Increasing the Minimum Wage to $10.10:
A Win-Win for New Jersey

Measure Would Provide Greater Economic Security to Three-Quarters of a Million New Jerseyans and Give the State’s Economy a Modest Boost

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Last year New Jerseyans overwhelmingly voted to raise the state’s minimum wage to $8.25 an hour and tie the wage floor to future increases in the cost of living. The increase was a big victory for New Jersey’s low-wage workers, but $8.25 an hour still doesn’t cut it in high-cost New Jersey.

A Congressional proposal to increase the federal minimum wage to $10.10 an hour and also include future inflation adjustments would help give about three-quarters of a million working New Jerseyans greater economic security and allow them to have a firmer foothold on which to climb into the middle class.¹

Raising the wage to $10.10 an hour would impact a total of 724,000 New Jerseyans, or 18.6 percent of the workforce. That includes 469,000 who are directly affected (workers currently making less than $10.10 an hour) and 255,000 who are indirectly affected (workers making between $10.10 and $11.05 an hour whose wages would increase as pay scales are adjusted upwards).²

These workers, if they work 40 hours each week of the year, have pre-tax annual earnings between $17,000 and $25,000 – still less than the absolute minimum of $28,593 that it takes for a single adult in New Jersey to meet his or her basic needs.³
A Diverse Group of Working New Jerseyans Would Benefit from a $10.10 Minimum Wage

Despite stubborn myths and outdated misconceptions about people who perform low-wage work in America and New Jersey, most of the workers who would benefit from a $10.10 minimum wage are adults, many of whom are working full-time and trying to provide for families.

Over the past few decades, the makeup of low-wage workers has become older and more educated – in fact, America’s low-wage workers are now older and better educated than ever.

Nationally, the share of low-wage workers who are between 16 and 19 years old dropped from 26 percent in 1979 to just 12 percent in 2011. Meanwhile, the share of those workers between the ages of 20 and 34 grew from 38.6 percent to 45.8 and the share of those between 35 and 64 increased from 30.8 percent to 38.1 percent over the same time period.

As low-wage workers have become generally older, they have also become more educated. The share of American low-wage workers without a high school degree dropped from 39.5 percent in 1979 to 19.8 percent in 2011. Over the same time period, the share of those workers with some college or a college degree increased from 25.2 percent to 43.2 percent.

In short, the tale that the minimum wage worker is a striving teenager in her or his first job is just that – a tale.

Workers 20 years old or older overwhelmingly stand to gain the most from the proposed minimum wage increase. The boost would impact 632,000 New Jerseyans in this age group – 87 percent of the total – while benefiting 92,000 workers under 20 years old.

Most New Jerseyans Who Would Benefit from a Minimum Wage Increase to $10.10 Are Working Adults

<table>
<thead>
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<th>20 and Older: 84%</th>
<th>20 and Older: 94%</th>
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<tr>
<td>Directly Affected</td>
<td>Indirectly Affected</td>
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<td>Under 20 Years Old: 16%</td>
<td>Under 20 Years Old: 6%</td>
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The overwhelming majority of New Jerseyans who would benefit from a minimum wage increase to $10.10 an hour – 612,000 people – are working at least mid-time (210,000 workers logging 20 to 34 hours per week), if not full-time (402,000 workers logging 35+ hours per week). Far fewer – 112,000 people – are working less than 20 hours a week in part-time jobs.

Raising the minimum wage to $10.10 an hour would also help 288,000 New Jersey children – 14 percent of kids in the state – who have at least one parent that would benefit. About one in four workers who stand to see a raise is a parent: of these 169,000 parents, 98,000 are married and 71,000 are raising at least one child on their own.
Close to half of the New Jersey workers who would benefit from the wage increase have attended college (223,000) or received college degrees (98,000), while 220,000 have graduated high school and only 183,000 have less than a high-school diploma or GED.

The majority of workers who would be impacted are people of color – 241,000 Hispanic, 113,000 Black and 62,000 Asian or other races – but the largest single racial group is White Non-Hispanics, at 307,000.
Raising the wage to $10.10 an hour would benefit more New Jersey women (392,000) than men (331,000).

**New Jersey’s Economy Would Receive a Boost**

Raising the federal minimum wage to $10.10 an hour would boost the state’s laggard economy and help spur job growth while helping hundreds of thousands New Jersey’s low-wage workers. The 724,000 workers impacted by the increase would see an estimated $584 million in additional wages, which would in turn pump about $370 million into the state’s economy. This increased economic activity would result in the creation of the equivalent of 1,800 jobs in the Garden State.\(^5\)

Why? The most basic explanation is that a higher minimum wage shifts income from business owners to lower wage earners. Low-wage workers tend to spend more of their incomes on local goods and services, and thus some firms will see increased demand.

