
Public Meeting

of

LEGISLATIVE MANUFACTURING CAUCUS

*“The Caucus will hear from leading manufacturing clusters in New Jersey
on their particular needs and challenges”*

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: February 14, 2018
10:00 a.m.

MEMBERS OF CAUCUS PRESENT:

Senator Robert M. Gordon, Chair
Senator Linda R. Greenstein
Senator Steven V. Oroho
Senator Robert W. Singer
Assemblyman Andrew Zwicker
Assemblyman Anthony M. Bucco
Assemblywoman BettyLou DeCroce



ALSO PRESENT:

Mark J. Magyar
Caucus Aide

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SENATOR ROBERT M. GORDON (Chair): Good morning, everyone.

Would you all please rise and join me in the Pledge of Allegiance? (all recite the Pledge)

Good morning, everyone.

Welcome to this first meeting of the Manufacturing Caucus for 2018.

I'm Senator Bob Gordon, Chairman of the Caucus.

This ad hoc group was formed by Senate President Steve Sweeney with the objective of developing policies aimed at making manufacturing in New Jersey more competitive. Over the last six months we've heard from academics who've discussed trends affecting the manufacturing sector, and we've heard from experts in the field of workforce development.

I'm grateful that the mandate of this Caucus has been extended so that today we can continue the process and hear from manufacturers themselves about the opportunities they have and the challenges they face. I'm hoping that this will be the first of several of such meetings.

For today's meeting we've invited leaders from a cross-section of the manufacturing sector, representing small and mid-size businesses. These enterprises have a typical size of 15 to 150 employees, and are end-product manufacturers or components of the supply chain. We are hopeful that the insights they share can guide the Legislature in crafting policies that promote growth, investment, and workforce development in the manufacturing sector.

And at this point, I'd like to thank John Kennedy from the New Jersey Manufacturing Extension Program, and his staff; as well as Mike Wallace from the New Jersey Business and Industry Association, for their continued commitment to the Caucus and for helping organize today's program.

I'd also like to welcome to the Caucus our newest members -- I don't believe the representatives are here but, then again, I'm not sure of that -- but Assemblyman Chris DePhillips of Bergen County will be joining the Caucus, and I believe Assemblyman Ryan Peters will be joining us a little later this morning. And we welcome them to the Caucus.

At this time, I'd just like to ask any of my colleagues if they'd like to make any introductory remarks or comments.

Assemblyman.

ASSEMBLYMAN BUCCO: Senator, just real quickly.

I apologize to the speakers today. I have another engagement that I have to attend to back in my District, so I am going to be leaving shortly. I apologize, but I look forward to continuing the process we started and finding solutions to the problems that exist here in New Jersey, in terms of our manufacturing world.

So, thank you.

SENATOR SINGER: As long as the Senate's here, it's okay.
(laughter)

ASSEMBLYWOMAN DeCROCE: Thank you, Mr. Chairman.

I would just like to say that I'm happy to return, and especially because Assemblyman Zwicker chairs, and I also sit on, the Science and Technology Committee; which I think will have a lot of work with this

Committee as well, because I think it's very important in the whole scheme of things in the State of New Jersey. So I'm happy to be back, and I look forward to working with the Chairman over there as well (indicates).

ASSEMBLYMAN ZWICKER: And I with you.

SENATOR GORDON: Okay; anyone else?

Senator.

SENATOR SINGER: Just-- Mr. Chairman, I have had the pleasure of being on this Committee from its inception. Both you and I worked for manufacturers -- you and your family -- mine when I worked in the City. We were in the *shmata* business together; so that was an issue too.

And I think this-- It's so worthwhile to hear the needs of the business community and to respond to that. And I want to thank you for that, and it's been a pleasure.

And again, we will not be too upset when Bucco leaves; it's just, you know-- (laughter) If he was a Senator, we would -- if his father was here, we would be; but the lower house -- we have those issues. (laughter)

Thank you.

SENATOR GORDON: Senator Greenstein.

SENATOR GREENSTEIN: I don't think that's on. (referring to PA mikes)

SENATOR GORDON: I'm not sure our mikes are working.

ASSEMBLYWOMAN DeCROCE: No, the mikes aren't working.

SENATOR GREENSTEIN: It's wonderful to be back; this is a great committee, Chairman, and -- Committee Chairman and Committee.

And we look forward to the rest of the time we have on this group; and I know we'll come out with some great recommendations.

SENATOR GORDON: Great; thank you.

ASSEMBLYMAN ZWICKER: And I just want to echo what Assemblywoman DeCroce said -- that the new Committee on Science, Innovation, and Technology, on the Assembly side -- on the lower house side, if you will--

SENATOR SINGER: Thank you. (laughter); we acknowledge that.

ASSEMBLYMAN ZWICKER: --which is doing the important work of the State and for the people--

ASSEMBLYMAN BUCCO: The People's House.

ASSEMBLYMAN ZWICKER: The People's House; thank you, sir.

SENATOR SINGER: The lower house; the lower house.

ASSEMBLYMAN ZWICKER: But there's such a clear overlap between the work of this Caucus, the work of Science, Innovation, and Technology, as the Assemblywoman pointed out. And so what comes out of here has such an importance, not just to the companies that we're going to hear, but how we continue to foster an innovation economy here in New Jersey.

So I want to thank you for convening this, and I am looking forward to hearing testimony today.

SENATOR GORDON: Great.

Senator Oroho.

SENATOR OROHO: Yes; just ready, set, let's go. (laughter)
Let's get ready.

ASSEMBLYWOMAN DeCROCE: If we want to do something, he has to leave (indicates). (laughter)

SENATOR GORDON: Okay; let's get started.

We have several panels that have been organized for us; the first, representing original equipment manufacturers, include -- and I would like to call up Mitch Cahn, President of Unionwear in Newark; Jim Minadeo, President of Zero Surge in Frenchtown; and Casey Muench-Bickhardt -- I apologize if I'm not getting these names right -- President of General Machine, GEMCO, in Middlesex; and Scott Mele, President of Tektite Industries in Trenton.

Can you all come up, please? I hope we have enough chairs there for you.

Please proceed; any one of you.

S C O T T M E L E: Good morning.

My name is Scott Mele from Tektite Industries in Trenton, New Jersey.

We are a product manufacturer--

SENATOR GORDON: Mark.

SENATOR SINGER: Nothing's working.

SENATOR GORDON: We're not getting-- Excuse me; we're not getting mikes. Mark, can you--

MR. MAGYAR (Caucus Aide): (off mike) They're on their way down.

SENATOR GORDON: Okay.

SENATOR SINGER: Okay.

I apologize; we-- Somehow, the people who were supposed to prepare this room, have not. Perhaps if you can just amplify your voice.

MR. MELE: I can do that.

SENATOR SINGER: Good.

MR. MELE: My name is Scott Mele from Tektite Industries in Trenton, New Jersey. We're a product manufacturer; we manufacture lighting products, survival knives, and accessory items that are used by military and outdoorsmen throughout the world. We do about 25 percent of our business export; we do 99 percent of our business outside of New Jersey.

We're a vertically integrated manufacturer. We do injection molding, metal stamping, C&C machining, and toolmaking in-house; as well as final assembly and packaging of products.

As a manufacturer in New Jersey -- I was born and raised here in New Jersey, and I started the business in New Jersey 28 years ago as a good location -- centrally located for distribution worldwide; a good source of employees to run the business. Some of that has changed over the past 28 years. We moved into our current location in the city 18 years ago. It was an urban renewal build-to-suit on an urban brownfield project.

I'm a Trenton City booster; I've worked with the City of Trenton EDA on various initiatives, specifically workforce development and STEM. And I continue to be a Trenton booster. However, a lot of the talk that's been going on recently about potential minimum wage increases and paid time off -- mandatory paid time off for employees; increases to power bills with the nuclear bailout bill; and several other initiatives that are going

on -- are looking to raise my costs as a manufacturer in New Jersey to the point where I'm not going to be able to compete as well throughout the country and internationally.

People in China don't get paid \$15 an hour; people in the Midwest don't get paid \$15 an hour as a minimum wage. People in Pennsylvania don't get a \$15-an-hour minimum wage. We're half-a-mile from Pennsylvania. As much as I would dislike having to move manufacturing out of our Trenton location, if costs continue to increase, as a manufacturer, that's something we're going to have to give serious consideration to.

It's not just the \$15 an hour minimum wage -- and I'm sure other people have told you this -- it's the hourly rate, plus. Plus workers compensation insurance; in our case, about 5 percent. Cost of benefits, which also are based on an hourly rate. Manufacturers' portion of payroll taxes. All these things end up grossing up a \$1 an hour minimum wage increase to close to \$1.26 in our business.

Now, we don't pay minimum wage to our -- most of our assembly employees. The only people who get minimum wage are high school interns for the summertime. Because the City of Trenton has very little opportunity for teenage employees, we've offered paid internships to Trenton High School people who have shown some aptitude or interest in manufacturing.

If the minimum wage goes to \$10 an hour, to \$15 an hour, over the years, those internships, frankly, are going to have to disappear. We have mandatory paid time off legislation in the City of Trenton already. We have to pay temps, interns, and part-time people paid time off; okay,

I'm all right with that. But the State bill that failed recently, in recent years, was even more onerous. So that increases our costs-per-hour as well.

All of these things end up detracting from our bottom line, which means, in practical terms, as a business, I have to balance my budget. I can't go out to taxpayers and get more income. My profits get reinvested in new products, new tooling, new equipment. If those profits are reduced or go away, those investments aren't going to happen because, yes, I could borrow, but now borrowing to build a new \$100,000 tooling project is going to cost more money down the road and make it less competitive internationally.

I'd like the Legislature to consider all of these things before they start voting on some of these initiatives that the Governor has called for.

You have to think of the unintended consequences of your actions. People -- the minimum wage was never meant to be a living wage or to raise a family on. It was meant as an introductory wage for unskilled employees, teenagers, people just entering the job force who don't have any skills, and gives them an opportunity to learn something and learn those skills and move up. We start our employees at \$10 an hour; they move up, fairly quickly, to between \$12 to \$14 an hour in the first year if they show aptitude and the ability to perform. I'm in the manufacturing business; the ability to perform means being productive, being accurate with the product so there is very little rework. And people who can do that are valuable, and we pay them more.

If I have to start paying \$15 an hour to people to test them out, I'm going to be more selective on who I hire; much more selective. Also,

some other technology things that are coming down the road -- like collaborate robots, robotic arms for assembly -- are now down at the \$20,000, \$25,000 level; which, at that point, if you're paying someone \$10 an hour plus benefits, you're getting pretty close to being able to replace them with a robot in a small manufacturing environment which, historically, has never been possible with million-dollar robots.

These are all things that you need to take into consideration when you are talking about adding costs to businesses, whether they're manufacturing or other small businesses in this state.

That's all I've got; thank you.

SENATOR GORDON: Okay; thank you.

Next.

C A S E Y M U E N C H - B I C K H A R D T: My name is Casey Bickhardt, and I'm the owner of General Machine Company of New Jersey in Middlesex. We're a 101-year-old company; fourth generation. We make industrial equipment with union labor, all in New Jersey; which says, by Harvard Business School, that shouldn't even be able to be done.

So we're now fourth generation; we've been around doing industrial equipment.

And I would like to talk to you today about the crisis that I see with skilled labor, and the lack of it. And I think there is a huge imbalance in the market today of skilled labor entering for the manufacturing and the trades.

And I think this is something that we need to think about with a sense of urgency, because it's going to take a couple of years, if not more, to correct. And as the market is slowly recognizing this dilemma, I think

that industry, like ourselves -- we're coming out to present these issues to you as well, as you need to really be on it to help us do something about it.

