

Minimum Wage Advisory Commission • Minimum Wage Advisory Commission

STATE OF NEW JERSEY

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MINIMUM

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FOURTH ANNUAL REPORT

FEBRUARY 2011

Minimum Wage Advisory Commission • Minimum Wage Advisory Commission

Commission Members

Harold J. Wirths, Chair

Charles N. Hall, Jr.

Philip Kirschner

Eric E. Richard

JoAnn Trezza

FOURTH ANNUAL REPORT OF THE
NEW JERSEY MINIMUM WAGE ADVISORY COMMISSION
February 2011

Pursuant to P.L. 2005, c.70, the New Jersey Minimum Wage Advisory Commission (referred to herein as the “Commission”) is required to report annually to the Governor and the Legislature on its findings regarding the adequacy of the minimum wage and its recommendations as to whether the minimum wage should be increased and to what level. The first annual report was submitted in December 2007, and subsequent reports are provided in one-year intervals.

Analysis by the Department of Labor and Workforce Development finds that New Jersey’s economy has experienced flat average wages and a low inflation rate. As a result, it is the Commission’s recommendation that the minimum wage rate of \$7.25 per hour should remain unchanged for 2011 following a slow recovery from the national economic recession which began in December 2007.

Number of Minimum Wage Earners

New Jersey’s minimum wage rate of \$7.25 per hour became effective July 24, 2009, when the federal government raised the nationwide minimum wage.

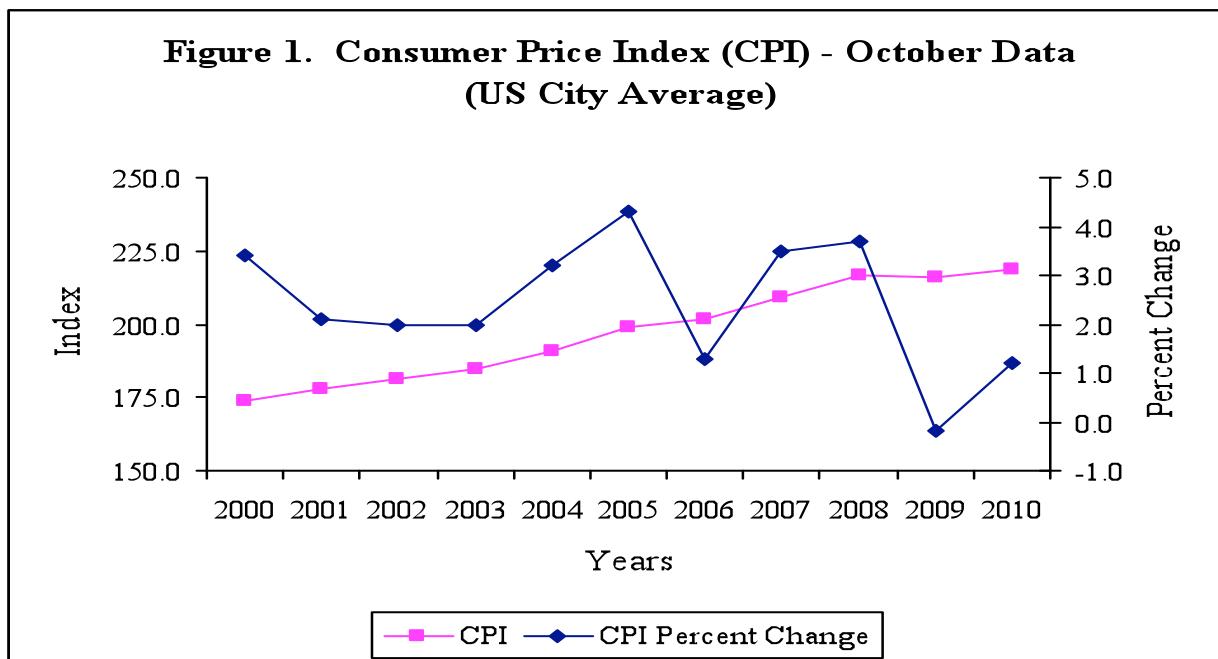
According to *Current Population Survey* (CPS) data for the 12 months ending August 2010, 29,100 hourly workers in the State earned \$7.25 per hour, while 104,500 earned less than the minimum wage. Together, these 133,600 hourly workers represented 3.2 percent of the 4,113,900 total resident employment in August 2010. The sub-minimum wage earners were concentrated in the leisure and hospitality industry and service occupations where workers typically receive tips and/or commission. Although their hourly wage rate was below \$7.25 per hour, the total earnings including tips and/or commission of these workers could actually exceed \$7.25 per hour.

