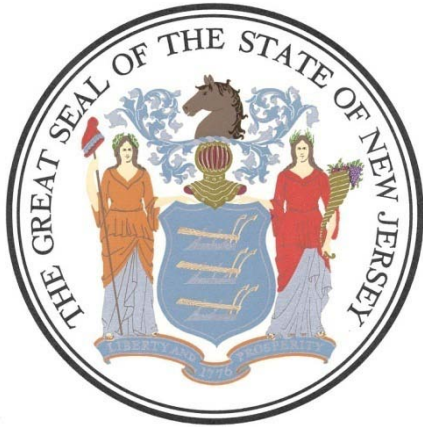


State of New Jersey

Office of the State Comptroller

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An Analysis of

**Clothing Allowance
Payments to White-Collar
New Jersey State
Employees**

April 13, 2011

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I. Introduction and Background

There are more than 27,000 New Jersey State employees who are entitled to an annual clothing maintenance allowance (CMA), a monetary benefit that has been negotiated through the collective bargaining process. This employee benefit has cost the State more than \$22.2 million in fiscal year (FY) 2011 and nearly \$101 million over the last four fiscal years.

Of the \$22.2 million spent in FY 2011, nearly \$8 million has been paid to uniformed public safety and corrections employees. Another \$6 million has been paid to State employees who work in the health services field, and \$2.6 million has been paid to security, maintenance, and similarly titled employees. More than \$4.8 million has been paid to employees who are generally either office workers or professional workers (i.e., individuals with specialized educational training).

Last year, the Office of the State Comptroller (OSC) received a complaint from an anonymous State employee concerning the State's payment of CMAs. Specifically, the complainant alleged that

the State is paying CMAs to State workers who are not wearing or required to wear uniforms.

The U.S. Office of Personnel Management defines a uniform as “a specified article or articles of clothing that may include, but is not limited to, such items as shoes, boots, hats, shirts, slacks, skirts, or outerwear an employee is required by an agency to wear to provide a distinctive and easily identifiable appearance in performing his or her job. A ‘uniform’ does not include . . . normal business or work attire purchased at the discretion of the employee.” 5 C.F.R. 591.102.

It was within this framework that the OSC initiated an analysis of CMAs being paid to State employees, focusing on the CMA provided to employees in administrative, professional, office, and similar job titles, hereafter referred to simply as “white-collar” employees.

II. Eligibility for and Payment of the Clothing Maintenance Allowance

Eligible full-time white-collar State employees are paid a CMA of \$700 per year. Eligible part-time employees receive \$350 per year. The CMA is paid to eligible employees as an annual payment and is included in a regular payroll check, in most cases in July. The employee is not required to present any proof (e.g., receipt) of having purchased or maintained a uniform or other special clothing in order to receive the payment. The allowance is considered taxable income, but is not considered salary for State pension purposes. This employee benefit for white-collar employees cost the State more than \$4.8 million in FY 2010 and in FY 2011 as well.

The amount of the CMA has increased over recent years. For example, in 2004, eligible full time-employees received \$550 per year. That amount increased to \$600 in FY 2005, to \$625 in FY 2006, to \$650 in FY 2007, and to \$675 in FY 2010. In FY 2011, the annual amount increased to \$700.

White-collar State employees who receive CMAs are those who work in job titles that are specifically eligible for the benefit as defined in several collective bargaining agreements entered into by the State. The currently operative collective bargaining agreements span the period July 1, 2007 through June 30, 2011. All of those agreements contain language establishing the conditions of CMA eligibility for State employees.

The language in the applicable current collective bargaining agreements that requires the payment of CMAs states: "The clothing maintenance allowance shall be paid to all those full-time employees serving in titles in which the employees are required to wear special clothing or a uniform and which title received a cash clothing allowance in fiscal year 2002-2003 and to all titles listed in Side Letter #3." Part-time employees are addressed separately.

Thus, the current contracts reference the 2002-2003 contract. That contract, in turn, contains the same language as above, except the phrase "which title received a cash clothing allowance in fiscal year 2002-

2003” instead states “which title received a cash clothing allowance in fiscal year 1998-1999.”

