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New Jersey
section

UNEMPLOYMENT

Benefits Fund Solvency Worries Labor Officials

By DERRICK HENRY

THE sour economy and rising joblessness have New Jersey labor officials worried about depleting the state's unemployment fund.

In the first week of December, there were 18,386 initial claims for unemployment benefits in the state. That was 43.6 percent higher than the 12,800 initial claims filed the same time in 2007.

New Jersey's unemployment rate climbed to 6.1 percent last week, the highest since August 1996. Nationwide, the unemployment rate is 6.7 percent, a 15-year high. With the economy in a recession, officials fear that the number of unemployed will continue to climb.

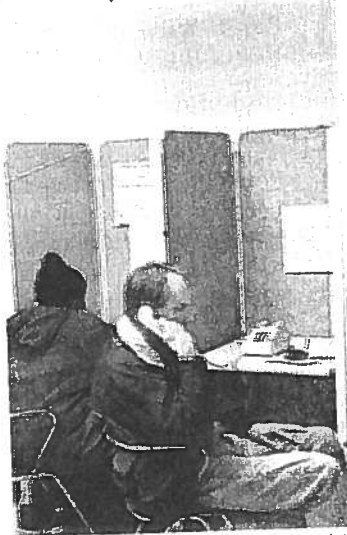
New Jersey's unemployment fund has been paying about \$40 million in benefits each week, said David J. Socolow, the state's labor commissioner. The fund currently has a balance of \$711 million, down from \$3.1 billion at the end of the 2001 fiscal year.

"It's certainly lower than we want it to be," Mr. Socolow said. "We're hit with another downturn and we have a depleting fund."

While the unemployment fund would still pay valid unemployment claims no matter what happens, as required by law, there are concerns that it is edging toward insolvency.

A report in October from the National Employment Law Project, an advocacy group for

CALL-IN CENTER
FOR FILING CLAIMS



COLIN ARCHER/AGENCY NEW JERSEY

CALL-IN Filing at Monmouth One-Stop Career Center.

said John D. Rogers, the vice president of human resource issues for the New Jersey Business and Industry Association. In a 2006 report, the association's research affiliate warned that the diversions might undercut the fund's health if another economic downturn hit.

In the 2008 fiscal year that ended June 30, businesses paid about \$1.5 billion into the unemployment fund, the state labor department said. In New Jersey, workers also pay a payroll tax into the unemployment fund. Their share came to about \$500 million.

"Our concern is what would happen to employers if the fund is depleted," Mr. Socolow said. If the unemployment fund's balance goes too low, then an automatic tax increase on businesses would keep benefits flowing.

To avoid that, five months ago, Gov. Jon S. Corzine and state lawmakers authorized an infusion of \$260 million into the unemployment fund. That money came from a budget surplus the previous fiscal year, Mr. Socolow said. But as the economy becomes leaner and meaner, there is less money to move around in the state budget.

Third-quarter data from the federal Labor Department's Division of Fiscal and Actuarial Services show that New Jersey ranks 49th out of 53 — the figures include Washington, Puerto Rico and the Virgin Islands — among unemployment trust funds in terms of a ratio that measures fiscal health, with 53 being the lowest. The state's average weekly benefit payout, however, is \$366.34, which ranks third-highest among programs.

Mr. McHugh said strong benefits should be the goal of any unemployment program, especially in New Jersey, where workers pay for part of the program.

"To have people who have been laid off to totally stop spending money," he said, "to not be able to support their families, is bad for the economy."

Another downturn and a depleting fund.

low-wage workers and the jobless, listed New Jersey among eight states whose unemployment funds are nearly insolvent. In the report, New Jersey's unemployment trust fund balance was estimated at about \$792.9 million, with a monthly benefit payout of \$177 million. That is enough for four months of payments if no additional revenue is collected from payroll taxes.

Rick McHugh, a staff lawyer who helped write the report, said that although New Jersey's fund is among those considered in trouble, it likely will not have to borrow money from the federal government if the recession does not deepen.

By the end of the 2002 fiscal year, an economic downturn reduced the fund to \$2.3 billion, from 3.1 billion the year before. The balance has dropped each year and stood at \$650 million at the end of the 2007 fiscal year.

The fund's balance suffered as revenue was diverted to pay for the state's hospital charity care from 1991 to 2005. That diversion amounted to \$4.7 billion, Mr. Socolow said.

"Our opinion is if you never took the money in the first place, we wouldn't be here right now,"

LOCAL CAMPAIGN

Left, a shopper in the Hungry Hound, a dog bakery and pet boutique in Somerville. Below, Kelly DelRosso, owner of Semplice, a home furnishings and gift store in Montclair.



THE NEW YORK TIMES

Promotions

participating stores.

"Since no government bailout is coming our way, we have joined our efforts to let you know that shopping locally this holiday season is one of the most energy-efficient, heart-warming, self-sustaining contributions you can make to your community," the site says.

Kelly DelRosso, who owns Semplice, a home furnishings and gift store on Bloomfield Avenue in Montclair, said she decided to set her competitive instincts aside and collaborate with other stores in town after the malls began advertising discounts of 60 or 70 per cent.

"I was planning a promotion in my own store," she said. "Then I realized that one sale in one town would not be enough to compete with the barrage of advertising saying everything at the mall was on sale. I thought, if 10 of us had a sale, we could have an impact."

"December is the month that you go into the black and make your profit for the year," Miss DelRosso said. "Will we all get through a tough December? Probably."

The campaign made sense to Kathy Clark and her husband, Dan Rich, who live in New York City and were in Montclair one day recently to visit a friend. They spent a few minutes inside Terra, a tearoom and fair trade retail shop on Church Street.

"I would always much prefer to go to a local store," Ms. Clark said.

Many New Jersey downtowns have accepted the view that the pain will not end any time soon.

Nancy Adams, executive director of RiverCenter, Red Bank's business improvement district, scheduled an economic summit for local businesses on Jan. 27.

"The forecasts for January and February are very grim," she said. "A recession like this can be tough on individual business owners, for sure. But it can also bring opportunities. We need to find them."

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