Inflation Rate is Low in New Jersey

The inflation rate as commonly measured by the urban Consumer Price Index, U.S. city average (CPI-U) was low during the past two years. From October 2009 to October 2010, the CPI-U, U.S. city average rose by 1.2 percent (see Figure 1). The regional consumer price index for the southern New Jersey/Philadelphia region also rose over the year by 1.7 percent, while the index for the northern New Jersey/New York region was up 1.5 percent.

From October 2008 to October 2009, the CPI-U U.S. city average fell by 0.2 percent. The regional index for northern New Jersey/New York was unchanged over the same period, while the index for southern New Jersey/Philadelphia was down by 1.0 percent.

The increase of 1.2 percent from October 2009 to October 2010 was significantly below the increases in October 2007 and 2008 of 3.5 and 3.7 percent, respectively. Regional indexes for northern New Jersey in October 2007 and 2008 were up 3.1 percent and 4.3 percent, respectively, while indexes in southern New Jersey in October 2007 and 2008 were up 3.5 percent and 2.8 percent, respectively.



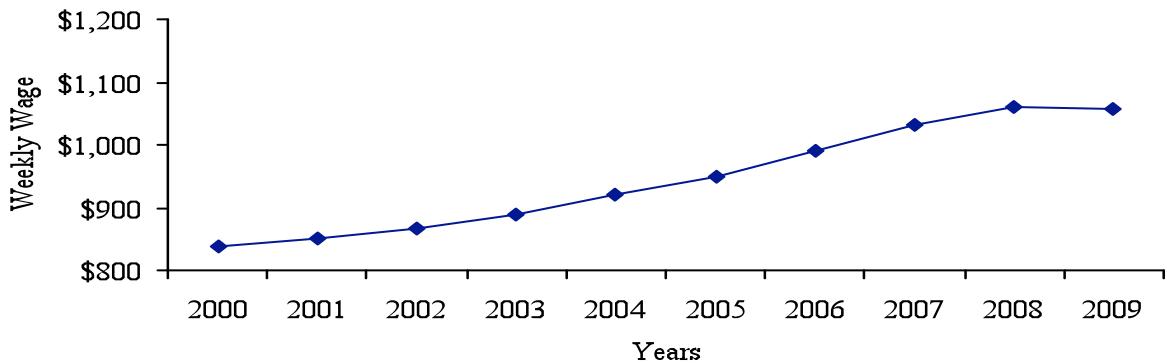
Source: Bureau of Labor Statistics U.S. Department of Labor.

Average Wages Have Leveled Off in New Jersey

The statewide average weekly wage (SAWW) increased in 2008 by 2.7 percent to \$1,059.29 from \$1,031.28 in 2007. Compared with the prior two years, the 2.7 percent increase was a much smaller increase than in 2006 and 2007 with increases of 4.4 percent and 4.3 percent, respectively (see Figure 2).

For 2009, the statewide average weekly wage actually declined by 0.3 percent to \$1,056.54 from \$1,059.29 in 2008. For more than 25 years, the SAWW had been increasing until 2009 where there was a decrease following the effects of the recession.