This practice of referencing prior series of contracts instead of simply listing eligible titles hinders the transparency of this system of compensation. In order to determine CMA eligibility, numerous lists and contracts must be obtained and then compared. Ultimately, qualifying titles include, by way of example, Public Information Assistant, Day Care Counselor, Civil Engineer Trainee, Investigator I, Computer Operator I, Forms Design Technician 2, and Teaching Assistant-12 Months.

The transparency of CMA practices is further limited by the existence of side agreements that affect CMA eligibility. For example, one such agreement, entitled Side Letter of Agreement #16, provides that if the State should abolish a title eligible for CMAs, the union entering into the side agreement can reopen its CMA agreement with the State. In that event, the State is obligated “to negotiate for an equal number of employees who will be eligible to receive . . . clothing allowance payments

in a different title.” The side agreement does not reference any requirement that the employees in the newly selected titles actually be required to wear uniforms or other special clothing.

The Centralized Payroll Unit of the State’s Department of the Treasury coordinates payroll processing for the various departments of State government. Each July, Centralized Payroll provides a memorandum to departmental payroll personnel outlining eligibility criteria for the CMA, specifically, the list of contractually eligible titles as received from the Governor’s Office of Employee Relations. According to that list, there were 425 titles eligible for the CMA in FY 2010 and 419 in FY 2011.

Based on Centralized Payroll data that we obtained, CMA disbursements for white-collar employees for FYs 2008, 2009, 2010 and 2011 (through August 2010) by each State department were as follows:

Table I: CMA Payment Summary by Department				
	FY 2008	FY 2009	FY 2010	FY 2011
AGRICULTURE	\$ 20,150	\$ 19,175	\$ 18,563	\$ 18,900
BANKING AND INSURANCE	15,275	15,275	13,838	16,800
CHILDREN AND FAMILIES	234,325	240,825	237,938	240,100
PERSONNEL	4,225	3,575	-	-
COMMUNITY AFFAIRS	199,225	204,100	207,563	209,963
CORRECTIONS	308,425	310,213	310,355	274,050
EDUCATION	46,150	43,550	38,138	11,200
ENVIRONMENTAL PROTECTION	232,375	219,050	214,650	211,050
HEALTH AND SENIOR SERVICES	264,225	267,150	262,238	260,750
HUMAN SERVICES	1,806,658	1,834,262	1,942,271	1,974,350
LABOR AND WORKFORCE DEVELOPMENT	154,700	144,950	145,800	144,025
LAW AND PUBLIC SAFETY	431,925	413,075	412,713	416,838
MILITARY AND VETERANS AFFAIRS	213,200	210,275	221,063	226,450
PUBLIC ADVOCATE	7,800	7,800	7,763	7,350
STATE	59,150	58,500	59,738	66,150
TRANSPORTATION	598,650	585,325	595,355	607,600
TREASURY	135,200	128,050	125,213	125,650
TOTAL	\$ 4,731,658	\$ 4,705,150	\$ 4,813,194	\$ 4,811,225

III. Survey of Payroll Units and Related Interviews

To gain more information regarding the recipients of CMAs, we distributed an electronic survey to the 182 payroll units within State government that process payroll for white-collar employees who received CMAs. The following three primary questions were included:

- Does your agency/office have a policy that requires that special clothing or a uniform be worn?
- Do the job duties of those receiving clothing allowances necessitate special clothing or uniforms?
- Do personnel who receive a clothing maintenance allowance wear special clothing or uniforms?