We seem to have lost our balance against the professionals coming out of academia, and the lack of skilled labor coming out of vocational schools.

And no change is even more evident than that when I hear someone say, "I can't believe that plumber charged me this; can you believe it? I went to college, and I can't even charge that." And I hear that for multiple trades -- mechanics, plumbers, electricians.

And the answer is, simply, because they can. There's a lack of balance in our workforce.

So one successful approach that I would ask you guys to consider would be to create a new vision for manufacturing with us, with the help of us. And make sure that vision for manufacturing sets us apart so we can start to attract the talent that we need into our manufacturing sector -- whether that be the trades or manufacturing.

And manufacturing isn't sexy to everybody; and it also comes along with this connotation of being *dirty* and *dangerous*. But that has all changed, and I don't think we're doing a great job of creating that new vision for everybody to see, and that vision that's going to attract the talent that we want.

I think that we're losing one of the parts of what's happening -- is that we're losing the balance to this because we're not keeping up with the Joneses; we're not creating that vision that academia is doing right now. And we're not showing people that they can be prideful in physical labor;

they can be prideful in problem solving and the collaborative efforts that I see on the manufacturing floor on a day-to-day basis.

There's a constant barrage of questions that are offered to students, such as, what college are you going to? Did you sign up for AP classes? Which colleges were you accepted to? And they're not given the chance to understand that there's an opportunity that they can explore in the trades, without going into academia, that can be just as rewarding on so many different levels.

Another problem that I see is that the larger companies -- just to take, for example, Google or Apple -- that are creating the vision of what it means to work in an awesome workforce, an awesome workplace, such as having ice cream sundae bars and ping pong tables, and billiards tournaments. And they're creating this vision to attract their talent. Who wouldn't want to work there?

And that's the exact type of vision that I want to create for manufacturing. We need to put our heads together to make sure that we have a vision that's going to attract this talent to us. And they've done it brilliantly, they really have.

I also think that they have one distinct advantage that we don't, and that comes from the schools. Schools and parents are onboard with the Apple and Google vision -- the *go to college* vision. And these students are missing out on another opportunity because they can't see the other opportunity; they can't see the vision of manufacturing and what it is. So if they can't see it, they can't buy into it.

Schools are constantly promoting STEAM -- science, technology, engineering, arts, and mathematics. But nowhere in there am I

hearing words such as *produce, machines, fabricate, operate, erect, construct, build* -- all things that have to do with the trades and have to do with manufacturing.

Parents are also onboard with this vision. How many students are graduating and going on to a four-year college? These are the metrics that they're using to decide whether or not schools are efficient, and compliant, and good enough for their kid. Because parents are also not seeing the vision.

So I think this messaging that we need to create together, and this vision of how we're going to turn manufacturing around in New Jersey, has to start in the elementary school level. We need to incorporate it into programs so when a student walks into a room, and they sit down in a chair, and they see a desk, or they turn on a computer, or turn on a light, they think, how did that get here? What made that?

And I think we need to start talking about showing a curriculum that also uses physically working with your hands.

So as the President of a manufacturing firm, I see this all the time, and I'm constantly looking for skilled labor -- specifically, mechanics, polishers, welders; and I'm constantly searching. And I recently called up Middlesex Vocational College and I talked to somebody, because I was looking for a welder at the time. And I'm talking to the teacher of the vocational school and I said, "Hey, do you have a welder, anybody who you would recommend to come work at my facility, right here in Middlesex?" And he said, "I wouldn't even give you my best welder on his best day." And I was shocked; and I said, "Why is that?" And he said, "Because he may or may not show up."

And this is a huge dilemma that's facing not only me, but other manufacturers.

And I think the issue is, is that if that's the vision that I'm seeing as a manufacturer -- if that's the vision that that best student that he has -- if that's the vision of the teacher right now, then our vision for 2030 needs to be just as big to bridge the gap to show people where we need to go. And it needs to have a new face, a new look, a new feel; so we can bridge that gap, erase those old ideas, and bring in new.

So a short while ago I was coming home from a meeting. And it was late; it was 9 p.m. And I walk in, and I look in the garage. The lights are on, so I go outside, and there's my 2-year-old son with his dad. And my husband is a craftsman; he's a carpenter and a craftsman. So my husband is a craftsman and a carpenter, and he was out there with my 2-year-old son putting together a custom door that he was building for one of his customers, a homeowner.

So of course, my mommy side put down the fact that my 2-year-old son was still up at 9:00 at night; and then I went into happy mode, because I saw my son smiling, watching his dad work. And he was also helping, you know, rearranging the tool bits in the tool box and everything else.

So the next morning my husband says to me, "You know what, Casey?" And I said, "What?" And he said, "It's pretty sad." And I said, "What is?" He goes, "That our 2-year-old son knows more about a power drill than some of my customers."

Now, to me, looking at the opportunity that we have as a group, it couldn't have fit better into what we are talking about today --

that my son is going to have a successful vision of his father working with his hands, building something from scratch, taking pride in his work -- that my son is going to be so successful no matter what trade or academia he decides to go into.

So I'm just saying that this presents the best opportunity for my son to see the vision that I want for every student in schools to be able to see -- that there's another opportunity, besides academia, for those students who might be interested in the trades.

Thank you.

SENATOR GORDON: Thank you very much.

Senator Greenstein.

SENATOR GREENSTEIN: Yes, I just wanted to ask a question.

Thank you for the testimony.

As you may know, or may not know, one of the things that this Committee will be looking at is the idea of more funding for vocational education. And the idea there is that it produces middle-level jobs, you might say, different from the ones where people are coming out of academia, four-year colleges. Do you see that as a good direction, to actually focus in on vocational education?

MS. MUENCH-BICKHARDT: I absolutely do.

And I think it's a very important initiative, because these vocational schools are going to provide an alternative to students. You know, college success rates -- 60 percent of college students don't even graduate. This is a brilliant way to make sure that those students, who may not go onto the four-year, actually find success.

And I think it's also important to consider that you encourage manufacturers -- such as myself, such as this panel -- to actually meet with vocational school directives (*sic*) to make sure that they are teaching exactly what we need. So when those students come out, they are met with a career opportunity immediately. And I think that's imperative; to make sure that your vocational school idea is a success, they need to have career opportunities right when they come out so we can fuel that success and continue fueling it.

SENATOR GREENSTEIN: And I was just thinking of the two of you who spoke -- Mr. Mele and yourself -- he's indicated that he starts people, and they work their way up rather quickly toward what is now being considered as the *new minimum wage*. Do you find the same thing; do your people start out, and the ones who are good begin to move up the chain very quickly?

MS. MUENCH-BICKHARDT: So in my experience, we're a very small manufacturer, and we don't have assembly lines. So we are looking for skilled labor right off the bat, but we do have graduated levels. So we do take on people who are, maybe, at an apprentice stage and they need more refinement; and then we graduate them up through levels.

SENATOR GREENSTEIN: Okay.

SENATOR OROHO: So you are already at a higher level than what minimum wage would be?

MS. MUENCH-BICKHARDT: In the majority of the jobs in my shop, yes. That's not all of them, though.

SENATOR GORDON: And where do you recruit your people from now?

MS. MUENCH-BICKHARDT: Well, I'm trying to get them from vocational schools. But I think we also do a lot of word-of-mouth; and we also, unfortunately, look for those businesses that are going out of business, and that are leaving the state, and are shutting down. And we had quite a few of them.

SENATOR GORDON: Okay; thank you.

Assemblywoman.

ASSEMBLYWOMAN DeCROCE: Thank you, Mr. Chairman. Thank you so much for your testimony.

A few questions: When you talk about vocational schools -- and this Committee has discussed this in the past; in fact, we met and convened at the County College of Morris in Morris County. And one thing that we talked about -- and I'd like your input -- is the vocational schools -- they do not have the ability in the State of New Jersey to have an accredited degree. So somebody who comes out of a vo-tech -- like Lincoln Technology, for instance; I'll take them -- they are not accredited like the County College of Morris; a county college is. So in some cases in the manufacturing industry, it's my understanding that certifications are required, but you also have an accreditation to back it up.

Now, things that we talked about -- bringing vocational schools together with the county colleges so you could round a student out more, and actually bring them into, like, a pool situation of manufacturing where they could not just --- they wouldn't be just trained for your manufacturing industry, but for other manufacturing jobs that they could go into, so that when they come out, they have a degree. But they also are in a pool that

can pull from the training; because my understanding -- and from you, Mr. Mele (indicating pronunciation) -- am I correct?

MR. MELE: Yes.

ASSEMBLYWOMAN DeCROCE: You talked about not having individuals who are trained enough. So if somebody, though, comes out of a system that is backed by a county college, or if this Committee even decides to look at accreditation of vocational schools or technology schools, and there's a pool there, that should help to be able to balance what each one of these different manufacturing companies are looking for -- in pooling individuals to work for them where they can be expert. Because, if I'm correct, technology is changing so rapidly -- which we're going to probably talk about in our Committee -- every two years you have to train or change out the equipment you're training these individuals on to be able to adjust to the growing technologies, times. Look at our cell phones; how long do they last; what happens after two years? You know, we're with slowed-down phones and everything else that's happening.

So it's my understanding that it's costly, but it's something that would be needed in the manufacturing industry to be adapted to quickly.

Can you give any input on what I just asked? I know there are many questions there I asked, but--

JIM MINADEO: Actually, I would like to answer that, real quick.

The comment about every two years-- Well, technology may change, but manufacturing doesn't change. You still have quality, you have reproducibility, you have logistics issues, you have all these things -- that it doesn't matter if you're making this pen (indicates) or you're building this building, the concepts of manufacturing are basically the same.

So it's -- these kids don't even have that, coming out of school. They have no concept that, "Okay, I learned how to make one pen. We'll make a thousand." That's a different problem than making one pen. And those are the kinds of concepts that they don't have in the schools.

ASSEMBLYWOMAN DeCROCE: In a free-standing workforce development facility, say -- the County College of Morris is looking at doing that, and they discussed that with us. I mean, when they-- Our understanding from that meeting was-- And I guess it all depends on which area of manufacturing you're coming from -- but in some cases, like the International Longshoremen have worked with us, and they do have changes that comes along at the ports. So they have to change within the workforce development facility what they're working with, like, every couple of years. But in your case, you're saying you don't need that as rapidly as maybe they would need.

MR. MINADEO: Well, there are still technology changes, like 3D printers or something. But a 3D printer is just a machine that's doing something for you. So yes, there's training that happens on the-- But that's usually going to happen at the company level. Our problem is getting people who can even understand that training, because they don't even have the basic knowledge of how you -- the logics of programming anything. And there are a lot of basic things that -- they work the same way. I can go, right now, to a 3D printer without ever having used one, and probably figure out how to use it in an hour, because I--

ASSEMBLYWOMAN DeCROCE: Do your--

SENATOR GORDON: Excuse me; Assemblywoman. I'm concerned that if -- that we're going to be here all day unless we get through the testimony.

ASSEMBLYWOMAN DeCROCE: Sure.

SENATOR GORDON: Then what I would ask colleagues to do is save their questions for the end of each panel.

So exercising the prerogative of the Chair, I'm going to ask either Mr. Cahn or Mr. Minadeo to proceed; and then we can follow up with questions.

MR. MINADEO: I have -- I made copies for you all; I don't know if you want them now--

SENATOR OROHO: That would be great; yes.

MR. MINADEO: --or you can get them later. That way I won't-- I may not do everything in the remarks, but at least you have my comments up there in writing.

