Minimum Wage Increase is Good News for New Jersey’s Workers and the State’s Economy

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The one-dollar increase in New Jersey’s minimum wage that goes into effect on January 1, 2014 will give nearly half a million working New Jerseyans a crucial leg up in high-cost New Jersey while pumping hundreds of millions of dollars into the state’s economy.

Raising the wage floor to $8.25 per hour will impact a total of 443,000 working New Jerseyans, or 12 percent of the state’s workforce. That includes 254,000 who are directly affected (workers currently making between $7.25 and $8.25 per hour) and 189,000 who are indirectly affected (workers making between $8.25 and $9.25 per hour whose wages will increase as pay scales are adjusted upwards).¹

These workers, if they work 40 hours each week of the year, have pre-tax annual earnings of between $15,000 and $20,000 – nowhere near the minimum of $28,593 it takes for a single adult to meet his or her basic needs.²

New Jersey’s Economy Will Benefit

Those directly affected by the wage increase will get average annual raises of $922 each, while those indirectly affected will receive raises of $207 per year, according to projections. That’s a total wage increase of $273.6 million, much of which will be spent immediately and locally on pressing needs like food, rent, clothing and other essential household needs. In fact, low-wage workers are more likely than any other group of workers to spend every additional dollar they earn, and to spend those dollars locally.

This increased consumer spending will result in an overall Gross Domestic Product (GDP) increase of $173.2 million in 2014, the majority of which will be felt in New Jersey. This increased economic activity will in turn result in the creation of the equivalent of 1,300 full-time jobs.³
A Diverse Collection of Working New Jerseyans Will Benefit

The low-wage workers who will get a boost from an increased minimum wage can be found all over New Jersey. They are many of the people we rely on to pump our gas, bag our groceries or take care of our aging parents. These workers are mostly adults, many of whom are working full-time and trying to provide for their families.

Workers 20 years old or older stand to gain the most from a minimum wage increase. The boost will impact 372,000 New Jerseyans in this age group, while benefiting 71,000 workers under 20 years old. In other words, 84 percent of those who will benefit are at least 20 years old.

The overwhelming majority of New Jerseyans who will benefit – 362,000 people – are working at least mid-time (20 to 34 hours per week), if not full-time (35+ hours per week). Far fewer – 82,000 – are working less than 20 hours a week in part-time jobs. Given the national trend away from full-time employment, one can also assume that many of the 148,000 working mid-time would prefer to join the 214,000 currently working full-time but have been unable to.
A wage increase will benefit the parents of 182,000 New Jersey children (about 9 percent of the state’s kids). About one of every five workers who will see a raise is a parent: of these 97,000 parents, 47,000 are married and 50,000 are raising at least one child on their own.

Many of the New Jersey workers who will see the impact of a minimum wage increase have attended college or received college degrees: 53,000 have received bachelor’s or higher degrees and 144,000 have attended some college.
Raising the wage will benefit 269,000 women and 174,000 men. The majority of workers impacted are people of color – 138,000 Hispanic, 79,000 Black and 39,000 Asian – but the largest single racial group is Whites, at 188,000.

A minimum wage increase will affect New Jerseyans working in a range of industries and occupations, with retail, hospitality, sales and service jobs accounting for the most workers.
Cost of Living Increases Will Help Workers Keep Up

The last time New Jersey raised its minimum wage was 2005. Since then, our state’s minimum wage has been eclipsed first by the federal minimum wage (which brought the state rate up as well) and is now lower than the minimum wage in 19 states and the District of Columbia (10 of these states index their wage to inflation).

But as the minimum wage has stagnated, the everyday costs borne by New Jersey’s working families have not. The already high costs of transportation, health care, housing and other needs in New Jersey have been increasing. It’s clear that the Garden State’s low-wage workers need a leg up; raising the minimum wage to $8.25 on January 1 and tying future increases to an increasing cost of living will help provide that assistance and ensure that they don’t fall further behind in the future.

Moreover, it’s not only New Jersey’s low-wage workers who stand to benefit from a higher minimum wage – we all do. The state’s economy will see an increase in spending, local business owners will be serving more customers and fewer low-wage workers will need government assistance to survive.
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Endnotes

1 All economic and demographic information in this report is from the Economic Policy Institute’s analysis of the Current Population Survey (CPS), Outgoing Rotation Group public use microdata from the fourth quarter of 2012 to the third quarter of 2013. The number of workers is estimated from the CPS respondents for whom either a valid hourly wage is reported or one can be imputed from weekly earnings and average weekly hours. Consequently, this estimate tends to underestimate the size of the full workforce. Gross Domestic Product (GDP) and job stimulus figures utilize a national model to estimate the GDP impact of workers' increased earnings. Thus the total state stimulus may be lower than this amount because workers in each state will not necessarily spend all of their increased earnings in-state. However, we can assume that most of the increased earnings will be spent in-state, and thus most of the jobs created will be in-state. Jobs numbers assume full-time employment requires $115,000 in additional GDP.


3 The increased economic activity from these additional wages adds not just jobs but also hours for people who already have jobs (work hours for people with jobs also dropped in the downturn). Full-time employment takes that into account, by essentially taking the number of total hours added (including both hours from new jobs and more hours for people who already have jobs) and dividing by 40, to get full-time-equivalent jobs added. Job impact estimation methods 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/](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/](http://www.epi.org/publication/methodology-estimating-jobs-impact/)).