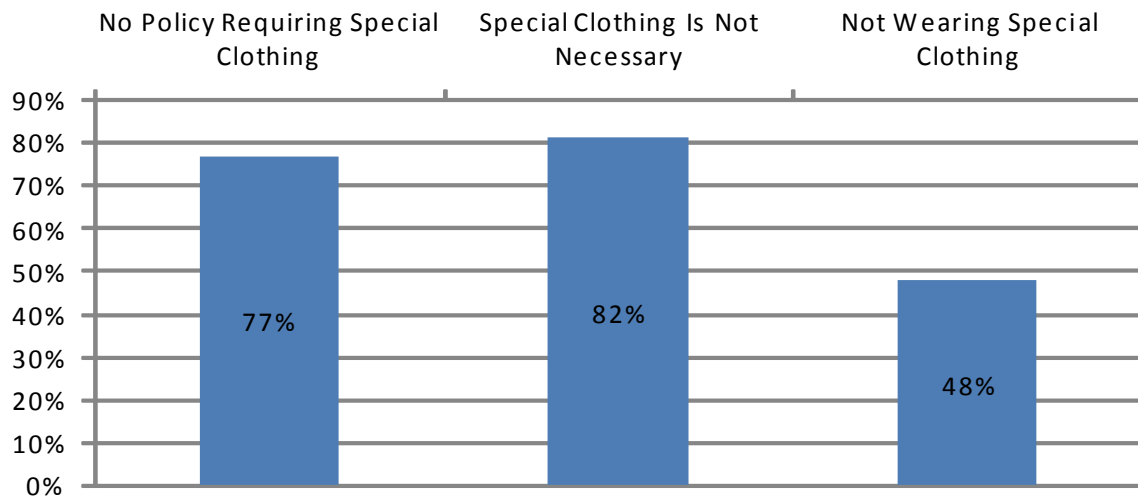
We received responses accounting for 90 percent (\$4.3 million) of the State's CMA expenditures in FY 2010 and 83 percent (\$4 million) of the FY 2011 expenditures.

A tabulation of the responses revealed that 77 percent of the employees in the response group, receiving CMA payments

totaling \$3.1 million, were not required by their agency to wear special clothing or a uniform while at work. Similarly, based on the responses, 82 percent of CMA expenditures, totaling \$3.3 million, were made to employees whose job duties do not in practice necessitate the wearing of special clothing or uniforms, regardless of whether there is a formal clothing policy in place.

In addition, based on the survey responses, approximately half of the employees (48 percent) who are getting a clothing allowance are actually not wearing any type of special clothing at the worksite. This indicates, as confirmed by OSC follow-up inquiries, that there is a subset of employees receiving CMAs who, at their own choosing, are wearing special clothing even though they are not required to do so. Table II summarizes these responses:

Table II: Summary of Responses Regarding the Wearing of, or Need for, Special Clothing

