
Public Hearing

before

ASSEMBLY OUTSOURCING AND OFF-SHORING COMMISSION

"Testimony from interested parties and members of the public concerning the impact of outsourcing and off-shoring on private and public sector employment, which employment sectors are most affected, ways to reduce outsourcing and off-shoring in the state, and possible relevant changes in State laws and regulations"

LOCATION: Wheaton Arts and Cultural Center
Millville, New Jersey

DATE: September 14, 2007
3:00 p.m.

MEMBERS OF COMMISSION PRESENT:

Assemblyman Jeff Van Drew, Chair
Assemblyman Joseph V. Egan
James P. Marketti



ALSO PRESENT:

Gregory L. Williams
Office of Legislative Services
Commission Secretary

Christopher Jones
Assembly Majority
Commission Aide

Joseph Glover
Assembly Republican
Commission Aide

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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ASSEMBLYMAN JEFF VAN DREW (Chair): I'd like to call the meeting to order.

May I have a roll call, please?

MR. WILLIAMS (Commission Secretary): Okay.

Carl Van Horn. (no response)

James Marketti.

MR. MARKETTI: Present.

MR. WILLIAMS: Jim Leonard. (no response)

William Kroll. (no response)

Assemblyman Russo. (no response)

Assemblyman Egan.

ASSEMBLYMAN EGAN: Here.

MR. WILLIAMS: And Chairman Van Drew.

ASSEMBLYMAN VAN DREW: I am here.

I want to thank you all for being here.

Just to very briefly review, I think that all of you know the purpose of this task force is to try to determine exactly -- not what only is happening in, obviously, one part of the state, but throughout the entire State of New Jersey, as our industries change, as we lose manufacturing, as the economic base, literally, of not only the state but the country is changing. And whether that is positive, or negative, or a mixture of both is yet to be determined.

I've often said -- and Chairman Egan and I have had conversations -- how can a country move forward that doesn't manufacture any of its own goods anymore? And I don't have to tell any of you, it's just-- It's actually phenomenal just to see that almost every good that's

manufactured, from the suits that you wear, to the shoes that you wear, to the items that you build and repair your home with -- whether it's construction materials -- everything is now made elsewhere. It's very, very hard to find anything that's made in the United States of America. What the effect of that's going to be in our country, I think, is something that we really have to look at in a serious way.

This is the first of numerous meetings. It's not actually the first -- we had an organizational meeting. Concerning that subject, we are going to have meetings in southern New Jersey -- which this is one of them -- central New Jersey, and northern New Jersey as well. It is certainly going to be not a short process. And it will obviously take a number of months to get this accomplished.

With that being said, I know that Mr. Marketti had a few words he wanted to share with us.

MR. MARKETTI: Thank you, Mr. Chairman.

For the record, I'm Jim Marketti, President of CWA Local 1032, and a member of the Commission.

In doing my due diligence to prepare for serving on this Commission, I read numerous articles and briefs on the issue of outsourcing and off-shoring. And I was struck during that reading as to how very little data is available on the scope of the problem -- either data within the State of New Jersey concerning the State, municipal governments, or county governments, let alone businesses who do business in New Jersey; but also throughout the United States.

So during the-- And, also, I was struck with the very little information that's been written on the scope within which the Legislature

can act to reduce outsourcing and/or off-shoring. There are a lot of opinions from different areas of the government, from different law firms, as to how much may be preempted by the Federal Constitution or by agreements reached -- trade agreements reached by the President of the United States, which may or may not have been cosigned by the governors of the respective states.

So, in any event, I made a list of 38 questions that I have, that I thought we should see whether there was information available to answer them so that we could get our arms around the problem. And I have 15 copies which I'd like to introduce into the record; and request that the Chair assign staff for the Commission, to see the extent to which the information that I seek is available; or if it's not available, to report that back to the Commission so that perhaps the Commission can decide that its first order of business would be to establish legislation that would mandate the collecting of this information.

ASSEMBLYMAN VAN DREW: Okay. Thank you, Jim.

I think that it's a good idea, and we certainly will move forward with that. And what we'll do is--

Greg, you'll start to look this over and determine exactly where and how we can get all these answers?

MR. WILLIAMS: Yes.

ASSEMBLYMAN VAN DREW: Somebody's doing their homework, huh?

MR. WILLIAMS: You're not kidding.

ASSEMBLYMAN VAN DREW: That's good. That's very good.

And what we'll do is, at our next meeting we'll begin the process of answering some of these.

With that being said, I think we will start with getting some testimony here.

Let me just put this in order a little bit. I think we have it pretty much in order.

Art, are you going to testify, as well? I don't have your name here.

A R T H U R M A U R I C E: (speaking from audience) I was not. I may say a few words, but (indiscernible).

ASSEMBLYMAN VAN DREW: Okay.

Arthur Maurice indicate that he will not--

Okay. Very good.

MR. WILLIAMS: In general--

ASSEMBLYMAN VAN DREW: I got you. We have to bring him up. I know, I know.

That was only a little one. I'll do that a couple more times today. (laughter) That was minor compared to-- I've had whole things where I've had conversations with them in there. It's just--

How about Mr. Fran Smith, from the UAW? Would you please come forward?

F R A N S M I T H: My name is Fran Smith. I'm President of Local 2327 in the great UAW, United Autoworkers, Aerospace, Implement Workers of America. (*sic*) I also held and had responsibility for the area director's position in the State of New Jersey for the regional director -- then-regional director Gerry Ochocinska, for Region 9 of the UAW.

During that tenure, and up to the present time, we're -- certainly in this local, and in the State of New Jersey -- very concerned with what has developed and what has happened with our internal problems with the UAW, as far as membership is concerned. As you know, the Linden plant, that produced a tremendous product in Linden, New Jersey -- the General Motors Plant 595 is all but phased out. They're working out of -- working into the balance of the retirement. Thank god for the collective bargaining agreement that provides jobs in the event that there are jobs that open around the country, and that document provides -- with some financial help to relocate those workers. But when I'm through today with a brief comment and statement, you'll see that even that article -- that took a lot of heart and, certainly, dollars out of workers' pockets during those struggles to achieve that kind of language -- is really not helpful any longer. We have lost half of our membership across the United States over the last 15 -- 18 years. We went from 1.1 million members. And as you know, we're below, right now, 450,000. This serious problem is not only with the loss of membership, but when your retirees outnumber your active members, it creates a tremendous problem around benefits and -- continue to provide those benefits, certainly around a defined pension plan.

In Linden, where we at one time employed very, very, very good jobs -- employed workers that held very good jobs, that plant is down. You also are aware that 980 -- the Ford plant in Edison -- not only is gone, but in the last couple of years, you would not know the operation ever existed. The building itself is completely gone.

If you are familiar with the part suppliers in New Jersey, the Ford part supply plant went from, at one time, 500 workers-- It's now

down just a little over a hundred, moved its operation to the hub of the State of New Jersey so it could be more competitive, so it -- and cheaper rents. We don't know where that's gone.

You also are aware that we lost a very, very productive, great manufacturing job in Millville, New Jersey. I can speak to it, because that's how I was able to obtain employment with the UAW, then District 65. I was hired in air work many years ago and went through the process of working there, learning a trade, and creating one of the best service shops in the country. We were the most productive in the country, I think. We certainly-- Our safety record, and our record for the product -- in producing a very good turnaround time -- was probably the best in the country. We were competitive in all aspects. We negotiated a collective bargaining agreement that we thought would hold us for another three years. And dollars, the bottom line was what it was about. They closed the operation, moved it out of the State of New Jersey. So not only do we have a tremendous problem with leaving offshore and not being able to compete based on what we're dealt in the hand we're dealt, we're also facing that every single day within our State of New Jersey, where they're moving it to another part of the United States of America.

So-- And, you know, I take a look around. Assemblyman Van Drew stated about clothing. I'm wearing suits, right now, that are three or four years old, because I will not buy a foreign suit. If you look at the shoes that were purchased in the day-- It used to be that you were able to get Dexter and Bostonian. Those days are gone. They're not even producing in this country any longer.

The sad part is, that when it's all said and done, it's like subcontracting. You subcontract, you give the work out, you then no longer have the equipment and the tools to continue to produce it. The subcontractor comes in, they give you a bid that looks very inviting and appetizing, and then after you're no longer able to produce that product, then the market value on that product goes up substantially, even though it's not manufactured in the United States.

Go buy yourself -- buy your kids -- send them back to school and get a pair of sneaks or a pair of shoes for them. Twenty years ago, you used to be able to buy that product at a profit rate less than they're getting right now -- at a rate half the cost that we're paying for the product that we no longer produce. These are jobs that built this country. These are jobs that made sure that we could defend this country.

And, right now, we don't have either -- the jobs to continue for a society, no matter what we do with education. We could supply enough education for every man and woman in this country, but the jobs are not there after they're educated. We have to have a fall-back position -- and where they can earn a living in areas other than the educated needs of those youngsters that are coming out of college. We don't have those jobs any longer. It used to be we could build a neighborhood, a part of the city, or an entire state based on industrial-based jobs. We don't have that anymore. We just don't have it.

We're giving people the option to either provide services or to go to work in retail. And the retail jobs that we're providing for these individuals are not even jobs that are selling the product that we produce in the United States. Toys: 80 percent of the toys are coming in from China

right now. And I don't want my grandkids playing with those toys. I have no control over them. Eighty percent of the toys that we're going to be buying this Christmas are coming in from China. That doesn't mean that 20 percent is built in the United States. It means 80 percent is being sent in from China. There's a great number that's produced outside of China that we're not producing in the United States. Toys -- our very little -- our kids that are playing with these toys. Who would have ever thought, 20 years ago, that we wouldn't be producing a product that we use to educate our kids or entertain our kids? It's gotten that bad.

So, the garment industry--

The real problem, that most of our folks that are elected today don't understand, is: What the hell are we doing with the steel industry? Where is it? Where is it going to be five years from now? What's left? What, 20 percent of the steel that we produce is left in this country?

So I think we have to-- From where I sit-- When I have 1.1 million members, and then, in 2007, I have 400 (*sic*) and change -- and then it outnumbered retirees. For an industry that built this country-- It supplied steel, rubber. And our auto industry, right now, incompetent? We're trying to compete with a fair trade environment out there. There's no fair trade environment out there. Not when you have a deficit.

