

“Social justice should be the underlying goal of all humanity.”

-Alan V. Lowenstein, Institute Founder



NEW JERSEY INSTITUTE
FOR SOCIAL JUSTICE

**Testimony of the New Jersey Institute for Social Justice
in Support of S.3061, S.3063, and S.3065
New Jersey State Senate Labor Committee**

December 3, 2018

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My name is Demelza Baer, and I am the Senior Counsel and Director of the Economic Mobility Initiative at the New Jersey Institute for Social Justice (the “Institute”). On behalf of the Institute, I want to thank Chairman Madden and the Senate Labor Committee for the opportunity to testify before you today in support of three key bills on apprenticeships: S.3061, which would provide tax credits and grants to offset apprenticeship start-up costs; S.3063, which would provide tuition fee waivers for apprenticeship courses at public colleges and universities, and county vocational schools; and S.3065, which would establish a three-year youth apprenticeship pilot program in the Department of Education for high school and college students between the ages of 16 and 21. These bills are part of a package of ten apprenticeship bills championed by Senator Teresa Ruiz, which will collectively make the State of New Jersey a national model for a truly inclusive apprenticeship program that fosters economic mobility, advances racial, gender, and social justice, and strengthens our business community and our economy. The Institute strongly supports all ten of these bills.

The Institute is a legal advocacy organization, based in Newark, New Jersey, that seeks to ensure that urban residents live in a society that respects their humanity, provides equality of economic opportunity, empowers them to use their voice in the political process, and protects equal justice. I lead the Institute’s Economic Mobility pillar of work and, in that role, served as the primary author of two reports on employment and economic opportunity in New Jersey: *Bridging the Two Americas: Employment & Economic Opportunity in Newark and Beyond*, and *Becoming the United States of Opportunity: the Economic Equity and Growth Case for Apprenticeships*.

I. Introduction

An apprenticeship is a structured program where a person (called an “apprentice”) is paid to work for a company while receiving on-the-job training and classroom instruction to learn a trade or career, and the apprentice typically receives an industry-recognized credential or degree upon

completion of the program.¹ Although apprenticeships are associated with the skilled trades, the structure of an apprenticeship is used in the fields of medicine, law, finance, and journalism, as well as some of the most dynamic and successful companies in the country. Further, apprenticeship programs can be incorporated into nearly every industry, and they can be designed to help dislocated and displaced workers connect with new career fields, and to assist people who face barriers in connecting to employment.

Apprenticeship programs have been proven to consistently deliver significant financial benefits to employees, employers, the government, and society, making them one of the most productive uses of government investments. With an average government investment of less than \$1,000 per apprentice in a federally-registered program, states realize an average net social benefit of \$49,427 over the career of an apprentice in the form of increased tax receipts and reduced use of public assistance.² Businesses realize a significant return on their investment in apprenticeship programs through reduced turnover and improved recruitment, increased production and productivity among apprentices, improved employee engagement, and a pipeline of people to move into management positions.³ People who complete federally-registered apprenticeship programs earn an average of \$301,533 more over their career, while people who complete part of an apprenticeship program receive an average of \$123,906 more throughout their career.⁴ This return on investment begins immediately—91% of apprentices find work upon completing a program at an average annual salary of about \$60,000.⁵

However, these opportunities have been largely closed to women and people of color. In 2016, women were only 5.6% of active, federally-registered apprentices,⁶ and both women and people of color tend to be occupationally segregated in the lowest-paying apprenticeship programs⁷ and to experience harassment and discrimination.⁸

¹ DEMELZA BAER & RYAN P. HAYGOOD, N.J. INST. FOR SOCIAL JUSTICE, *Becoming the United States of Opportunity: The Economic and Growth Case for Apprenticeships* 3, 15-17 (2018).