Thank you for the opportunity to speak on behalf of the thousands of small manufacturers in the State of New Jersey.

Again, my name is Jim Minadeo; I am the President and owner of Zero Surge Inc. We are manufacturers of power quality filters that are used for surge protection for sensitive electronics. We've been manufacturing our products in Hunterdon County -- Frenchtown -- since 1989.

To get more involved in our business community, Zero Surge joined several organizations, including the NJMEP, the NJBIA, a group called Hack Hunterdon, and the New Jersey Advanced Talent Network's Targeted Industry Partnership -- which is now part of NJMEP.

So John Kennedy and the others can talk about those works and what they do; but one group that may not be represented here, and I want to talk about related to this, is Hack Hunterdon.

So Zero Surge has been involved with Hack Hunterdon for about a year. Hack Hunterdon is an initiative that's developing programs and tools to retain and partner with our local technologists and innovators. So we talk about manufacturing, but we also have to have this entrepreneurial spirit because, as you pointed out, technologies change and we need new equipment and new products. So we have all this manufacturing base, but we also have to have this friendliness of *entrepreneurialness* in New Jersey.

And so with Hack Hunterdon, we have a yearly competition where you create programs. Assemblyman Zwicker was there; he can tell you more about it. And so we think that's like one piece of the puzzle that would help, and it's a pretty cheap initiative because it self-funds through sponsorship.

My involvement with NJIT's Targeted Industry Partnership -- I was a subcommittee chair for the needs assessment group; just basically, the manufacturing group. And over the past 18 months, I visited, probably, or talked to at least 40 different manufacturers around the state, including Casey's business. And so some comments that I've kind of capsulized the comments from the other manufacturers are, like, "All of my employees have gray hair; what's going to happen in 10 years?" You know, "I can't fill these people (*sic*)" "The kids I bring in do not even know how to use simple hand tools. They don't know how to use a caliper; they don't know how to use a drill, even," to Casey's point.

“We start each new employee by showing them how to wash their hands.” There’s a manufacturer that told me that, point blank. That’s the first thing they teach them because they found that that mindset is what gets them going through the manufacturing process, and they are amazed how kids don’t even understand that.

“You know, they can use a computer, but they can’t read a drawing.” You know, there are manufacturers -- they’ll make a hundred different products, and each product has a different build. And they can pull up the drawing, but they can’t realize that this one is 10 percent smaller than this one; and it should be made a certain way. Those are the frustrations that I hear.

You know, we mention automation and robotics. But in order for a lot of these companies to get these more -- large automation equipment, they need them to run 24/7 for them to be cost-competitive. And so they still need machinists, electricians, plumbers to maintain this equipment 24/7, and they’re having problems trying to find these people.

So I have one story that encapsulates the problem with skilled labor. So one time I was at a ShopRite, in line, and I struck up a conversation with the person next to me. And we were talking about manufacturing. And so, to prove a point, I turned to the cashier -- who was obviously a high school student -- and I said to her, “How many of your friends are planning on going to college?” And she looked at me, and goes, “All of them?” And I said, “Don’t any of your friends want to be a plumber, or an electrician, a mechanic?” And she said, “Oh, my father is an electrician.” And I said, “Oh, I bet you have a nice house, you go on vacations, he’s home every night to help you out. Don’t any of your friends

see him and want to be just like your dad?” And she had no answer, because the schools have brainwashed the kids to think that college is the only path to a successful career.

And you know, I’ve seen that as a parent myself. I have a daughter who just finished college to be a teacher, which is fine for things like teachers, lawyers -- we all need engineers, things like that; but not for somebody like my son, who may not go to college because he doesn’t need that skill to be what he wants to do.

So, you know, we have to get it out of the minds of the guidance counselors; we have to stop incentivizing schools by how many kids go to college and make that part of their rating system. You know, I know as a parent you look at the rating systems for the schools; that’s one of the things they say, “Well, how many AP classes do they have? How many -- the graduation rate?” -- all this stuff. Not, “Were they successful people when they graduated?” You know, there’s no metric. We have to create a new metric for that.

And one last thing I’d like to bring -- there are some other points, but I’ll gloss over those -- a *Forbes* article had a comment called the *silver tsunami*. So we talked about the employees getting older, and replacing the employees. But it’s also the owners of these companies. As the baby boomers get older, out of all of the privately held companies, 50 percent of them are owned by baby boomers, okay? Only 15 percent of them are going to pass them along to the next generation; only 20 percent will even list the company for sale. So where’s the other 65 percent? The businesses just go out; they’re done. And this is going to be an issue because, if it’s a pizza place, no big deal, but if it’s a guy who makes the tool

that makes this microphone (indicates), that's going to be a big deal. And it's going to start hurting us as a country and as a State.

I talked to a manufacturer in Flemington, and he said -- he makes power supplies -- and so to test his power supplies, he needs a load. And there are three companies that make loads in this country; two of them are going out of business this year. So that third company now has to pick up the slack of the whole country, or what he's going to end up having to do is create his own load manufacturing in his own facility. But then he needs the people to do that, so that's also this problem that just keeps perpetuating itself.

So when you -- I think, for the owners-- In my case, I bought the company in 2014. The owner, Rudy -- he said, "I don't want people to lose their jobs. You have to buy the company; you're not buying the assets." So he had the vision, but there was no incentive. There should be incentives for business owners to pass it on and keep the business whole. I mean, part of our deal, actually, is I have to keep the company in Hunterdon County. So you don't have to worry about me leaving the state, but there are others that that's not the case.

And then, finally, I'd like to talk about how we promote manufacturing in New Jersey. At the last meeting you guys were at, we talked about, maybe, having a video or some kind of thing, the way New York promotes their manufacturing base. I mean, you don't have to put it on TV, but you can easily make a social media campaign; you can, videos that go to the schools; show it at Back to School Night. I mean, that's really cheap to do. You don't have to pay for the television ad time.

But something that just keeps this in the minds of the parents. I mean, you have to -- in the terms of marketing, it's *drip marketing*. You have to keep saying, "Manufacturing is good, manufacturing is good." You know, a lot of people in New Jersey have this bad taste of manufacturing because of all of the previous ills; you know, a lot of the chemical companies and things like that. And we have to realize those companies are gone; and the ones that are behind are clean, technology-oriented, food-oriented, and very useful. And you can make a good living working for them.

So again, thank you for the opportunity.

SENATOR GORDON: Thank you very much.

Your comments really strike home with me. My family had a yarn mill, and we got to the point at which our support services -- the dye houses were just disappearing. And we had to decide -- do we build our own dye house, or do we close our business down? And we chose the latter. So I can totally relate to what you're describing.

Mr. Cahn; yes, you might want to move over to that microphone.

Thank you.

MITCH CAHN: Good morning.

I'm President of Unionwear, a contract textile manufacturer in Newark.

And I'm here to talk about a document that I handed out to you earlier, which are our strategic initiatives to absorb the minimum wage increase. Did you guys receive that?

SENATOR OROHO: Yes.

SENATOR GORDON: Yes.

MR. CAHN: Great.

SENATOR OROHO: A one-sheeter?

MR. CAHN: Yes.

So we produce hats and bags for clients who need domestic production, such as the Department of Defense. Since we're a contractor, labor is about 75 percent of our cost of goods sold. Our issue is that without action on the Federal minimum wage, we will still have to out-source or automate 72 of our 167 jobs in order to compete with factories in states stuck at the \$7.25 minimum wage.

We prepared the analysis that you have for our bank, that has been asking for a minimum wage increase strategy for two years now. I thought it would be useful to share the results with the Caucus, as well as our strategies to adapt to this legislation.

At the top of the handout you can see the distribution of our wages. Most of our workers make at least \$10.75, and up to \$30, an hour. The 49 workers who make under \$9 per hour are in unskilled entry-level jobs that require, really, one day of training. These are jobs in material handling, trimming, trimming threads, packing boxes, cleaning. They also receive health care, 15 days of paid time off, and a 401(k), life insurance, and dental insurance.

We modeled the increases for the 2016 bill on our actual payroll and have listed the results on the handout. We made some assumptions, one of which was that we assumed we would need to maintain a hierarchical wage scale because the skilled workers would revolt when they were making the same as the unskilled workers. But in order to make

things work we compressed the wage scale to 5 cents between wage levels, from 30 cents between wage levels.

So you can see the effects of the minimum wage increase from the 2016 bill and the chart at the bottom. At \$15 an hour, the legislation will cost us about \$2 million per year, which is about 10 times our profits in a good year. Price increases would help; but we can only raise prices by about 2.5 percent each year because none of our competitors -- all of whom are out of state -- will be raising prices.

So with a 2.5 percent price increase, we can last another 2 years; but by year 3 -- that's 2020 -- we'll be a half-million dollars in the red. And we won't be able to make payroll, and banks won't lend to us because they've known about this for years and they will know that the worst is yet to come.

So there are a few fail-safes for us, but they involve eliminating workers. The back side of the analysis shows the legal, minimum cost of an entry-level worker in Newark, going from \$16,000 in 2012 to \$40,000 in 2022 as mandated health care and paid time off -- which is now mandated in Newark to five days -- compounded the wage increases -- the old minimum wage increase and the projected minimum wage increase.

And we don't have any unskilled work that can generate \$40,000 a year for us. We charge clients for our core competency, which is sewing, and cutting, and designing garments and accessories. All the handling that's done by the unskilled and untrained workers -- that's on us. That comes out of our pocket.

During the same 10-year period, the cost of robotics and automation has plummeted. By 2020 -- as one of my colleagues here

mentioned earlier -- it will be less expensive for us to lease four robotic arms and hire one \$20 per-hour technician, than to pay four unskilled workers \$12.60 an hour.

It will be less expensive for us to purchase two fully automated sewing machines that do the work of four sewers and of one operator, than to pay four workers \$12.60 per hour. And at \$12.60 per hour, we can save money by outsourcing operations that are not part of our core competency -- such as embroidery and screen printing -- to contractors in states stuck at the Federal minimum wage, many of whom are in the same UPS ground zone as New Jersey, meaning shipping and delivery times are going to be negligible.

So by employing outsourcing, robotics, and automation, we can stay afloat until the rest of the country catches up to New Jersey's minimum wage increase. We will have to eliminate possibly 72 jobs to do this, although we hope that the 16 technician jobs that replace them will come from those ranks. This is not something that we feel good about; but in order to keep the remaining 100 jobs here in New Jersey, it seems to be our best option.

Thank you.

SENATOR GORDON: Thank you very much.

I know there are some questions.

Senator Oroho.

SENATOR OROHO: Actually, just one; one comment, actually.

You actually mentioned-- Thank you very much, because you bring up a very -- an excellent point.

There's a huge difference between a *wage* and a *fully loaded employment rate*. And the point you bring up here is very critical, so I want to thank you.

I just want to put that on the record: There's a huge difference between a *wage* and a *fully loaded employment rate*. And that's one thing we have to keep in mind, right? Some are getting benefits, some are getting-- There's a lot of difference than somebody just getting a wage.

Thank you.

SENATOR GORDON: Thank you very much.

I wanted to just follow up with Mr. Minadeo. You referred in your written testimony to the *Jobs Ohio model*.

MR. MINADEO: Yes.

SENATOR GORDON: Could you elaborate on that?

MR. MINADEO: Well, not greatly. I was actually given that information at the last minute, so I'm actually still looking at that myself.

But the person who did it used to work for Jobs Ohio, so he is very familiar with the program. I can get more information out to you guys.

SENATOR GORDON: Okay; yes, if you could forward that to us.

Anyone else on the Committee?

Senator Singer.