And I will leave you some documents that my great president-- Most of this is his information. The deficit is not-- Not only is it ridiculous-- How the hell do you compete? How do I buy the product that they're shipping in from all over the world, and then I can't sell the product that I'm producing? Greatest nation in the country, most productive nation in the country-- They're using our design, they're developing and making

profit off of the very vehicles that we designed in this country over the years. And we're now stuck with half of the jobs. We're having half the market share. Do you know -- what was it, about 63 percent five years ago? We're at half the market share. What does that mean 10 years from now for the auto industry?

Thank you for your time.

ASSEMBLYMAN VAN DREW: Stay for questions, Fran. I think that was well said.

What's going on in the automotive industry? I know China, now, is going to produce vehicles. American manufacturers are also producing their vehicles in other countries. Can you speak to that at all?

MR. SMITH: One of the concerns-- One of the questions you have is: How did-- What automobile is China producing? If you look at the design and where it came from, it's a United States-designed automobile. But they're producing it. They're going to ship it into this country. And we don't have-- There's no control in stopping it.

And what are we selling in China? I mean, that's the big problem. If it's a fair playing field, give us the same right to sell the product that we produce. We have manufacturers moving here -- foreign manufacturers moving into the country. And my neighbors say to me, "Hey, Fran, this car is built here in Carolina. It's built in Tennessee." Well, if you don't have a fair playing field in order to organize these imports, and make conditions, and wages, and benefits, and job security the way we were able to do it through the '30s, and '40s, and '50s in this country, we still don't have-- We still have a-- We don't have a competitive edge. They do. We have a defined benefit plan that costs substantial dollars when you

manufacture an automobile. We have medical benefits that we fought damn hard for -- to get medical benefits after retirement. That's a cost of that product. They don't have that same cost.

So there's never been a level playing field, even if they produce the car here, from a foreign manufacturer. So there's a price tag on what we negotiated over the years.

But the bottom line, Jeff, is that we gave up dollars in order to guarantee that we would get medical benefits for a lifetime, if they still exist in this country in another 10 years; but that we would have a defined benefit plan -- that somebody wouldn't control our money that would be set aside for a monthly contribution for us for the rest of the time we were on the face of this Earth. They don't have that problem. They don't have that. They have a 401 that's controlled by the marketplace and controlled by the stock market. And God knows what will happen to it at some point in their life. So we pay for that through the cost of an automobile. They don't have that problem. They don't have the same problems that the UAW faces every day, based on the collective bargaining agreement that we paid for. So there are many of the problems.

ASSEMBLYMAN VAN DREW: New American plants, though, for American automobiles--

MR. SMITH: There are no new American plants for automobiles.

ASSEMBLYMAN VAN DREW: New ones, okay.

MR. SMITH: They're closing down plants every single day.

ASSEMBLYMAN VAN DREW: They're closing down the plants and they're building abroad.

MR. SMITH: They're building abroad, and they're also doing something else. They're not only building abroad, they're reducing the assembly plants all over the United States. And they're looking now to see if they can't produce one or two products off the same line, or off the same -- when they retool, rather than the old method of producing one automobile. I don't know whether that's in the wind, whether it would be cheaper for them to build a plant outside the country and then bring the auto in.

ASSEMBLYMAN VAN DREW: The wages for a Toyota plant, for example, in the United States, compared to the wages for a Chevy plant -- a GM plant -- in the United States--

MR. SMITH: Are you talking about the Toyota plant that's organized and represented by the UAW, or are you talking about a nonorganized facility.

ASSEMBLYMAN VAN DREW: Non. There is only one, right, that's organized?

MR. SMITH: Yes.

ASSEMBLYMAN VAN DREW: I mean, the vast majority are not.

MR. SMITH: There's only about a \$2 difference in salary.

ASSEMBLYMAN VAN DREW: Okay.

ASSEMBLYMAN EGAN: Really?

ASSEMBLYMAN VAN DREW: In the one that's not organized or the one that is organized?

MR. SMITH: Yes.

ASSEMBLYMAN VAN DREW: Okay.

MR. SMITH: The problem that you have is that it's-- You're talking about per-hour dollar cost. If you're talking about the total cost for a collective bargaining agreement, for what those workers have fought for, for a lifetime, then the cost is much greater.

ASSEMBLYMAN VAN DREW: Because of the health benefits and the pension.

MR. SMITH: Health benefits and defined benefit plans.

ASSEMBLYMAN VAN DREW: Okay. They do not get health benefits.

MR. SMITH: They do.

ASSEMBLYMAN VAN DREW: After they retire.

MR. SMITH: They do, but they do not get them after retirement. That's correct. And they don't have a defined benefit plan, as we know it in the auto industry, for their pension contributions.

ASSEMBLYMAN VAN DREW: Assemblyman Egan.

ASSEMBLYMAN EGAN: Fran, you mentioned the Linden plant. What's the status of it now? And do you believe there's anything that we could do to perpetuate that plant staying open?

MR. SMITH: I was the area director when the decision was made to close it. And we had-- At that time, the Governor was the Senator. And we had worked with all of our energies to try to hold that plant here. And, in my opinion, General Motors made the decision to close it, and there's not -- we're not going to reverse it. I'd love to say today that all of us could make a change in General Motors' position, but I don't think it will happen. And I think, right now, the collective bargaining process -- and we're going into -- Big 3 are in collective bargaining -- going into

collective bargaining as we speak. And I think what our agenda is -- the President of the UAW would probably kick me a little bit above the shins for saying this -- but I think we're trying to hold our own and find a way to start building, and getting the United States worker to buy American cars again. So I think they're not going to put their emphasis on trying to do something that General Motors already made their decision on. We did the same thing with 980 in Edison. And it showed no -- it produced no fruit at all.

ASSEMBLYMAN EGAN: Thank you.

MR. SMITH: You're welcome.

ASSEMBLYMAN VAN DREW: And on a much smaller level, Dallas Airmotive. And that's where that plant closing bill came from -- the same thing.

MR. SMITH: Dallas Airmotive, in the '70s, when they were talking about -- and I was at the bargaining table -- when they were talking about -- when we had a recession, they were talking about give-backs. Those workers at Dallas Airmotive were very, very sensitive to that issue. Dallas Airmotive's workers were paying a very large part of their salary toward the benefits to continue to keep that plant here. And Dallas Airmotive was also in agreement to take a very small wage increase to keep that plant here. And it still didn't mean anything. It meant nothing. It meant (expletive deleted).

ASSEMBLYMAN VAN DREW: Mr. Marketti.

MR. MARKETTI: I wanted to ask you a couple of questions about competitiveness.

As I understand your testimony, Mr. Smith, when you're talking about the difference between the unorganized plants in this country and the organized plants, it's basically the heritage costs that the unorganized plants don't bear. They don't have substantial numbers of retirees who are collecting pensions and health benefits, and don't have that burden on the cost of their product, such as the organized plants do. Is that pretty much correct? It's the heritage cost -- that basically the market has said that we shouldn't be taking care of old people, either with their health benefits or their pension benefits.

MR. SMITH: In spite of paying for it, yes.

MR. MARKETTI: Right.

And then with regard to overseas competition: I'm always struck by the pundits who talk about Americans having lost their competitive edge. I'm an economist by training, and from what I read in the literature, American workers are the most competitive workers on the face of the Earth. But here is the problem that you're up against: If you have an American worker whose productivity is 100 widgets an hour -- whether widgets are cars, or shoes, or whatever -- and who is getting a base wage of \$20 an hour, that's a cost of \$.20 a widget. And if you have workers who are less productive, who are producing 50 widgets an hour, but are only making \$5 an hour, the cost per widget is \$.10 a widget. So basically the competition -- or the competitiveness is a wage competition. Basically, we're racing to the bottom to compete with the lowest paid workers on the face of the Earth.

Is that pretty much how--

MR. SMITH: It is, except -- and I-- Based on what your expertise in the field -- your expertise are in, you also are well aware of my position that once we lose the ability to produce that product in the future, the \$.10 widget then becomes 20 and 25. So it's only for a short term that you're able to benefit by the low wages in another country. It then meets--

MR. MARKETTI: I'm not justifying low wages in another country.

MR. SMITH: No, and I didn't take that that you were.

MR. MARKETTI: In fact, I complain to our Governor regularly about why our pension money is invested in emerging markets; why we're using our money to prop up our competitors at slave and substandard wages.

MR. SMITH: And just to finish: If you now, today, went into one of the producers -- no, no, I'm sorry -- one of the retail facilities for a suit -- and I mentioned it about sneaks and shoes. In the days that we were producing 90 percent of it-- The dollar profit margin on that suit today that we no longer produce, because we don't have the ability to do it, because we've dismantled the industry, is at a higher rate. And there is more profit on that than when the United States was producing it and paying good jobs.

ASSEMBLYMAN VAN DREW: Which is why it's all happening.

MR. SMITH: Of course. And that will happen, whether we think it will -- whether Ford, Chrysler, or General Motors is in business. For a short period of time, you may be able to buy an automobile that gives you a 20 percent reduction in cost. But when it ends, you'll pay the price

for it. And we've lost the jobs, and we've lost the right to compete in that industry. And when you have no control over it-- If you have control, there's no country in the world -- or no workforce in the world that can compete with the United States of America.

MR. MARKETTI: I'm always struck by the clash of the two policies in this country. One is a policy of supporting unions and what they do to the labor market -- that is to take labor out of competition. Because we've all learned, historically, that that means that everyone's wages get driven down. And on the other hand, to have a policy that says we have to protect free trade, no matter what it does to jobs. And so there's a clash of policies. And I think what we look to our legislative leaders -- is to balance that playing field and to come down on the policy that we fought for, for so many years.

MR. SMITH: I'd love to see that scale lean a little bit toward the United States worker in the near future, not a balance. I'd like to see what they've done for that many years against us -- that it starts tilting in favor of the UAW or the workers in the United States, and certainly stop the hemorrhage of these industrial jobs in this country. There's a few left. Jesus, Mary, and Joseph, let's save them.

ASSEMBLYMAN VAN DREW: Well stated, Fran.

Anybody else? (no response)

Okay.

MR. WILLIAMS: Do you have materials that you want to submit?

MR. SMITH: Yes.

ASSEMBLYMAN VAN DREW: Thank you.

Linda Klose, from AeA, Advancing the Business of Technology.

L I N D A K. K L O S E: Mr. Chairman, members of the Commission, thank you for the opportunity to present testimony today on the high-technology industry's business concerns surrounding the phenomenon of offshore outsourcing and its effect on the State of New Jersey.