² DEBBIE REED ET AL., MATHEMATICA POL'Y RES., AN EFFECTIVENESS ASSESSMENT AND COST-BENEFIT ANALYSIS OF REGISTERED APPRENTICESHIP IN 10 STATES 38, 43 (2012), <https://www.mathematica-mpr.com/our-publications-and-findings/publications/an-effectiveness-assessment-and-costbenefit-analysis-of-registered-apprenticeship-in-10-states>.

³ OFF. OF THE CHIEF ECONOMIST, ECON. & STAT. ADMIN., U.S. DEP'T OF COMMERCE, THE BENEFITS AND COSTS OF APPRENTICESHIP: A BUSINESS PERSPECTIVE 2 (2016), <http://www.esa.doc.gov/sites/default/files/the-benefits-and-costs-of-apprenticeships-a-business-perspective.pdf>.

⁴ REED ET AL., *supra* note 2, at xvi.

⁵ OFF. OF THE CHIEF ECONOMIST, *supra* note 3, at 1.

⁶ JESSICA TOGLIA, JOBS FOR THE FUTURE, WHAT WE KNOW ABOUT EQUITY AND DIVERSITY IN APPRENTICESHIP 1 (2017), <https://jfforg-prod-prime.s3.amazonaws.com/media/documents/Lit-Review-091517.pdf>.

⁷ *Id.*; REED ET AL., *supra* note 2, at 46.

⁸ TOGLIA, *supra* note 6, at 1.; REED ET AL., *supra* note 2, at 52-53. (“[M]en may not think that women can handle the physical demands of work in the trades, and that these attitudes can create a hostile, or just uncomfortable, work environment. State [registered apprenticeship] directors from two states noted that some women may feel a hostile work environment or lack of support at a job site as a barrier to completing a program.”).

II. The Need for Expanding Apprenticeships in New Jersey through an Equity Lens

New Jersey, and the rest of the nation, faces profound challenges due to growing inequality. The polarization of the workforce, stagnant wages, persistent structural racial and gender inequality in employment, and the declining bargaining power of employees are driving the United States towards levels of income inequality not seen since the Great Depression era of the 1920s—nearly 100 years ago.⁹ Unfortunately, New Jersey is one of the worst states for income inequality, ranking 44 out of 50—meaning that 43 other states have less income inequality.¹⁰ This inequality results in significant income disparities for women and people of color in New Jersey,¹¹ with women of color experiencing some of the highest pay disparities in the nation.¹²

Although the national unemployment rate is low, with more job openings than unemployed people,¹³ there is a gap between jobseekers and employers—particularly for middle-skill positions.¹⁴ Most jobs in the United States are middle-skill jobs, which require some form of post-high school training or education, but not a college degree.¹⁵ Our workforce, however, is becoming more and more divided between the highly-educated, specially-trained employees, who receive an increasingly greater share of income gains, and the low-paid employees, who often work without

⁹ THOMAS PIKETTY, EMMANUEL SAEZ & GABRIEL ZUCMAN, WASHINGTON CTR. FOR EQUITABLE GROWTH, DISTRIBUTIONAL NATIONAL ACCOUNTS: METHODS & ESTIMATES FOR THE UNITED STATES (2016), <https://equitablegrowth.org/working-papers/distributional-national-accounts/>.

¹⁰ PROSPERITY NOW, SCORECARD: FINANCIAL ASSETS & INCOME: INCOME INEQUALITY, <https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/income-inequality> (last visited Aug. 13, 2018).

¹¹ UNITED WAY OF NORTHERN N.J., ASSET-LIMITED, INCOME-CONSTRAINED, EMPLOYED (ALICE) 7-9 (2016), https://www.dropbox.com/s/dav760qjudew36/16UW%20ALICE%20Report_NJUpdate_Lowres_12.13.16.pdf?dl=0.