SENATOR SINGER: Yes, just one brief comment.

You know, the comment was about college and vocational training. You know, I sat on Higher Ed for four years, and the issue -- it's very obvious. The colleges cannot tell us what percentage of people work in their field when they graduate. We've asked both the private and public

institutions; they say, “Well, people don’t respond back.” So many of the people graduating college with degrees are not working in their field, number one. And number two is, when they advertise about coming to college, they never really advertise what the opportunity is for jobs and what those jobs pay. So when you talk about where -- someone graduating from voc school making a middle management wage, many college graduates are not making that wage. I can’t tell you how many college graduates I know -- they’re working in retail for minimum wage, or living at home for a period of time.

And keep in mind that it’s the selling of college by the institutions; it’s a business. For some strange reason, we forget that colleges are a business, and they’re concerned about keeping themselves full to make their payrolls and everything else. The difference is, as you pointed out so well, you have competition; and raising your -- increasing your sales cost puts you out of being competitive in many cases. For some strange reason, in universities and colleges, the more they charge, the more elitist they are. So like, for example, if you’re going to NYU in New York City, you’re paying \$68,000 a year. That’s prestigious; as opposed to going to Rutgers, and only paying \$26,000. So it is a business, and it is a business that’s putting itself out of business, because more and more families are seeing the debt factor, as well as what is the end result when you graduate.

And by the way, just to give you a realistic fact -- because I have children in college right now -- the competitive edge in certain areas is very competitive. My daughter, a junior at Purdue University in engineering, has just been offered a summer internship with Facebook starting at \$43 an hour. So that’s what happens if you’re in the right track; but if you’re not,

and that's not most of them -- mostly because my daughter has had internships during the summers, and everybody else had-- I can't tell you how many of her friends don't work during the summer.

Thank you.

SENATOR GORDON: Assemblyman Zwicker, I think you wanted to talk -- make a pitch for Princeton? (laughter)

ASSEMBLYMAN ZWICKER: I guess I was going to say, Senator Singer, respectfully, as an employee of one of those universities-- This is not the place for a philosophical discussion on the role of universities themselves, but if their only point was to produce workers, philosophy majors, of course, and others, would disappear quickly.

SENATOR SINGER: Oh, well. (laughter)

ASSEMBLYMAN ZWICKER: For another time, we can debate that.

I have a question for the panel; actually, two questions.

So one of the speakers brought up -- really, I think it is a key issue when we talk about the future of manufacturing; and that is automation and that is robotics. And that is the tension, if you will, between -- as the cost of machining drops, as several of you talked about -- that balance. And one person mentioned, well, perhaps we can change some employees to become those who then maintain or program those.

But I have a general, sort of, question -- and anyone who would like to respond -- about how do you see your particular industry, and this particular tension, of the lowering costs of manufacturing versus the cost of labor? And let's keep the minimum wage discussion out; because, in my opinion, this is a tension that occurs whether you pay \$7, \$8, \$10, or \$15

an hour. You might argue it accelerates; but this is coming. So if you could comment on that.

MR. CAHN: On the one hand, automation will -- the machinery that we're talking about works twice as fast as our workers; can work 24 hours a day, as opposed to 8 hours a day; don't get overtime.

SENATOR OROHO: Doesn't get sick.

SENATOR GORDON: Doesn't get sick.

MR. CAHN: On the other hand, a lot of the automation increases are deskilling the machines so unskilled workers can operate them. It takes a skilled worker -- it takes several years for someone to learn how to make the visor of a baseball cap. The machinery that we are purchasing will change that and enable an unskilled worker to place a visor in a frame and press a button; and it will sew the visor of the baseball cap. But that unskilled worker will then replace four skilled workers.

So it's going to go in both directions. Automation and robotics, artificial intelligence, and Internet things are what everyone in the textile industry is talking about right now, and other industries have been talking about for decades. It's taken a while for the textile industry to catch up.

Those things are definitely going to reduce costs and reduce our head count, but enable us to grow and maybe add some of those people back in the future.

ASSEMBLYMAN ZWICKER: So that last piece you just said -- if I understand it correctly -- the jobs will change. The total number of-- There may be some adjustment in your total number of employees, but the skills you'll need will change. So there will be a movement towards the type of people you'll need because you need to manufacture *blank*, and you're

now going to have an increased reliance on a robot or something. That's what I hear you saying at the end there.

MR. CAHN: Yes.

ASSEMBLYMAN ZWICKER: And then my other follow-up question is -- is really about the vision that you raised, right? What is your vision for-- You talked a little bit about the split between what happens in schools and what types of skills you need. But I'm curious to know, what's your future vision for manufacturing in New Jersey? Is it just about trying to change what happens in the schools, or is there something more? In New Jersey, we used to be known, as everybody here knows -- we can go back to Roebing and steel. We were known; it was branded there. So is there also a branding issue, or where else would you like to take that?

MS. MUENCH-BICKHARDT: Yes. I think everything you just said is absolutely on target.

The vision is going to start being told to children in school, as well as their parents. But I think the vision is exactly what you just said. We need to think larger. It's not just getting these kids into a vocational school, and the vision ends. This is that you have full, rewarding careers just as your peers do in academia, and came out professionally trained by academia. And we also have to say, where does that lead us, nationwide? New Jersey should be the state attracting other states, other companies, to come and work here. That should be part of New Jersey's vision, which is where you guys come in. That should be part of the entire vision; and then we should go global. You know, we should be attracting people; and our vision shouldn't stop simply because we've educated kids so that they have another choice. And I think that comes with branding, and I think that we

need to look at manufacturing and put it into a new light, versus -- I hate to say it -- other sectors. You know, not to downplay other sectors, but if we want to really revitalize New Jersey manufacturing, then it needs to be *the* focus; it needs to be *the* attention-grabber; it needs to start to look sexy to people so it comes back.

SENATOR GORDON: I want to thank you all for your presentations today; very thought-provoking comments.

I've been taking notes here on some of the key takeaways here. I know that they -- this will provide fodder for the policies that are going to come out of this Committee.

So thank you all very much.

I'd like to bring up the next panel, which is representative of members of suppliers of other manufacturers. And we're going to hear from Gail Friedberg Rottenstrich, of ZaGO Manufacturing in Newark; Brian Neuwirth, who is the President of UNEX Manufacturing in Lakewood; and Bob Staudinger, President of National Manufacturing in Chatham Township.

SENATOR OROHO: Mr. Chairman, as they get settled, may I make just one comment?

SENATOR GORDON: Senator.

SENATOR OROHO: Just one comment, as the panel gets settled.

First of all, as a financial planner, one of the things -- and this goes to the first panel as well -- one of the things that I see in my profession-- And we talked about some of the ideas of changing how we look at how many children are going to college. I would say, maybe we

should look at how many go to college, and how many go into the military, how many go into skilled trade -- as a way of success, of looking out of high school. But in the financial planning field, one of the things that has happened -- as Senator Singer pointed out -- is, you'll read in many articles right now of a-- Planner's call it, I would say, a *responsibility* to talk about how many children are going to college and not working in the field that they go for, getting all this debt. And then -- as opposed to having an alternative that they could have gone for. So not only just the schools -- my point being not only just the schools, or even the Legislature, but even the other things, like, for example, financial planners, CPAs -- those who give advice -- as to how do you have the most successful financial outcome.

So that's my only point.

SENATOR GORDON: Thank you.

SENATOR SINGER: Good point.

SENATOR GORDON: Please proceed.

B R I A N N E U W I R T H: Good morning, and thanks for the privilege of speaking to you.

I'm Brian Neuwirth, President of UNEX manufacturing. We're a metal fabricator located in Lakewood; 110 employees.

And as a manufacturer we're kind of sitting right in the middle of the supply chain, okay? And so talking about supply chain issues, I think New Jersey is, for a number of reasons -- it's a huge opportunity if they can make certain adjustments. Geographically, where we're located between the number one and number six city areas in the country, logistics is the main driver right now in the supply chain; that's where most of the issues are. And that's because of the -- what everybody may say is the *Amazon effect*,

where, what the consumer wants, the consumer needs to get. And so they need to get, to have -- closer to the consumer.

Our solutions are for distribution centers, manufacturing facilities, logistics, and even the end-users in the back room of retail.

So what they need to do is get closer to the customer so they can do the same-day or two-day deliveries. And that could be a real opportunity for New Jersey if we can lower our tax rate and be competitive from a cost point of view.

And so to lower your tax rate, really, the best way to do it is to expand your tax base. So part of this is trying to get more industries into New Jersey -- one would argue, kind of like what Massachusetts started, back in the early 2000s; and they have been very successful. They have the highest growth rate of any state since then. Massachusetts is a state that is-- I don't know what *progressive* really means, but I know Massachusetts and New Jersey are very similar in nature. So they found a way to do it; they found a way for their legislators to work with educators and to work with business directly and, just as importantly, with state chambers and business associations.

So it can be done; and there is an example out there and a blueprint. So to me, I think that's what's most important.

There are a lot of issues today; I think most of the issues are on training. I think manufacturers need to play a larger role, through apprenticeship programs or having people come in to use the assets. It's very hard to take a big hundred-ton machine and have it in an educational institution so people know how to work on it. So, you know, it would be better to go to a factory, have a number of people, and training can be done

there. We train our own people for that very reason. It's really not that difficult, but you do need training. And so that's one of the issues that is very important.

I also think New Jersey has a lot of programs; and they're good programs. I think there is still too much as silos, and they need to be connecting the dots; which I think we're trying to do today. We're trying to connect in getting the right people talking to each other to have an intelligent conversation, and hopefully a solution.

What's more important -- that was brought up in the first panel -- is this skill shortage is only going to accentuate (*sic*). So right now, in the manufacturing business, 2.5 million jobs are not being filled because they can't find the people with the skill sets. That could be 15 million in 2025. Now, the way that the supply chain is changing and how dynamic it is, that may not be an issue in 2025. I mean, we certainly have technology, artificial intelligence; Industry 4.0 for manufacturing has just taken root in the U.S. In Germany, it's almost in every manufacturing facility of size. They're at 4.0, which means they are completely digital, leveraging technology to increase efficiencies, which is very important.

So we're at the beginning; and to your question, the vision for manufacturing, I think, if anyone wants to know what it is, I would direct you to NAM's website. And they are -- they're the ones building the story. The panel said it before -- manufacturing has a good story to tell. I mean, maybe 20, 30 years ago, they didn't. Manufacturing -- a lot of engineers are very attracted to manufacturing positions. They're high-paying, they're challenging, and it's on the edge of what's going on that's new.

So there's a lot that I think New Jersey -- you know, we used to be the State of Innovation. It had a lot of the pharmaceutical companies. I think it could use more manufacturing, because manufacturing now is kind of a leading edge in a technology to processes. But they can't do it at the total cost of doing business in New Jersey today, because at the end of the day, even if you're current, if you cost more than someone else in today's market, you're not going to win that game.

SENATOR GORDON: Thank you very much.

Mr. Staudinger.

ROBERT J. STAUDINGER: Yes, good morning.

Thank you for the opportunity to speak.

Bob Staudinger; President and CEO with National Manufacturing. We're in Chatham, New Jersey; 190 employees. A contract manufacturer, making parts for implantable medical devices, pacemakers, defibrillators, neurostim; aerospace, aircraft, defense; and industrial controls.

To the vision of manufacturing -- I think most of what we look for is to be best in class in our region, and developing to become world-class. If you're not number one, why even get up in the morning? So we have to be the best, no matter where we are -- in New Jersey, Illinois, it doesn't matter.