Figure 2. New Jersey - Statewide Average Weekly Wages (SAWW)

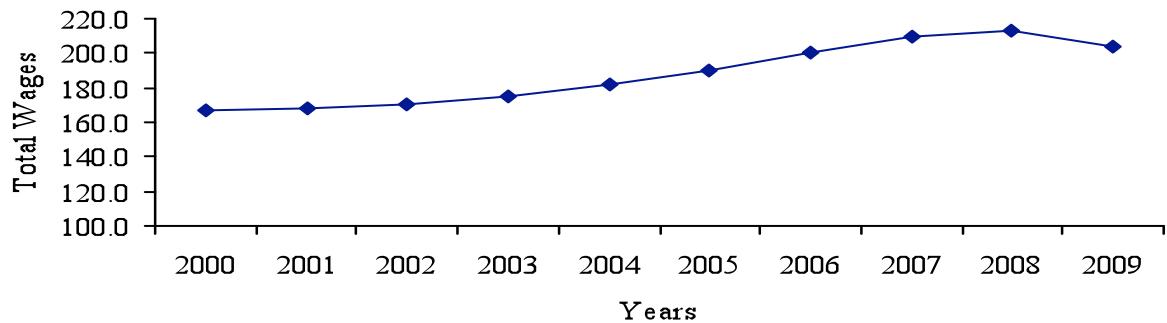


Source: New Jersey Department of Labor and Workforce Development.

In 2008, the total wages of workers covered by unemployment insurance increased to \$213.4 billion from \$209.2 billion in 2007, or 2.0 percent, based on the Quarterly Census of Employment and Wages (QCEW) data (see Figure 3). This was a small percentage increase compared with increases in 2006 and 2007 of 5.3 percent and 4.5 percent, respectively.

Total wages of workers covered by unemployment insurance declined from \$213.4 billion in 2008 to \$203.9 billion in 2009, or by 4.4 percent, based on the QCEW data.

**Figure 3. Total Wages of Workers Covered by Unemployment Insurance
(in billions)**



Source: Quarterly Census of Employment and Wages.

Conclusion

Since the national economic downturn began in December 2007, consumer prices have remained fairly stable, declining in 2009 and edging up by less than 2.0 percent in 2010. Average wages declined from 2008 to 2009 in New Jersey for the first time in more than 25 years. Because of the current stability in both wages and price levels, the Commission recommends that the State minimum hourly wage be maintained at \$7.25 per hour during 2011.

Additional Views of Members of the Commission:

Eric Richard & Charles Hall, Jr.

The Minimum Wage Advisory Commission, by a 3-2 vote, recommended the legislature take no action on the minimum wage, stating that its current \$7.25 level is adequate. We respectfully dissented from this recommendation for two reasons.

First, the 2010 report is lacking information that would have illustrated, in our opinion, in clear terms, that the minimum wage in New Jersey is indeed inadequate. Unlike past reports that included approximately 12 metrics or variables for analyzing the adequacy of the minimum wage, the 2010 report includes only two - inflation rates measured by the CPI, and wage changes as measured by the SAWW.

The report provides no information on specific cost-of-living factors that have the greatest impact on low-income families. If included, in our opinion, it would more accurately measure the adequacy of the minimum wage. Information on the cost of food, housing, transportation, health care, taxes and child care are all missing.

Unlike previous reports, the 2010 report lacks information comparing New Jersey's cost-of-living and its minimum wage with other states, further blurring the ability to assess adequacy. Statistics illustrate that New Jersey's cost of living is 1/3 higher than national average, yet we have a state minimum wage that mirrors the national minimum wage.

The report has no information comparing New Jersey's minimum wage with federal poverty guidelines. If included, it would illustrate that earning the current minimum wage, a family of three is living in poverty. The most recent poverty statistics (2009) from the Census Bureau show that 14.3 percent of Americans are now living in poverty, a 15 year high. That is a national disgrace.

Second, during this difficult economic time, now more than ever it is important to provide the Governor and the Legislature with accurate, comprehensive information about how the minimum wage level effect's the state's economy and jobs. Yet, none of this information is included in the report. A study by the University of Massachusetts, UNC & University of California was published in December 2010 in the Review of Economics and Statistics and is considered to be the most comprehensive to date on the issue. It found that increases in the minimum wage does not reduce employment. This study builds on 15 years of academic

research that illustrates that minimum wage increases and job retention mutually coexist. Despite unsubstantiated claims to the contrary by some, jobs are not lost when minimum wages are increased.

