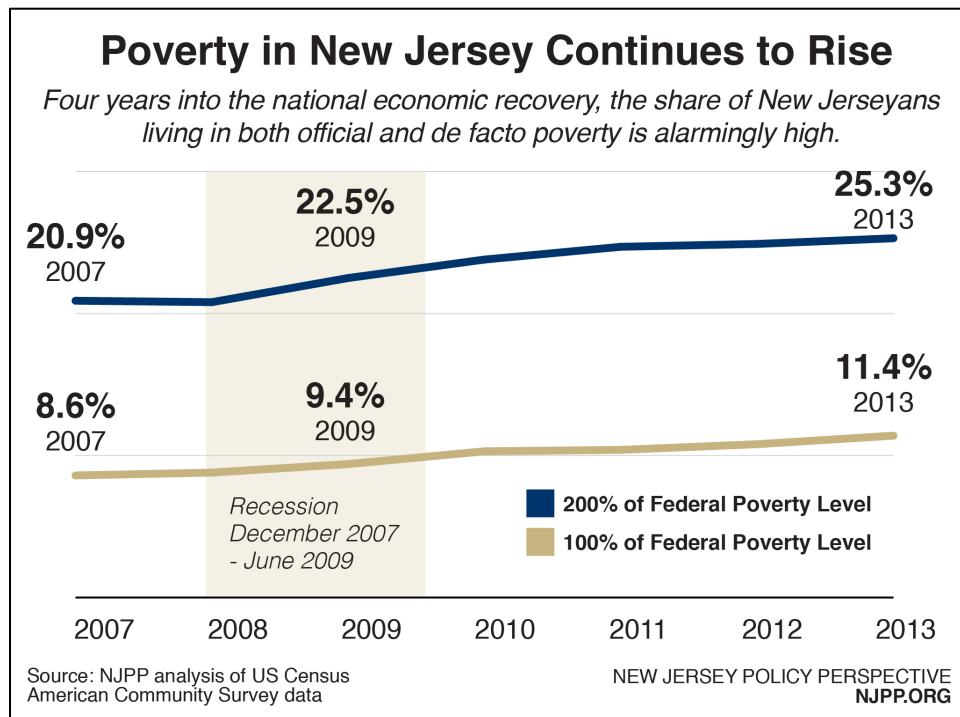


Issue Brief: Despite National Economic Recovery, Poverty in New Jersey Continues to Rise

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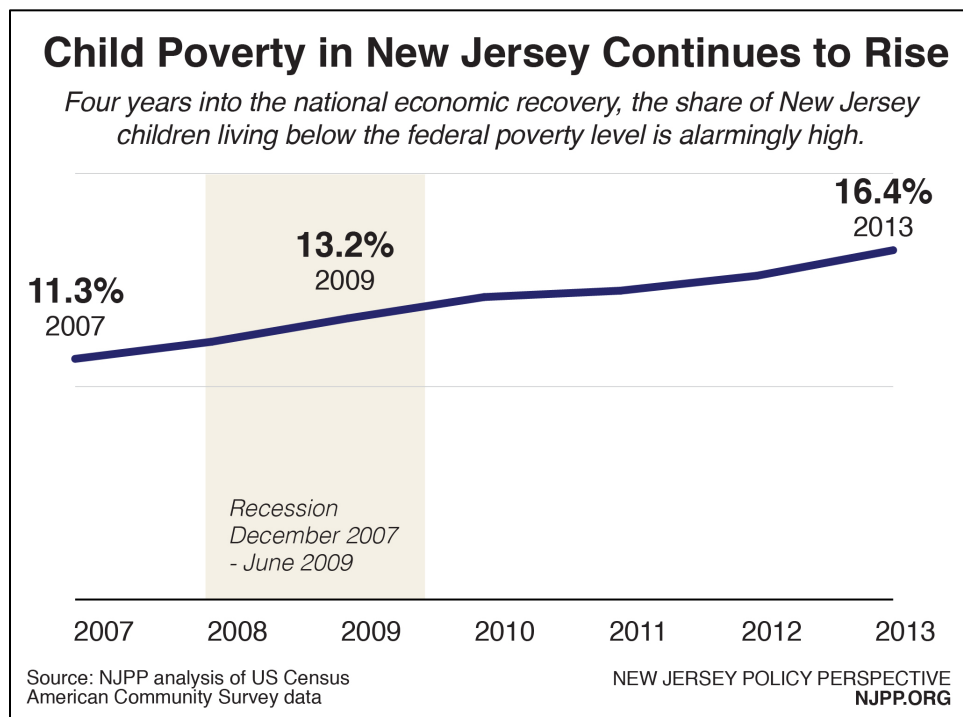
As the rest of the country marches out of the Great Recession, New Jersey is almost alone in watching its condition worsen. While some gains have been made over the past several years, the “Jersey Comeback” announced years ago has stalled out, stunting the opportunities for the vast majority of working New Jerseyans. The 2013 American Community Survey data released last week by the US Census Bureau show that the state still suffers from rising levels of deep poverty, increasing income inequality and a struggling economy even as these metrics are improving for most of the nation.

