Issue Brief: Three Years Into Recovery, Most New Jerseyans Still Left Behind

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Over the last several years, New Jerseyans have heard glowing reports about how well the state’s economy is performing since the recession ended and the recovery began in June 2009. Those claims are correct for Wall Street, banks and many other businesses as a result of record increases in productivity, profits and stocks.

But it’s a different world for many ordinary New Jerseyans who have lost everything or are barely getting by. The detailed 2012 American Community Survey data released this week by the US Census show that three years into the national recovery, New Jersey’s middle class is worse off and poverty is deepening for already-poor families.

Since the recovery started, the percent of middle-class households in New Jersey (those with annual incomes between $50,000 and $200,000) has decreased to 54.3 percent from 55.8 percent. This change means that about 24,000 New Jersey households fell out of the middle class in just
three years. The median income for all households in New Jersey, adjusting for inflation, has also decreased since the recovery started; it fell to $69,667 in 2012 from $73,240 in 2009 – a drop of 4.9 percent. In other words, not only are there fewer New Jerseyans in the middle class but those still in the middle class are now worse off.

Another indicator of the threat to the middle class is that individuals with the highest education have seen the largest decreases in their median income since the recovery began.

There is also a greater share of low-income New Jersey households now than there was when the recovery began; these households – with annual incomes below $50,000 – continue to make up more than one in three households in the state, rising to 36.9 percent in 2012 from 35.3 percent in 2009.

Not surprisingly, then, income inequality has also gotten worse in New Jersey since the recovery began; the rich are getting richer and the poor are getting poorer. The so-called Gini coefficient, which the Census uses to measure income inequality, grew to 0.471 in 2012 from 0.465 in 2009 (1 would mean all income is held by one individual).

The measures of low-income and middle-class prosperity did see a slight uptick from 2011 to 2012, suggesting that the downslide has stopped and may start to improve. The share of middle-class households rose by 0.5 percentage points and the share of low-income households decreased by 1 percentage point. But these slight increases weren’t enough to bring incomes
back to where they were when the recovery began – and certainly were not enough to bring them back to pre-recession levels.

Meanwhile, New Jersey’s poor continue to get poorer, and they didn’t even benefit from the slight improvement others enjoyed from 2011 to 2012; in fact, it got worse for families. New Jersey was one of only five states in the country to see an increase in family poverty from 2011 to 2012.

The share of people living below the poverty level increased to 10.8 percent in 2012 from 9.4 percent in 2009, and those below twice the federal poverty level (considered a better measure of actual poverty in New Jersey due to its high cost of living) increased to 24.9 percent from 22.5 percent in the same period.

The most disturbing trend, though, was the continued increase in poverty among families with children. Their poverty rate increased to 12.9 percent in 2012 from 10.7 percent in 2009 (in 2011, it was 12 percent). The biggest increase in poverty was in families headed by mothers; now one in four female-headed families (25 percent) are in poverty, up from 22 percent in 2011 and 21.4 percent in 2009.

The increase in poverty is borne out by a dramatic increase in the share of New Jersey households who are receiving food stamps: That share rose to 9.3 percent in 2012, up from 5.5 percent in 2009 (it was 8 percent in 2011). In other words, the share of households requiring food stamps jumped by an alarming 69 percent in just three years.
To address this urgent problem, the state needs to take the following actions:

• Restore the 20 percent cut in the state Earned Income Tax Credit which mainly helps working families with children

• Increase the eligibility level for WorkFirst NJ, which now provides temporary cash assistance to less than half the families with children in poverty

• Increase the minimum wage and index it to inflation

• Maintain housing programs that support struggling working families

• Increase state efforts to provide health insurance to poor and working families under the Affordable Care Act

• Invest in high-quality preschool for more children from poor families

• Strongly oppose proposed draconian federal cutbacks in food stamps, unemployment insurance, health coverage and other safety net programs