What’s more, this effect tends to be more pronounced – and the economic impact of a wage increase greater – in areas experiencing weak economic growth.\(^6\) In other words, New Jersey’s slow emergence from the Great Recession *may amplify the positive economic impact* of raising the minimum wage to $10.10 an hour.

In addition, raising the minimum wage would help transition some low-wage workers out of taxpayer-funded social safety programs like SNAP or Medicaid. As it stands now, companies that employ workers at substandard wages are essentially shifting the costs of providing basic needs to those people from employer to taxpayers. For example, the cost of a taxpayer subsidy for core frontline fast-food workers and their families in New Jersey is $117 million a year. Close to half of these New Jersey families (42 percent) rely on at least one safety net program to get by – far higher than the 25 percent share of the overall national workforce.\(^7\) Ensuring that
employers pay more of their fair share is not only a matter of fairness; it would free up state and federal dollars to be invested in public goods and services that help build a strong economy.

**Tipped Workers Deserve a Raise Too**

The federal legislation under consideration would also help fill in a crucial gap that New Jersey’s minimum wage increase left: the minimum wage for tipped workers. Many New Jersey workers who live off tips continue to earn less than the minimum wage since the state’s minimum wage for workers who earn at least $30 in tips a month is only $2.13 an hour, the same as the paltry federal minimum.

This lower wage for tipped workers is rationalized by the idea that gratuities will more than make up for the discrepancy between what an employee receives each hour and the minimum wage. And while employers are legally required to make up any difference between earned tips and the full state minimum wage, this is difficult to enforce. Workers must track their hours worked and tips received, and should they be short of the minimum hourly wage on average at the end of a workweek, the onus is on them to request additional money. Unsurprisingly, people have reported fear of reprisals for asking that their supervisors make up the gap and 1 in 10 workers in tipped occupations report not being paid the legally required wage.

Increasing the tipped minimum wage to 70 percent of the federal minimum, as the proposed legislation does, would help increase the economic security of even more of New Jersey’s low-wage workers, and would ensure a modest baseline of support that hard-working New Jerseyans that work for tips could rely on.

**Federal Action Can Build on New Jersey’s Progress**

New Jersey’s January 1 minimum wage increase to $8.25 an hour was an important first step to providing greater economic security for the hundreds of thousands of low-wage workers across the state. But with state policymakers unlikely to revisit the minimum wage anytime soon, local and/or federal action is necessary to help continue to improve the lives of New Jersey’s working poor.

At $8.25 an hour, a full-time worker in New Jersey earns just over $17,000 a year – far lower than what it takes to make basic ends meet in this high-cost state. If New Jersey’s minimum wage had kept pace with the rising cost of living since the late 1960s, it would have equaled $10.70 an hour on January 1.

In the half-year since New Jersey voters overwhelmingly approved a modest minimum wage increase, other states in our region and across the nation have passed stronger measures to boost the wages of the working poor. Connecticut and Maryland are both on track for a $10.10 minimum wage, California’s wage floor will climb to at least $10, New York’s will increase to $9 and even West Virginia will soon have a higher minimum wage - $8.75 – than New Jersey.
Cities and towns are also stepping up with minimum wages that finally begin to approach true “living wages” – residents in the Seattle suburb of SeaTac voted for a $15 minimum wage last fall, and eight other cities, from California to Maryland, have approved local minimum wages above $10.10 an hour.

The bottom line is abundantly clear: increasing the minimum wage to $10.10 an hour would give hundreds of thousands of working New Jerseyans greater economic security and give them a firmer foothold on which to climb into the middle class, all while providing a modest – and much-needed – economic boost.
Endnotes

1 The Fair Minimum Wage Act of 2013 would raise the federal minimum wage in three incremental increases of $0.95 from its current level of $7.25 per hour to $10.10 per hour. The proposal would then index the minimum wage to inflation, so that as prices rise in subsequent years, the minimum would automatically be adjusted to preserve its real value. At the same time, the bill would raise the base wage paid to tipped workers from the current $2.13 per hour – where it has stood since 1991 – in incremental increases over six years until it equals 70 percent of the full minimum wage.

2 All demographic and economic estimates in this report are from an Economic Policy Institute analysis of Current Population Survey (CPS) Outgoing Rotation Group microdata. The number of workers is estimated from the CPS respondents for whom either a valid hourly wage is reporter or can be imputed from weekly earnings and average weekly hours.


5 The increase economic activity from these additional wages adds not just jobs but also hours for people who already have jobs. Full-time employment takes that into account by essentially taking the number of total hours added and dividing by 40 to get full-time equivalent jobs added. Employment estimate methodology can be found in: Economic Policy Institute, *How Raising the Federal Minimum Wage Would Help Working Families and Give the Economy a Boost* (http://www.epi.org/publication/ib341-raising-federal-minimum-wage/) and Economic Policy Institute, *Method Memo on Estimating the Jobs Impact of Various Policy Changes* (http://www.epi.org/publication/methodology-estimating-jobs-impact/)