First thing to say -- and it was said before -- don't raise our costs, please. (laughter) Okay; we're a high-cost state as it is; it's virtually impossible for me to recruit from outside of New Jersey into New Jersey; virtually impossible.

So we work on workforce development, and that's what I would like to speak about today. It's dear to my heart.

There's an out-migration; we all have heard about people leaving New Jersey to go to other states for education and work. Today we work with Ohio State University in their graduate metalworking program, and then recruit from there. We would love to have New Jersey, with the innovation state, to do more work -- not just with pharma, but with general manufacturing, general industry, technology. We would love to work with either private or State universities here, in a cooperative public-private relationship, providing undergraduate or graduates with projects -- R&D projects. And then they get to know the companies, we get to know the students, and maybe even be able to commercialize what we end up with together in a partnership. We work with Ohio State today; we can do that here.

We also, with workforce development-- The vo-tech schools are our jewels. We have a program in Morris County; and it's the EDAM program between the vo-tech and the community college. It's ending its third year; wonderfully successful. It certainly is a recommendation to do that throughout the state. It's shared resources -- brick and mortar. The students who are going through are wonderfully talented and successful, and they are going on to other degree programs. It wasn't only just to go to degree programs, but part of it was to have these students going through vo-tech and maybe have career development versus college.

We're trying to hire these students coming out, but they're all going to other education. We need to expand it. We know there are

17,000 students in the state who wanted a vo-tech seat, and there were not enough seats.

So how do we work throughout the state to create the partnership with the vo-tech programs and the community colleges, and shared resources? It's successful, it's demonstrated, and scalable. There's no doubt about it; we need to find more seats.

We sit -- our company sits on the Advisory Board for the EDAM program at the vo-tech school community college. We recommend that all the schools do that. I've done some research, and I find that most community colleges and vo-tech schools have very limited representation of people with industry. So the Department of Education -- may want to look at that. And it would really be very helpful to have more people from industry represented.

Manufacturers -- we're not bashful. We haven't done enough on our part, though, so we point the fingers at ourselves; we can take more initiative. But it's very successful, and we find that the educators and the administrators are pleased for the input.

Talking about manufacturing and branding in New Jersey -- it starts at a young age. I sit frequently, through the vo-tech school, with the parents and the students; and these are 8th graders and 9th graders. And they say, "Well, what's manufacturing? What are the careers in manufacturing?" Well, clearly, they don't know. As a matter of fact, at that age I probably wouldn't have known either. So in an Advisory Board, just a few weeks ago, I said, "Well, do we have Career Day?" "Well, no, there aren't that many career days." So in Morris County, at the vo-tech, we're going to look into developing -- it's going on right now -- a Career Day

talking about, parochially, manufacturing. But again, that could be any industry. So how else would these young students, and their parents, get the insight and perspective on what's available in manufacturing? So we're working with Morris County to do that today.

In Morris County, in CTE -- Career Technical Education -- there's a requirement for these students to have 120 or 160 hours of SLE -- Structured Learning Experience -- in this program. We would love to have those students come in; it's sort of like an internship -- a senior internship in our company. But we put the brakes on it. Why did we do that? Because the insurance policy is so ambiguous between what the State provides and what me, as a manufacturer, would have to provide. And our workers' comp insurance carrier -- we worked together closely, trying to get to the end, and we said, "Back off."

I think the State needs to do something here in providing more clarity with insurance, for the students to come into our facility and get that structured learning experience -- those 120 or 160 hours -- in our factory. We would open up our doors tomorrow if that's resolved. And I would imagine that there are hundreds of other companies like mine in New Jersey that would do the same so these students would have the experience; we get to know the students, and then they might find an opportunity for a career in a local company near where they're going to school.

We've talked about tool and die apprentices before, and apprenticeships in general. That is something that the State can help with in looking for education, career development. And whether that's a public-private -- again, I think we spoke about it in other meetings -- we'd be glad to participate with that and fund some of that.

Today, there's a basic metalworking skills program; it started in 2012. It's one of your most successful training-to-hire programs in the state's history. Phase 2 should be something where -- not just taking somebody who's unemployed and then we recruit from that class. But if we recruit somebody, can we find a program to have those people trained as well? And the shared resources, also, for tool and die in a region, in a county where maybe there's a facility -- community college or other training facility that we could then share. Funding -- we pay-- We already employ the person; we'd be paying them, so now we have increased skills. We'd be willing to fund with them.

One other thing about manufacturing here in New Jersey. One of the other panelists said that he's concerned about the costs and the need to relocate because of the cost. You have a Grow New Jersey program; it's in certain regions. They used to be called *Economic Development Zones*; they're *Growth Zones* now. One is in, say, Elizabeth. Now, we're in Chatham. I get called all the time about moving. It's a high-cost state; I understand that. This is where our employees are, this is where I want to stay. But the Grow New Jersey program is only in certain regions. The benefits are valuable, no doubt about it. We looked into to. We couldn't fit our business into one of those areas. We needed 100,000 square feet and about 160 parking spots. You can't find that in an urban area; it's not available. So then we'd have to go farther and farther out; and say, now we have to look in southern New Jersey. But if I'm going to move to southern New Jersey, I'm going to lose all my employees anyway.

SENATOR OROHO: You could look at Sussex, if you want.

(laughter)

MR. STAUDINGER: So what can we do with the Grow New Jersey program so it's not just in one area or five areas in the state? Can it be extended -- for manufacturers; I'm being parochial again -- throughout the state to keep us here? We don't operate and manufacture in a vacuum in New Jersey. We compete with companies in other states around the country; some higher cost, most lower cost. You know where we rank. So we don't operate in a vacuum, we have to watch our costs. Automation plays a part on it; no doubt about it. But what can we do to help the Grow New Jersey program for manufacturers across the state?

Thank you for your time.

SENATOR GORDON: Thank you very much.

Ms. Friedberg.

GAIL FRIEDBERG ROTTENSTRICH: Good morning.

I want to thank you, Chairman Gordon, for the opportunity to speak; and the other Senators and members of the Assembly.

My name is Gail Friedberg Rottenstrich; I'm the Vice President and owner of ZaGO Manufacturing Company. ZaGO is celebrating our 25th anniversary as a manufacturer in Newark, New Jersey. And this past year, we were awarded Manufacturer of the Year by NJMEP, which is a real resource--

SENATOR OROHO: Congratulations.

MS. FRIEDBERG ROTTENSTRICH: Thank you -- and help for us in our business, as is NJBIA and CINJ. You know, we use all the resources that are out there.

I'm also an elected official in Fair Lawn, New Jersey. I joined the Fair Lawn Council on January 2.

I want to say at the outset that our company has always found New Jersey, and Newark in particular, to be a great place to work and manufacture. It's a good proximity to all the transportation hubs -- the airports, the highways, the trains. It's made it -- it's made our business worldwide.

And it's made us very valuable members of the supply chain; we're a very reliable partner for our customers. And we keep our supply chain tight. We focus on the Mid-Atlantic and New England area to supply us, so that we can be a reliable supply chain partner.

I plan to focus my testimony here mostly on marketing, because I specialize in strategic planning, and marketing, and business development. But, you know, no matter what I talk about I always end up talking about workforce development also. So I'm going to be talking about that a little bit.

You know, when we talk about marketing for a state, I think what a lot of us think of right now are the those New York advertisements; those flashy advertisements, you know, "Come locate your business here." But the truth is that manufacturing jobs in New York have gone down, while manufacturing jobs in New Jersey have increased. And I think, you know, despite all of our famous problems, New Jersey is a great place to have a business. And companies know that; and that's why they're here, and that's why manufacturing is growing.

What I'm interested in marketing to is the next generation, as a lot of people up here have talked about -- New Jersey being a great place to live. You know, I love New York; but I live in New Jersey, and I work in New Jersey, and this is where I want to be. We have so much discussion

about our problems in New Jersey; you know, our traffic, traffic problems, mass transit, environmental concerns, and our famously high taxes. But the flip side of that is that we have so much to offer as a state. You know, our great culture, our great education, our proximity to the great outdoors, our good sports teams, and a diverse and welcoming population. So, you know, the things that make New Jersey great are the things that made America great. And I think if we're going to do marketing, that's the story that we should be telling; and we should be telling it to our children to encourage them to stay here and make a life here; and to the rest of the country and the rest of the world.

You know, unfortunately, while the United States, sort of, is an entity, there's the denying-science fact to the rest of the world. We do business every day with the global marketplace. We want to partner with companies that *get it* -- companies that respect the environment, that don't traffic in conflict minerals or hazardous materials, and that are socially conscious and socially responsible. And we need those global businesses if we're going to survive. So much of our business growth comes from OEMs that are all over the world; and we want them and we need to market to them. We need to show them that we get it, you know.

And so if the state is going to do some marketing, I'd like it to focus on that -- that New Jersey is a state that *gets it*, you know. We make it here, we make it clean, we make it responsibly. You want to do business with us, you want to partner with us.

And as some of the other people have said today, our problem is, you know -- it's not that we don't have jobs and that we're not making jobs. It's that we need people to fill those jobs, you know, which brings in

the workforce development component. I've been talking about these issues for years, and have been frustrated about these issues for years because I feel we keep ending up in the same place. We need a better pipeline from the high schools and the community colleges to manufacturing businesses. And we need better access to education for our employees.

And I'm going to give two examples from my company. Our manufacturing company, unlike a lot of other companies, is not a *graying* company. My husband and I -- we own the company; we're basically the oldest people in the company. Our average age is, probably, around the early 30s; but we have a number of employees who are in their early 20s.

And they've come to us-- We have one employee, whose name is Jonathan -- he came to us right out of high school; which, you know, it's great. And we wanted to send him to get some good education in manufacturing. And we're in Newark, and the best, most suitable program for us was in Bergen, you know; Bergen Community College. So he has to travel 45 minutes, after a full work day, to go to classes up there. And he's getting -- starting with his certificate in C&C machining and, hopefully, will go on to an associate's degree, which we're taking care of; we're paying for it.

But he's had classes cancelled because there aren't enough students, you know. Tooling 2 -- they had to cancel it; there aren't enough students. And I asked him, "In general, are your classes full?" And these are students who are getting certificates or who are getting associate's degrees. And he said, "Usually, there are like 9 or 10 students in a class that could fit 20 or 30."

So there's some kind of disconnect here between what we're offering and what people know about. And that really concerns me. And we have another young man, Saun, who-- He was getting his associate's degree in criminal justice, but decided he likes working with us; he's been working with us part-time for years, and he wants to make a career in manufacturing. And then trying to, you know -- But he wants his college degree and he wants his four-year degree. I'm trying to convince him that he doesn't need a four-year degree to go to work. But there really is no four-year degree that fits, that's not like a highly technical engineering degree. I mean, not everybody -- myself included -- can take Physics, Physics 2, you know, Calculus, Calculus 2, and other courses that I don't even understand the names of. So, you know, we need education that fits what our workforce needs.

That's generally what I had to say. I'd just like to see some better matching of the needs of the students, and the workforce, and the education. You know, there are all these matching programs that brought us Uber, and Airbnb. We have great economists who developed these matching algorithms. I'd like to see, maybe, some of that used to solve some of our problems -- matching students with resources, manufacturers to resources.

And that's basically what I wanted to communicate here today.

SENATOR GORDON: Well, thank you very much; again, very good testimony.

I have a question I'd just like to pose to the three of you.

We've talked a lot about the impact of minimum wage, taxes. Senator Oroho and I serve on something called the *Red Tape Commission*,

which has given us a great window on some really crazy regulations in this State that may have made sense decades ago, or maybe even centuries ago. They are still there, having an impact, and make no sense today.