Finally, raising the minimum wage has wide reaching positive economic benefits, acting as an economic stimulus. Low-wage workers spend their entire paycheck on basic necessities, putting revenue into local economies, which in turn creates jobs. A recent study by the Economic Policy Institute estimates that an additional \$5.5 billion is pumped into the economy each year as a result of the most recent federal minimum wage increase. The Federal Reserve Bank of Chicago found that for every dollar increase in the minimum wage, each family with minimum wage earners would spend an additional \$3,200 per year. This represents one of the few forms of economic stimulus that doesn't increase debt or require public tax dollars.

In closing, even during these difficult economic times, several states that have minimum wage COLA's will see their minimum wages rise slightly in 2011. Research shows that this is good for the states' economy, good for low-income workers, and does not result in job loss. Unfortunately, if the recommendation of the Commission is followed by the Legislature and Governor, which is essentially do nothing, New Jersey will not see any of these benefits.

Response to the Additional Views of Members of the Commission

As required by the legislation (*C.34:11-56a4.8*), the New Jersey Minimum Wage Advisory Commission evaluated a full range of factors when assessing the adequacy of the minimum wage. The Commission's report summarizes only the significant findings of a majority of the Commission members.

The full range of factors that were evaluated and considered are summarized in the Addendum to the Report. These factors include; the overall cost of living in the state, changes in the components of the cost of living which have the greatest impact on low-income families, the cost of living in the State compared to that of other states, and changes in the value of the minimum wage relative to the federal poverty guidelines, the federal lower living standard income level guidelines and the self-sufficiency standards established as goals for State and federal employment and training services pursuant to section 3 of P.L.1992, c.43 (*C.34:15D-3*) and section 1 of P.L.1992, c.48 (*C.34.15B-35*).

Addendum to the
New Jersey
Minimum Wage
Advisory Commission Report
December 2010

Overview

Section A. Background on the Minimum Wage in New Jersey

Section B. Evaluation Factors *(as required by C.34:11-56a4.8)*

1. & 4. Overall Cost of Living in the State; / Changes in the Purchasing Power of the Minimum Wage

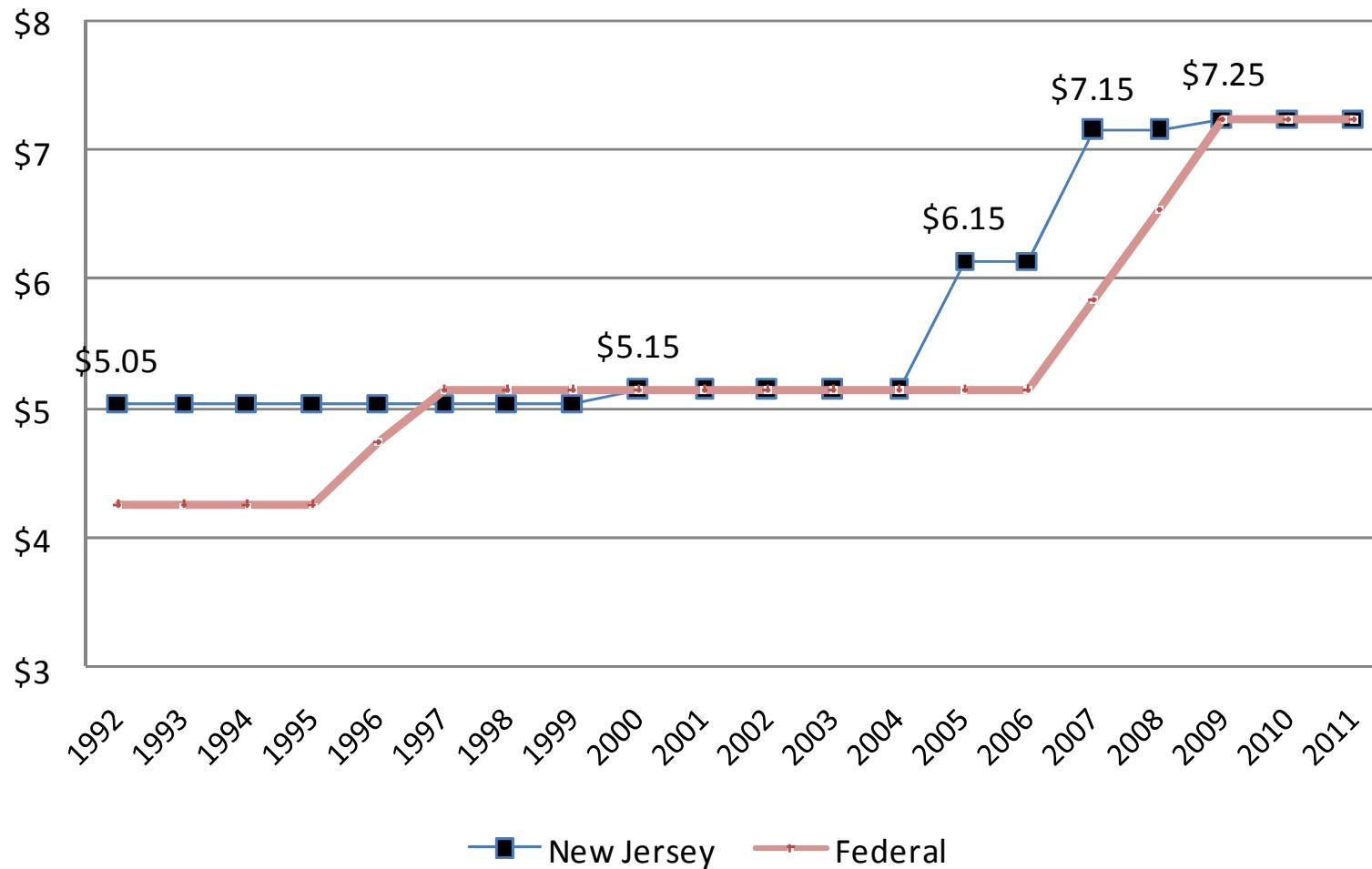
2. Changes in the components of the cost of living which have the greatest impact on low-income families, including increases in the cost of housing, food, transportation, health care and child care;