¹² According to the Institute for Women’s Policy Research, Latina women in New Jersey have the highest pay gap in the nation (57.6 cents), and Black women in New Jersey have one of the highest pay gaps in the nation (43.4 cents). NAT’L WOMEN’S LAW CTR., FACT SHEET: THE WAGE GAP BY STATE FOR LATINAS (2018), <https://nwlc.org/resources/wage-gap-state-latinas/>; NAT’L WOMEN’S LAW CTR., FACT SHEET: THE WAGE GAP BY STATE FOR BLACK WOMEN (2018), <https://nwlc.org/resources/wage-gap-state-black-women/>.

¹³ Press Release, Bureau of Labor Stat., Dep’t of Labor, USDL-18-1240, The Employment Situation — July 2018 (Aug. 3, 2018), <https://www.bls.gov/news.release/pdf/empsit.pdf>; Danielle Paquette, *Unemployment Rate Falls to 3.9 Percent as U.S. Economy Adds 164,000 Jobs*, WASH. POST: WONKBLOG (May 4, 2018), https://www.washingtonpost.com/news/wonk/wp/2018/05/04/unemployment-is-headed-for-historic-lows-economists-say/?noredirect=on&utm_term=.f693f930644a.

¹⁴ Danielle Paquette, *2017’s Challenge: Too Many Jobs, Not Enough Workers*, WASH. POST: WONKBLOG (Dec. 28, 2017), https://www.washingtonpost.com/news/wonk/wp/2017/12/28/2018s-challenge-too-many-jobs-not-enough-workers/?noredirect=on&utm_term=.dbfb2b056cc9.

¹⁵ NAT’L SKILLS COAL., MIDDLE SKILL JOBS (2017), <https://www.nationalskillscoalition.org/resources/publications/2017-middle-skills-fact-sheets/file/United-States-MiddleSkills.pdf>.

any benefits or control over their schedule.¹⁶ The middle-skill workers—like manufacturing employees—face challenging circumstances as large companies downsize, move production internationally, and increasingly rely on contractors.

In New Jersey, this gap between employers and jobseekers results in nearly one-in-ten (9.2%) people in the labor force being either unemployed or under-employed, which is one of the highest rates in the nation.¹⁷ As a consequence of this unemployment, under-employment (including people who are working part-time, but would prefer to work full-time), and salaries that are not keeping up with inflation, about 4-in-10 people in the state are living month-to-month, unable to afford life’s basic necessities, like food, rent, health care, transportation, and child care.¹⁸

However, New Jersey is well-positioned to meet these challenges. New Jersey has one of the largest and most diverse economies among the states, with a strategic location as a transportation hub on the East Coast.¹⁹ New Jersey is home to several industries that are projected to grow in the state and nationally—including Trade, Transportation and Utilities, Education & Health Services, and Professional & Business Services—and it is estimated that there will be 275,300 jobs added over the course of the next six years.²⁰ New Jersey also has one of the strongest public university systems in the country, several renowned private colleges and universities, and a strong network of community colleges, all of which could be potential partners in a statewide apprenticeship program.

Furthermore, this is an opportune time for New Jersey to become the national model for an equitable apprenticeship program, as the leadership of Senator Ruiz and other legislators is

¹⁶ Neil Irwin, *To Understand Rising Inequality, Consider the Janitors at Two Top Companies, Then and Now*, N.Y. TIMES, Sept. 3, 2017, <https://www.nytimes.com/2017/09/03/upshot/to-understand-rising-inequality-consider-the-janitors-at-two-top-companies-then-and-now.html>; Jodi Kantor, *Working Anything but 9 to 5: Scheduling Technology Leaves Low-Income Parents With Hours of Chaos*, N.Y. TIMES, Aug. 13, 2014, <https://www.nytimes.com/interactive/2014/08/13/us/starbucks-workers-scheduling-hours.html>.

¹⁷ *Alternative Measures of Labor Underutilization for States, 2017 Annual Averages*, BUREAU OF LABOR STAT., U.S. DEP’T OF LABOR, <https://www.bls.gov/lau/stalt17q4.htm> (last modified Jan. 26, 2018). Note that this measure (U6) includes “total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.”; see also JOHN H. HELDRICH CTR. FOR WORKFORCE DEV., *BACK TO WORK, BUT NOT FULL TIME*, (2018), <http://www.heldrich.rutgers.edu/products/back-work-not-full-time>.