My name is Linda Klose, and I am the Executive Director for the New Jersey-Pennsylvania Council of AeA, formerly known as the American Electronics Association. I represent AeA throughout New Jersey, Pennsylvania, and Delaware. I am proud to say that I've been a resident of New Jersey for 40 -- almost 40 years, and that my office is in Clark, New Jersey.

By way of background, AeA is the nation's largest high-technology trade association and represents over 2,000 high tech companies, which span the high-tech spectrum from software, semiconductors, medical devices, and computers to internet technology, advanced electronics, and telecommunications systems and services. In the State of New Jersey, we represent over 40 technology businesses, such as ANADIGICS, Brother International, DRS, I.D. Systems, inTEST, Matheson Tri-Gas, Sharp Electronics, Sensors Unlimited, and Universal Display, to name just a few. If you want to know more about AeA, you can go to our Web site. And I gave you all business cards so you have the address.

I commend you for seeking information about this topic, including labor groups, business, and specifically us, the high-tech industry, because I think this will get you the best outcome for New Jersey's workers, the businesses that employ them, and the taxpayers who live here. As I

mentioned earlier, AeA represents large, medium, and small businesses, not only in New Jersey, but all across America. It is for the sake of the small- and medium-size businesses that I'm testifying today.

First of all, I would like to distinguish between the terms *outsourcing* and *off-shoring*. To me, outsourcing is when an entity hires another entity to do something. That could be as simple as hiring a cleaning service to come into your plant and do the cleaning. That's outsourcing. And I don't think that's what you all are meeting here today to discuss. The other thing is off-shoring. Off-shoring is when you hire individuals who are physically located in another country. And I say another country because, again, we're running into the problems between states. You may not be able to do anything, because that's a whole different legal issue that we're not getting into. So when I'm talking about -- for the rest of my thing -- I'm talking about offshore outsourcing, where you have -- the jobs are flowing overseas.

We're also an organization-- Just so you're clear, AeA is an organization of American companies only. They must be located here. But all of my member companies benefit from a global economy. That global economy has been well-covered. I don't know if you've also read *The World is Flat* by Thomas Friedman, *China, Inc.* by Ted Fishman. I recommend both of those books. They're excellent. But if you're not keen on books that are, you know, two inches thick-- Actually, *The World is Flat* is pretty easy to read, but *China, Inc.* is horrendous.

The book that I gave you is a little bit easier to plow through. This is an updated version of it: "We Are Still Losing the Competitive Advantage -- Now is the Time to Act." We had an earlier one that came

out two years earlier. This has been given to everyone in Congress and most of the President's staff. And because of it -- and, in fact, it came out before *The World is Flat* -- it's been used as the basis of the Republican National Summit on Competitiveness, President Bush's American Competitiveness Agenda, and the Democratic Competitive Initiative.

What that meant was, when Nancy Pelosi took office this was high on her agenda of things she wanted to accomplish. She also wanted to have more than it just barely pass. Her COMPETES Act just passed last month with 367 votes in the House -- including every single New Jersey member of the delegation voted for the COMPETES Act.

Basically, the COMPETES Act covers the things that we've been advocating, which is increased funding for R&D, invest in new teachers of science and math, create a technology innovation program, increase funding for the Manufacturing Extension Partnership, and create an advanced research projects agency for energy research.

Now, I am not off on topic. The reason I'm talking about that is, when my members get together and they talk about off-shoring, the first thing that hits them is, of course, what I think we're all talking about -- which is our workforce. The difference for my members is, we're frantic, we're desperate for workers, and we can't get workers. And the reason there's-- Primarily, when you dig down, there's two major reasons why we have problems getting enough workers. One is our education system, which does not encourage people to go into what is called *STEM*. *STEM* is your science, technology, engineering, and math. For careers that -- you know, the geeky things, the things that are too hard, you know, we have a hard time getting students to go into those. We need to make sure that they are

prepared from K-on, if not pre-K. The other problem is: In the past, our stop-gap measure to get enough people to man our plants was to use an H-1B visa. Unfortunately, there aren't enough of them.

So, digging down a little farther, I have a company here in the State of New Jersey -- ANADIGICS -- that is a manufacturing plant here in New Jersey. They make gallium arsenide semiconductors. Translation: it's what goes into your cell phone. And it's made here. They sell to Motorola. Okay? It's made here in New Jersey. So when they go to hire someone, at a bare minimum it will take them 90 days. It could take them 120 days. They recently bought a small company just to get the 23 engineers that worked in another state. They're frantically desperate for engineers, and they're not the only ones. I've talked to one company after another that is frantic, desperate. It leaves them in a very difficult position.

Then there's another reason to set up facilities overseas. And that is to put them near the customer. I gave you some information on exporting and things, trade trends, so that you could see who New Jersey and all the other states are trading with. And you also now have some information about some of those agreements -- the trade agreements, because they are interesting.

We have made our trading partners do concessions to us because of the very things we're talking about -- the out-of-kilter way that things have been done in the past. In other words, if they're -- if we're going to buy their goods, they're going to have to buy our goods. It's going to have to be a two-way street. That's kind of the point of writing these trade agreements -- is to make sure it's a two-way street.

So just to put this in perspective: New Jersey exports \$27 billion of goods every year -- for the most recent year -- and \$3.4 billion in high-tech goods, like my plant ANADIGICS. Our biggest customer -- our biggest one -- no surprise, is our nearest neighbor, Canada. But we also send things to Japan, Germany, France, and the United Kingdom. And one thing that the man at ANADIGICS mentioned to me is -- he was startled to think about this -- but China is not just the biggest producer of goods, they're the number two market. We are the number one market. They are the number two market for goods. They are a growing economy, and they are the fastest-growing market. It's no surprise when you really think about it. There's a lot they have to catch up for.

Please read this little book, because it will talk about leapfrogging of technology, why we're having problems competing. It's a lot more complicated than just price.

So when you do-- So our big thing is, we want to create jobs here in the United States. I'll be honest with you, AeA as a whole is concerned about the United States. Me, I'm a New Jerseyan. I'm concerned about New Jersey. That's my first priority. But for AeA -- worrying about the United States. And one of the things that we see is: you can't restrict markets. It just doesn't work. It's Economics 101. If you-- We're in a global economy. This trade is flowing back and forth. And as I said, we have to build plants, sometimes, because that's where we're delivering the goods.

Right now, our employment in technology is going back up. We had the downturn that started in '01. And in '05, our numbers started to go up in jobs. In '06 they went up even more. We project that they will

continue to go up. The only thing that really lost out, here in New Jersey, in technology -- I'm sure this won't surprise you -- is the telecom. And I think we can say that with one company name and know what's going on.

But where we gained jobs is-- We gained nearly 2,000 jobs in computer design and related services, 300 in engineering, 200 in software. So our projection is-- And, meanwhile, we're not graduating as many engineers as we are currently losing -- or don't have enough of. So we've got this widening gap of -- here's the graduation, and here's our need. And it's getting wider, and wider, and wider. And we're ending up with -- further and further.

And, frankly, I look at this and I think, "Suppose I'm running a plant somewhere in the State of New Jersey, and I want to get a contract, and I know that I can't get engineers here. What am I going to do?" And it isn't just New Jersey, unfortunately.

Then also, recently there's been legislation proposed, and some passed, that would restrict who could actually bid on a State contract. The problem is that many of our companies are multinationals. They don't do just work here. So when you're asking them to work on a State contract, where the work is all done right here, that could be a problem for them. If you take them out of the equation, you've got a much smaller pool to draw from, and you're probably going to raise the cost of the contract. And here I am trying to promote New Jersey businesses, but some of them are being left out of the equation because they happen to also have a plant overseas.

So what would we like to do to help? We want you to keep worrying about education. We know that New Jersey has always been high on education. There's no question. But what we're very concerned about is

making sure that the young people's attitudes to high-tech is increased. We need them to see the excitement about math. We want you to support research and development. A lot of that's being done here in New Jersey. We've got the new stem cell, which isn't my kind of technology, but it's still-- We need technology diffusion, which is just a matter of-- If we have a lot of broadband, then people will buy more things. If they have those more things, they're creating more market. And we need a business-friendly atmosphere.

Specifically, recently the New Jersey Legislature passed Senate Bill 2526. It was a corporate business tax credit for digital media content. Translation: it's the stuff that you're kids are working on, on the computer. It's not-- But the point is, it's an infant industry. It does not yet have a center. We could put it here. New Jersey is very high in broadband. We've got lots of wire -- pardon me, not wire. We've got lots of fiber in the ground, and hung from the trees, and everywhere else. We have a chance to be an economic center for this. And all that's waiting on that is when the Governor signs it. It's been passed. You guys-- Your part of it is done. We're waiting for the Governor to sign it, because we want to get this going so that we've got a brand-new industry here.

Understand that our jobs usually paid about 70 percent more than other private-sector jobs. Yes, 70 percent. We can document that. I didn't bring extra copies, but I could give them to Greg. This is Cyberstates report. You have the Trade one. This one has about income. And it compares New Jersey, as far as high-tech employer, to all the other-- You don't have this. It's a different one.

But I will give you that one, Greg.

It compares New Jersey to other states, as far as how we compare in our employment.

That's pretty much what I wanted to say on behalf of AeA.

I did want to also say something. My undergraduate degree from Douglas is in History. And when I read about the Revolutionary War -- and I've been reading some biographies lately, most recently Alexander Hamilton -- I'm struck by something really interesting. One of the reasons for the Revolutionary War-- People always forget. They think -- well, the Stamp Act. That was just a tax. What was the big issue that was aggravating all 13 colonies? It was economic freedom. They were required to sell their goods to the mother country. They were not allowed to trade with other countries. They were a captive market. That was one of the things they most objected to. And right after we got our freedom, Alexander Hamilton did something, here in New Jersey. He looked around, and he came up-- He found a place that he thought would be great for mills. But England was very careful, and they would not allow any of that technology out of their country. And so he stole it. There is no question. He actually bribed workers from textile plants in England and Scotland to come to this country and set up textile plants in this country. That is how industry started in this country. That was the nucleus. It started here in New Jersey.

ASSEMBLYMAN VAN DREW: Is that Paterson?

MS. KLOSE: You know, it started because we stole the technology. Because nobody would have let us have it.

Well, those times have changed. There's no question. It's not like that. That's the point of *The World is Flat*. It's a whole different scenario today.

I look at this and I think-- And then I think about immigrants, and I think of people coming to this country. None of my ancestors ever had to go through a naturalization process. None of them probably spoke English when they -- well, some of them may have, because they came from English-speaking countries, but mine came from all over Europe. They came here because they wanted to work. And I think most of this will even out. There is pain going on as we convert. As we converted from a rural, agrarian society into one of the strongest industrial powers in the world, there was a lot of pain along the way. And I'm not saying that there won't be pain. There will be.