New Jersey saw the largest increase in poverty and child poverty in the nation in 2013, with the number of New Jerseyans living in poverty increasing by 63,606 and the number of New Jersey children living in poverty increasing by 21,707.

The Garden State was also one of only three states (along with New Mexico and Washington) to experience a rise in both the total number of residents in poverty and the poverty rate. New Jersey's poverty rate now stands at 11.4 percent, up from 10.8 percent in 2012. What's worse, the rate is two full percentage points higher than when the national economic recovery began in 2009, as 196,000 more New Jerseyans have entered deep poverty since 2009.

The number of New Jerseyans living below twice the federal poverty level (which is considered a better measure of *actual* poverty in a high-cost state like New Jersey) also continues to rise. More than one in four New Jerseyans – 25.3 percent – now fall into this category, up slightly from 24.9 percent in 2012 and up significantly from 20.9 percent in 2007. In other words, over the past six years New Jersey has gone from having one in five people struggling to make ends meet to one in four.

The troubling trend of rising child poverty continued, with the rate increasing alarmingly to 16.4 percent in 2013 from 15.2 percent in 2012. Since the start of the recovery, the child poverty rate has grown 24.2 percent (up 3.2 percentage points) from the 2009 rate of 13.2 percent.

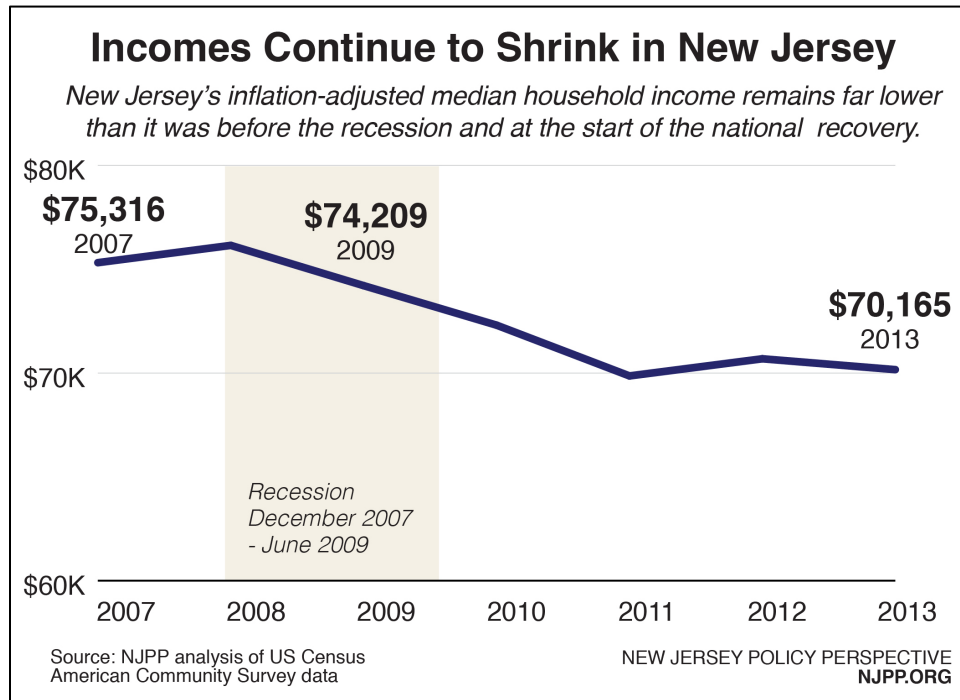


This continued rise in poverty in New Jersey is not surprising, given the state's weak economic recovery. In 2013, New Jersey added just 29,000 jobs, and by January 2014, the state had

recovered only 40 percent of the jobs it lost during the Great Recession, compared to 91 percent nationwide, 168 percent in New York and 78 percent in Pennsylvania.

While the state’s average annual unemployment rate did decrease in 2013, falling to 8.2 percent from 9.3 percent the previous year, it remained far higher than the national unemployment rate of 7.4 percent. Even worse, much of New Jersey’s rate decline was due to hordes of residents leaving the labor force – 24,000 New Jerseyans dropped out of the labor force in 2013, many because they had given up looking for jobs. Meanwhile, the state also had the highest share of long-term unemployed residents in 2013; nearly half of jobless New Jerseyans were out of work for six months or more. Beginning this year, these long-term jobless neighbors are no longer eligible for unemployment benefits, producing agony in their homes and harming the state’s economy.

Middle-class and low-income households in particular continue to struggle to make ends meet, as their earnings has decreased significantly since the recession and not rebounded.