¹⁸ UNITED WAY OF NORTHERN N.J., *supra* note 11, at 1.

¹⁹ TYLER DUVAL ET AL., MCKINSEY N.J. OFFICE, MCKINSEY & CO., *RESEEDING THE GARDEN STATE’S ECONOMIC GROWTH: A VISION FOR NEW JERSEY* (2017), <https://www.mckinsey.com/~media/McKinsey/Global%20Themes/Employment%20and%20Growth/Reseeding%20growth%20in%20the%20Garden%20State/Reseeding-the-Garden-States-economic-growth-A-vision-for-New-Jersey.ashx>.

²⁰ N.J. DEP’T OF LABOR & WORKFORCE DEV., *NEW JERSEY: INDUSTRY AND OCCUPATIONAL EMPLOYMENT PROJECTIONS 2014-2024*, http://nj.gov/labor/lpa/employ/indoccpj/14-24_ind-occ_projections_sp.pdf.

happening alongside the announcement of \$4.5 million dollars in grants²¹ from the New Jersey Department of Labor & Workforce Development to support and expand apprenticeship programs in high-growth and non-traditional industries in the state, and following Governor Philip Murphy's creation of the New Jersey Apprenticeship Network and signing of an agreement with the German Chambers of Industry and Commerce to collaborate on apprenticeships.

Prioritizing a statewide, lifelong learning model of apprenticeships would enable New Jersey to ensure there are sufficient middle-skill workers to meet the needs of its growing industries, where there will be the most job growth.²² Apprenticeships provide incumbent workers and new entrants to the workforce with the training necessary for in-demand jobs that pay a living wage in growing career fields. Further, apprenticeships are a way to advance racial and gender equity, and to counter the displacement of current and future employees as our economy continues to undergo significant changes in what is being called the Fourth Industrial Revolution.²³

Once this package of apprenticeship bills is enacted, and following Governor Murphy's executive action, New Jersey will be a model for other states and the federal government on how to develop and implement a sustainable, statewide apprenticeship program that meets the needs of both resident jobseekers and the state's employers, while expanding employee diversity and economic growth.

III. Support for S.3061, S.3063, and S.3065 Will Expand Access to Apprenticeships and Economic Opportunity and Strengthen our Economy

Today, this Committee can advance three of the key bills to expand apprenticeships in our state, creating more equitable employment opportunities, strengthening our business community, and growing our economy.

S.3061 (A.4603) provides financial incentives to offset apprenticeship start-up costs, an expense that prevents many businesses and non-profit organizations from starting a registered apprenticeship program. When this bill becomes law, it will provide a \$5,000 tax credit (or grant for non-profits) for the start-up costs associated with the initial year of running a federally-registered apprenticeship program, with an additional \$5,000 tax incentive (or grant, totaling

²¹ OFF. OF THE GOVERNOR, STATE OF N.J., GOVERNOR MURPHY ANNOUNCES \$4.5M IN GRANTS TO DEVELOP, GROW APPRENTICESHIPS IN HIGH-DEMAND INDUSTRIES, <https://www.state.nj.us/governor/news/news/562018/approved/20181024a.shtml> (last visited Nov. 30, 2018).

²² According to the New Jersey Department of Labor & Workforce Development, most of the job growth through 2024 will be in what they term "jobs with moderate requirements," which are known as "middle-skill" jobs that require some education or training beyond high school, but not a college degree. N.J. DEP'T OF LABOR & WORKFORCE DEV., *supra* note 20.; BRYAN WILSON & SAPNA MEHTA, NAT'L SKILLS COALITION, WORK-BASED LEARNING POLICY: 50-STATE SCAN 2 (2017), <https://www.nationalskillscoalition.org/resources/publications/file/WBL-Learning-Policy-50-State-Scan.pdf>.

