

THE STATE OF WORKING NEW JERSEY 2011:



The Lost Decade

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Introduction

If this were 2007 we would be rejoicing about the rapid growth in incomes. Income for the typical household was growing at an astonishing rate of 7.4 percent per year, after adjusting for inflation.¹ Most New Jersey households saw their income rise at rates that outpaced inflation.²

Where did this new income come from? The New Jersey economy was not adding many new jobs. Employment was increasing by only 36,000 per year in the mid 2000s, despite the economic upswing.³ In comparison, New Jersey's economy added 67,100 jobs annually during the growth years from 1992-2000.⁴ The number of people working had not increased either, as measured by the employment-to-population ratio.⁵ Real wages were stagnating for the bottom one-third of wage earners.⁶

It is now 2011, not 2007, and the economic picture looks very different. Real incomes were lower in 2010 than in 2007 for most households. Only high-income households were better off. Unemployment was at its highest rate in 35 years,⁷ and the number of children living in poverty increased by 16 percent in just two years.⁸

What happened? Where did the income gains come from and where did they go? The answer is simple. The income gains were created out of thin air and disappeared like rising air bubbles defying the force of gravity until they burst. The focus of this report is how the bubbles have impacted New Jersey workers and their families.

The biggest of these bubbles was the housing market bubble. The house price index for New Jersey doubled from the first quarter of 2000 compared to the same period in 2007.⁹ Rising house prices triggered a building boom. In the Northeast more than one million private housing

units were built between 2000 and 2007, despite slow population growth.¹⁰ On the heels of this new residential housing, a commercial building boom followed of new shopping malls and office buildings.

The building boom had two effects on income. It created jobs in the construction industry that offset job losses in other industries such as manufacturing. Rising house prices increased equity in homes. This allowed homeowners to take out second mortgages, giving people more money in their hands to purchase goods and services. This increase in demand boosted incomes.

Homeowners also increased their income by investing in the stock market where prices were soaring. The S&P 500 index increased by 37 percent from the beginning of 2004 to its peak in October 2007 of 1549, creating high returns on paper.¹¹

However, the growth in housing prices was unsustainable; and the housing market bubble burst in New Jersey in early 2007. In 2011, housing prices are still falling.¹² The decline in house prices wiped out wealth. Many homeowners found themselves underwater when their home's value fell below what they owed on it.

The collapse in the housing market and its corresponding loss in wealth rippled into other sectors as demand for goods and services dropped. Moreover, well-paying jobs in the financial sector related to issuing mortgages disappeared – though some people were rehired to process the growing number of foreclosures.

Then, in 2008, the stock market bubble burst. By October 2008, the S&P Index had plummeted by 580 points to 969 from its peak 12 months earlier.¹³ Lehman

Brothers went under and other investment companies downsized. It marked the end of generous bonuses, at least for a while. This affected New Jersey residents employed on Wall Street as well as local businesses, from landscapers to lawyers who provide products and services to these commuters.

According to the National Bureau of Economic Research, the officiators of recessions, the Great Recession started in December of 2007 and lasted 18 months.¹⁴ Though the recession is officially over as measured by national GDP, New Jersey's families are still struggling.

Most New Jerseyans are worse off now than they were 10 years ago:

1. There were fewer jobs in 2010 than in 2000: Employment was 3,854,500 in 2010 versus 3,994,500 in 2000.¹⁵
2. There were 2.7 times as many people unemployed in 2010 than in 2000: Unemployment was 425,700 in 2010 versus 157,500 in 2000. The unemployment rate increased from 3.7 percent at the peak of the business cycle in 2000 to 9.5 percent in 2010.¹⁶
3. Real wages were lower for the bottom 30 percent of wage earners in 2010 than they were in 2000.¹⁷
4. Real median household income for the typical household was lower in 2010 than in 2000: \$63,540 in 2010 versus \$63,818 in 2000.¹⁸
5. Income declined for the bottom 60 percent of households, and increased by less than 2.5 percent for the top 40 percent over the decade.¹⁹
6. About 237,000 more people lived in poverty than in 2000; and the poverty rate was 10.3 percent in 2010 versus 7.8 percent in 2000. One out of every three persons in poverty was a child.²⁰

Employment

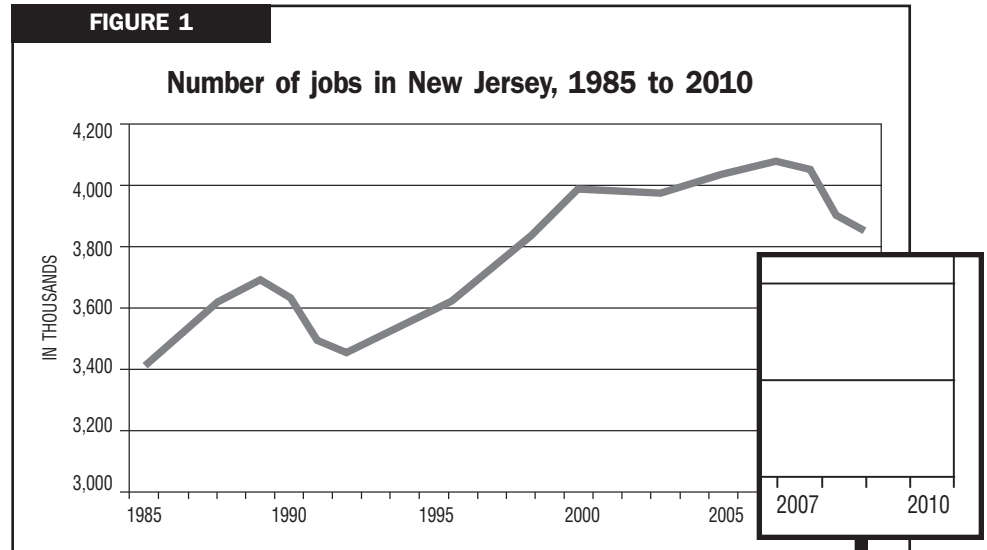
There are fewer people employed today in New Jersey than there were at the beginning of the decade. This is a combination of a jobless recovery in the middle part of the decade, and the most recent 2007 recession that caused widespread and substantial job losses across most sectors of the economy.

In comparison, the prior 2001 recession was not deep, but the following recovery was characterized by sluggish job growth. Over the 2000s business cycle (2000-2007), New Jersey's economy added only 84,400 jobs on net, and most of these were in the public sector.²¹ This falls severely short of job creation in the previous business cycle (1989-2000), when employment increased by 304,700 over the 1990s.

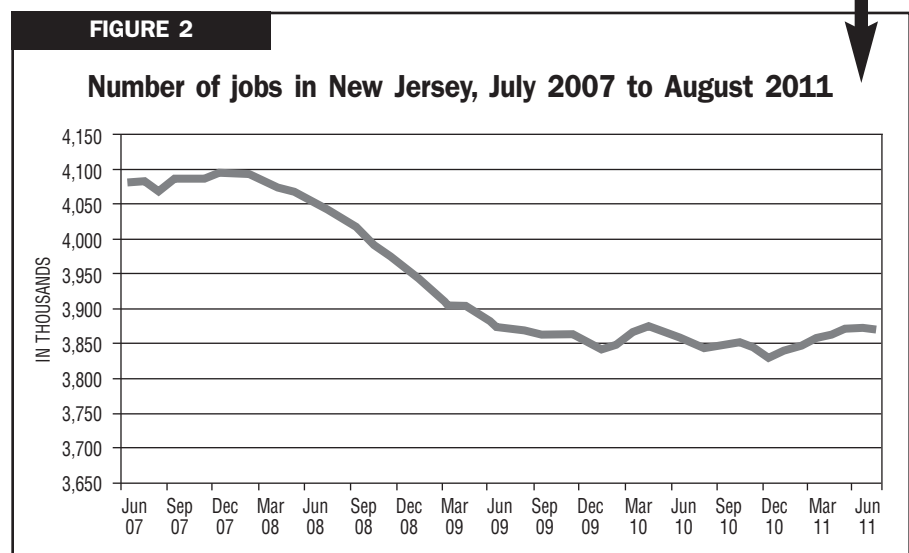
Following the jobless recovery, the 2007 recession hit hard, and employment declined by 224,400 from 2007 to 2010, more than wiping out any gains in employment during the first part of the decade.

