

2017 Minimum Wage Hike Is a Positive Step, but It's Not Nearly Enough

Lawmakers must do more to boost low-paid workers and the state's economy

By Jon Whiten
Vice President

On January 1, 2017, New Jersey's minimum wage will rise by 0.7 percent to \$8.44 per hour,¹ giving approximately 99,000 Garden State workers a very slight pay increase in the new year.

To call this 6-cent wage increase “modest” would be a huge understatement. But the lifting of the wage floor is an important illustration of smart policy design and the power of “indexing” minimum wages. Without a minimum wage that was tied to rising costs of living, as New Jersey's now is, these workers would see an even-worse decline in the purchasing power of their meager wages.

Policymakers were smart to include indexing in the 2013 wage increase, but there is clearly more work to be done to improve the economic security of the Garden State's low-paid workers.

Unfortunately, efforts to boost the incomes of these lowest-paid workers, and the state's economy, hit a dead end this year when Gov. Christie vetoed legislation that would have gradually raised the minimum wage to \$15 an hour over the course of five years. With the stroke of his red pen, the governor blocked a sensible and modest raise for about 1 in 4 Garden State workers, or 975,000 men and women.² The wage increase would have helped a diverse group of

KEY FACTS

6 cents Amount of the hourly January 1 minimum wage increase

0.7% Percentage of the wage hike

99,000 Number of low-paid workers affected

\$39.7M Total increased wages in 2017

\$402 Average increase in annual income for all affected workers

\$8.44 The new state minimum wage

\$14.80 The hourly wage needed for a full-time worker to make ends meet in the least expensive part of the state

\$20.34 The hourly wage needed for a full-time worker to make ends meet in the most expensive part of the state

workers who currently aren't paid enough to make ends meet, improving their chances of getting by – and, for many, providing for their families – in high-cost New Jersey.

In contrast, the wage increase going into effect on January 1 will effect a much smaller portion – about 2.5 percent rather than 25 percent – of the state's workforce, and have a much smaller impact on low-paid workers and their families, as well as the local economies that rely on these workers as customers.

Of the 99,000 workers affected by the wage increase, 98,000 are *directly affected* – meaning they currently make between \$8.38 and \$8.44 per hour – and the remaining 1,000 are *indirectly affected* – meaning they currently make between \$8.44 and \$8.50 per hour, and will see their pay increase as employer pay scales are adjusted upward to reflect the new minimum wage.³

Overall, these 99,000 workers will see an average annual wage increase of \$402 in 2017. The increase for all affected workers will total \$39.7 million in 2017.

While the 2017 increase in the state minimum wage is welcome news for New Jersey's low-paid workers (think: a \$7.73 average *weekly* increase), it is not a wage floor that allows workers to get by, much less climb into the middle class, in a high-cost state such as New Jersey.

In fact, the basic cost of living in 2017 for a *single adult working full time* requires an hourly wage between \$14.80 in the Ocean City metro area and \$20.34 in the Bergen-Passaic metro area - far above the 2017 minimum wage of \$8.44 an hour. Adding one child to the mix for a single parent increases that benchmark to between \$27.77 in the Ocean City metro area and \$32.74 in the Bergen-Passaic metro area.⁴

Minimum Wage Falls Short in Every Part of New Jersey

The wage required for a single adult who works full time to meet a basic budget in every part of New Jersey is far higher than the state minimum wage of \$8.44 – and in all but three areas it is more than double. The wage covers only between 41 percent (Bergen/Passaic) and 57 percent (Ocean City metro area) of this basic budget.

Bergen/Passaic	\$20.34	Camden/Philadelphia	\$17.01
Newark Metro	\$19.52	Atlantic City/Hammonton	\$16.97
Jersey City Metro	\$19.21	Vineland/Millville/Bridgeton	\$16.38
Middlesex/Somerset/Hunterdon	\$18.46	Warren County	\$15.97
Monmouth/Ocean	\$18.34	Ocean City Metro	\$14.80
Trenton/Ewing	\$18.18		

Source: NJPP analysis of Economic Policy Institute Basic Family Budgets by metro area, adjusted to 2017 dollars for inflation. Analysis assumes the worker is working full time for the entire year (2080 hours per year).

