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TODAY: Times of clouds and sun; a shower or thunderstorm in spots. Forecast, Page 2

7 a.m. 2 p.m. 7 p.m.
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COFFEE BREAK

State aide offers a primer on slumping jobless fund

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Layoffs over the past year might have saved companies money — perhaps even saved companies themselves — but they come at a price. Starting tomorrow, employers will be paying more this year to make up for the fast-draining unemployment insurance fund.

Even with a \$586 million rescue over the past year from state and federal funds, the trust fund is so low it has triggered a shift within the formula that dictates how much employers must pay per employee. Through the automatic tax increase, the state will generate \$340 million.

But it would have been a lot worse — an \$880 million increase — if not for the federal and state cash infusions, said David Socolow, commissioner of the state Department of Labor and Workforce Development.

Still, employers will see an increase of \$10 to \$269 per employee, depending on a number of factors, including how many employees have been laid off over the past three years. He likened the unemployment insurance fund to any other type of insurance. The more car accidents drivers have, for example, the more their premiums will go up.

We chatted with Socolow about the formula shift and the state of the New Jersey workforce.

Q: Can you explain why employers will see taxes go up?

A: The unemployment insurance trust fund is self-funding. That is to say it has a mechanism enacted into the law that when the trust fund balance drops below certain statutory defined figures the column shifts.

Q: So the more money you have in the trust fund, the less employers pay?

A: That's correct.

Q: What effect do higher unemployment insurance taxes have on employees?

A: Employer payroll taxes are to some extent part of overall compensation, so if employers are paying a small amount more on compensation that may impact their bottom line but it's not directly affecting their employees. Just like any additional cost of doing business, this is going to be an increase in the payroll tax, starting July 1.



2008 STAR-LEDGER FILE

David Socolow, commissioner of the N.J. Department of Labor speaks at the Senate Budget and Appropriations Committee in the Statehouse Ann Trenton last year.

Q: How can employers keep their unemployment insurance tax bill low?

A: The first is to look at ways to make layoffs of employees a very last resort. Certainly many employers have resorted to wage reductions or furloughs or partial cuts in hours that can have that impact, that can enable them to reduce total compensation.

Q: Doesn't that exacerbate the problem of the so-called underemployed, those who are working enough to make it an impediment to looking for another job, but not enough to keep up with expenses?

A: I think most employees would choose keeping their job — and with it their benefits and their access to health insurance and everything else, even at a reduced compensation level — rather than being separated from employment.

Q: With unemployment checks available to workers for up to 79 weeks, what do you say to people who think the government is making it easy for the unemployed to remain unemployed?

A: They can't make only perfunctory efforts, and we call them into the one-stop career centers periodically for job search assistance, to make sure they really are looking for a job. Often what you have to encourage individuals to realize is the exact job they lost is not likely to return. They're going to need to expand their work search for a wider range of employment paths out there.

Right now there's a lot of unemployed people who are struggling to find work. I don't think anyone wants to stay on unemployment benefits one week longer than they have to. They only replace a maximum of 60 percent of what you were making at your old job. That's a big, big cut. I think that it would be shockingly cynical to think that people want to live on unemployment insurance.

Q: Where do you see the job headed in the future?

While there certainly are a few of recovery, and there were other signs that were recently announced in some of the economic data, it usually a time period after economic growth resumes before you start unemployment start to come down and jobs start to grow again. We had a rough patch ahead of us in job market.

Q: But do you have a time frame?

A: I left my crystal ball in the cabinet.

Q: Have you ever been unemployed?

A: Yes, I have. I've been unemployed a couple times. I was unemployed in the early 90s when I moved from New York down to Washington to get involved in public policy government. I was about a year and a half, two years out of college. I was around for a job for a while. An I was unemployed for six weeks end of the Clinton administration transition as you may recall we had a difficult one because of the corruption about the 2000 election, Florida chads and everything else.

Q: What's it like being the face of the state's workforce this recession?

A: Everywhere I go, people talk about the economy. The stories people tell me are deeply affected. I've had some of the most interesting experiences of my life going to stop career center and having come up to me with great desperation, not knowing where their next coming from, and how they'll be able to keep a roof over their heads, keep food on their families table.

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