The recession started off relatively mildly in New Jersey. In December 2007, a *New York Times* editorial asked: "Are we in a recession yet?" The editorial noted that while some states like Nevada might be in a recession, it was not indeed a sure thing that the nation as a whole was headed toward a recession.²² By April 2008, as the housing market's collapse tightened its grip and the financial sector began its meltdown, job losses became widespread and quickly spread to other sectors.

Employment declined across nearly all industries in New Jersey. During the recession itself, which lasted from December 2007 to June 2009, manufacturing (-40,200), professional services (-40,700 in mainly the temp industry), and construction (-33,100) saw the biggest job losses.



Source: Bureau of Labor Statistics, Current Employment Statistics Survey, State and Metro Area Employment, annual data for non-farm employment.



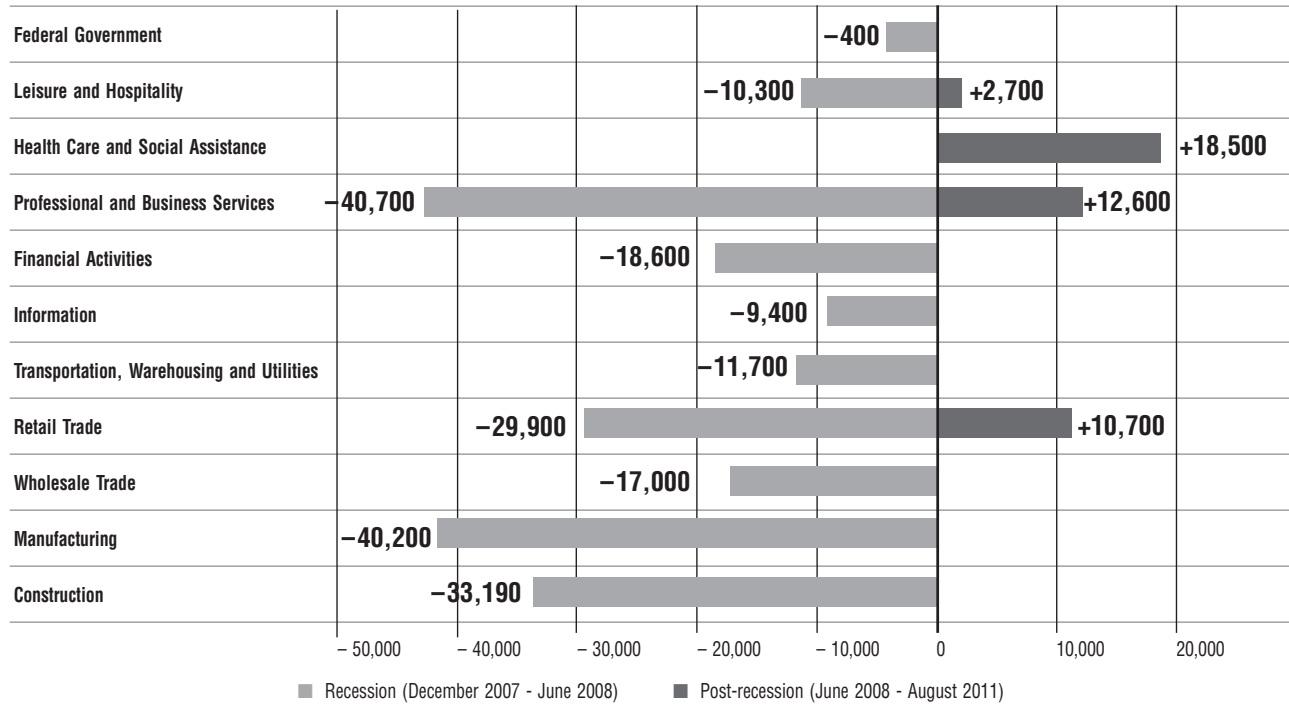
Source: Bureau of Labor Statistics, Current Employment Statistics, State and Metro Area Employment, monthly data for non-farm employment, seasonally adjusted.

The health care sector is the only exception. Health care and social assistance jobs actually increased (+13,500) during the recession, and continued to increase (+18,500) in the post-recession years. The job gains were concentrated in nursing and residential care and home health care, reflecting the increasing need for elderly care.

Since June 2008, employment gains have been concentrated in relatively low-wage industries of retail (+10,700), leisure, accommodation and food (+2,700), and the professional & business service industry (+12,600), while the jobs lost in manufacturing are typically relatively high-wage jobs.

FIGURE 3

Recession and post recession employment in New Jersey: Decline and gain by main industries



Source: Bureau of Labor Statistics, Current Employment Statistics, State and Metro Area Employment, monthly data for non-farm employment, seasonally adjusted.

Manufacturing industries have seen large job losses since the start of the recession, considering that only 7.6 percent of workers were employed in manufacturing in 2007. Manufacturing employment declined by 55,300 since December 2007 (to August 2011). This is actually a continuation of a longer term trend dating back to the 1980s, resulting from trade agreements and a high dollar policy putting New Jersey's manufacturing workers in direct competition with foreign low-wage workers, made worse by the lack of demand during the recession. Shifts in employment across industries from relatively high-wage manufacturing jobs to relatively low-wage service sector jobs in New Jersey was also documented by Dr. Leslie McCall in *The State of Working New Jersey 2002*.²³

Manufacturing employment has shrunk every single year since 1989. During the

economic boom years from 2000 to 2007, manufacturing employment declined by an average of 4.2 percent per year; while from 2007 to 2010 manufacturing employment declined by an average of 6.1 percent per year.

Even though the recession was officially over in June of 2009, employment continued to decline in most industries. The construction industry is a highly cyclical industry and was particularly vulnerable in this recession, because of the preceding housing market collapse, combined with an excess supply of new housing at unaffordable prices.

As opposed to the construction industry, employment in the government sector is typically considered fairly insulated from economic recessions. During the recession itself, state and local government

employment actually increased (+4,900). But from June 2009 to August 2011, it declined by 25,400. The job loss is a direct result of layoffs and early retirements due to government budget cuts. It is a contributing factor to the lack of job creation post-recession in New Jersey, both directly and indirectly, as laid off government workers' loss of income negatively impacts local businesses.