What I'm asking us is to look at this in the broader picture of -- what are we looking for? Are we looking to worry about today's jobs, or are we worried about tomorrow's jobs? And that's what I'm worried about -- is tomorrow's jobs. I'm worried that if we don't look at the big picture, and get too hung up on the little things, we're going to forget what made our country strong.

And that was my personal addition to this -- that I'm very, very concerned, like everyone else coming here.

ASSEMBLYMAN VAN DREW: Very good.

MS. KLOSE: Any questions?

ASSEMBLYMAN VAN DREW: Do you believe the future in the United States of America is going to be high-tech and that certain, more basic types of manufacturing -- that were traditionally manufactured in the

United States of America -- will be relegated to be manufactured in other countries, just because we can't compete with the low wages, the lack of environmental restrictions?

MS. KLOSE: Well, first of all, I see a lot of that evens out eventually. I love that my Acura, which is a Japanese nameplate-- I had always bought American. I wouldn't have bought anything but GM and Fords. But after a while I got kind of aggravated with some of them. And when I found that the car I bought-- Well, years ago I bought a Dodge that had a Japanese transmission in it. Well, my current Acura may have a Japanese nameplate on it, but it was built in Ohio. It is 85 percent American. It has a Japanese transmission in it. So it's the same. I mean, the workers are employed in the U.S.

Anyway, I still see us manufacturing. Because I will tell you, why would a Japanese car be made in this country? Well, I think you all know they've got the same problems we've got, only more so. They've got an aging population, they've got a well-paid population, and they've got a population with all kinds of benefits. I mean, they're running into the same problems. In fact, their population is aging faster than ours. That is one of our problems. When you get into competitiveness, that's one of our problems -- is our aging population. More and more people will be retired people. And that isn't because they were laid off, that's just about age. And you've all read the projections for Social Security because of that; because we're going to have fewer and fewer workers supporting the retired person. And most of that is because people live longer than they-- When they projected things back in the '30s, they weren't assuming that you'd be out golfing at 75 and getting a replacement knee when your knee gave out.

ASSEMBLYMAN VAN DREW: Last question: When you say it will even out, do you believe it will even out because our standard will eventually lower and some of these other countries will rise? How will it even out?

MS. KLOSE: Well, in India, where some software is done right now, the wages are already going up. I don't think anything is going to happen-- None of this changes in two days, nor two weeks, nor two years. I think their wages will rise, their standards will rise.

For instance, China has already passed a restriction on hazardous materials and the recycling of hazardous materials the way Europe has. They grabbed Europe's bills before we've even got them in this country.

The problem for us is that many places in the world are leapfrogging us. What that means is, yes, we were the first to get telephones coast to coast. We're a big country, and we had telephones, what, by the '20s, '30s, or something? Everybody had a telephone in their house, right? It was that black one rented from the telephone company. Right? Sitting in the middle of the house -- party line. It might have had 10 people on it, but we had a telephone. Most of the world did not. Most of the world never will have copper put down. They're leapfrogging straight into digital technology. They're not having to spend the money to go through that stage. We went through a lot of trouble to put that copper in, coast to coast. They're never going to put it in. They don't need it. They're leap-- That's what they mean by leapfrogging. They're skipping that step. We went like this. (indicating)

So maybe what we also have to look at is making sure that we don't get left behind when we're carefully going step, to step, to step, and they're going whing (indicating) right over us. And this isn't about them stealing from us or anything, this is about them using that technology.

By the way, when I was reading one of our other things, I keep thinking-- On immigration, too, just so you're aware-- If it wasn't for immigrants, we wouldn't have Google. Intel, Sun, EBay, Yahoo, and Google were all started in this country by people who came here. And let us not forget one of our most famous people we claim here in New Jersey, and that would be Einstein. I wonder whether he would be allowed to come in. He certainly couldn't get an H-1B visa right now. So maybe there would be no research being done at Princeton. So we have to think about this as we go forward.

Is that scary to think?

ASSEMBLYMAN VAN DREW: Dangerous issue to talk about right now, though.

Chairman Egan, did you have anything?

ASSEMBLYMAN EGAN: No, I'm just struck by this one graph in here, where over 50 percent of the engineering, computer science, and math doctorates are not Americans in this country.

MS. KLOSE: That is correct.

ASSEMBLYMAN EGAN: Over 50 percent. It's amazing.

MS. KLOSE: And what happened, too, after 9/11, we started restricting who could come to this country, heavily. There were engineering schools who were just desperate for people. And bear in mind, they pay the full freight. Our people get scholarships. When they come from other

countries, they don't get scholarships the way our people do. So we had engineering schools in terrible trouble, because the people who had been paying the money--

Then, what used to happen was, you came here, you took a degree here, you stayed, you started your company here, and you started that industry going -- the Googles, the Intels, the Sun. Now, because of 9/11 and the extra security, we throw them back out of the country, even the ones that manage to come in as students. We throw them back out.

My boss at AeA would like us to staple their Green Card right to their diploma. They shouldn't be allowed to go home. But worse -- that was a few years ago. Now it's even worse. Because what's happening now is, in India, China, Russia, they have universities that are competing with ours. And did you see the statistic about how many engineers they're graduating? China is graduating six times the engineers we are, six times. There is a scary statistic for you. They won't need us anymore. They'll be able to design their own goods. They already have their research and development organizations set up.

We've done such a good job of teaching the world our model -- and it is our model -- the model of free enterprise, competitiveness, all this. We did such a good job of teaching them, and they went out and imitated us. Can you imagine? What a thought. But they are doing that, and that is the danger. And if they keep doing it, but one-upping us -- whether it's degrees or whatever -- they're going to swoop right past us. Right now, we're still the leaders. AeA wants to keep us that way. We're the former American Electronics Association. We only dropped the word *electronics* -- just so we're clear -- because we now have software companies in our

organization. It's just an evolution of our organization. It's not because we're not American. We are. It's still a requirement for membership.

ASSEMBLYMAN VAN DREW: Mr. Marketti, did you have anything?

MR. MARKETTI: Yes.

MS. KLOSE: By the way, Mr. Marketti, could I have a copy of those questions also? I'd be interested to see--

MR. MARKETTI: I gave all the copies to--

ASSEMBLYMAN VAN DREW: Sure. Absolutely. We'll get you a copy also.

MS. KLOSE: Because we do a lot of statistical research. So I might actually be able to get the answers for some of those for you.

ASSEMBLYMAN VAN DREW: That would be very helpful.

MS. KLOSE: And by the way, these are real research. They're not fluff.

MR. MARKETTI: I have two or three questions.

MS. KLOSE: Good.

MR. MARKETTI: But first I wanted to make a brief comment about your promise that in the long run everything would even out. I remind you that it was John Maynard Keynes who said that in the long run, we're all dead. (laughter)

MS. KLOSE: You are correct. I stand corrected.

MR. MARKETTI: Do you have any idea as to how many H-1B workers are employed in New Jersey currently?

MS. KLOSE: No, I do not, but I will try to find out if you would like me to. I know that nationally it's 65,000.

MR. MARKETTI: And do you know the average length of employment of H-1B--

MS. KLOSE: I can find that out for you. I'd be very, very happy to.

MR. MARKETTI: And I'd like to know what kinds of occupations do they take when they return to their home country.

MS. KLOSE: Okay. So you want to know number of H-1Bs in New Jersey, length here, and when they return what kinds of jobs--

MR. MARKETTI: Because there's been some claim in the literature that the H-1B program is just a way to accelerate the off-shoring of jobs by bringing people over, training them, sending them back to their home country where they set up businesses that take our jobs.

MS. KLOSE: And, you know, we're back to the glass half full, half empty. And I'm sure there is some of that. But I also know that without them, we've got plants that wouldn't be able to operate. So, you know--

MR. MARKETTI: Now, can I make a recommendation to you? Offer more money. (laughter)

MS. KLOSE: Actually, remember, these people are making a lot more money than people with other jobs.

When my daughters got out of college, it was interesting. I have one in Liberal Arts and one who is an engineer. The one who is an engineer had five good offers before she left school. All of them were more than I am currently making. So as far as offering more money-- The problem was not that. She had five offers, because she had -- they were

companies that would have paid anything to get more engineers. It's not the money.

Well, the problem is, you start with kids that are told that math and science doesn't matter. Then they get up farther, and they can't pass Calculus. And if they can't do Calculus, they can't get an engineering degree. And at that point, we've lost them. So that's why our big concern-- Long-term, AeA thinks we have to start at the bottom. We'd like to meet with the PTA. I mean, I've been told to go out and meet with the PTA. That's where our number one concern is, is education. The other stuff is stopgaps. Those are just things that are temporary. The only solution is education.

ASSEMBLYMAN VAN DREW: Sure it is. Why do you believe people -- just the change in the American climate -- that people are not as interested in the science -- certain sciences?

MS. KLOSE: We have a theory.

ASSEMBLYMAN VAN DREW: Not as -- I hate to use this term -- not as a *sexy* field to go into.

MS. KLOSE: That's one of them. It's not sexy. You're exactly correct. When they--

ASSEMBLYMAN VAN DREW: Pharmacy has the same issue. I mean, it's a very good-paying field, and yet they just cannot get enough pharmacists.

MS. KLOSE: Yes, exactly. It's not because it's bad work. It's not dirty work, it's well-paid work. What's the problem? Yes, the problem is that it's not the image there-- I was reading in our report, Bill Gates is

like a rock star in China. How do people think about Bill Gates in this country?

ASSEMBLYMAN VAN DREW: Nerd.

MS. KLOSE: Nerd, geek. Who would want to be like him? Oh, I don't know, somebody who wants a few billion dollars to throw around in a foundation.

There's part of the problem. It's just, we've got to win over their hearts. When was the last time anybody even made a big deal about Einstein in this country, or anything like that? Actually, our secret thing is: When the big push came in this country was Sputnik. When Russia put Sputnik up, our country went into heart-attack mode. They were just like, "Wait a minute. How did they get ahead of us? What happened?" and at that point, suddenly the money was pushed into R&D, kids suddenly saw it as sexy and exciting. We're going to put a man on the moon. Right? I mean, maybe some of you couldn't remember a man walking on the moon. I remember how exciting having a man walk on the moon was. I mean, Buck Rogers come to life for people, right?