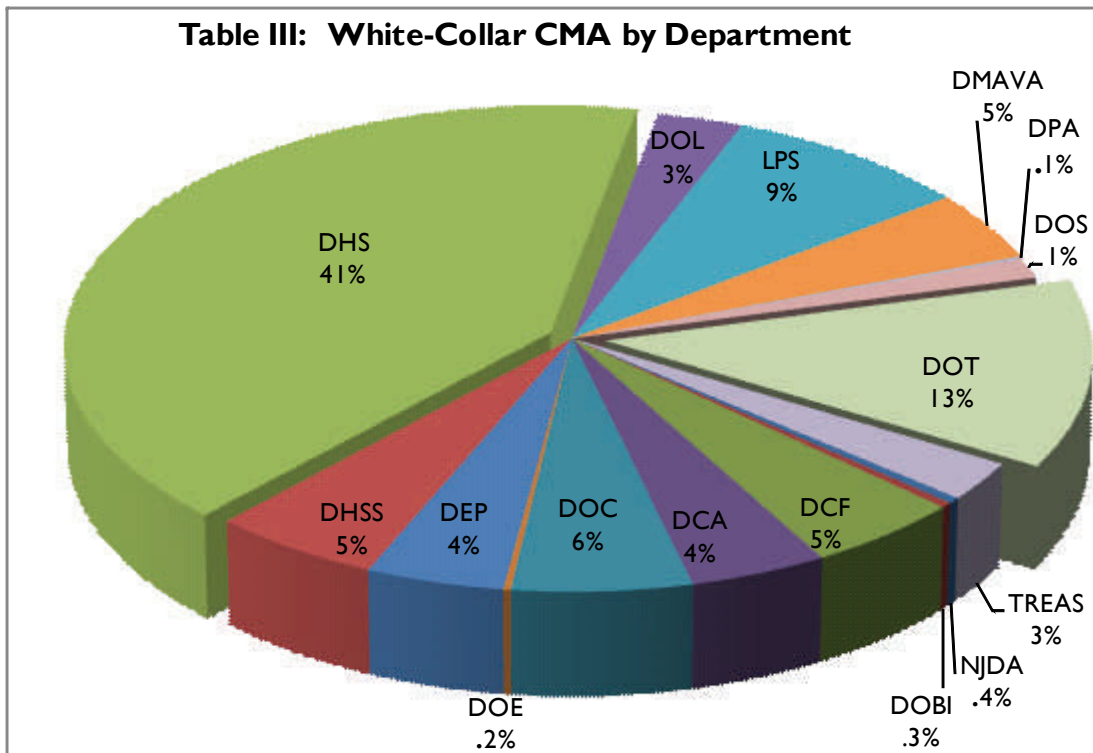


The OSC survey also gave respondents the opportunity to provide other comments. In response, for example, a human resources manager responding for the Commission for the Blind and Visually Impaired stated, “There is no operational need for any managerial, exempt, or [union] (or any other) employee at the Commission for the Blind to receive a clothing allowance. In my opinion it is a waste of money.” In FY 2011, 64 employees at the Commission for the Blind have been paid a CMA, totaling \$42,350. Survey respondents at other agencies similarly

noted that the allowance is not necessary.

We selected the two State departments that had the largest number of white-collar CMA payments, the Department of Human Services (DHS) and the Department of Transportation (DOT), and interviewed human resources personnel at those departments regarding CMAs. As shown in Table III, DHS and DOT employees combined have been paid 54 percent of the total clothing allowance payments made to white-collar State employees during FY 2011:

Table III: White-Collar CMA by Department



Key

DCA = Community Affairs	DOBI = Banking and Insurance	DOT = Transportation
DCF = Children and Families	DOC = Corrections	DPA = Public Advocate
DEP = Environmental Protection	DOE = Education	LPS = Law and Public Safety
DHS = Human Services	DOL = Labor and Workforce Development	NJDA = Agriculture
DHSS = Health and Senior Services	DOS = State	TREAS = Treasury
DMAVA = Military and Veterans Affairs		

Specifically, we met with the Human Resource Manager and the Employee Relations Coordinator for DOT. They confirmed that eligible DOT employees are paid a CMA regardless of whether they are required to wear uniforms or special clothing, or whether their job duties necessitate special clothing. A total of 888 white-collar DOT employees

received a CMA in FY 2011, only 49 of whom were in the one DOT unit that requires its white-collar employees to obtain and wear a uniform. The CMA expenditure for the employees within that one unit was \$33,600, or 6 percent of the departmental total. DOT indicated that DOT supervising mechanics also wear uniforms, but for those employees (who

also receive a CMA) uniforms and related laundering services are provided by the State. DOT's Human Resources Manager stated that "the allowance is more or less looked at as a bonus."

DHS, the State department with the most employees, had 2,923 employees who received the CMA this fiscal year, as of August. We met with several DHS staff members, including the Assistant Commissioner for Human Resources and the Director of Employee Relations, to gain an understanding of CMAs at that department. DHS does not have a departmental policy mandating that specific groups of white-collar employees wear uniforms or special clothing, with the exception of Food Services Supervisors. DHS staff did note to us, however, that some health institutions run by DHS may themselves require the wearing of uniforms or special clothing, which was confirmed in the survey responses.

To further our understanding of the survey responses for other State departments, OSC contacted additional agencies concerning the employees within

those agencies who are receiving CMAs. For example, the Management and Administration Unit within the Department of Labor and Workforce Development (DOL) has 41 employees who have been paid CMAs totaling \$27,650 this fiscal year, as of August. The job titles of the recipient employees include:

- Storekeeper
- Postal Clerk
- Printing Machine Operator
- Senior Clinic Nurse

An employee relations administrator at DOL advised us that none of these employees wear, or are required to wear, a uniform.

The Department of Environmental Protection (DEP) has 27 employees in one payroll unit who have been paid \$18,900 in CMAs in FY 2011. The job titles of the recipient employees include:

- Storekeeper
- Postal Clerk
- Building Management
- Biologist

- Historic Preservation Specialist

A human resources manager at DEP informed us that “none of these individuals are required to wear a uniform.”