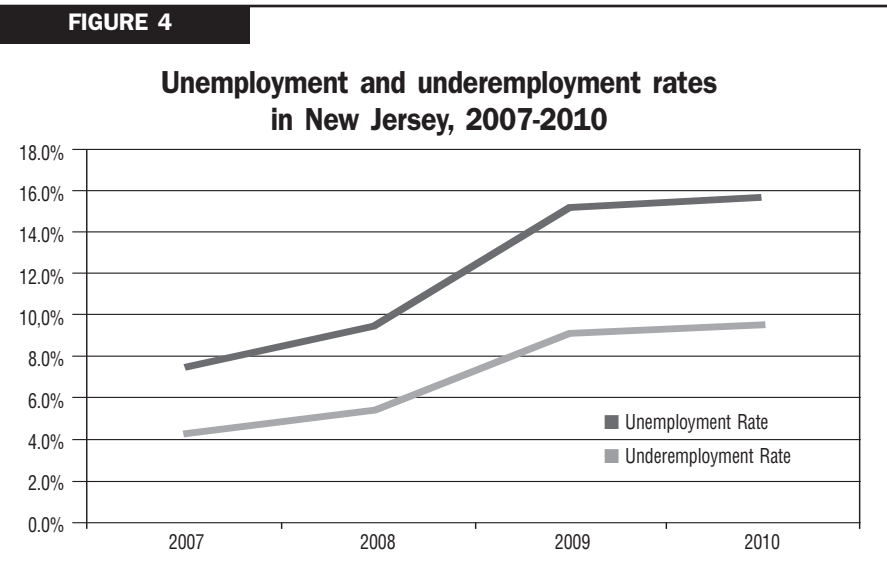
Employment has been increasing in 2011, albeit at a slow rate. If the current rate of employment growth continues, it will take another 2.5 years for employment to return to its pre-recession level. Following the 2001 recession, it took four years for employment to exceed the pre-recession peak.²⁴ With the current pace employment is growing, it will take New Jersey a total of six years to regain lost employment from the date the recession began.²⁵

Unemployment and Underemployment

Like the rest of the nation, New Jersey enjoyed low unemployment rates in the late 1990s and from 2004 to 2007. Despite lackluster job creation in the private sector, the unemployment rate dropped to 4.3 percent by 2007. But as the recession took hold, unemployment increased. By 2010, the unemployment rate had more than doubled to 9.5 percent and more than 425,000 people in New Jersey were looking for a job, but unable to find one.²⁶

The cities of Camden, Paterson, Perth Amboy, Newark and Atlantic City experienced extraordinarily high levels of unemployment as more than one out of every seven workers were unsuccessfully looking for work in 2010.²⁷

As more businesses were laying off people and not hiring new workers, the duration between losing a job and finding a new one increased. Long-term unemployment, defined as jobless for longer than 26 weeks, has skyrocketed since the recession began. In 2010, more than half (51.4%) of unemployed workers in New Jersey were long-term unemployed, up from one in



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, annual data; and Economic Policy Institute analysis of the Current Population Survey.

five (20.9%) in 2007. The long-term unemployment share is a clear indicator of the deterioration in job opportunities in New Jersey. The long-term unemployment share in 2010 is the highest since 1979, the first year of data, and is substantially higher than the previous high in 1992.

The dismal job prospects for unemployed

workers have led many to give up looking for work. These discouraged workers have fallen out of the labor force and are not counted in the official employment statistics by the Bureau of Labor Statistics.²⁸

Finally, many workers who do have a job have seen their hours cut. For hourly workers and workers who previously worked overtime, this translates into a direct reduction in earnings. Since 2007, the number of workers who work part-time involuntarily has increased.

The underemployment rate is a measure of joblessness as it accounts for unemployed workers, discouraged workers without a job and workers working involuntarily part-time. In 2010, the underemployment rate was 15.7 percent, substantially higher than the official 9.5 percent unemployment rate. The fact that nearly one in six workers in New Jersey is either looking for a job, has given up finding a job, or would like to work more hours, speaks to this recession's depth and duration.

TABLE 1

Unemployment rate, underemployment rate, and long-term unemployment share in New Jersey, 1989-2010

	1989	2000	2007	2010
Unemployment rate	4.0%	3.7%	4.2%	9.3%
Long-term unemployment share	0.08	0.17	0.21	0.51
Underemployment rate	n.a.	6.3%	7.4%	15.7%

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, annual data; and Economic Policy Institute analysis of the Current Population Survey.

Notes: Long-term unemployment rate is the percentage of unemployed workers who were jobless for longer than 26 weeks. Underemployment rate is the percentage of workers who are unemployed, involuntarily part-time and discouraged workers. Years 1989, 2000 and 2007 were business cycle peak years, which accounts for the low rates reported for those years.

Wages in New Jersey

The New Jersey economy has been characterized by meager wage gains for most wage earners over the last decade. The median wage increased by 5.1 percent from 2000 to 2010, after adjusting for inflation. The median wage is the wage of a typical worker, meaning half of all workers earn more and half earned less. All the gains in wages were during the economic upswing in the first part of the decade. Since 2007, the median wage has declined by 1.1 percent.

The recent decline in wages puts more pressure on families to work harder just to maintain living standards. In the past when wages have declined, families could try to maintain earnings by sending more family members into the workforce, increasing hours, or picking up second jobs. However, with fewer jobs and overtime hours available many families cannot compensate for lower wages and household incomes decline along with living standards.

Over the last decade, some workers fared better and saw larger wage increases, while other groups of workers saw their wages decline. Overall, high-wage workers did relatively better than low-wage workers. A common measure of wage inequality is the 80th/20th wage ratio. In New Jersey, the top 20th percentile wage earner now makes 3.5 times as much as the bottom 20th percentile wage earner. In 2000, the 80th/20th wage ratio was only 2.9 times. The wage inequality has increased since 1989, both in times when jobs were created as well as during recessions.

The increase in wage inequality is driven by two trends: wages of high-wage earners have increased at a relatively fast rate,

and wages of low-wage earners have declined. The top 20th percent wage earner increased their real hourly wages by 13.9 percent, from \$31.74 (in 2010 dollars) in 2000 to \$36.14 in 2010, though the rate of growth did slow during the recession.

High-wage earners have seen the effects of the recession, but they have not been profound or far-reaching when compared with other groups. About 44,000 New Jersey residents lost their jobs in the financial sector as investment companies downsized and Lehman Brothers collapsed.²⁹ Other New Jersey residents who continue to work on Wall Street have seen their performance bonuses drastically cut. Nonetheless, real wages continued to increase for wage earners in the top 20 percent, and workers with college degrees continue to enjoy relatively low unemployment rates (6.0% in 2010), well below those of others in New Jersey.

At the other end of the wage scale are the 20th percent lowest paid wage earners whose hourly wages have steadily declined between 1989 and 2010, from \$10.97 to \$10.21. Even at the peak of the business cycle in 2007, wages were lower than in 1989 and 2000. An erosion of the mandated minimum wage and lower union representation have contributed to low-wage earners losing ground.

In 2005 and 2006, New Jersey raised its minimum wage from \$5.15 to \$7.15 an hour in two steps in order to catch up to some of its lost value due to inflation. The minimum wage was again raised in 2009 to meet the new federally mandated minimum wage of \$7.25. New Jersey is now one of 32 states that follow the federal minimum wage, while 18 states and the District of Columbia have higher minimum wages. By 2010, the New Jersey minimum wage had lost 6.2 percent of its

TABLE 2

Hourly wage distribution by quintiles, 1989-2010 (in 2010 dollars)

	1989	2000	2007	2010	Percent Change	
					2000-07	2007-10
20th	\$10.97	\$10.93	\$10.67	\$10.21	-2.3	-4.3
40th	15.57	15.43	15.92	15.75	3.2	-1.1
Median	17.88	18.31	19.46	19.24	6.3	-1.2
60th	20.93	21.73	23.23	23.82	6.9	2.5
80th	29.08	31.74	35.43	36.14	11.6	2.0
80th/20th ratio	2.7	2.9	3.3	3.5		

Source: Economic Policy Institute analysis of the Current Population Survey, ORG files. Wages were adjusted for inflation using the CPI-U-RS.

value since 2006, which translates into an erosion of \$964 for a full-time, year-round minimum wage earner in 2010 alone.³⁰

Also, it should be noted that New Jersey's cost of living is higher than 43 other states, so earnings will not go as far as they would in other parts of the country.³¹ Therefore, an increasing number of low-wage workers are joining the working poor, who are not able to make ends meet even if they are fortunate enough to have a full-time job.