All that excitement drove people into the technical fields, because they could see where it was going. "Oh, my goodness. If I go into aviation, engineering, I might end up in a space suit." There's not that-- But now, the shuttle goes up on a regular basis, and people go, "Oh, yeah, I heard the shuttle went up last week. Did anything happen?" "No, no."

Here, in our state, Greg Olsen -- you may have remembered -- he went up with the Russians, because they'll take up tourists for pay. Our country wouldn't want to do that. He went up. And the reason he went up, partly -- besides the thrill of going into outer space -- was because he

wanted to tell students about it because he wanted to get them excited about math and science. We've got to get them--

So our thinking is, this is like the frog in the pot. The water has been coming up gradually, and we're going to get cooked to death. If we had been thrown into a hot pot, we would have jumped right back out. We'd love to have a son of Sputnik. If we could get something that frightened us, scientifically, like that, we would probably get all the people to go back into R&D and worrying about all this. But, right now, nobody-- It's not sexy. You're correct. That is one of the reasons.

ASSEMBLYMAN VAN DREW: Anybody else? (no response)

Thank you very much. Very good.

MS. KLOSE: No problem.

ASSEMBLYMAN VAN DREW: Thank you.

Eric Richard, from the New Jersey AFL-CIO, a gentleman we have heard from before.

ERIC RICHARD: Good afternoon, Chairman Van Drew. Thank you very much for the opportunity to testify.

Good afternoon, members of the Commission.

My name is Eric Richard. I am a Legislative Affairs Coordinator for the New Jersey State AFL-CIO. And just commenting on some of the previous testimony-- There is a film that I show my students at Rutgers University entitled *American Jobs*, which goes into detail about H-1B visas. I've had Assemblyman Egan in my class before. I invite you to take a look at that film. And it basically goes into very precise detail about the pros and cons of H-1B visas, and also mentions that H-1B visa recipients typically earn about 15 percent of what American professionals earn to do

the same exact job. In fact, there was a description of engineers at Seamans Corporation in Seattle, Washington. And there was a clip in that movie that illustrated how American engineers train their H-1B visa participants for their jobs, and then lose their jobs -- the Americans do -- and they get about eight H-1B visa workers for the cost of one American engineers. So I think I understand why H-1B visas are so vital to corporations here in the United States.

With that being said, a comment from our good friend at the UAW, as well--

Mr. Marketti, you mentioned legacy costs -- the costs to provide health insurance and pensions for retirees. Each car manufactured in the United States has a \$1,500 addition purely for legacy cost for their employees than their foreign competition. So that shows you a little bit of the discrepancy between what foreign competitors provide in benefits for retirees versus Americans.

Again, Assemblyman Van Drew, I want to thank you for holding this hearing. I want to thank you for your leadership on this issue. The AFL-CIO is grateful that you formed this Commission. New Jersey has passed legislation to begin to address the situation of outsourcing here in the United States. In particular, we are proud that New Jersey passed S-494 in 2005. That bill, championed by Senator Shirley Turner, requires that State-funded service contracts be performed here in the United States. This law illustrates that state legislatures clearly have the right to regulate certain trade issues that best serve the interests of their constituents. Although trade policy is largely governed at the Federal level, there are

many actions that state legislators can take in order to minimize the adverse effects of outsourcing on New Jersey jobs.

The New Jersey State AFL-CIO makes three recommendations for the Commission to consider. The first reverts back to Mr. Marketti's comments in regard to disclosure, and what we believe should be attention to and passage of disclosure legislation.

In order to properly address any problem, you first need to know if it is widespread and what its effects have been. The outsourcing debate is hampered by the lack of objective data to reinforce policy recommendations to either allow the continued unrestricted use of outsourcing or to restrict outsourcing to protect American jobs.

For this reason, as with any policy debate, we believe the first step to addressing the issue of outsourcing is acquiring reliable research on its net effect on jobs in New Jersey. Currently, neither government nor the private sector collects this information or discloses it to the public. Because the estimates of net job loss vary significantly, depending on who you listen to, New Jersey should be proactive in requiring corporations to submit this type of information.

For this reason, the first recommendation of the State AFL-CIO is to pass legislation similar to A-932, which was signed into law last year. A-932 is known as the Employer-Based Health Insurance disclosure act, and requires the Commissioner of the Department of Health to prepare an annual report disclosing which employers in the state have a significant number of employees or their dependents receiving publicly funded health insurance through either the FamilyCare program, Medicare, or charity -- I'm sorry, Medicaid or charity care. The same concepts should be drafted

into legislation to require disclosure for private sector corporations that outsource jobs, and include penalties for the failure to disclose this information. State government should then disclose this information and report that information to the public annually, as they do with A-932.

In essence, this bill simply seeks to measure the impact of outsourcing on the American job market and would give policy makers, such as yourselves, the data you need to accurately address this problem. Public sector disclosure bills have been signed into law or -- I'm sorry. Public sector disclosure bills have been signed into law or implemented via executive order in several states, including Colorado, Illinois, Washington, Minnesota, Missouri, and North Carolina.

The second recommendation of the AFL-CIO is to enact the Jobs, Trade, and Democracy Act, a copy of which is attached to my testimony. Although certain state laws on trade may be considered to run afoul of the U.S. Commerce clause, states still enjoy broad authority over procurement policy. And the courts give states the rights to grant procurement preferences when acting as a "market participant," or purchasing goods and services from private contractors.

This bill embraces the concept by establishing the role of state legislatures in setting trade policy for the state, and helping workers and businesses that have been impacted by trade. Specifically, the bill would require the consent of the state legislature to bind the state to international trade agreements, and establish a legislative point of contact to serve as a liaison with the governor's office and the Federal government on trade policy. The bill also establishes an office of trade enforcement to monitor trade negotiations and disputes, and to analyze the impact of proposed

trade agreements on the states. The bill, or portions of it, have been passed in Colorado, Hawaii, Indiana, Maine, and Utah.

Finally, our third recommendation is in regard to two bills which are currently sitting on the Governor's desk, which address issues included in the outsourcing debate. We respectfully ask Governor Corzine to sign into law your bill, Assemblyman Van Drew, A-1044, which seeks to extend the current WARN Act notification period from 60 days to 90 days, as well as increase certain penalties for noncompliance. The Federal WARN Act is currently riddled with loopholes and is considered toothless by most worker advocates. The WARN Act requires significant reform in order to adequately accomplish the mission it was originally intended to address. A-1044 would take the first steps towards accomplishing this at the State level. Other necessary WARN Act reforms are included in recent articles that I have also attached to my testimony for your review.

If jobs are outsourced to foreign nations, this bill would give these workers an additional 30 day notice in order to pursue a new job or job training. When looking at this in the big picture, this concept is very insignificant, yet there has been significant resistance to this even minor reform.

The second bill currently on the Governor's desk is S-1213, sponsored by Senator Turner. This bill seeks to achieve disclosure of job development requirements for certain government subsidies. Simply stated, the bill is about accountability in government, accountability for corporations to meet promised job creation goals, and embraces good government reforms that the public wants. We respectfully urge Governor Corzine to sign this bill.

In closing, there is much states can do on the issue of trade, and we respectfully urge the Legislature to take action on these issues. We respectfully recommend to this Commission that they examine the proposals described in my testimony and include them in your report for recommendations to the State Assembly.

Thank you. And we look forward to continuing to work with the Commission.

ASSEMBLYMAN VAN DREW: Thank you, Eric.

Questions?

ASSEMBLYMAN EGAN: I'd just like to say that I was hopeful that we wouldn't have these last two paragraphs, or four paragraphs. I thought the Governor would have signed Jeff's bill and Senator Turner's bill by now. And I'm certainly going to encourage him, when I see him, that it's long overdue. Those bills should be signed.

MR. RICHARD: I appreciate your support on that, Assemblyman Egan.

ASSEMBLYMAN VAN DREW: As do I.

Okay.

MR. RICHARD: Thank you.

ASSEMBLYMAN VAN DREW: Thank you.

David Bensman, from Rutgers University, the State University of New Jersey.

My alma mater.

DAVID BENSMAN, Ph.D.: Thank you, Chairman.

I'm David Bensman. I'm a Professor of Labor Studies and Employment Relations at the School of Management and Labor Relations at Rutgers.

First of all, I'd like to thank the members of the Commission and Chairman of the Commission for the opportunity to speak about an issue that is very important to the future of our state.

I'll start out by saying how I got to this testimony. Three years ago, I was working with people from the State AFL-CIO, and CWA, and UWA, looking at the loss of manufacturing jobs that had taken place between 2001 and 2003. I think New Jersey lost something like 65,000 manufacturing jobs. It was as bad as the period of the early '80s.

And as I was looking into that and trying to understand what that meant for the future, we held a hearing about it at the Seamen's Church Institute, in Port Newark. And outside the church, through the windows, I could see all these big containers getting unloaded from the ships. And I began to think about all the jobs that were being generated by bringing imports into New Jersey.

And I began to wonder, a lot of jobs are being generated by the imports. Do these new jobs offset the loss of manufacturing jobs? Why aren't-- New Jersey is creating lots of new jobs, we know. Why aren't those jobs as good as the jobs we're losing in manufacturing? And that led me to the research, which I've been doing with people from the Bloustein School in the Heldrich Center, Bill Rodgers and Maria Boile, of the Center for Advanced Infrastructure and Technology (*sic*) at Rutgers, about the logistics industry.

So on the basis of some of that research, I'd like to, first of all, give you a composite case of a job that's been created through the growth of global trade and the logistics industry in New Jersey, and talk about why it's not as good as the manufacturing jobs we're losing; and how both the loss of manufacturing jobs and the fact that the jobs that are being created aren't as good as the manufacturing jobs are related to the lack of regulation and lack of law enforcement, which is creating the incentive for outsourcing of jobs and off-shoring of jobs. Okay?

I and my students have been interviewing port truck drivers, and this is based on the interviews we've been doing.

When a worker decides he wants to become a port trucker and participate in the growing freight-hauling sector of the New Jersey economy, he will usually go to a port trucking company to ask for work. If he has a clean driving record and a commercial driver's license, the company manager may suggest to him that they visit a truck dealer, where the worker will be able to select a truck cab for his new career as an owner-operator. The new driver will pick out a cab -- usually an old one to keep down monthly payments -- and sign a lease. If he is unlucky enough to have landed in the hands of an unscrupulous -- or low-road -- trucking company, his boss will then take the lease back to company headquarters. From then on, this so-called owner-operator will "independently contract" to drive for the trucking company by arriving at the dispatch station every day to receive his assignment. He will receive a written order to pick up and deliver a container from a warehouse to the port, or vice versa, for a specified sum, which is supposed to be based on the percentage of the rate that the drayage company has negotiated with a logistics service provider.

