performance against planned activities, and where appropriate, an explanation as to why the plan was not accomplished and what will be done to bring performance up to established targets. For the first time starting with Program Year (PY) 2006, the New Jersey Department of Labor and Workforce Development (LWD) published an annual economic analysis report for the New Jersey Governor and the State Workforce Investment Board (SWIB).

SWA Administrator

SWIB Chair

Date

Date

Or

Governor

Date