Unions have historically played an important role in raising wages. Union representation in New Jersey has fallen from 25.0 percent in 1989 to 17.7 percent in 2010.³² Workers represented by unions earn higher wages, even after controlling for industry, education and other factors. A simple comparison of union-nonunion

	1989	2000	2007	2010	Percent Change	
					2000-07	2007-10
Union	\$20.63	\$21.09	\$22.75	\$23.95	7.8	5.3
Nonunion	17.05	17.46	18.43	18.34	5.6	-0.5
All	17.88	18.31	19.46	19.24	6.3	-1.2
Union/nonunion wage ratio	1.21	1.21	1.23	1.31		

Source: Economic Policy Institute analysis of the Current Population Survey, ORG files. Wages were adjusted for inflation using the CPI-U-RS.

wages shows that the typical union worker earned 30.6 percent more than the typical nonunion worker. Moreover, union wages have been increasing at a faster rate than nonunion wages, 13.5 percent

versus 5.0 percent, over the last decade. Union workers are one group of workers in New Jersey whose wages increased since 2000, and have not declined since the recession began in 2007.

Gender and Race Employment and Pay Gaps

The gap between what men and women earn has narrowed in New Jersey over the last couple of decades. In 1989, women earned 71 cents for every dollar earned by men. By 2010, they earned 85 cents for every dollar earned by men. A decrease in the gender wage gap is good news, however, the reasons behind it are not all good. The shrinking gap is due in part to an overall increase in women's wages, but the bad news is that it is also the result of an overall decline in men's wages.

Unfortunately, the racial pay gap in New Jersey has increased from 1989 to 2010. While the median hourly wage for whites increased by 21.4 percent between 1989 and 2010, it increased by only 5.7 percent for African Americans and decreased by 8.7 percent for Latinos.

	1989	2000	2007	2010
Male	\$21.34	\$20.33	\$21.68	\$21.31
Female	15.14	16.14	17.41	18.03
Women's earnings per \$1.00 men earned	71 cents	79 cents	80 cents	85 cents

Source: Economic Policy Institute analysis of the Current Population Survey, ORG files. Wages were adjusted for inflation using the CPI-U-RS.

In 1989, African Americans earned 75 cents for every dollar earned by whites. However, 21 years later, they earned only 65 cents. For Latino wage earners the pay

gap increased from 71 cents for every dollar earned by whites in 1989 to 54 cents by 2010. This means that the economic expansion of the 1990s and first part of the

2000s did not translate into better wages for African Americans and Latinos to help close the racial pay gap. Secondly, African American and Latino workers were hit harder by the recession in terms of pay than white workers were, who actually saw a small increase in their real wages since 2007.

Education played an important role. Not only did workers with more education earn more, but they also saw their wages increase at a faster rate. Between 1989 and 2010, the median hourly wage for wage earners without a high school degree declined by 18.6 percent, and it declined for wage earners with a high school degree by 4.4 percent. On the other hand, the median wage for wage earners with a college degree increased by 17.8 percent over the same period. As a result the educational pay gap increased dramatically. In 1989, the typical worker with a high school degree earned 60 cents for every dollar earned by a typical worker with at least a college degree; by 2010 that

TABLE 5

Median hourly wages by race in New Jersey, 1989-2010 (in 2010 dollars)

	1989	2000	2007	2010
White	\$19.05	\$20.79	\$22.34	\$23.12
African American	14.28	14.71	15.10	15.09
Latino	13.62	12.86	12.87	12.43
African Americans' earnings per \$1.00 whites earned	75 cents	71 cents	68 cents	65 cents
Latinos' earnings per \$1.00 whites earned	71 cents	62 cents	58 cents	54 cents

Source: Economic Policy Institute analysis of the Current Population Survey, ORG files. Wages were adjusted for inflation using the CPI-U-RS.

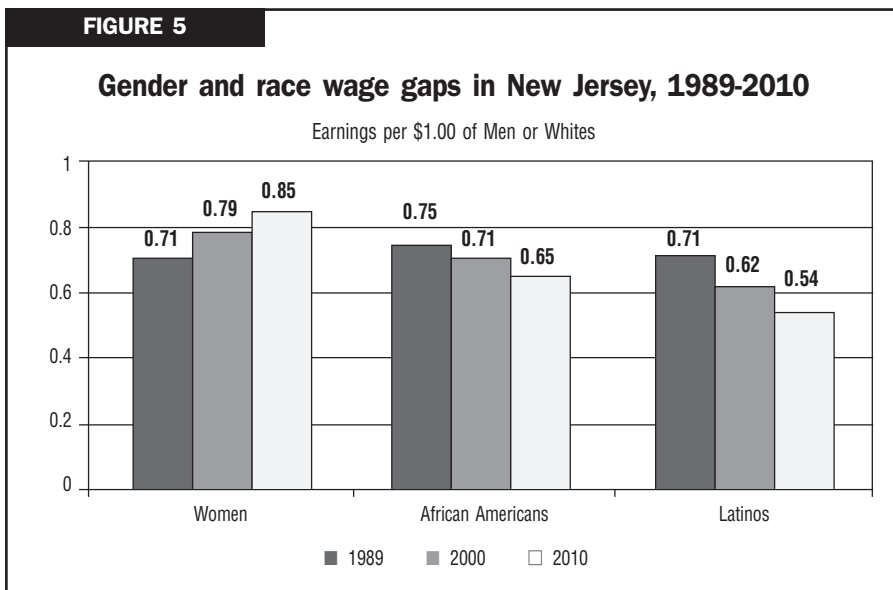
worker earned only 49 cents. White workers with higher education attainment have clearly been the winners in the New Jersey economy over the last two decades.

The Recession

Different demographic groups were impacted differently by the recession. African American workers face much higher unemployment rates than Latino and white workers. By 2010, nearly one in nearly six African Americans in the labor force was looking for a job, but was not able to find one. Like African American workers, white workers also saw their unemployment rates more than double, but from a lower level, so it impacted proportionally fewer workers.

With few job opportunities, an increasing share of people looking for jobs end up long-term unemployed. Fully 61.6 percent of unemployed African American workers were long-term unemployed, compared to 51.9 percent of whites and 41.0 percent of Latinos in New Jersey in 2010.

Younger workers have the highest unemployment rate, but older workers saw their employment prospects deteriorate the most.³³ In 2007, only 2.9 percent of workers age 55 years and older were un-



Source: Economic Policy Institute analysis of the Current Population Survey, ORG files.

Note: Earnings of women per one dollar men earned; and earnings of African Americans and Latinos per one dollar whites earned.

employed. In 2010, their unemployment rate had nearly tripled to 7.8 percent.