But since the driver doesn't see the company's contracts to haul the freight, he doesn't know if he's receiving the correct sum or not.

The trucking company will deduct from his payment sums for such things as tire insurance, and various fines and penalties. Because he is an owner-operator, there is no employer contribution to the unemployment insurance or worker compensation funds, no Social Security tax, no health insurance, no pension contributions.

This independent contractor will be required to report daily to the dispatch office to await work. This means he can't seek work orders from more than one company. If he decides to leave the company, he will be told that he can leave, but the truck stays behind. Since the lease has remained with the company, he has no recourse. If he gets into an accident, he may find out that the trucking company has not paid insurance to cover him and to cover his truck on an insurance policy. The cost of the accident may drive him into bankruptcy or out of the trucking business.

Hundreds of port truckers, and garbage haulers, and other truck drivers are thus misclassified as owner-operators. This absurd situation is a symptom of the decay of the regulatory regime that we have built up in this state, and in the United States, over more than a full century.

I was trained in history, so I'm going to go back in history for a second.

American legislators, after experiencing the negative effects of destructive competition since the beginnings of America's Industrial Revolution in the 1820s, began creating regulatory agencies to channel competitive market forces into more consistently positive directions. The Interstate Commerce Act, passed in 1887, was a landmark, a first step in

the recognition that unregulated markets led to monopoly, discriminatory pricing, financial panics, commercial piracy, retarded technology development, environmental destruction, poisoned food and drug scares, and poisoned toy scares, and a litany of restraints of trade.

So for more than a hundred years -- until a state and national regulatory framework was fully fleshed out -- the ill effects of destructive competition took their toll on American labor markets from the 1820s to 1930 or so. When firms found themselves backed to the wall by cut-throat competition, they put children to work, hired gang leaders and padrones to recruit immigrants and contract work to them, enlisted subcontractors to put out garment sewing and shoemaking to women working at home, opened sweatshops in dark and dirty tenements, stretched out the hours of work, ignored safety risks and health hazards, and so on.

In the 1930s, the Federal government and many state governments acted to end the destructive race to the bottom brought on by the Great Depression. Believing that regulation was necessary to ensure that competition remained healthy -- that is to say, that market forces would reward the more efficient and innovative enterprises -- legislatures created agencies throughout the American economy, from banking to agriculture, from Maine to California. America regulated not only food and drug safety, but freight rates, bank lending practices, airline schedules, building materials, pricing practices. The list goes on and on.

Along with the regulation of competition came the regulation of labor markets. Child labor was strictly limited. Minimum wage, the eight hour day, the right to associate and bargain collectively, unemployment compensation, workers' compensation, scheduled lunch breaks -- all these

standards that employers had claimed to be rendered impossible due to competitive pressures -- were now embedded in state and Federal laws. The growth of collective bargaining, along with the passing of legislation and, equally important, the enforcement of labor laws and regulatory codes by state and Federal inspectors, ended most of the worst labor abuses. An industry like steel, which had once had terribly low wages and dangerously unsafe working conditions, was transformed by the 1970s. Steelworkers, with their middle-class wages, health insurance, and pensions, were considered exceptionally favored workers by their neighbors in industrial communities.

So when we began to bemoan the loss of manufacturing jobs in the early 1980s, it wasn't because manufacturing jobs were inherently good -- manufacturing jobs in the 1930s had been dangerous, low-paid jobs. But 50 years of regulation and collective bargaining had made them into good jobs. And so we were sorry to see that Federal policy and technological change were eliminating those jobs.

In the 1980s, when Americans began to lament the loss of steelworker jobs, and autoworker jobs, and electrical equipment-producing jobs, and TV, radio, sewing machine, and telephone manufacturing jobs, we had lost track of the fact that these were not inherently desirable jobs. What we should have been bemoaning was not simply the loss of those jobs, but the dismantling of the regulatory regime that had made good jobs possible.

While America allowed its manufacturing to decline, we were told that this was not only inevitable, but beneficial. While manufacturing migrated to low-wage countries, Americans would move up the economic

ladder to knowledge-intensive service professions, which would pay better and allow for more autonomy and creativity. I would like to point out that Germany was able to maintain its manufacturing industries and to become the world's leading exporter of manufactured goods, while the United States followed policies that did not promote the growth of advanced manufacturing. The fact that Germany continued to regulate its product and labor markets so that it could nurture high-skilled workers and high-value-added enterprises was ignored by American textbooks.

Instead, America began dismantling its regulatory systems in the hope that more competitive markets would unleash entrepreneurship and technological innovation. It began under President Carter, who deregulated trucking and the airlines. The Congress repealed Glass-Steagall, stopped enforcing trade laws, deregulated utilities, broke up the telecommunications monopoly, privatized public services.

As deregulation brought back destructive competition into formerly regulated markets, employers once again turned to labor cost savings as their way to compete. One way they did this we call *off-shoring*. They shifted production to regions where labor markets were unregulated and labor standards were low. GE moved TV production to Ciudad Juarez and then to Guangdong, for example. That's from a book that I use in one of the labor history classes I teach at Rutgers.

Another way they did this was by reinventing the contracting-out mechanisms that employers had used 100 years ago. By outsourcing work, employers freed themselves of their legal and contractual responsibilities as employers, and they evaded the regulatory standards of public agencies. We don't call it the *putting-out* system anymore, and we

don't see immigrant women carrying bundles of sewn garments throughout the streets, but there are hundreds of thousands of outsourced workers doing piecework on their computers at home, without benefit of wage and hour laws, or employer contributions to unemployment insurance, workers' compensation, and Social Security, because they're called *independent contractors*.

Furthermore, even when workers are still classified as employees, regulatory agencies don't effectively enforce legal standards. Under competitive pressure, many employers steal tips, withhold wages, require uncompensated prep and clean-up time, order unsafe work, ignore chemical exposures and unhealthy air. I'm not just asserting this. The Brennan Center for Justice Report -- that's an NYU center -- *Unregulated Work in the Global City: Employment and Labor Law Violations in New York City*, which was released in June, amply documents that many labor markets in restaurants, construction, landscaping, manufacturing, commercial laundries, small retail establishments, taxis, auto services, personal services, building maintenance, security, groceries and supermarkets, domestic work, home health care and subsidized health care, subsidized child care have become like the labor markets of Dickensian London -- cheap, dangerous, dirty, and miserable.

And we don't have to look across the river, to the Global City, to find degraded work conditions brought about by deregulation and lack of enforcement of elemental labor standards. For the last two years I have been studying the port trucking, or drayage industry, at the ports of Elizabeth, Newark, and Bayonne. I have interviewed drivers, supervised driver surveys, and met with the leaders of the regional freight

transportation industry. I discovered that, in 1980, before trucking deregulation, port truckers were mostly unionized employees, making a decent hourly wage with health and pension benefits. Today, most of them are immigrant owner-operators who are not protected by OSHA or the Fair Labor Standards Act. Their employers don't make contributions to the unemployment insurance fund, the workers' comp system, or Social Security. When they get sick, since they have no employer-provided health insurance, they go to charity care at the public's expense. If they or a member of their family develop a chronic condition, they can't any longer afford to remain an owner-operator, so they have to look for a job that provides health insurance.

Not surprisingly, there is a shortage of between 750 to 1,000 drivers, and a turnover rate of 130 percent. If you talk to a port trucker about his job, you'll quickly understand that it's a labor market that attracts the desperate, those without alternatives. Since they are paid by the container load, not by the hour, the freight moving system at the port keeps them waiting on line after line, at the terminal gates, at the chassis yards, at the container yards, at the exit gates -- usually with their engines idling, despite the anti-idling law that the Legislature passed last year. If there is a mistake in the freight documents, the drivers wait at the terminal problem desk. If traffic congestion slows them at the Port of Elizabeth's and the Port of Newark's two exists, they wait on line in a traffic jam, emitting diesel particles and burning up fuel. The health impact of that combustion is over \$3.5 billion a year. When they get to their warehouse destination -- and remember, imports exceed exports three to one at the Port of New York and New Jersey -- they have to wait until a dock is empty. If they arrive

after their scheduled time, they have to wait until their next scheduled slot. If the warehouse is closed, they have to come back tomorrow.

Little wonder that most owner-operators have a hard time making ends meet when they finish paying for their truck lease, insurance, fuel, maintenance, repair, tires, license, and registration. With the number of paid moves they can make in a day limited by port congestion and inefficiency, and with rates limited by destructive competition among desperate drivers who, as owner-operators, are not allowed to act collectively to maintain decent rates, it's not hard to understand why so many hold on to their old, worn out, fuel-hogging, pollution-producing trucks. One survey that we did found that 40 percent of the owner-operators are driving trucks that are more than 10 years old, which means that they have inefficient engines that produce more than 35 times the diesel emissions of modern trucks. Moreover, not only are these old trucks expensive to keep on the road, they pose safety risks. The companies that contract with drivers often require them to deliver overweight loads that strain their trucks' engines, brakes, tires, and frames. And if that's not bad enough, the companies may order them to deliver hazardous materials, even though they have not had training in handling hazardous materials and they lack a license to do so. The drivers don't know what they are hauling in the sealed containers. When they bring back an empty container to the yard, they have to clean it up, even though they don't know what they are cleaning. And there is no place or equipment at the port provided to them to clean the containers safely.

This broken system costs the taxpayers of New Jersey hundreds of millions of dollars. Not only do we need to take into account the health

impact of diesel emissions -- which the New Jersey Environmental Federation, Clean Water Watch, has estimated at \$3.5 billion annually -- but there is also the drain on charity care, the excess wear and tear on the roads and bridges, the cost of traffic delays from congestion and breakdowns, and the negative impact on the efficiency of the ports and logistics chain, which lose business to competitors because of the inefficiencies of the current port truck system. Port trucking is a modern day sweatshop, an example of what happens when a deregulated industry breeds employers who outsource their work.

While it may be hard to believe the negative story I have told, members of my research team have ridden with the drivers. They have experienced these conditions, they breathed in the cancer-causing diesel emissions belched by worn out, obsolete trucks; they've confirmed that truck drivers can't go to the bathroom for 14 hours at a time while they're out on the road, and they've complained about having to do research under those conditions.