The median household income, when adjusted for inflation, remains significantly lower than when the recovery began, as it has decreased to \$70,165 in 2013 from \$74,209 in 2009 – a drop of 5.4 percent. And the share of middle-class households (defined as those with incomes between \$50,000 and \$200,000) continues to shrink, falling to 53.6 percent in 2013, from 54.9 percent at the beginning of the recovery and 55.3 percent at the start of the recession. In fact, the only income group that is growing is the wealthiest (defined as those with household incomes above \$200,000). The share of wealthy New Jersey households increased to 9.7 percent, from 7.8 percent at the start of the recovery and 7.5 percent at the beginning of the recession.

Perhaps not surprisingly, income inequality also continues to rise in New Jersey. It was one of 15 states that saw an increase in income inequality in 2013, with the Gini coefficient, which is used by the Census to measure income inequality, rising to 0.48 in 2013, from 0.471 in 2012, 0.465 in 2009 and 0.464 in 2007 (a 1.00 would mean one individual holds all income).

To begin to turn the tide, New Jersey needs to start experiencing a robust and broadly shared economic recovery. The way to build a strong recovery is not simple, but it is clear that the strategies employed by New Jersey policymakers in the post-recession era – cutting taxes for businesses and the state’s wealthiest residents while attempting to grow jobs with \$4.6 billion in tax-incentive awards – are not working.

At the same time, New Jersey’s leaders should do what they can to ensure the situation does not continue to worsen even more for those at the bottom. To do so, they should:

- Reverse the 2010 tax hike on half a million working poor families by restoring the state Earned Income Tax Credit to 25 percent
- Reverse its decision to end the “Heat and Eat” program thereby reducing or eliminating major food benefits via the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) to thousands of struggling New Jerseyans
- Eliminate the state’s arcane and unnecessarily complex “tip credit” provision and apply the same minimum-wage law to tipped workers as to the rest of the state’s workers, or at least follow the example of 31 other states and make the tipped minimum wage of \$2.13 per hour higher than the federal level
- Extend earned sick leave to all New Jerseyans to ensure that low-wage workers don’t have to lose a paycheck to attend to their own health or the health of a family member.
- Increase the eligibility level for WorkFirst NJ, which now provides temporary cash assistance to less than half the families with children in poverty
- Invest in high-quality preschool for more children from poor families
- Maintain housing programs that support struggling working families
- Strongly oppose proposed draconian federal cutbacks in unemployment insurance, health coverage and other safety net programs

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