Men have a higher unemployment rate than women, but the increase in the rate of unemployment was similar for the two groups since the recession began. In 2010, the unemployment rate for male wage earners was 9.7 percent, compared to 8.8 percent for female. Workers with a high school degree or less had much higher unemployment rates than workers with at least some college education or more.

Interestingly, among the unemployed, workers with college and higher degrees were more likely to be unemployed longer. The long-term unemployment share was 0.57 for workers with a college degree, and 0.48 for workers with a high school degree – meaning that for each unemployed worker with a college or high school degree, 0.57 and 0.48 were long-term unemployed. This may in part reflect that workers with a college degree can afford to hold out longer for the right job to come along than workers with less education who often have lower family income and less wealth.

Demographic groups with higher unemployment rates generally saw bigger drops in real wages from 2007 to 2010, but there are some exceptions: the real median wage of Latino workers declined by more than that of African American workers; and the median wage of workers with some college experience actually increased, while it decreased by 2.6 percent for workers with a college degree.

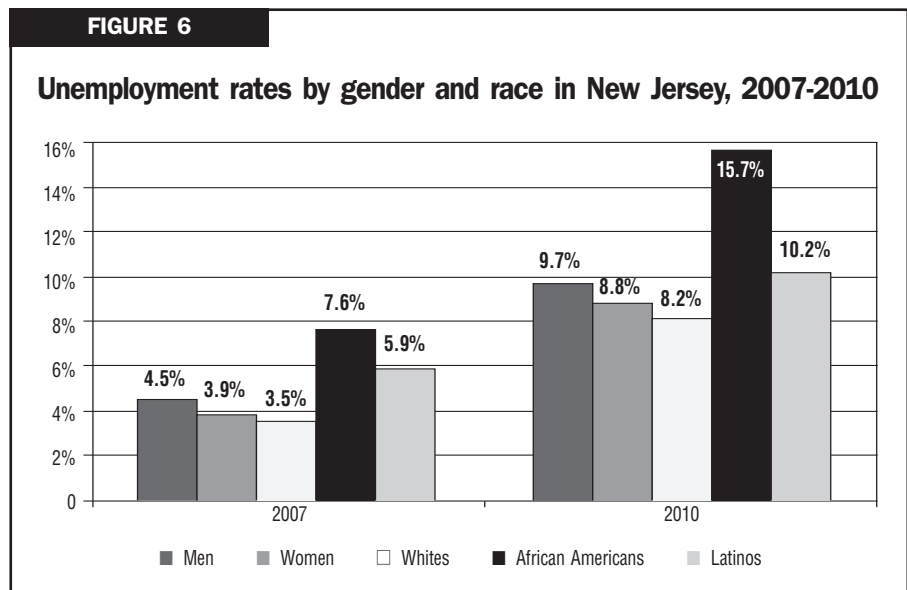
Despite the fact that the recession officially ended in June 2009, high rates of unemployment and declining wages are signs that the economy has not recovered and that things have worsened for New Jersey families, particularly those earning the least.

TABLE 6

Education wage gaps in New Jersey 1989-2010

	1989	2000	2007	2010
Less than high school	\$12.29	\$10.27	\$10.70	\$10.00
High school	15.57	15.22	14.75	14.89
Some college	17.25	17.07	15.86	16.67
Bachelor's or higher	25.94	29.10	31.40	30.57
High school workers' earning per \$1.00 college graduates earned	60 cents	52 cents	47 cents	49 cents

Source: Economic Policy Institute analysis of the Current Population Survey, ORG files. Wages were adjusted for inflation using the CPI-U-RS.



Source: Economic Policy Institute analysis of the Current Population Survey.

Income and Poverty in New Jersey

The majority of households in New Jersey enjoyed higher incomes in 1989 than they do today. Median household income in 1989 was \$66,417 (in 2010 dollars). By the year 2000, it had dropped to \$63,818. Driven by the housing and the stock market bubbles, the median household income spiked in the mid-2000s to \$73,598 in 2006. Following the bursting of the bubbles, income has fallen every year since 2008 and dropped to below its 2000 level. By 2010, the typical family was earning less and had to stretch its income farther than in 1989.

New Jersey families have been hit from all directions in recent years. Job opportunities have diminished with declining real wages and increasing unemployment. Fewer family members are working, and many with a job have seen their hours reduced, and along with it, overtime pay. Wealth deriving from equity in homes

	2000	2005	2007	2010
20th	\$25,254	29,113	\$24,659	\$24,400
40th	49,385	55,954	49,423	48,772
Median	63,818	70,772	63,628	63,540
60th	80,322	91,401	84,129	80,015
80th	127,054	139,606	130,831	129,811
80th/20th gap	5.03	4.80	5.31	5.32

Source: Economic Policy Institute analysis of the Current Population Survey, March Annual Social and Economic Supplement for respective years; and the U.S. Census Bureau, Annual Social and Economic Supplement, Median household income by state, single-year estimates. Adjusted for inflation using the CPI-U-RS.

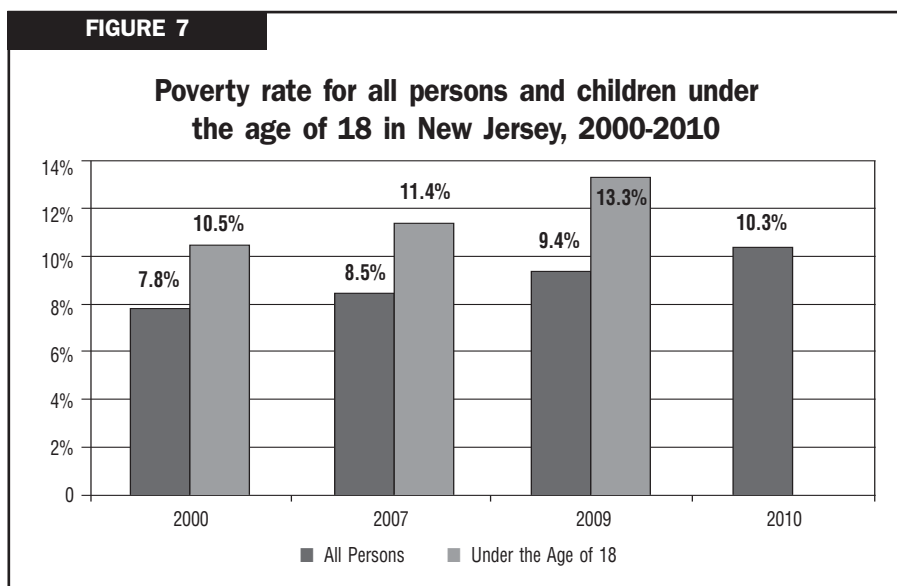
Note: Data include all observations with positive household income.

disappeared into thin air with the collapse of the housing market. Retirement savings were wiped away with the crash of

the stock market. In particular, low-income households have been hard hit.

The income of the bottom 20th percentile household decreased by 16.2 percent from its peak in 2005 to 2010. That translates into a drop in income of almost \$1,000 per year, after adjusting for inflation. Over the same period, the top 20th percentile household saw a drop in income of 7.0 percent. As a result, income inequality increased. In 2010, the income of the top 20th household was 5.3 times greater than that of the bottom 20th household. In 2000 it was 5.0 times.