If the State Legislature of New Jersey is concerned about offshoring and outsourcing, it needs to regulate competition to contain destructive behavior and channel market forces to productive, innovative, efficient business models and not support the low-road business models that are inefficient. It needs to hold employers to their obligations as employers, eliminating the misclassification and other evasions that force New Jersey workers to endure unhealthy, unproductive, and badly paid jobs. The State Legislature already passed a law designed to eliminate misclassification in construction. It was Assembly Bill 4009, which enacted criminal penalties against employers who misclassified their employees and debarred such

employers from public contracts. This law needs to be extended to all industries and backed up with adequate appropriations to the Department of Labor and Workforce Development to enforce the laws. And the Legislature needs to make sure that existing labor laws, regulations, and safety standards are enforced. Currently, the DOL and Workforce Development hasn't sufficient staff to enforce the law and lacks jurisdiction over many workplaces and workers. Abuses are unreported and unrestrained. Abusive conditions are becoming the standard in too many New Jersey workplaces, a standard that pushes even responsible employers to join the race to the bottom, as my colleague Carmen Martino will testify.

If you'd like additional information, I would be happy to provide it, although you may think I've dumped the encyclopedia on you. (laughter) I also suggest you contact my colleagues at the Department of Labor Studies and Employment Relations at the Heldrich Center in Bloustein School, and Rich Cunningham at New Labor.

For more information about the port truckers, and proposals currently under consideration to reregulate the port trucking industry in Los Angeles, Long Beach, and Oakland, California, you can contact Christina Montorio. I've provided you with her e-mail address. And she is sitting behind me at the moment.

I'm also attaching, with testimony, two articles that talk about some of the abuses that come about as a result of unregulated outsourcing and misclassification.

Thank you very much.

ASSEMBLYMAN VAN DREW: Thank you very much.

Questions? (no response)

Thank you. Well done. Thank you for being here.

DR. BENSMAN: I'll give you copies, here, of the--

ASSEMBLYMAN VAN DREW: Thank you. You can give them right to Greg.

Mr. Martino.

C A R M E N M A R T I N O: First of all, thank you for giving me the opportunity to testify. And I think what I'll do is just jump right in, if that's all right with you.

ASSEMBLYMAN VAN DREW: Good.

MR. MARTINO: Okay.

My name is Carmen Martino. I am the Director of the Latino Occupational Safety and Health Initiative. LOSHI is housed in the School of Management and Labor Relations at Rutgers University, in New Brunswick.

I would like to begin my testimony where Professor Bensman's leaves off, because, in many respects, the ports represent the largest piece of a rather complex logistics puzzle. The other pieces include a growing number of warehouse and distribution centers, and light-industrial manufacturing and service-related industries that are strategically located along or near the Turnpike corridor in central and northern New Jersey. In all of these industries, you will find low-wage employers and low-wage immigrant workers. Over the past four years, LOSHI has sponsored briefings and technical workshops, and developed partnerships with low-wage employers that have provided us with opportunities to collect data through surveys, employer and employee focus group meetings, and one-on-one interviews with managers. We have used the data to gain a better

understanding of low-wage immigrant workers, low-wage employers, and their workplaces.

Based on this experience, I can tell you that there are two types of low-wage employers operating along and near the corridor. They include low-wage employers who maintain minimum standards in pursuit of greater profits. Both low-wage and low-wage/low-road employers rely heavily on Latino immigrants who meet their service and production -- to meet their service and production needs. And both generally do not offer health-care benefits, training, or career advancement opportunities to their employees. That is, however, the point at which the similarities end. The conditions of work found in low-wage workplaces -- where employers generally maintain minimum labor standards -- are worlds apart from those found in low-wage/low-road workplaces. In short, if you were a low-wage immigrant worker, you would find it far better to be employed by a low-wage employer than a low-wage/low-road employer.

Low-wage/low-road employers intimidate workers, use discriminatory hiring practices, knowingly violate labor standards, and routinely ignore hazardous working conditions. Unfortunately, they represent a growing segment of employers across a wide range of industries. Based on the firsthand accounts of workers that have participated in LOSHI trainings, focus group meetings, and one-on-one interviews, we have identified a wide range of low-road employer abuses, including failure to pay minimum wage, failure to pay overtime, failure to pay at all, failure to pay UI and Social Security taxes on cash wages, taking illegal deductions, violations of health and safety standards, failure to provide minimum training on equipment and safe work practices, not allowing breaks, failure

to carry workers' comp and to pay it when it's claimed, failure to properly classify workers as employees; discrimination in hiring, promotion, and firing.

Just how low can low-wage employers go? Well, I can offer you a recent situation where employees could not cash their checks, because their employer had not informed them that he had moved the payroll account to another bank. Upon further investigation, it turned out that prior to this incident, the same employer was also guilty of issuing bad checks to his employees. The charade went on -- ended when New Labor, a worker center located in New Brunswick, leafleted the facility, and the employer promptly sent his employees to the right bank and issued them checks that they were able to cash.

The growing presence of low-road employers in low-wage industries should be of serious concern to all workers and employers. How serious is the situation? To be blunt, if low-road employers are allowed to continue operating unchecked, with little or no State and/or Federal enforcement, they will quickly drag all low-wage employers down the same road with them.

Now, clearly not all low-wage employers have taken the low road. And I just, for one second, want to make a distinction here. My background is strictly a labor background. I've been a union member since I was 20 years old. And, you know, my understanding of low-wage employers, historically, is that-- I group them all into one category. If you don't pay people enough money to live, or something near that, then you're kind of all in the same place. But in the last few years I've learned that there is a distinction. Because there are employers who pay subsistence

wages, or they pay the minimum -- the ones that do pay \$7.15 an hour. And they do try to maintain minimum standards in their workplaces, some for reasons that we could talk about later, some just because they're doing what they're supposed to do. But there's also another group now that just completely ignores that and just doesn't care. There's no enforcement, so they're not worried about it. And so I want to make that distinction. Because I think, at the end of it all, there is an opportunity, there may be a way to work with some of these employers so that we can improve these standards. So I just wanted to make that point clear.

So as far as the-- Clearly-- Back to the testimony here. Clearly, not all low-wage employers have taken the low road. But they are exposed and increasingly forced to compete with low-road competitors in highly competitive markets, where turning a profit depends on efficiently making ever-changing consumer-client demands, utilizing new technologies, and engaging in continuous cost-cutting measures. Meeting these demands increasingly depends on a low-wage employer's ability to remain flexible and outsource as much of their work as they possibly can. Now, at this point, I'm talking about employers who generally do the right things who are low-wage employers. So this is their problems, essentially.

In many of the workplaces that have grown up in recent years along the Turnpike corridor between exits 7a and 8a -- specifically the warehouse, distribution, and light industrial manufacturing businesses -- outsourcing, which to much of the public is synonymous with off-shoring, has taken on a whole new meaning with low-wage employers contracting out for the services of huge chunks of their workforce through temporary employment agencies. In fact, we know of several light industrial

manufacturers that have taken this strategy to the extreme and outsourced their entire production floor workforce to low-wage, temporary employment firms that essentially act as the employer's HR and production floor supervisory departments, so that essentially the whole production floor is temped. The supervisors who work on the floor are hired through the temp agency. And they do most of the translating, as you'll see.

In our experience, low-wage immigrant workers rely on temporary employment agencies as a point of entry into the workforce when they first arrive in this country, and thereafter only as the employer of last resort. In other words, low-wage immigrant workers routinely move from one job to the next. If they are having trouble finding work, or if their work is seasonal, they will return to the agencies. From the perspective of low-wage employers and temporary agencies, low-wage worker mobility means contending with consistently high turnover and low retention rates. For most low-wage employers, it means that they will not invest in the workforce and will generally accept high turnover and low retention as a cost of doing business.

The decision not to invest in the workforce so permeates the culture of work in low-wage workplaces that employers are rarely -- workers are rarely offered rewards or incentives for working hard, producing more efficiently, or remaining loyal to the same firm. For example, we know of temp workers who have worked at the same facility for five or more years and are intentionally misclassified as temps or leased employees. By the way, I didn't know what a leased employee was until a few years ago. They are not eligible for benefits of any kind through the client firm that is, in fact -- if not on paper -- their employer. These same workers are told to sign

up with the temp agency that has contracted with the client firm. Each time the client firm contracts with a new agency, the workers are told to switch agencies. It's important to note that temp agencies in New Jersey do not offer vacation time, or any other benefits, to low-wage temp workers, no matter how long they have worked for the same agency.

The immigrant Latinos who fill the majority of low-wage positions in central and northern New Jersey have limited skills, limited knowledge of their rights as workers, minimal access to training that would improve their marketability, and limited information about job opportunities and employers. Their information is limited in the sense that they lack access to social networks that might lead them to medium and high-wage employers. And in the absence of employer-based training, they have few opportunities to identify or access the few job ladders that might allow them to move beyond low-wage employment. Yet, despite the obstacles, many low-wage immigrant workers persist in looking for better employment. And as a result, they often move from low-wage firm to low-wage firm, within and across the industrial sectors.

We've done some surveys. We did a survey of a low-wage workforce. And we were specifically trying to find out what the workers' expectations were for the employers. And in this particular case, the workers were all temps, but they had very high expectations for their employer. In other words, they wanted their employer to provide training for them. They thought that that's something their employer should do. They wanted their employer to give them more job autonomy and to make the jobs more interesting. And they thought their employer should be doing that. And I think that that's sort of important to note that, because

for the most part they never experienced that. But they had that high expectation going into the work.

The lateral movement of low-wage workers reinforces the low expectations of low-wage employers, feeds the instability that characterizes low-wage work, and negatively impacts the workplace organization, often leaving it plagued by the following problems: One, no written work rules or procedures. Few low-wage employers have written rules or procedures of any kind. Even basic and essential information about what to do in an emergency, or who to see if you are having problems with a co-worker or supervisor is nonexistent.

Poorly defined job classifications and responsibilities: With the exception of broadly defined job classifications -- for example, packers, operators, examiners -- most low-wage employers are reluctant to clearly identify in writing the specific duties and responsibilities that define or distinguish job classifications. As a result, the skill sets that are used to perform specific jobs are often undervalued or unrecognized by employers and employees.

And three: very few job ladders. Because job classifications are few, and not clearly defined, it is extremely difficult for low-wage workers to identify and prepare themselves for jobs that might lead to better pay or other career advancement opportunities.