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This basic family budget, designed by the Economic Policy Institute, includes money for the major expenses of housing, food, transportation, health care, child care and taxes, as well as

modest amounts for other necessary items like clothing, personal care items, school supplies, entertainment and household supplies. It does *not* include other typical expenditures of a middle-class family like weekend trips or savings of any kind.⁵

January 1 Increase Will Help a Diverse Group of Low-Paid Workers

A total of 99,000 low-wage New Jersey workers – or 2.5 percent of the state’s total workforce – will benefit from the coming minimum wage increase. Due to ongoing shifts in the nature of low-wage work in America, these workers are older, more educated and working more hours than they have been in decades – despite the insistence of minimum wage opponents that low-paid workers are primarily teenagers looking for extra cash.⁶

Of those affected, an overwhelming majority – 73 percent – are at least 20 years old, while about one in three – 32 percent – are at least 40 years old. Nearly half – 47 percent – are working full-time, and an additional 28 percent are working mid-time (between 20 and 35 hours per week). Only 25 percent are working part-time.

About one in four affected workers – 24 percent – have children, and 48,000 New Jersey kids have at least one parent who will see a pay boost in 2017.

Who Will 2017's Minimum Wage Increase Help?			
GENDER		AGE	
Male	54,000 (54%)	20 or older	72,000 (73%)
Female	45,000 (46%)	Under 20	27,000 (27%)
RACE/ETHNICITY		FAMILY STATUS	
White	43,000 (43%)	Married parent	18,000 (18%)
Hispanic	36,000 (36%)	Single parent	9,000 (9%)
Black	18,000 (18%)	Married, no kids	8,000 (8%)
Asian or other	3,000 (3%)	Single, no kids	67,000 (68%)
HOURS WORKED		EDUCATION	
Full-time (35+)	66,526 (38%)	Attended or finished college	21,000 (21%)
Mid-time (20-35)	62,569 (35%)	Finished high school	41,000 (41%)
Part-time (less than 20)	46,908 (27%)	Less than high school	37,000 (37%)
TOP 3 INDUSTRIES		TOP 3 OCCUPATIONS	
Leisure & hospitality	24,000 (25%)	Service	63,597 (36%)
Retail	19,000 (19%)	Sales	49,034 (28%)
Education & health	16,000 (16%)	Office/admin support	19,932 (11%)
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Endnotes

¹ New Jersey Department of Labor and Workforce Development, *Notice of Administrative Changes N.J.A.C. 12:56-3.1*, September 2016, http://lwd.dol.state.nj.us/labor/forms_pdfs/lwdhome/MinWage.pdf

² New Jersey Policy Perspective, *Raising New Jersey's Minimum Wage to \$15 an Hour Would Boost a Large and Diverse Group of Working Men and Women*, March 2016.

<https://www.njpp.org/reports/raising-new-jerseys-minimum-wage-to-15-an-hour-would-boost-a-large-and-diverse-group-of-working-men-and-women>

³ 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 2013 to the third quarter of 2014. 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*. All figures are rounded for clarity and readability.

⁴ NJPP analysis of Economic Policy Institute family budgets by metro area, adjusted to 2017 to account for inflation using projections for the Consumer Price Index from the Congressional Budget Office. Calculations assume each adult is working full-time for the entire year (2080 hours per adult).

⁵ For more on how the family budgets are calculated, see: <http://www.epi.org/resources/budget/>

⁶ For example, see: Center for Economic and Policy Research, *Low-Wage Workers Are Older and Better-Educated Than Ever*, April 2012, <http://www.cepr.net/documents/publications/min-wage3-2012-04.pdf>