Over the last decade, the decline in household incomes has translated into an increasing number of families living in poverty. In 2000, the number of people living in poverty in New Jersey was 647,694 or 7.8 percent of the population. Before the recession began in 2007, it had increased to 8.5 percent. By 2010, the rate had climbed even higher, when 10.3



Source: U.S. Census Bureau, Poverty: 2009 and 2010, American Community Survey, October 2010; Small Area Income and Poverty Estimates, 2000-2009.

Note: The poverty rate of children in 2010 was not made available by the publication of this report.

percent, or 884,789 people in New Jersey were living in poverty. Meanwhile, more than one out of every 8 children in New Jersey lived in poverty in 2009.

What is worse, the official poverty line is widely considered a conservative marker of what it actually takes to make ends meet. Combined with the high cost of living in New Jersey, that means that

many more people are struggling just to cover their basic necessities. Unless New Jersey's economy begins to create more jobs and real wages for low-wage earners begin to increase, more families will slip into poverty.

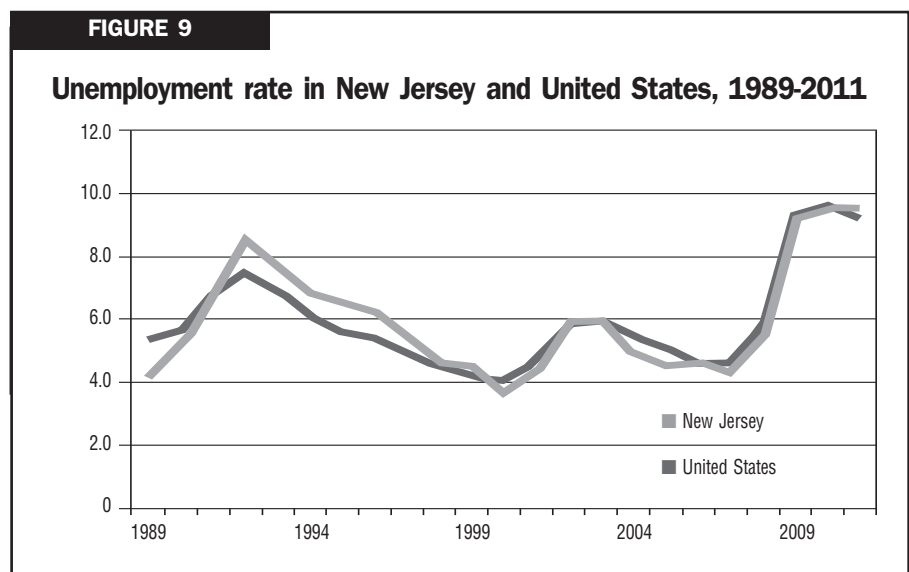
New Jersey in a National Perspective

Up to this point this analysis has focused primarily on the New Jersey labor market. However, many of the same economic forces that affected the New Jersey economy also affected the economies of other states, such as the housing bubble and collapse, the financial crisis and manufacturing jobs moving overseas. To gain a broader perspective on how New Jerseyans have fared over the last decade, the performance of New Jersey's economy is compared to that of other states.

The economic downturn

New Jersey weathered the recession slightly better than the nation overall. From 2007 to 2010, employment declined by 5.5 percent in New Jersey, compared to 5.7 percent in the United States. Over the last year, however, as other states' economies are showing signs of recovery, New Jersey's is falling behind. From June 2010 to June 2011, 41 states experienced employment growth, while employment in New Jersey continued to decline. Only 8 other states had a worse job performance than New Jersey. Layoffs of state and local government workers are the main reason for New Jersey losing jobs over the last year.

Before the recession, New Jersey experienced low unemployment, despite sluggish job creation, with an unemployment rate of 4.3 percent in 2007. By 2010, the rate of unemployment had more than doubled to 9.5 percent.



Source: Bureau of Labor Statistics, Labor Force Statistics From the Current Population Survey, National Unemployment Rate; and Local Area Unemployment Statistics.

Note: Unemployment rate for 2011 is the seasonally adjusted rate for the month of June.

Other states experienced similar jumps in unemployment, and New Jersey's unemployment rate continued to be slightly below the national rate until 2011. Every month of 2011, New Jersey's unemployment rate has exceeded the national average. It is too early to say whether the gap in the unemployment rate will remain, and will depend on the priority given to policies to create jobs in New Jersey in the coming years.

The lost decade

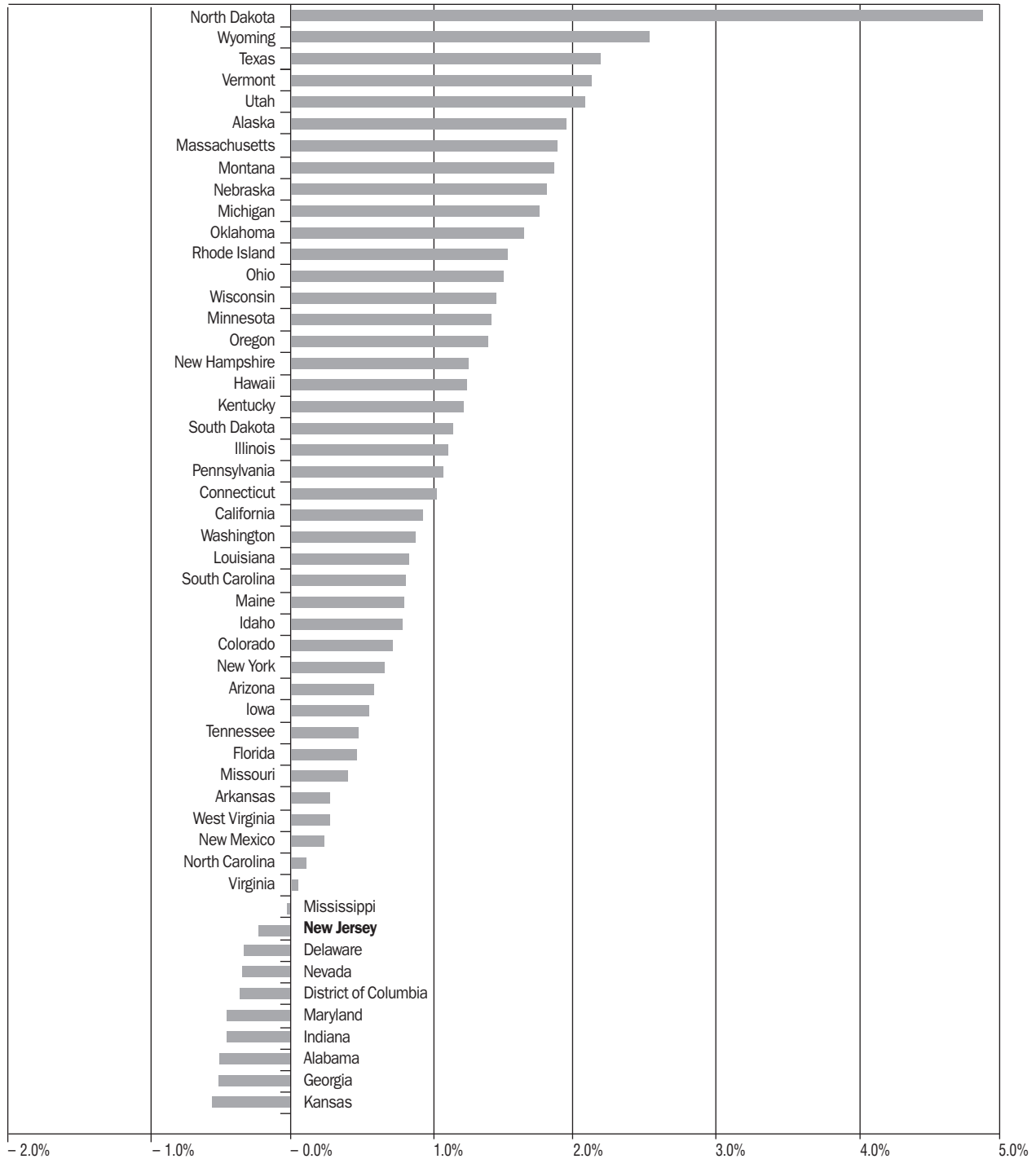
In the mid-2000s, New Jersey experienced fast growth in median household

income driven by the housing market bubble and the financial sector. The typical household saw an astonishing gain in median income of \$9,795 from 2004 to 2006, after adjusting for inflation. When the housing market bubble burst and the crisis in the financial sector revealed itself, the income gains were wiped out in less than one year.

