The Stimulus New Jersey Needs: 
*Raising the Minimum Wage Would Boost the Economy While Providing Better Opportunities for Hundreds of Thousands of Working New Jerseyans*

By Jon Whiten
Deputy Director

Increasing New Jersey’s minimum wage from $7.25 to $8.25 per hour would 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 would impact a total of 429,000 working New Jerseyans, or 11 percent of the state’s workforce. That includes 241,000 who are *directly affected* (workers currently making between $7.25 and $8.25 per hour) and 188,000 who are *indirectly affected* (workers making between $8.25 and $9.25 per hour whose wages would 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

**Background**

New Jersey’s minimum wage is currently $7.25 per hour, the same as the federal wage floor. Last year, the New Jersey legislature approved a bill that would have raised New Jersey’s minimum wage by $1.25 to $8.50 per hour. The increase would have gone into effect on March 1, 2013 and would have tied future annual increases to a local Consumer Price Index every July 1.

Gov. Chris Christie conditionally vetoed the legislation in January of this year, offering his own proposal to raise the minimum wage to $8.25 per hour in three steps: a 25-cent increase on March 1, 2013, a 50-cent increase on March 1, 2014, and a final 25-cent increase on March 1, 2015. The governor’s proposal did not include any automatic future increases tied to rising costs
The Stimulus New Jersey Needs

of living, reducing the value of the proposed increase, as inflation would continue to eat away at the minimum wage. Under his three-step proposal, a minimum wage of $8.25 per hour in 2015 would be worth only $7.80 in today’s dollars, based upon Congressional Budget Office inflation projections.

While awaiting the governor’s action, the state legislature also put into motion efforts to put a question on the November 2013 ballot regarding the wage increase. This referendum, if approved by voters, would raise New Jersey’s minimum wage to $8.25 per hour on January 1, 2014 and tie future annual increases to a national Consumer Price Index every January 1.

The legislature’s first proposal would have benefitted New Jersey’s low-wage workers and its economy the most, but absent a veto override, it is no longer a feasible option. Of the two options that do remain, the ballot initiative would have the greatest positive impact on New Jersey’s working families and its economy.

New Jersey’s Economy Would Benefit

Those directly affected by the wage increase would get average annual raises of $980 each, while those indirectly affected would receive raises of $220 per year. That’s a total wage increase of $276.1 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 would result in an overall Gross Domestic Product (GDP) increase of $174.8 million in 2014, the majority of which will be felt in New Jersey. This increased economic activity would in turn result in the creation of the equivalent of 1,520 full-time jobs.

A Diverse Collection of Working New Jerseyans Would Benefit

The low-wage workers who would 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 would impact 352,000 New Jerseyans in this age group, while benefiting 77,000 workers under 20 years old.

The overwhelming majority of New Jerseyans who would benefit – 365,000 people – are working at least mid-time (20 to 34 hours per week), if not full-time (35+ hours per week). Far fewer – 64,000 – 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 128,000 working mid-time would prefer to join the 237,000 currently working full-time but have been unable to.
A wage increase would benefit the parents of 212,000 New Jersey children. About one of every four workers who stand to see a raise is a parent: of these 101,000 parents, 64,000 are married and 37,000 are raising at least one child on their own.

Many New Jerseyans Who Would Benefit from a Minimum Wage Increase Are Working Parents

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<thead>
<tr>
<th>Parents</th>
<th>Directly Affected</th>
<th>Childless</th>
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<tbody>
<tr>
<td>22%</td>
<td></td>
<td>78%</td>
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</table>

<table>
<thead>
<tr>
<th>Parents</th>
<th>Indirectly Affected</th>
<th>Childless</th>
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</thead>
<tbody>
<tr>
<td>26%</td>
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<td>74%</td>
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Many of the New Jersey workers who would see the impact of a minimum wage increase have attended college or received college degrees: 40,900 have received bachelor’s or higher degrees, 19,100 have received an associate degrees and 105,200 have attended some college.

Many New Jerseyans Who Would Benefit from a Minimum Wage Increase Have Attended or Graduated from College

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<tr>
<th>College or More:</th>
<th>Directly Affected</th>
<th>Indirectly Affected</th>
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<tbody>
<tr>
<td>38%</td>
<td>Some High School: 29%</td>
<td>Finished High School: 32%</td>
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<tr>
<td></td>
<td>Some High School: 22%</td>
<td>Finished High School: 40%</td>
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Raising the wage would benefit 250,000 women and 179,000 men. The majority of workers impacted are people of color – 154,000 Hispanic, 69,000 Black and 31,000 Asian – but the largest single racial group is Whites, at 176,000.
A minimum wage increase would affect New Jerseyans working in a range of industries and occupations, with retail, hospitality, sales and service jobs accounting for the most workers.

### The Time Has Come

“New Jersey should set the minimum wage at $8.25 per hour immediately and should subsequently provide an automatic annual cost-of-living increase of the minimum wage, indexed to the Consumer Price Index for All Urban Consumers in the Northeast Metropolitan Region.”

That was the recommendation of the state’s Minimum Wage Advisory Commission – *six years ago*.

It would make common sense for New Jersey to be a national leader on wage issues, setting minimum wage rates above the floor of the national rate, given the state’s very high cost of living. But New Jersey has failed to act and has fallen behind.

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 would help provide that assistance and ensure that they don’t fall behind ever again.

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 would see an increase in spending, local business owners would be serving more customers and fewer low-wage workers would need government assistance to survive.
Some may say the time is not right to raise New Jersey’s minimum wage. But the truth is, there’s never been a better time to do so. Every year that we wait, hundreds of thousands of low-wage workers fall further behind and are less able to contribute to the growth of New Jersey’s economy.

Thanks to the National Employment Law Project’s Jack Temple and the Economic Policy Institute’s David Cooper for their input and feedback on this report.
Endnotes

1 All economic and demographic information in this report is from the Economic Policy Institute’s analysis of the 2012 Current Population Survey (CPS), Outgoing Rotation Group. 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 understate 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/) and Economic Policy Institute, Method memo on estimating the jobs impact of various policy changes (http://www.epi.org/publication/methodology-estimating-jobs-impact/).