3. The cost of living in the State compared to that of other states;

5. Changes in the value of the minimum wage relative to the federal poverty guidelines, the federal lower living standard income level guidelines and the self-sufficiency standards established as goals for State and federal employment and training services pursuant to section 3 of P.L.1992, c.43 (C.34:15D-3) and section 1 of P.L.1992, c.48 (C. 34.15B-35).

Section A. Background on the Minimum Wage in New Jersey

Federal and New Jersey Minimum Wage History 1992-2011



Section A. Background on the Minimum Wage in New Jersey

| Trajectory of Minimum Wage in New Jersey and Selected States | | | |
|---|-------------|-------------|-------------|
| State | 2009 | 2010 | 2011 |
| New Jersey * | \$7.25 | \$7.25 | \$7.25 |
| Connecticut | \$8.00 | \$8.25 | \$8.25 |
| Massachusetts | \$8.00 | \$8.00 | \$8.00 |
| New York * | \$7.25 | \$7.25 | \$7.25 |
| Pennsylvania * | \$7.25 | \$7.25 | \$7.25 |
| Delaware * | \$7.25 | \$7.25 | \$7.25 |
| California | \$8.00 | \$8.00 | \$8.00 |
| Federal Minimum Wage | \$7.25 | \$7.25 | \$7.25 |

* These states automatically moved to the higher federal minimum wage 7/24/09.