And four: cultural/communications barriers. LOSHI has observed and documented the extent to which communications gaps exist between frontline employees and managers in low-wage workplaces. In one light industrial manufacturing workplace we recently surveyed, nearly 60 percent of the more than 180 workers do not understand English, nearly 75

percent do not speak English, and 70 percent do not read English. More than 70 percent of the employees are women. The vast majority are classified as unskilled packers that are paid \$7.15 an hour. And by the way, that was the first increase they got since the last time there was a minimum wage increase. They did not have any prior to that. None of the facility's managers speak English. (*sic*) All communications between workers and managers is filtered through bilingual supervisors, as I had mentioned earlier. When asked about employees-- When we asked employees how often they communicated with supervisors and management about production-related concerns, 76 percent said that they communicated very little or only occasionally, while 24 percent said they communicated with management and supervisors either once a week or on a daily basis. Managers at this facility are concerned that an unknown amount of important information is lost through translation and/or through the cultural divide that separates the workforce from management.

In a rather informal way, I can just tell you that when we were on this work floor and we observed people working, I saw a gentleman looking at a piece of equipment. So I went up to one of the workers and said, "Who is that person?" They said, "I don't know." He said-- I asked him if he was here frequently. He said yes, but he didn't know that person. And so I went up to the person and asked him. He was a contractor who was there looking at a piece of equipment that he had helped design. And he said he is there all the time. But the workers couldn't distinguish him from a manager, because they just don't talk to managers. And it has as much to do with the fact that there is just this huge gulf in terms of language and culture. And management-- No one on the management

team speaks Spanish. So they're totally reliant on probably two or three supervisors on the production floor, from whom all the information flows through, which means a lot gets lost.

Okay. The road ahead-- I'm sorry. Given the current organizational and cultural composition of low-wage workplaces, it is highly unlikely that unfettered, free-market capitalism will allow low-wage immigrant workers to ever find their way out of low-wage labor markets.

The road ahead, and why it matters: Nothing short of a comprehensive, coordinated market intervention will solve the problems of low-wage and low-wage/low-road employment. In the broadest of terms, I would propose that the key elements of a successful intervention should include: One, better enforcement. Create a level playing field that establishes a floor on workplace standards through stronger enforcement and stiffer penalties for those who break the law. Two: employer partnerships. Create regional partnerships of low-, medium-, and high-wage employers that will allow them to work together to fundamentally change the organizational and cultural composition of low-wage workplaces. Three: training. Provide low-wage immigrant workers with employer-based access to basic skills and skills upgrade training. And, four: job ladders. Provide low-wage immigrant workers with real opportunities for career advancement and upward mobility by creating inter- and intra-firm job ladders that link low-, medium-, and high-wage employers together.

A successful intervention will require significant investments of time and resources, as well as a full commitment from the State, along with employers, workers, unions, and other labor market intermediary specialists. To some it may sound like a daunting and perhaps unrealistic task. But at

this point, I think it is important to ask why it matters and what happens if we chose to ignore the conditions of work in New Jersey's low-wage industries.

In attempting to answer these questions, I ask you for a moment to visualize the current state of low-wage employment as a tug-of-war between increasing numbers of low-wage/low-road employers on one end and low-wage employers who uphold minimum standards on the other. What's important is that the winner of this contest will largely determine the future of work for hundreds of thousands of low-wage immigrant workers who take these jobs. If we allow the contest to be won by low-road employers, then low-wage workers and their families will be forever trapped in low-wage labor markets and dead-end jobs that they cannot climb out of, no matter how hard they work.

In sum, if we allow low-wage/low-road employers to continue exploiting low-wage immigrant workers, we will hasten the day when all low-wage employers are forced to ignore labor standards and embrace the low road. And what I would argue is a low road that is quickly-- I'm sorry -- and that, I would argue, is a low road that will quickly lead us speeding toward the kind of rigid class-based society of haves and have-nots that many fear we are already becoming.

Thank you.

ASSEMBLYMAN VAN DREW: Very good. Thank you.

Questions?

MR. MARKETTI: I have one question.

What percentage, ballpark, of these low-wage immigrant workers are union represented?

MR. MARTINO: I haven't found one.

MR. MARKETTI: You haven't found one? And what are the barriers to them joining unions?

MR. MARTINO: Well, to the extent that to join a traditional union -- what we understand as a traditional union -- you have to be part of a collective bargaining agreement. And there are no collective bargaining agreements that I've come across. I don't pretend to say that I've talked to every low-wage employer and that I know exactly what the numbers are. I do not know. But we haven't run across any situations where we know of low-wage workers -- specifically the ones who are temped -- who work for low-wage employers, where there is a union with any presence that we're aware of.

MR. MARKETTI: Thank you.

ASSEMBLYMAN VAN DREW: Very good.

Chairman Egan.

ASSEMBLYMAN EGAN: There's a lot of work to be done. There's no question about it. (laughter) And the fellow from the Autoworkers -- I'll relay a quick story. He talked about 7a. That's basically my area. I don't know whether you know what I do for a living. But there's a facility out there in South Brunswick that employs approximately 250 people. And of the 250 people, we know that one-third of them are undocumented workers. And in that facility, what they do is make products for General Motors and Ford to put in their cars. They put components together of tubing and different things for air flow or something. But one-third of that workforce is being done -- and the work is being done for General Motors and Ford. So we're not talking about work

being done that otherwise would be done by marginal people. We're talking work, that was actually going into these cars, with undocumented workers right here in New Jersey.

MR. MARTINO: Well, I would just say this about-- I'm not prepared today to talk about undocumented workers in any great detail. But I would just say that I think we have a responsibility to make sure that--

I will say this: We shouldn't put a person's status, documented, or undocumented, or otherwise, in between -- or wedge that in between whether or not the conditions of work in any workplace that's in this state are conditions that are acceptable or not. I mean, that has nothing-- From my perspective, it has nothing to do with the conditions of work there.

In fact, I would go one step further and say that-- We work very closely with OSHA. We have grants that we get from OSHA to do health and safety training. And Region II, which New Jersey is part of, OSHA's policy is that they're not there to enforce or to have any concern with who the workers are. Their job is to enforce and make sure the standards of work in that workplace are acceptable standards, based on what their responsibilities are as OSHA. And I would say that we should look at every workplace the same way, first and foremost, before we worry about these other issues, including whether or not a person is documented or not. Because they're working in that workplace. And there are other workers in that workplace who are documented. It's not their status, because it's the employer's responsibility to make sure that workplace is safe, and it's a workplace that people know, at the end of the day, when

they've completed their task for the day -- if they're supposed to get paid that day -- that they get paid.

ASSEMBLYMAN VAN DREW: Without question.

The ultimate question to all of us will be -- and I hope we get to it a little bit-- And I think there's two questions. One is: In New Jersey, where we have a little bit of a higher standard -- a higher standard of living, a higher standard of pay, little better conditions generally -- are we going to be able to maintain that and even compete with the rest of the country? Because that's one of the issues. And that's part of what the work of this task force is.

And then secondly, which is larger than this, but I'm sure we're going to touch on, is the United States of America. And you touched on that a little bit before. And there's diversity of opinion on this -- going to be able to compete in the world marketplace. Because, I mean, I may be making it too simple, but whenever you're competing in a marketplace where a significant amount of the workforce is not subject to anywhere near the same standards that yours are, I don't, still, know quite how you do that. You can do it through more efficiency, through more technology, hopefully being smarter and better. But I still don't know how you do that.

And, yes, Japan has changed. And you alluded to that before. But now we have this whole huge, literally, billions of people around the world that are just crying out to work at all. I don't quite know how we do that.

So there are two separate issues. We always have that argument, and that discussion, and that debate in the Labor Committee. We have people that come forward from the business sector, very often.

And I don't think that they're all wrong. I mean, I think they have points that say, "How are we going to compete in New Jersey when you--" when you, and me, everybody makes it a little bit -- raises the standard, raises the bar. And you're right, we are competing to spiral down, to see who can do less.

It's interesting, during this great debate, of what kind of benefits we give our public employees. One of the reasons we're having that discussion and that debate is because everybody in the private sector is saying, "Well, we don't get that anymore. We don't get a defined benefit plan anymore. Everybody is going to defined contribution." "Well, if that's true, how can you even do that in the public sector?" That's the ultimate question. It's affecting every segment of our workforce, and of our society, and of business, and of industry at every level. And I don't know where, ultimately, it leads to. And I know we're not going to get all the answers here. But, I mean, it's just kind of interesting to see the diversity.

MR. MARTINO: I would just say one thing to try to distinguish. I think you're right. It's very complex, and it's not an easily answered question. But I think if you look at certain labor markets and certain types of jobs, the answers are a little easier to come by. Because these jobs that I'm talking about -- looking at the warehouse distribution centers, that are essentially connected back to the ports -- they're not going anywhere. All right? Those jobs are not leaving here.

ASSEMBLYMAN VAN DREW: You're right.

MR. MARTINO: And so those workers in those-- I mean, it's not about who we're competing with at that point. And it's a growing industry here. So we do have an opportunity to raise standards and

maintain the kinds of -- so that we all -- the same expectations that we've had in this state, historically, and be able to maintain it. And where we should -- where we can, we must. And so that-- Where it's possible to do that, I think we need to make those distinctions.

ASSEMBLYMAN VAN DREW: You're absolutely right. In that particular situation, in that issue, you can. In the automotive industry, and in many other areas, it's even more difficult.

MR. MARTINO: Yes.

ASSEMBLYMAN VAN DREW: But I thank you. It was very good testimony.

Anybody else?

Yes, Mr. Williams.

MR. WILLIAMS: Just one thing. Aside from all the testimony the members have received from people who have testified today, we did get one piece of testimony sent in -- joint testimony from a company called New Jersey Headwear, an apparel manufacturer in Newark, and SweatFree Communities, a nonprofit, nongovernmental, national organization working to end taxpayer support of apparel and other products made in sweatshop conditions. It looks like this. (indicating) You all have a copy.

MR. MARKETTI: I read it.

MR. WILLIAMS: So I draw your attention to that.

And the other thing is, in terms of looking toward scheduling of the next meeting, I gather that it's after the election.

ASSEMBLYMAN VAN DREW: That is correct.

MR. WILLIAMS: In November. So I will be in touch with everyone in trying to get these--

ASSEMBLYMAN VAN DREW: Which will be good.

MR. WILLIAMS: --dates together for everyone.

ASSEMBLYMAN VAN DREW: Very good.

MR. WILLIAMS: And I will be following up on Mr. Marketti's questions.

ASSEMBLYMAN VAN DREW: Anybody else? (no response)

We're adjourned.

Thank you for being here.

(HEARING CONCLUDED)