Nonetheless, New Jersey has done *relatively* well in terms of income. New Jersey had the 4th highest median household income in 2010, while the state was ranked 6th in 2000. However, the gain in

FIGURE 8

Percentage employment change by state, June 2010 to June 2011



Source: Bureau of Labor Statistics, Current Employment Statistics Survey, State and Metro Area Employment, monthly data for non-farm employment, June, not seasonally adjusted.

standing does not mean that New Jersey saw income gains, but rather other states did worse than New Jersey did. In fact, by the end of the decade, New Jersey’s median income was slightly lower than in 2000, \$63,540 in 2010 compared to \$63,818 in 2000.

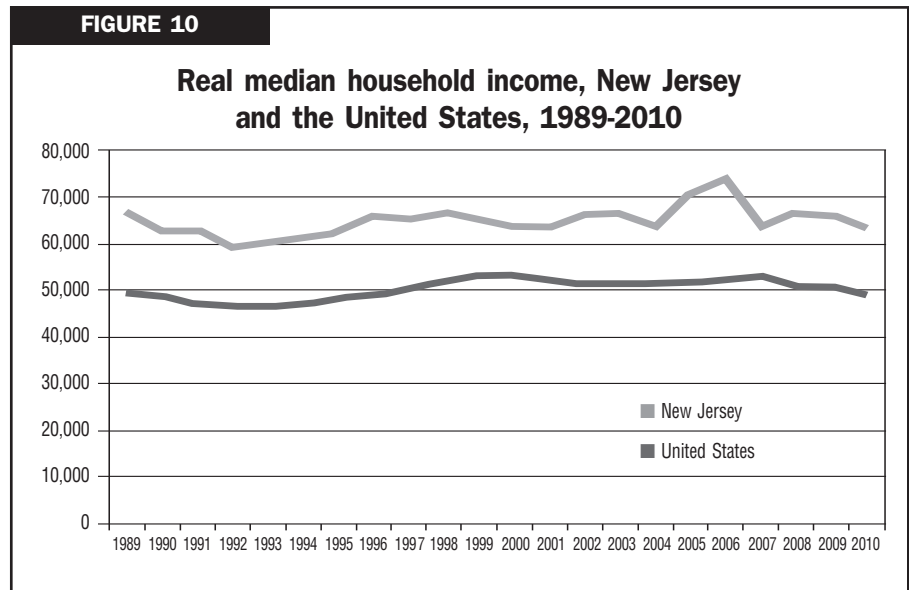
Table 8 shows New Jersey’s ranking for labor market and socioeconomic indicators. New Jersey ranked high in terms of household income; however, New Jersey’s cost of living is also fairly high. According to data by the Missouri Economic Research and Information Center, New Jersey had the 8th highest cost of living.³⁴

Over the last decade, New Jersey had the 12th worst employment growth of any state, and New Jersey’s unemployment ranking went from the 23rd lowest unemployment rate to the 31st lowest rate, a clear sign of the deterioration of job opportunities in New Jersey.

The lack of job creation has in particular affected low-wage workers. While wages of middle-wage workers continue to rank the 4th highest, wages of low-wage workers slipped from 6th to 11th place, another indication of the increase in wage inequality.

Workers at the upper end of the wage scale fared substantially better than other workers over the last decade. In 2000, New Jersey ranked first in terms of pay of high-wage workers. Ten years later, the District of Columbia surpassed New Jersey in terms of wages of high-wage workers.

New Jersey continued to have one of the lowest poverty rates in the country in 2010 because of income support programs. However, with growing underemployment and declining real wages, including the minimum wage, the number of people living in poverty has been rising in New Jersey.



Source: U.S. Census Bureau, Median Household Income by State, single year estimates. Adjusted for inflation using the CPI-U-RS.

Socioeconomic indicators	Rank	
	2000	2010
Median household income	6	4
Cost-of-living (2011)		44
Poverty rate	4	5
Employment growth, 2000-2010	—	40
Unemployment rate	23	31
High wages (80th percentile)	1	2
Median wages (50th percentile)	4	4
Low wages (20th percentile)	6	11
Wage growth, 2000-2010 (median)	—	25
Unionization rate	4	6

Sources: U.S. Census Bureau, Annual Social and Economic Supplement, median household income by state, single-year estimates, adjusted for inflation using the CPI-U-RS; Missouri Economic Research and Information Center, Missouri Department of Economic Development, Cost of Living Data Series, 2nd Quarter 2011; U.S. Census Bureau, Poverty: 2009 and 2010, American Community Survey Briefs, October 2011; U.S. Census Bureau, Small Area Income and Poverty Estimates; Bureau of Labor Statistics, Current Employment Statistics Survey, State and Metro Area Employment, annual data for non-farm employment; Bureau of Labor Statistics, Local Area Unemployment Statistics, annual data; Economic Policy Institute analysis of the Current Population Survey, ORG files, annual data, adjusted for inflation using the CPI-U-RS; and Hirsch, David and David Macpherson, Unionstats.com, Union membership and coverage database from the CPS.

Note: Ranking by “best”, where best is defined as most desirable such as highest household income or lowest poverty rate.

Conclusion

In 2010, the unemployment rate reached 9.5 percent in New Jersey, the highest rate in 35 years, and fewer people were employed than ten years earlier. New Jersey's poor job performance is a combination of sluggish job growth during the economic upswing in the first part of the 2000s, and widespread job losses since the Great Recession hit in late 2007.

The recession was caused by the loss in wealth following the collapse of the housing market bubble and affected homeowners, businesses and workers across the United States. While 41 states experienced net job growth over the last year (June 2010 to June 2011), New Jersey continued to lose jobs. Only 8 states had a worse job performance than New Jersey over the last year.³⁵

Unemployment rates of young workers, workers with a high school degree or less,

African American and Latino workers reached over 10 percent in 2010. Many of these workers are long-term unemployed. Over half of unemployed workers looking for a job in the last six months did not find one. Other workers have given up looking for a job and thus are no longer counted as unemployed. Some workers work part-time, while looking for a full-time job. The underemployment rate, which accounts for unemployed, discouraged and underemployed workers, reached 15.7 percent in 2010, substantially above the official unemployment rate of 9.5 percent.

Many employed workers are also feeling the effects of the recession. The wages of the bottom half of wage earners declined from 2007 to 2010. Men, Latinos and workers with less than a high school degree experienced bigger wage declines than other demographic groups.

The lack of job opportunities and declining earnings make it harder for families to make ends meet. The overall poverty rate increased to 10.3 percent in 2010, and 13.3 percent for children under the age of 18 (in 2009).³⁶ About 237,000 more people lived in poverty in 2010 than at the beginning of the decade.