Section A. Background on the Minimum Wage in New Jersey

| Characteristics of Hourly Wage Earners by Wage Level: New Jersey, 12-Month Average Ending August 2010 | | | | | | | |
|---|---|------------------|---------|---------------|---------------|------------------|---------|
| Characteristics | Total Number of Hourly Wage Workers | Hourly Wage | | | | | |
| | | Less than \$7.25 | | \$7.25 | | More than \$7.25 | |
| | | Number | Percent | Number | Percent | Number | Percent |
| All hourly workers | 1,676,800 | 104,500 | 100.0% | 29,100 | 100.0% | 1,543,200 | 100.0% |
| <i>by Age</i> | | | | | | | |
| 16-21 | 205,800 | 28,700 | 27.5% | 16,300 | 56.0% | 160,800 | 10.4% |
| 22-24 | 142,900 | 12,100 | 11.6% | 2,800 | 9.7% | 128,000 | 8.3% |
| 25-44 | 674,200 | 39,800 | 38.1% | 6,800 | 23.3% | 627,600 | 40.7% |
| 45-64 | 579,300 | 19,600 | 18.7% | 3,200 | 11.0% | 556,500 | 36.1% |
| 65+ | 74,500 | 4,300 | 4.2% | 0 | 0.0% | 70,200 | 4.6% |
| <i>by Sex</i> | | | | | | | |
| Male | 795,100 | 41,800 | 40.0% | 10,200 | 35.2% | 743,100 | 48.2% |
| Female | 881,500 | 62,700 | 60.0% | 18,800 | 64.8% | 800,000 | 51.8% |
| <i>by Education</i> | | | | | | | |
| Less than high school | 221,300 | 24,600 | 23.6% | 7,300 | 25.2% | 189,400 | 12.3% |
| High school diploma | 608,900 | 35,300 | 33.8% | 6,700 | 23.0% | 566,900 | 36.7% |
| Some college/Associate degree | 517,400 | 35,700 | 34.2% | 13,300 | 45.6% | 468,400 | 30.3% |
| College graduate | 329,300 | 8,900 | 8.5% | 1,800 | 6.1% | 318,600 | 20.6% |
| <i>by Race</i> | | | | | | | |
| White | 1,276,200 | 68,200 | 65.3% | 21,000 | 72.2% | 1,187,000 | 76.9% |
| Black | 269,500 | 21,600 | 20.7% | 5,600 | 19.1% | 242,300 | 15.7% |
| Other races | 115,800 | 12,200 | 11.7% | 2,500 | 8.7% | 101,100 | 6.6% |
| Multiracial | 15,300 | 2,500 | 2.4% | 0 | 0.0% | 12,800 | 0.8% |

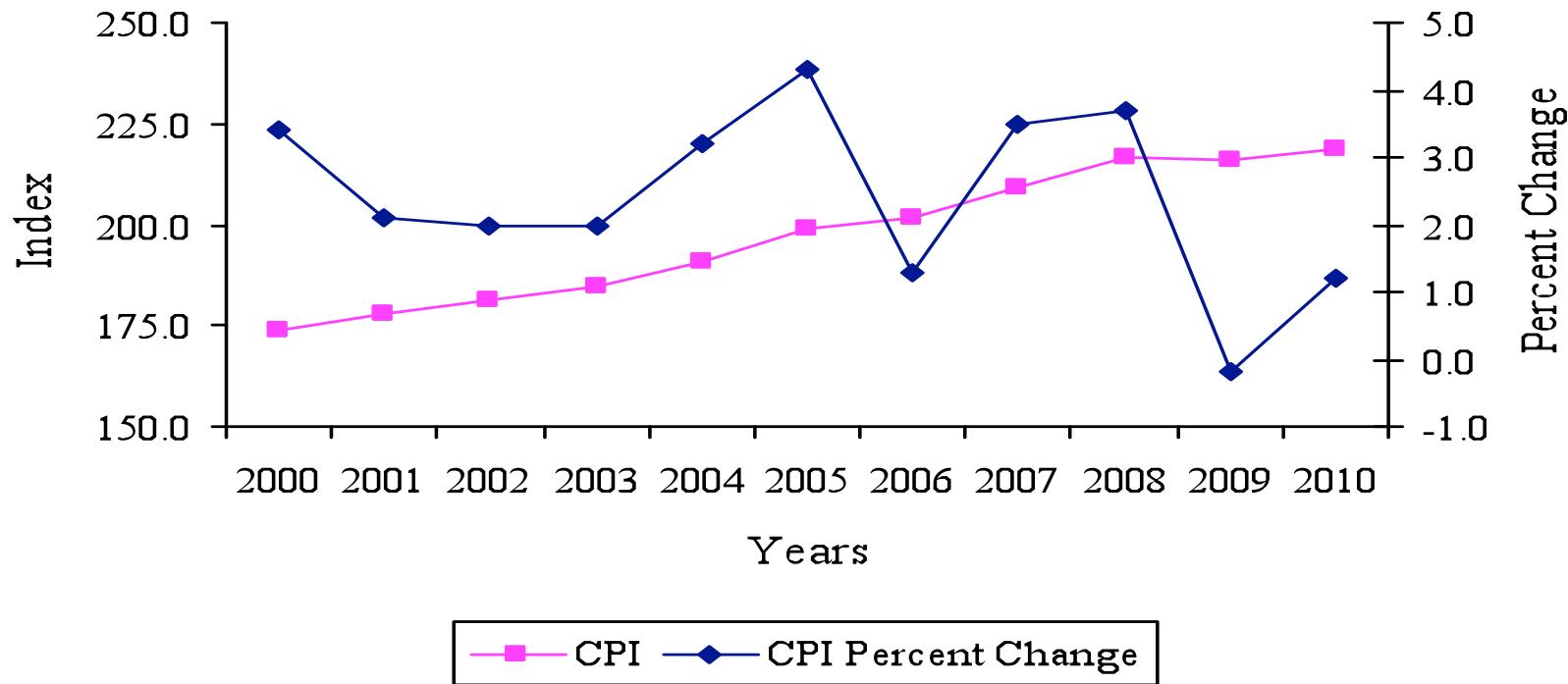
Source: Current Population Survey (CPS) Earnings Microdata, 12-month averages from September 2009 to August 2010.