²³ WORLD ECON. FORUM, THE FUTURE OF JOBS: EMPLOYMENT, SKILLS AND WORKFORCE STRATEGY FOR THE FOURTH INDUSTRIAL REVOLUTION (2016), http://www3.weforum.org/docs/WEF_Future_of_Jobs.pdf.

\$10,000) for an apprenticeship program that provides greater opportunities for workers in key industries, including manufacturing, health care, and renewable energy.

S.3065 (A.4657) establishes a three-year youth apprenticeship pilot program in the Department of Education for high school and college students between the ages of 16 and 21. This program will provide students with the opportunity to receive on-site employment training and related instruction, so that they can obtain a license or certificate for a skilled occupation or profession, creating a flexible postsecondary track that includes vocational training and other alternatives to a four-year college.

S.3063 (A.4655) provides tuition fee waivers for apprenticeship courses at public colleges and universities, which eliminates the economic barrier to participating in an apprenticeship program.

The Institute would recommend a few technical amendments to this bill:

- Under the definition of “State household median income,” we would recommend referencing the Census Bureau’s American Fact Finder data for the state’s median annual household (not individual) income.
- In the Statement section, we would recommend using parallel language to Section 2.a.: “regularly-scheduled courses at any public institution of higher education or county vocational school...” Thus, the sentence should be changed from:
 - “This bill requires public institutions of higher education to waive the tuition fees of apprenticeship courses for eligible persons whose gross aggregate household income is below the state’s median income.”
 - To:
 - “This bill requires public institutions of higher education or county vocational schools to waive the tuition fees of apprenticeship courses for eligible persons whose gross aggregate household income is below the state’s median income.”
- For the eligibility requirement for the tuition waiver, we would recommend deleting the restriction to people who have been in the labor workforce for at least six months, which could prevent a recent high school graduate from qualifying, as well as other adults who simply have not been in the labor force before. This would also complicate administration of the program, because it could potentially require people to prove their previous work or search for work—since unemployed people are still in the labor force. If there is a concern about the numbers of people who could participate, the program could be restricted to people who have been New Jersey residents for at least six months.

In addition to asking for this Committee’s support for S.3061, S.3063, and S.3065 today, I would also strongly recommend future hearings on the entire package of Senator Ruiz’s legislation, including:

- S.3062/A.2049: This bill provides businesses with a tax credit for each employee in a registered apprenticeship program, with additional incentives for employing apprentices from under-represented groups or people who face barriers.

- S.3064/A.4656: This bill establishes a task force to develop a state plan to diversify apprenticeships, especially by gender, race, and disability status, through industry-specific recommendations.
- S.3066/A.4604: This bill supports the development of three adult apprenticeship pilot programs in high-growth industries in the northern, central, and southern regions of the state.
- S.3067/A.4602: This bill creates a child care and transportation subsidy pilot program for apprentices to address two of the main barriers to participation—a lack of quality, affordable childcare and a lack of accessible and affordable transportation.
- S.3068: This bill establishes a peer-to-peer statewide apprenticeship mentoring program for women, minorities, and people with disabilities, who are currently under-represented in registered apprenticeship programs.
- S.3069/A.4654: This bill supports the development of youth pre-apprenticeship programs to facilitate the successful transition of high school graduates into full-time apprenticeship programs and careers.
- S.3070/ A.4667: This bill provides funding for the New Jersey Pathways Leading Apprentices to a College Education (NJ PLACE) program to enable apprentices to receive college credit for their training in apprenticeship programs, which will facilitate the completion of two and four-year degree programs.

The Institute looks forward to continuing to work with this Committee, Senator Ruiz and other legislative leaders, Governor Murphy and Lieutenant Governor Shelia Oliver, Labor Commissioner Robert Asaro-Angelo, and the Department of Labor and Workforce Development on the development of a truly inclusive state apprenticeship program that will be a model for other states and the federal government. Thank you again for the opportunity to testify today, and I would welcome any questions.