Are there regulatory -- are there regulations or laws that get in the way of manufacturing that you think can be changed? And I ask anyone who's going to testify here today to think about that. Are there some obscure regulations that just add to your costs, that really have no use anymore, that might be something relatively easy for us to change?

MR. STAUDINGER: I, for one, don't know those regulations; but others might. So I'm sorry; I can't help you on that, sir.

SENATOR GORDON: Okay.

MS. FRIEDBERG ROTTENSTRICH: Yes, I have to say I can't think of any regulation that's really caused a problem for us. There are laws that we have to obey, and we see the logic in them.

I did forget to mention what I wanted to say about the \$15-an-hour minimum wage which, in general, I'm not opposed to. We're pretty close to that, as it is, for almost all of our employees. But I would like to see some kind of phase-in; I've said that to this Caucus before, but--

SENATOR GORDON: Yes.

MS. FRIEDBERG ROTTENSTRICH: --you know, I wouldn't want it to be all at once.

SENATOR GORDON: Any other questions from members of the Committee?

SENATOR OROHO: Just to Gail, I just want to say, I'm sorry that-- On switch boots: I'm glad, on your website, you have a real good description of what *switch boots* were, so I appreciate that. (laughter)

MS. FRIEDBERG ROTTENSTRICH: Yes.

SENATOR OROHO: I learned a lot today. (laughter)

ASSEMBLYWOMAN DeCROCE: Technology; technology helps us.

SENATOR GORDON: Okay; thank you all very much.

I'd like to bring up, next, Mr. Axel Carrión, who is the Director of State and Government Affairs at United Parcel Service.

SENATOR OROHO: Actually, Chairman, as they come up, the one thing that I meant to ask of Brian when he was here -- but of the programs-- Anybody who's here -- and similar to, like, the Red Tape -- of the programs that you know -- and there are a lot of programs, and they are in silos -- to the extent that you have any kind of examples of the kinds of programs that are disconnected. If there is any kind of way you could give those examples to us, I think that would be very helpful.

SENATOR GORDON: Okay; Mr. Carrión, welcome.

A X E L C A R R I Ó N: Thank you, Mr. Chairman.

I appreciate you having me here today to testify.

My name is Axel Carrión; I'm the Director of State Government Affairs for UPS. I actually manage many operations. I live here in New Jersey; I manage many operations throughout New Jersey, throughout Middlesex County, throughout Bergen County, Passaic County. So I'm very familiar with New Jersey and this industry.

And I am here basically to testify really more in support of the industry, and really on how the private sector can help the State of New Jersey. We don't feel that this should really be on the backs of legislators to

try to figure everything out. I think there needs to be a strong partnership between government and private sector.

So I'm here basically just to talk about some of the different things that we're involved in, and different things to consider as we look to support and help this industry grow.

So just a footprint on UPS: We've been around for over 110 years. We operate in 220 countries and territories. We have a total of close to 440,000 employees worldwide, and we handle approximately 19 million packages a day.

Here in New Jersey we are the third-largest employer. We have over 17,000 employees here in New Jersey; roughly about 58 facilities. We also house our technology centers -- global headquarters here in New Jersey as well, so we support that industry as well. So we have a major footprint here in New Jersey. So I just wanted to start off with that.

I did supply everyone -- I'm not sure if you have it -- just with some material. And I know there are a number of folks testifying as well, so I'm not going to take too much time. But I want to just touch upon some of the different things that we can do to help support.

I should note that we do have a marketing team here, within the State of New Jersey, that is specifically dedicated to support the manufacturing industry. They're dedicated here locally, New York and New Jersey, and go back-and-forth across the river. So we do have folks who will be more than happy to supply more information as we have additional dialogue on this.

So just some of the highlights that I just want to note, that I'll expand on a little bit, is we do appreciate some of the initiatives that are

being taken. We've heard from prior testimony -- education, vocational schools. And I think, when we talk about that, we should just keep in mind that the private sector, especially like UPS -- we're looking to work with those schools. We have folks who have a number of years of experience in this sector, and we could definitely work with those schools, with internships, bring them on, have them get a good understanding of logistics and everything involved in manufacturing. So there are a lot of opportunities -- that I'll expand on, a little bit, of what we've done on the other side, in New York, that I think we can definitely bring here to New Jersey, that have been quite successful.

Ready support programs are very important as well, which we invest a lot of time in to help the industry. And that really includes things of warehousing, inventory, visibility for the manufacturing industry. Customer satisfaction is something that's really important now with e-commerce; it is a reverse logistics that's really something that's very important for the success of the industry.

Insufficient capital is something that I'll just quickly touch on. But I just wanted to note that our history shows that that, right now, is the number two reason that we need to focus on why businesses are failing in the manufacturing sector.

And cohort supports are also something that we're very involved in to help the industry as a whole. Again, it's been very successful on the other side of the river. And I think there are a lot of programs that we can share with you on how we can definitely help the industry move along.

So just a couple of notes: The manufacturing industry and how we're involved. And sometimes people think all we do is deliver a package, pick up a package. But we're actually involved in every part of it, from the ground, to air, to ocean freight; international brokerage -- everything that would be involved, from a small company growing its way up the sector, we have a footprint in it; and we could definitely help the industry learn, get involved -- what kind of support and what works best for New Jersey.

Our solutions that we try to provide-- And again, they're not exclusive to UPS; but our partnerships are specific to the industry itself and the organizations themselves. So some of those include inbound logistics, supply chain visibility. Warehouse distribution is very important. That can dictate the location, the type of lanes that the companies need to keep in mind on their specific product, and how they plan to move it across their customers' support; efficient pick-and-packs. These are all things that are very challenging to companies, especially as they start to grow and they maybe don't have the exact knowledge of where they need to operate and how they need to operate. So it's important that companies, like UPS, come up and help with our knowledge of what works best for that specific company.

Inventory visibility and optimization -- very, very critical. And again, with e-commerce, mobile devices -- how is manufacturing industry -- how are they able to translate into actual sales, and moving into this century, and how many transactions are being done today. So all these are very critical.

And again, I mentioned the reverse logistics, and the returns restock. It's important to make sure that we not only have businesses grow,

but they need to retain their customers and grow for their customers. And this is a very important part that might be different from years past; but that customer satisfaction -- when customers need returns -- is a very big part that we see that these companies need to consider, especially as they're growing -- how to grow their existing customer base and keep their customer base.

So I mentioned -- and I'll just finish with this -- I mentioned some of the things we're doing on the other side of the water that have been very successful. We partnered with NYCEDC; we know that NJMEP here does a great job, we get to work with them as well. Some of the things that we've obviously focused on to help them is the design and prototype right from the beginning, which deals with the formation -- prototype -- the legal, financial aspect that the industry needs to keep in mind as they're trying to grow their products.

Also, the business plan -- development from that. That's something that our team gets involved in and helps, specific to what they're looking to do, how they're looking to grow, how they're looking to grow within New Jersey, where their employees are based. These are all the things that we take a look at to try to help them create that kind of plan. And of course, the supply chain industry.

So I've also just attached some additional information here, as far as what we see as also very important, which is the financial support. We see a lot of businesses now; we see how much e-commerce has grown. And you know, for a lot of these businesses -- especially small and growing businesses -- any downturn in the economy, we can see sometimes the banks may tighten up some of the loans. Peak season -- November,

December, the holiday season is very, very critical; and sometimes these companies just need a little bit of a credit line increase. That's what kind of helps make or break them, honestly, and helps their industry grow.

So there are a lot of products and services. We want to make sure that we work with the Committee to make sure that the industry understands that there are a lot of opportunities that are available to them; that the private sector can offer to help them grow, help them get that credit line when they need it the most to allow their businesses to grow.

So again, I know you have a lot of folks testifying behind me. I just wanted to give a little overview. Again, we have a team that is dedicated to this that's more than happy to help the Committee, moving forward.

And at this time, if there are any questions I'll be happy to try to answer them as best as I can.

Thank you.

SENATOR GORDON: Thank you, Mr. Carrión. That was a helpful presentation.

I have one question.

We're hearing a lot about sort of an emerging trend -- customization of products for the end-user. McKinsey just did a report on this; we're told that New Jersey has -- because of our proximity to such a large percentage of the country's population, that we have a natural advantage and an opportunity to take advantage of this trend.

Do you see other logistics companies springing up in this region to take advantage of customized product manufacturing?

MR. CARRIÓN: I think this region -- with the resources, location, the density -- I think it's always been and will continue to be, for some time-- What it offers, especially from the human talent and everything that comes to it, it is definitely an area that many logistics companies look at to expand.

Obviously, we've seen UPS and our growth; our growth in the region. New Jersey has been a huge part of that growth as we look not just now, but moving forward. We've seen a large growth in our Secaucus, Meadowlands, Saddle Brook, Parsippany, Lawnside hubs that continue to grow. We also have two major supply chain solutions that are down in Swedesboro as well. And we've seen Swedesboro definitely growing from logistics and everything like that in that area, especially in southern Jersey.

So to answer your question, sir, I would say, yes, definitely -- we have definitely seen, not just from UPS, but across the spectrum in looking to grow in New Jersey.

SENATOR GORDON: Assemblywoman.

ASSEMBLYWOMAN DeCROCE: Yes, I would like to say thank you very much; and I'm very proud, because the UPS Innovation Center is in my hometown. And I would recommend that this board take a visit and go out there to take a look at it and see what a great job you've done out there.

MR. CARRIÓN: Thank you. I'd be more than happy to do a tour.

Yes, our corporate technology headquarters for the entire globe is located in New Jersey. So the technology they're using -- that UPS uses across 200 countries and territories -- it's made here in New Jersey; it's

developed by our developers here in New Jersey, supported in New Jersey. So this is our mecca of all of our technology, as well, here in New Jersey.

So we thank you for your support with that as well.

ASSEMBLYWOMAN DeCROCE: Thank you.

SENATOR GORDON: Great.

Thank you very much.

Any other questions for Mr. Carrión? (no response)

Thank you very much.

MR. CARRIÓN: Thank you so much.

SENATOR GORDON: Next, we're going to hear from two individuals representing specialty companies. Lew Weiss, President of All Metals & Forge Group in Fairfield; and Matt Putts, Executive Director of Employment Horizons in Cedar Knolls.

Would you gentlemen come up, please?

SENATOR OROHO: All I know is that the UPS guys are at my house more than I am. (laughter)

SENATOR GORDON: My problem is Rue La La comes to my at my house.

SENATOR SINGER: That's because you're wealthy. (laughter)

SENATOR GORDON: Gentlemen, thank you for being here.

L E W I S A. W E I S S: Thank you for having me here. I appreciate it.

And I want to congratulate the State, also, for having a Manufacturing Caucus to be an information-gathering resource for what's going on -- not only in this state, but elsewhere as well. So I thank you for that as well.

I'm the President and founder of All Metals & Forge Group in Fairfield, New Jersey; and I've been doing that for well over 40 years. And we produce open dye forgings for heavy industry -- oil and gas, aerospace; many other industries as well.

And for the most part, everything that we have heard here today is not new; we've all grown to learn this over the last four or five years. I think some of it was new five years ago, or we didn't think of it as critical as it has become.

Four years ago I started a company called Manufacturing Talk Radio. And Manufacturing Talk Radio is on the Internet; it's a dot-com. And I have a co-host, Mr. Tim Grady, and we do a show a week; and over the last four years, we've done about 270 shows.