Prepared by NJ Department of Labor and Workforce Development, Div. of Labor Market & Demographic Research, 10/7/10.

Section B. Evaluation Factors

1&4. Overall Cost of Living in the State / Changes in Purchasing Power of the Minimum Wage

**Figure 1. Consumer Price Index (CPI) - October Data
(US City Average)**

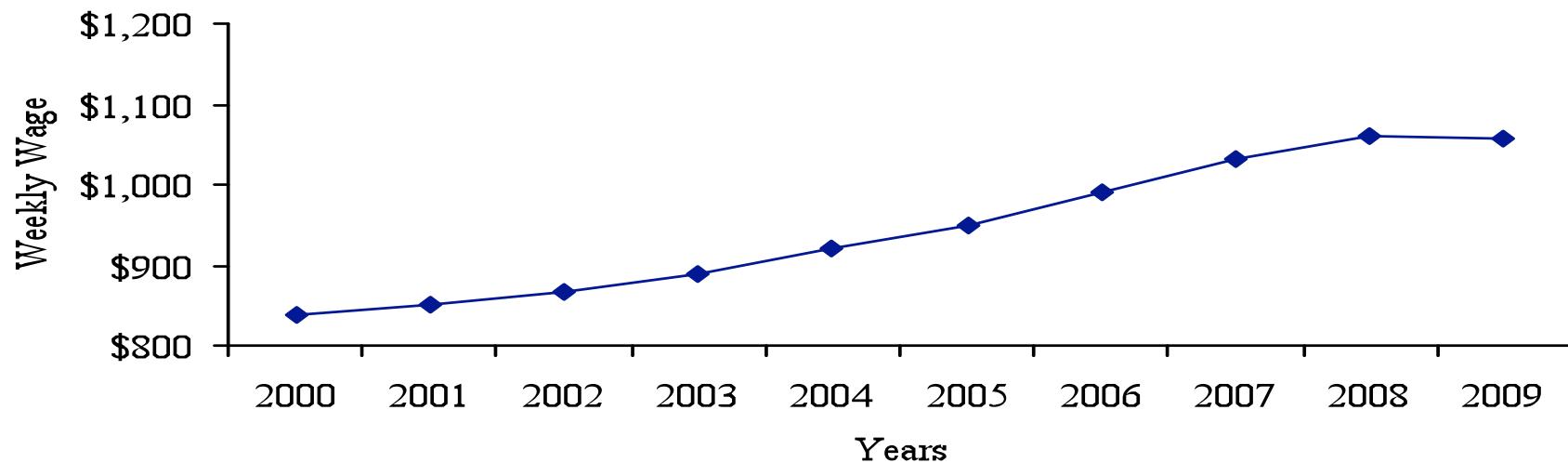


Source: Bureau of Labor Statistics U.S. Department of Labor.