New Jersey's high cost of living has always made it a difficult place to live for low and moderate income families. To address these conditions, New Jersey has created an above average work-support system to provide income security to its hardworking men and women. It is critical for the state to maintain and expand its minimum wage, earned income tax credit, unemployment insurance system, public health insurance programs, child care assistance and paid family leave.

Without these critical supports, poverty will likely continue to increase in 2011.

Appendix: Data

The employment data in this report are derived from the Bureau of Labor Statistics' Current Employment Statistics (CES) survey of employers. Annual data were used for comparison over the longer term. For the analysis of job losses during the recession (Dec. 2007 to June 2009) and the post-recession (June 2009 to Aug. 2011), monthly seasonally adjusted data were used to calculate net employment changes by industry.

The unemployment and wage data came from analysis by the Economic Policy

Institute of the Current Population Survey (CPS). The CPS is the most comprehensive source of labor market data on individuals. The survey is conducted by the Bureau of Labor Statistics every month of the year. Basic labor market and demographic data on employment status, wages, hours worked, education, gender and race, among other things, are gathered every month from a sample of households that is the last month of a four month stretch of monthly interviews. These households are referred to as the "outgoing rotation group" (ORG).

The final source of data in this report is the U.S. Census Bureau for data on household income and poverty, and the data are available at the Census Bureau's website: www.census.gov, except for household incomes by quintiles. Household incomes by quintiles were obtained from the Economic Policy Institute's analysis of the CPS Annual Social and Economic supplement (March).

Wages and incomes were adjusted for inflation using the consumer price index CPI-U-RS, and the dollar amounts are in 2010 dollars.

About the Author

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Endnotes

- ¹ U.S. Census Bureau, Annual Social and Economic Supplement, median household income by state, single-year estimates. Adjusted for inflation using the CPI-U-RS, 2004-2006.
- ² Economic Policy Institute analysis of the Current Population Survey, Annual Social and Economic Supplement (March), household income deciles, 2000-2010. Adjusted for inflation using the CPI-U-RS.
- ³ Bureau of Labor Statistics, Current Employment Statistics Survey, State and Metro Area Employment, annual data for non-farm employment, 2004-2006.
- ⁴ Bureau of Labor Statistics, Current Employment Statistics Survey, State and Metro Area Employment, annual data for non-farm employment, 1992-2000.
- ⁵ Economic Policy Institute analysis of the Current Population Survey, annual data, 2000-2007.
- ⁶ Economic Policy Institute analysis of the Current Population Survey, ORG files, annual data, 2000-2007. Adjusted for inflation using the CPI-U-RS.
- ⁷ Bureau of Labor Statistics, Local Area Unemployment Statistics, annual data, 1976-2010.
- ⁸ U.S. Census Bureau, Small Area Income and Poverty Estimates, 2007-2009.
- ⁹ Federal Housing Finance Agency, House Price Index for New Jersey, quarterly data, not seasonally adjusted, 1st quarter of 2000 to 1st quarter of 2007. The House Price Index peaked in the 1st quarter of 2007.
- ¹⁰ U.S. Census Bureau, New Privately Owned Housing Units Started, annual data, Northeast region, 2001-2007; and U.S. Census Bureau, *Statistical Abstract of the United States: 2012*, 2011: Table 13. Residential population in New Jersey increased by only 147,000 from 2001 to 2007; and there is typically more than one person, including children, living in a household.
- ¹¹ Standard & Poor's Index Services, S&P 500 Monthly Returns, January 2004 to October 2007.
- ¹² Federal Housing Finance Agency, House Price Index for New Jersey, quarterly data, not seasonally adjusted, 1st quarter 2007 to 2nd quarter 2011.
- ¹³ Standard & Poor's Index Services, S&P 500 Monthly Returns, October 2007- October 2008.
- ¹⁴ National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, 1857-2010.
- ¹⁵ Bureau of Labor Statistics, Current Employment Statistics Survey, State and Metro Area Employment, annual data for non-farm employment, 1990-2000.
- ¹⁶ Bureau of Labor Statistics, Local Area Unemployment Statistics, annual data, 2000-2010.
- ¹⁷ Economic Policy Institute analysis of the Current Population Survey, ORG files, annual data, 2000-2010. Adjusted for inflation using the CPI-U-RS.
- ¹⁸ U.S. Census Bureau, Annual Social and Economic Supplement, median household income by state, single-year estimates. Adjusted for inflation using the CPI-U-RS, 2000-2010.
- ¹⁹ Economic Policy Institute analysis of the Current Population Survey, Annual Social and Economic Supplement (March), household income deciles, 2000-2010. Adjusted for inflation using the CPI-U-RS.
- ²⁰ U.S. Census Bureau, Poverty 2009 and 2010: American Community Survey Briefs, Issued October 2011; and Small Area Income and Poverty Estimates, 2000-2009.
- ²¹ Of the 84,400 net job increase, 2000-2007, 58,900 jobs were in the public sector (70%) and 25,600 were in the private sector.
- ²² New York Times Editorial Board. "Are we in a recession yet? – At least some of us may be," *The New York Times*, The Board, December 5, 2007.
- ²³ McCall, Leslie. *The State of Working New Jersey: Putting the Boom in Perspective*. Report by the New Jersey Policy Perspective, 2002.
- ²⁴ In December 2000, employment reached a peak of 4,023,500; in February 2005 employment was 4,025,400.
- ²⁵ In January 2008, employment peaked at 4,094,600. In July 2011, employment was 3,873,700. Employment grew at 7,467 per month between January 2011 and July 2011.
- ²⁶ The Bureau of Labor Statistics defines unemployed workers as people who are without jobs and have been actively seeking work within the last four weeks.
- ²⁷ Bureau of Labor Statistics, Local Area Unemployment Statistics, annual data, 2010. The five cities listed had unemployment rates above 14.3%. The city of Trenton's unemployment rate was 12.8%.
- ²⁸ The Bureau of Labor Statistics defines discouraged workers as people who want a job, but have not been looking over the last four weeks for a reason related to the job market, such as "no work available."
- ²⁹ Economic Policy Institute analysis of the Current Population Survey of New Jersey residents employed in the financial sector (industry codes 6870-6970). Their place of employment could be either in New Jersey or New York City or some other location. The Current Population Survey is a household survey. This differs from other employment data in this report that were determined from the employer survey: Current Employment Statistics Survey. Both surveys are conducted by the Bureau of Labor Statistics.
- ³⁰ A full-time, year-round worker is assumed to work 40 hours per week for 50 weeks.
- ³¹ Missouri Economic Research and Information Center, Missouri Department of Economic Development, Cost of Living Data Series, 2nd Quarter 2011.
- ³² Hirsch, David and David Macpherson, Unionstats.com, "Union membership and coverage database from the CPS," www.unionstats.com.
- ³³ In 2010, the unemployment rate for people age 16-24 years was 15.9%, while it was 7.8% for people age 55 years and older.
- ³⁴ Missouri Economic Research and Information Center, Missouri Department of Economic Development, Cost of Living Data Series, 2nd Quarter 2011.
- ³⁵ The 8 states are: Delaware, Nevada, District of Columbia, Maryland, Indiana, Alabama, Georgia and Kansas.
- ³⁶ The poverty rate for children in 2009, which is likely higher in 2010, based on the trend for all persons.

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AUTHOR'S NOTE

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