And what we learned by doing these 270 shows is what we learned here with the five or eight people who gave testimony this morning. That the crisis -- and I call it a *crisis* -- issues like skill gap and opioids, which I don't think was mentioned here this morning -- but there are so many problems and so many issues; that there are solutions and there are resolutions. Not easy; we have issues like parents who want to make sure their kids go to college and run up a \$200,000 debt, and there's a 40 percent chance that they're not going to graduate. That's the number.

The fact that schools themselves-- We tried to get, several years ago, a group of students from one of the high schools in -- near Fairfield to go with us to Manufacturing Day here at NJIT and NJMEP. And the School Administrator said, "Well, our kids aren't into that. They're scholastic; they want to go to college. They don't want to get their hands dirty," and so on. So we dropped that. We did get kids from a

vocational high school, and they absolutely loved it. We took 15 of them there, and it was a great event.

We also had an event called *Makers Day*, which was held on a Saturday morning in, I think the number was 800 libraries throughout the state. And there was something like 50,000 people who went to this event. I called one of the big newspapers here in New Jersey, in Newark, and asked them to, with us, help us be there, interview these kids, interview the parents, show that they're -- and put it in the paper and get the word out. They didn't show.

And that's part of the marketing that needs to be done by the State and the people -- the manufacturers themselves. We have to get the story out that manufacturing is no longer dark, dirty, and dangerous; most of the people are walking around in white coats and carrying iPads; and the issue is about changing the mindset of those who have the control to change the mindset; and it's very important. New Jersey has, I think, 11,000 manufacturers in the state; you have 7,000 vacant manufacturing jobs right now. There are ways of filling those jobs.

When we do our manufacturing show, Manufacturing Talk Radio, we talk about all of these things. We talk to people who are involved in it. We started another radio show just three months ago called *Women and Manufacturing*. And there, too, we're talking about a very underutilized group of people who can be very instrumental in helping the skills gap issue by having them, from the age of teenagers, learn about other career paths other than becoming a school librarian or a school teacher. Not that there's anything wrong with it; but I guarantee you, you come out

with a certification in welding, you're going to make double the salary you would as a school teacher or a librarian.

Some of the problems that do exist, however, in the country -- of course, the opioid issue -- where I talked to one of our guests on the radio show who needed to hire 10 people recently. Their business has picked up significantly, as have all of our businesses, including my forging business. So things are going along great. Where am I getting the people from? You can't get them.

And you also have 10,000 people a day in this country retiring and you only have 4,000 people a day coming into the workforce as new. So we're operating at a deficit, and we're losing talented people.

So one of the things that we experienced with our two radio shows is that people have to think out of the box. You can't totally leave it up to government to help. They have their own issues; they have their own games that are played. So you have to rely on yourself.

One of our guests up in New Hampshire got together with four other manufacturing companies and said, "Look, we have a major problem. We don't have enough people in the state to even come to work for us. Why don't we partner, start our own training course; we all chip in," -- the five of us. I have this one individual -- he has extra space in his manufacturing plant. They brought in unused equipment; things that they hadn't used in a while. They went and bought used equipment, they bought some new equipment, and they set up a machine shop and taught students, right out of school, on the job. They were actually doing work, but they had their older and most senior people -- who were looking to retire -- to do the training. And they gave them incentives. "When do you

want to retire? Six months? Give me a year; I'll give you *X* to stay the extra six months."

So give incentives; market it out there. And it went very successfully, to the point that they were bringing in students from nearby states to join the training program. And it went very successfully.

There are stories, after stories, after stories that we have heard that I felt as though I wanted to share -- not only with you, but we share them on our radio program; like I said, we have 270 shows that have all these stories on them.

And New Jersey is a unique state, as I think we all would agree. You have good opportunities here; you have good ports, you have good transportation; maybe a little too much traffic. But you still have all of these good things that we could utilize.

One of the problems though -- and this comes back to marketing -- that, right now, because of business climate -- and not only here in the United States, but Europe and a little bit in South America -- business is very good. And what we need to do is to stimulate export sales for the United States. And there is a program that's been around since 1980 called the *DISC program* -- Domestic International Sales Corporation. And you get -- it used to be better, but it is what it is -- you get a 20 percent forgiveness on all export sales. Well, that certainly would help offset some of the expensive aspects of having your location in New Jersey. And that's just one. You have your R&D tax credit that people aren't taking advantage of because it's not being put out there enough. You know, you hear about it from your accountant or your financial advisor. The State should be helping to put that information out.

What happened to community service statements that were on TV and radio? Why not make a deal with the radio and TV shows? You want to have us as guests on your show? Give us some air time to promote your opioid program, or the DISC Corporation, or R&D, or the vo-tech programs that are being set up. Get the word out there. We're doing it, and it costs us nothing; they do it, it costs them miniscule.

So this is something that I think that the states -- not only New Jersey, but all states -- should market their good points to help manufacturing. And one of the things that I think that most people don't know is that manufacturing represents a third of our economy. Sure, you'll hear politicians talk about, "Well, it's only 12 percent." Well, it's 12 percent, but the upstream and downstream effect of manufacturing brings it to over 30 percent. And I think it's very important.

Another issue regarding the skills gap -- and I mentioned about women, bringing women more into the fold -- we have an issue in this country, in our prison system, which sorrowfully needs to be redone. We have the government -- under the 13th Amendment, has the ability to have UNICOR, a privately owned Federal company, make goods and services for the government; and equipment, uniforms, and so on and so forth. But that got changed, and now they can produce any product. Victoria's Secret, for example, has a good many of their products made in prisons. And those people are earning 16 cents to \$1.25 an hour. They're learning trades that you can't find jobs when you get out of prison. And most of the people in prison are not criminals; most of them are junkies, marijuana sellers. They're not evil; they're not violent crime people. They should be teaching them creative vo-tech in the prisons.

There is a gentleman here -- Mitch Cahn from Unionwear -- he was one of the companies that was affected by UNICOR, forcing him to change his product line because UNICOR said, "Well, either you're going to step out, or you're going to go out of business, because we have you beat, price-wise." Sixteen cents to a \$1.25 an hour. That's pitiful. I think we even refer to it as *prison slavery*.

So I could go on, and on, and on, because, like I said, I have 270 stories to share with you instead of just one. I would suggest that you tune in and listen to it on the Internet (laughter); and it's free, and I would give -- even if it wasn't free I would give the State a buy on it. (laughter)

So again, thank you very much for giving me a few moments to speak. And again, congratulations that you're doing what you're doing.

Thank you.

SENATOR GORDON: Thank you; thank you very much, Mr. Weiss. I appreciate it.

Mr. Putt (*sic*).

M A T T H E W P U T T S, Ph.D.: Good morning; my name is Matthew Putts, actually, with an S.

SENATOR GORDON: Oh, sorry.

DR. PUTTS: I am from Employment Horizons, which is based in Cedar Knolls up in Morris County.

And I have a little bit of a different story, I think, than the one that you've sort of heard several times this morning.

So Employment Horizons is what's known as a *community rehab program*. And so what that means is that we have a mission to work with individuals with disabilities from a vocational perspective. And we do that

in a number of different ways; and I'll point that we're one of 36 community rehab programs, or *CRPs*, in the State of New Jersey.

Most of the *CRPs* operating in New Jersey do so as businesses. So even though we're a nonprofit organizations, we go out and retain work on which we employ, preferentially, people with disabilities to complete that work.

We are a significant part of the manufacturing community here in New Jersey. And we do it by training and employing a population that typically has a 70 percent unemployment rate.

We provide assembly, packaging, repacking, *kitting* -- or the assembly of kits -- rework, order fulfillment, document scanning, and document destruction, both at Employment Horizons and at agencies scattered throughout the state. And we do that through a number of private partners, so corporations that have chosen to do business with us, as well as through the State Use program. So for those who may not be aware, there is a State set-aside program here in New Jersey, where the State may choose to purchase certain supplies directly from organizations such as ours.

Employment Horizons itself has been around since 1957, so we've been in this business for 60 years as of last year. And we serve about 400 individuals with disabilities a year; about 125 who work onsite for us in our workshop.

As I mentioned, we're a social business enterprise; which means that, for the most part, we compete in the open market for the work that we have. As such, and because of the population that we hire, we are allowed, under Federal legislation, to pay what's called the *commensurate wage*. And so, predominantly, other than drawing attention to the role of *CRPs* in New

Jersey, I want to talk about the \$15 minimum wage issue and how that might impact us.

In order to pay a commensurate wage the Federal government, under the Fair Labor Standards Act, require us to conduct a yearly prevailing wage survey. And what that means is that once a year, and within 30 days after every minimum wage increase, we have to go out and survey the businesses in our community that provide similar services to those that we do. We go out and determine what their wage is for an experienced worker in the same job titles that we have.

Once we know that wage, that's what we use to determine the piece-rate that our individuals with disabilities will receive for completing work.

Currently, in northern Jersey -- so we're based in Morris County -- those rates are \$10.02 to \$10.59 an hour as the prevailing rates in our area. So that's about 19 to 25 percent above the minimum wage. If we were to look at a \$15 minimum wage, and assume that manufacturing were to maintain a certain ratio above the minimum wage as the going rate, we'd be looking potentially at rates as high as \$17.85 to \$18.75 an hour.

I cannot even begin to explain how devastating those impacts would be to an organization like Employment Horizons. I can tell you, off the bat, that we would very likely have to close our workshop program. A number of the other services that we provide would certainly not be as impacted.

As I mentioned, we have about 125 individuals with disabilities and another 10 staff without disabilities, working in the manufacturing side of our business, and so that would be quite a loss to us.

These impacts would likely be magnified on the State level when you consider, again, that there are 36 CRPs in the State of New Jersey, and about 3,000-- Actually, as of as of yesterday, 3,067 employees with disabilities working in these workshop programs.

Additionally -- and this goes a little bit beyond manufacturing as a topic, but is related to the minimum wage issue -- without a commensurate change in earning and asset limits, individuals with disabilities would largely have to choose between working and losing benefits. In the State of New Jersey, the Division of Developmental Disabilities -- which provides a lot of the services to our clientele -- requires that individuals have Medicaid in order to receive DDD services. For those who might not be familiar, you're allowed to have \$2,000 in assets in order to have Medicaid. If we were paying at the types of rates that we're talking about with that kind of a minimum wage increase, but there were not a commensurate change in the requirements for benefits, individuals would be really stuck between an impossible choice. DDD, for many individuals with developmental disabilities, provides their housing. So these are individuals who live in group homes, receive 24 hours a day in terms of care. And I really -- its hurtful to think that folks would have to choose between their home and maintaining a job.

Some other unintended consequences, just to consider, as it pertains to individuals with disabilities. At \$15 an hour-- Part of what our agency does is to place individuals who are ready at jobs in the community, whether it's manufacturing or other jobs. A lot of those positions are entry-level. The businesses that are willing to work with and hire individuals with disabilities largely do that because they see it as good business practice and

they see it as being socially responsible. A lot of those individuals have indicated that they would not be able to hire our folks at \$15 an hour.

There's also a report, for those who are interested, out of George Washington University that looked at the state of Maine. The state of Maine intentionally chose to close their workshop program, so it was not a minimum wage issue there. But they found when the individuals were forced out of workshops -- the hope had been that they would obtain jobs in the community, and what it turned out was that most of these individuals ended up either sitting at home or in non-work day programs. For the few folks who did manage to obtain a job, they were working significantly fewer hours, and thereby earning significantly less money.