Similarly, the Department of Banking and Insurance (DOBI) has 24 employees who have been paid a total of \$16,800 in CMAs for FY 2011. Job titles of the employees receiving the CMA include:

- Investigator
- Postal Clerk
- Health Care Services Evaluator

A human resources manager at DOBI informed us that “none of these employees are required to wear a uniform” and that all except the Postal Clerks perform investigative “office work.”

IV. Other States' Approaches to White-Collar Clothing Costs

We compared New Jersey's CMA practices with those of demographically similar states. Specifically, we reviewed the most current collectively bargained clothing provisions for white-collar employees in the states of California, Connecticut, Maryland, Michigan, New York, Ohio, and Pennsylvania. While each of these states employs varying practices in this regard, none are as generous to state employees as are New Jersey's CMA practices.

In general, there are three methods used among these states for covering clothing costs for white-collar employees: provide the required uniform and related laundering services; provide pre-determined payments to the employee; or provide reimbursements to the employee for specific clothing expenses. A combination of these methods is used in several of the states.

New Jersey's \$700 CMA payments are significantly larger, per employee, than those of any of the other seven states.

New Jersey also has adopted a less restrictive approach in that it provides pre-determined CMA payments as opposed to reimbursing employees for identified, actual clothing expenses following submission of a receipt.

Other than New Jersey, California is the only state to reference a clothing reimbursement or payment greater than \$175. California will reimburse employees up to \$450 a year, when substantiated by a receipt, when a uniform is required and not provided.

Pennsylvania provides uniforms to employees who are required to wear them. In addition, employees in a limited number of job titles receive an annual uniform allowance of \$100. An even smaller group of employees is eligible for a \$75 reimbursement for safety shoes upon submitting a receipt.

New York provides a \$58 CMA for a small number of titles. Specifically, those job titles are eligible for a \$58 "Work Related Clothing Allowance" if the employees do not receive work-related clothing from their employer.

Ohio will provide a \$125 uniform cleaning allowance if the State cannot provide a cleaning service on-site.

Connecticut provides a clothing allowance of \$100, without requiring a receipt, if an employee is required to wear safety shoes. Michigan's clothing allowance policy is written in more

general terms, providing reimbursements whenever the employer does not provide a required uniform.

A summary of the clothing provisions as set forth in collective bargaining agreements in these states is set forth in Table IV:

Table IV: White-Collar Clothing Allowances as Set Forth in Current Collective Bargaining Agreements

<i>State</i>	<i>Uniform or Clothing Provided?</i>	<i>Pre-set Payment?</i>	<i>Reimbursement of Actual Cost?</i>	<i>Other Notes</i>
New Jersey	No	\$700	No	
California	Yes	None	Yes, up to \$450	
Connecticut	No	\$100	No	Employees who are required to wear safety shoes are provided an allowance of \$100.
Maryland	Yes	None	No	
Michigan	Yes	None	Yes	Employees are reimbursed for the cost of the required uniform if it is not provided. The employer pays for dry-cleaning.
New York	Yes	Not specified whether the \$58 for a select number of job titles is a pre-set payment or reimbursement.		CMA provided if employees in these job titles do not receive work-related clothing from their employer.
Ohio	Yes	\$125, if employer is not cleaning the uniforms	Yes, if required safety shoes are not provided	
Pennsylvania	Yes	\$100 for certain job titles	Yes, certain titles are reimbursed up to \$75 for safety shoes	

V. Conclusions and Recommendations

The State of New Jersey pays white-collar State employees more than \$4.8 million per year in negotiated clothing allowance benefits. We found that nearly half of the recipients are receiving the allowance even though they are not actually wearing a uniform or special clothing at the worksite. We recommend that at a minimum the State seek to eliminate the clothing allowance benefit for those employees who are not required to wear uniforms or other special clothing.

Further, there is limited transparency in the provision of clothing allowances to State employees, particularly with regard to determining which employee titles are receiving this monetary benefit. Thus, it is also recommended that the State ensure that any compensation provided through clothing allowance payments be made more transparent and understandable for taxpayers.