The other thing that I want to point out as an organization that is a significant size manufacturer -- like I said, we employ about 130 people in manufacturing jobs -- a lot of the discussion and a lot of the news around the \$15 minimum wage is based on the service sector. So it looks a lot at food service, restaurants, retail. And for those sorts of businesses, they are location-bound, for the most part. So if you're the neighborhood restaurant or the neighborhood retail establishment, those folks have no choice but to accommodate the \$15 minimum wage, and that may be passed on to their customer in order to accommodate that. But manufacturing doesn't have that same constraint. And so, just in the last three years, in our organization, we've lost out on eight bids to organizations that ended up performing the work in other states. And that's at the minimum wage that we have now, and most of them went to states that were either south of us or in the Midwest.

And so I certainly would be concerned about what a significant increase in the minimum wage would mean for organizations like ours -- because manufacturers do have that choice -- particularly for those of us that are part of the supply chain where it's a subcontract issue. The work doesn't have to come to us; it doesn't have to stay in New Jersey. You listened to the gentleman from UPS talk about how there's almost negligible shipping differences in times to do the work in other places. And so certainly, that's a concern for us as well. If we're already losing work due to the cost of business in New Jersey, any significant increase in the minimum wage would have a very significant impact on us.

So I appreciate the opportunity this morning to be able to speak in front of this Caucus. I think the community rehab program and workshop program in New Jersey is something that sometimes is overlooked as part of the manufacturing community here. But it is doing very valuable work; and as I said, employing over 3,000 people with disabilities who largely would be unemployed without such programs.

So I appreciate being able to discuss that a little bit with you, and would be happy to take any questions you might have about that.

SENATOR GORDON: Thank you very much.

I agree that it was important for us to hear from an organization like yours. I think when we're thinking about *manufacturing*, we often don't think about the kind of work that you do.

Your comments certainly reinforce my view that there should be a carve-out, at the very least, for nonprofit organizations. I just had a meeting with the Hawthorne Boys and Girls Club, and they told me about the rather adverse financial impact that their organization would experience

because of -- due to an increase in the minimum wage. And I think we really need to be sensitive to these impacts for the nonprofit sector.

SENATOR OROHO: We should have a lot of carve-outs, so nobody's included. (laughter)

SENATOR GORDON: Assemblywoman.

ASSEMBLYWOMAN DeCROCE: Thank you.

And thank you, Matt. As you know, I'm very familiar with you; and I have to tell you, it's a great program that they have there. I've been there, and they do a wonderful job.

DR. PUTTS: Thank you.

ASSEMBLYWOMAN DeCROCE: So I'm glad to hear the Chairman talk about maybe a carve-out or an exemption, because the Federal prevailing requirements that has a component of Medicaid in it is very concerning. So I agree; I'm glad that you provided that testimony. And I think when we look at raising the minimum wage in any way, we have to look at everything and just not go flat across the board and say, "It's for everybody," because not everybody's going to fit into this. So we have to be very conscious about it, and it's not always the smartest thing to do to just jump to something and do it without considering everything.

And today, you proved that to us by the testimony you just provided to this Committee. So I thank you very much, Matt.

DR. PUTTS: Thank you; I appreciate that.

SENATOR GORDON: Any other questions? (no response)

Thank you very much. Both of you -- we appreciate your thoughtful comments.

We are going to hear next -- and he may be our last witness, unless there are others who are not on my list -- and that is Dennis Hart from the Chemistry Industry Council (*sic*).

I'd remind my colleagues that chemical manufacturing and related organizations represent one of the largest manufacturing sectors in New Jersey.

SENATOR OROHO: Yes.

SENATOR GORDON: We're about to hear from Mr. Hart today.

D E N N I S H A R T: Thank you, Mr. Chairman; and thank you for taking my opening remarks. The chemical manufacturing--

Again, I'm Dennis Hart with the Chemistry Council; we represent companies involved in the business of chemistry, chemical manufacturing, and pharmaceutical manufacturing. Flavors, fragrances are a big source of jobs in New Jersey -- a big source of revenue for New Jersey. Our companies represent nearly 50,000 employees in New Jersey; all high-paying jobs, high-paying jobs for students coming out of vo-tech schools, coming out of county colleges. Someone operating on a chemical line can make anywhere from \$70,000 to \$80,000 with full benefits in manufacturing facilities.

So it's an important industry, and we are very thankful for you convening this Caucus and giving us this opportunity.

I know at your first hearing, you had a number of statistics about New Jersey. Just to give you a couple more: New Jersey -- we're the 11th largest chemical manufacturing state in the country; we generate over \$5 billion in payroll to the State of New Jersey; we generate \$383 (*sic*) in

State and local taxes; almost \$1 billion in Federal income taxes; and we ship over \$8 billion worth of products out of this state.

I think you're on a very important mission. New Jersey manufacturing is what made New Jersey great; and in order to keep New Jersey great and expand our job opportunities, expand revenues into the State budget, we need to continue manufacturing, and enhance manufacturing, and focus on what manufacturers need to stay in New Jersey.

There are large costs in New Jersey to operate in New Jersey. We all know that; we know taxes, we know expenses, we know that. The second-largest cost to a New Jersey manufacturer is energy-related costs. That's why I've been so vocal throughout this debate on the nuclear tax as to what it means for industries in New Jersey.

Since we are a high-energy state, anything that adds to that adds to a competitive position that our companies are with. A lot of our members are in competition not with their competition, but with their sister companies that are located throughout the country. So that when there are new lines of products -- will that headquarters put that line of products at the New Jersey facility, or will they put it in the Texas facility? When there are downturns in the economy, New Jersey, unfortunately, is one of the states that takes the biggest hit because of the high cost here. It's easier to cut cost in New Jersey than it is in the other states.

That's why during the energy debate, when we took a look at the nuclear tax, when I have members -- small chemical companies with 30, 40 employees, and their new energy costs would be another \$170,000 to \$200,000 a year, they don't have a way to make up that kind of a tax.

What else causes problems in New Jersey? Well, we have, besides taxes, we have high fees. We have environmental fees for discharge permits, we have facilities in New Jersey that will pay a water-discharge fee into the Delaware River of \$400,000 to \$500,000 per year, with a similar facility located just across the river paying \$20,000 to \$25,000 to the state of Pennsylvania for a very similar situation. Those are large costs to overcome.

We also-- I want to get back to that fee and tax issue; but I want to talk about another issue -- our site remediating program. One of the prior speakers today brought up Massachusetts and why companies are moving to Massachusetts when they're very much like New Jersey. They are a high-cost state, a progressive state. But a lot of member companies that I have are moving facilities to the Cambridge area. One of the reasons that we don't talk a lot about is, they set up areas of risk-based remediation standards -- meaning, they outlined zones, within Cambridge and around other parts of Massachusetts, and said, "We're going to clean up the historic contamination in that area to a risk-based standard for future manufacturing use." Not for future housing, not for college campuses or things of that nature; but a risk-based system so that -- will workers be exposed there? No. Does that mean they're not cleaning the area up? No. There cleaning up to a level that's consistent with the use there.

We have a number of facilities in New Jersey -- up and down our port areas, our chemical manufacturing refining areas of Salem and Gloucester counties, Passaic County, Paterson, Newark, along the Hudson River -- where we can do a very similar thing. We have areas where companies have left facilities; they have areas there. The State could set up

ahead of time to set these risk-based numbers to encourage companies to come in and know that they're not going to go through a long, extended battle.

We have an LSRP program, but we're sort of doing that kicking and screaming. And we're encouraged by Senator Smith wanting to do the SRRA 2.0 to help our Licensed Site Professional Program in remediation.

I know it's been a long day for you, so I won't go on very much longer. But there's one other thing I want to mention.

We can submit a lot of ideas that we have, but one of the ideas is, it's not just taxes, but its extra taxes that our manufacturing facilities pay in New Jersey. There are things on their electric bills, like societal benefit charges, like Clean Energy Fund; there's the Spill Compensation and Control Tax; there's the Lead Abatement Fund. There are all these additional costs that get added to manufacturing and businesses; and unfortunately, with the State budget, most of that money is just going to balance the budget and not going to its intended purposes.

One particular interest is the Spill Tax -- this Spill Tax that was set up in the 1980s to fund remediation when companies walked away from their obligations. The Spill Compensation and Control Act puts a tax on the handling and use of certain hazardous materials in the state. Most of that money now gets used, if it's not used for the Spill Fund for an emergency clean up, it's used to balance the budget. And that tax captures a lot of people. There are a number of companies that just do distribution of chemicals in the state. They bring chemicals in, repackage, distribute them out. They're caught up in that tax, and they're paying a substantially high tax. A lot of the companies have moved out of New Jersey, just to

Morrisville, Pennsylvania, or across from Phillipsburg into Pennsylvania because it's so close, like the other people have said. That extra tax does nothing for them that the-- That tax was not meant for somebody like that. I have a new member company that has moved into Paterson from Brooklyn. And he keeps questioning himself, "Why didn't I just go the extra 40 miles, or whatever it would take, to get into Pennsylvania?" So we need to look at some of those taxes.

One thing I think a good message to manufacturers and to the business community would be -- let's just take a portion, a tiny portion of those taxes and let's rebate them back to the manufacturers in one year, just to show a sign of good faith. That money's not being used for its intended purposes; why not we give a portion of it back, just to show that we're in the business of trying to keep manufacturing in New Jersey?

I have a lot of other ideas; I know it's been a long day for you. But I welcome any of your questions, and look forward to the important work of this Committee.

SENATOR OROHO: Maybe we can get those ideas.

SENATOR GORDON: Thank you; thank you, Mr. Hart.

As someone who was involved, I think it was in 2011, in the LSRP legislation when I was a member of the Environment Committee -- we all had high hopes for that program and trying to streamline the cleanup process. I can't say that I can -- I'm knowledgeable about what the ultimate impact was; I thought it was -- it did represent some progress.

SENATOR OROHO: All the backlog.

SENATOR GORDON: But I am intrigued by some of the things you just talked about -- about modifying the cleanup levels, based on

risk, specifically to a manufacturing level, as opposed to a daycare center, housing kind of level. And taking another look at the fees imposed by the Spill Fund.

I'm sure I speak for everyone on the Committee, including those who aren't here, that we would really like to get into the weeds on some of these things; because I think that this is an area where we're just not familiar with these impacts. Some of them may be unintended, and we need to take another look at them. And I'm hoping that some of these ideas can find their way into our recommendations.

Any questions from any of the members? (no response)

I do want to thank you for appearing. I think there is a lot of opportunity here to remove onerous regulations and taxes without having an adverse effect on the environment or our communities.

Thank you very much, Mr. Hart.

MR. HART: Thank you, Mr. Chairman.

SENATOR GORDON: I know we mentioned when we were putting this hearing together that we would welcome walk-ins. And I don't know if there are others here who have an interest in testifying. Is there anyone here who would like to testify who we're not aware of? (no response)

If not, I just want to thank everyone who testified for being here. I want to thank my colleagues and staff for participating. I think it is critically important for us to hear from manufacturers out there who can tell us about unintended consequences of regulations. You know, I think, frankly, we may not be able to make New Jersey a lower-cost state; but I think there are a lot of things that we can do, but we won't be able to do it

unless we hear from those who are affected by it every day. And I'm hoping that we'll take this show on the road to other locations in the state -- South Jersey, North Jersey -- to give manufacturers an opportunity to share their views with us.

With that, I'll ask my colleagues for any closing comments.

SENATOR OROHO: Just one closing--

I just want to thank those who brought actually their specific data and how it would affect some of the things that we go through -- the laws, what we're talking about currently -- and real life data as to how it's going to affect their companies. And so I really appreciate that.

And as far as all the testimony, I thought it was terrific.

So thank you, Chairman.

SENATOR GORDON: Thank you.

Anyone else? (no response)

Okay; with that, I will call the meeting adjourned.

Thank you very much.

(MEETING CONCLUDED)