Section B. Evaluation Factors

1&4. Overall Cost of Living in the State / Changes in Purchasing Power of the Minimum Wage

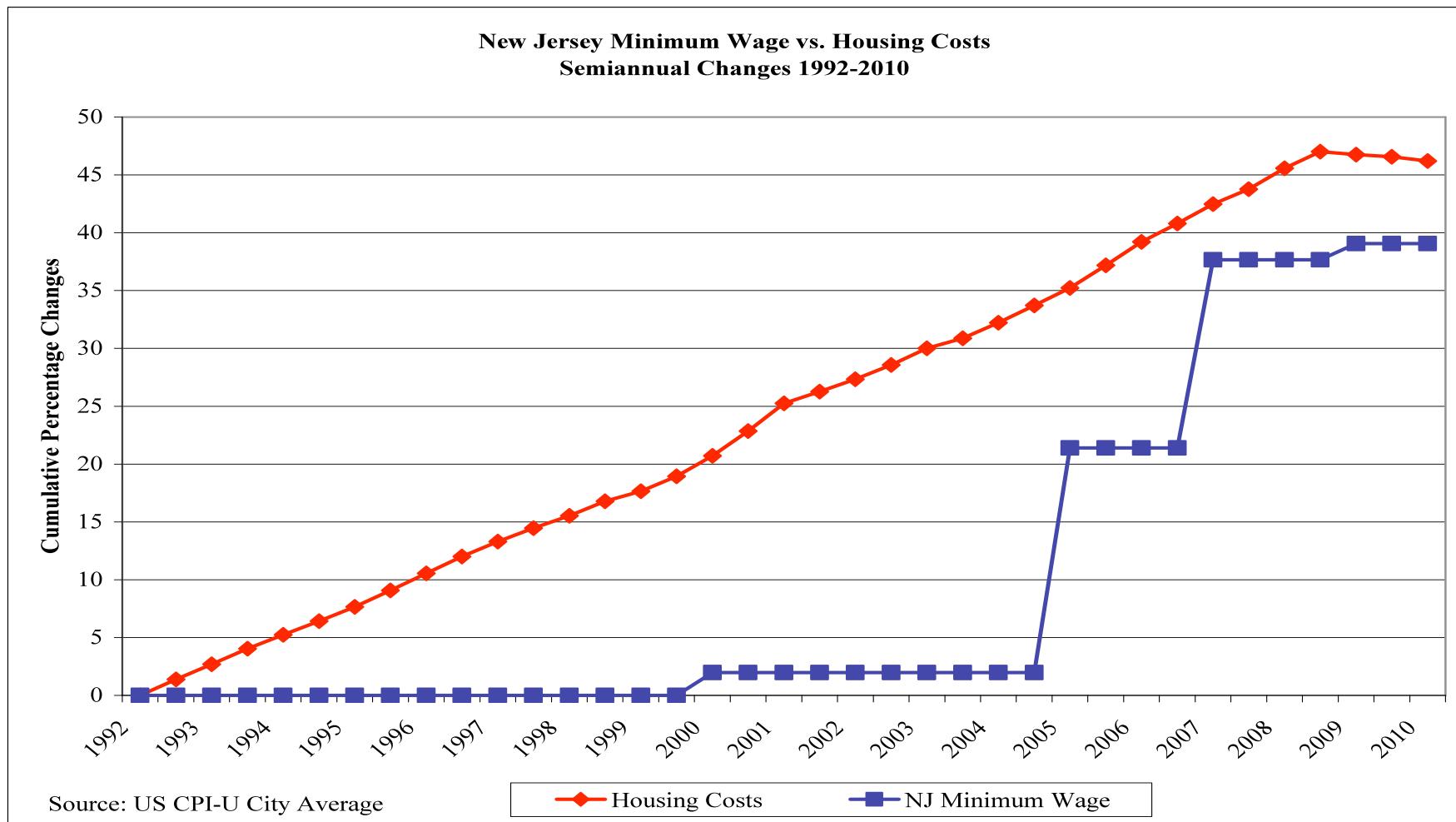
Figure 2. New Jersey - Statewide Average Weekly Wages (SAWW)



Source: New Jersey Department of Labor and Workforce Development

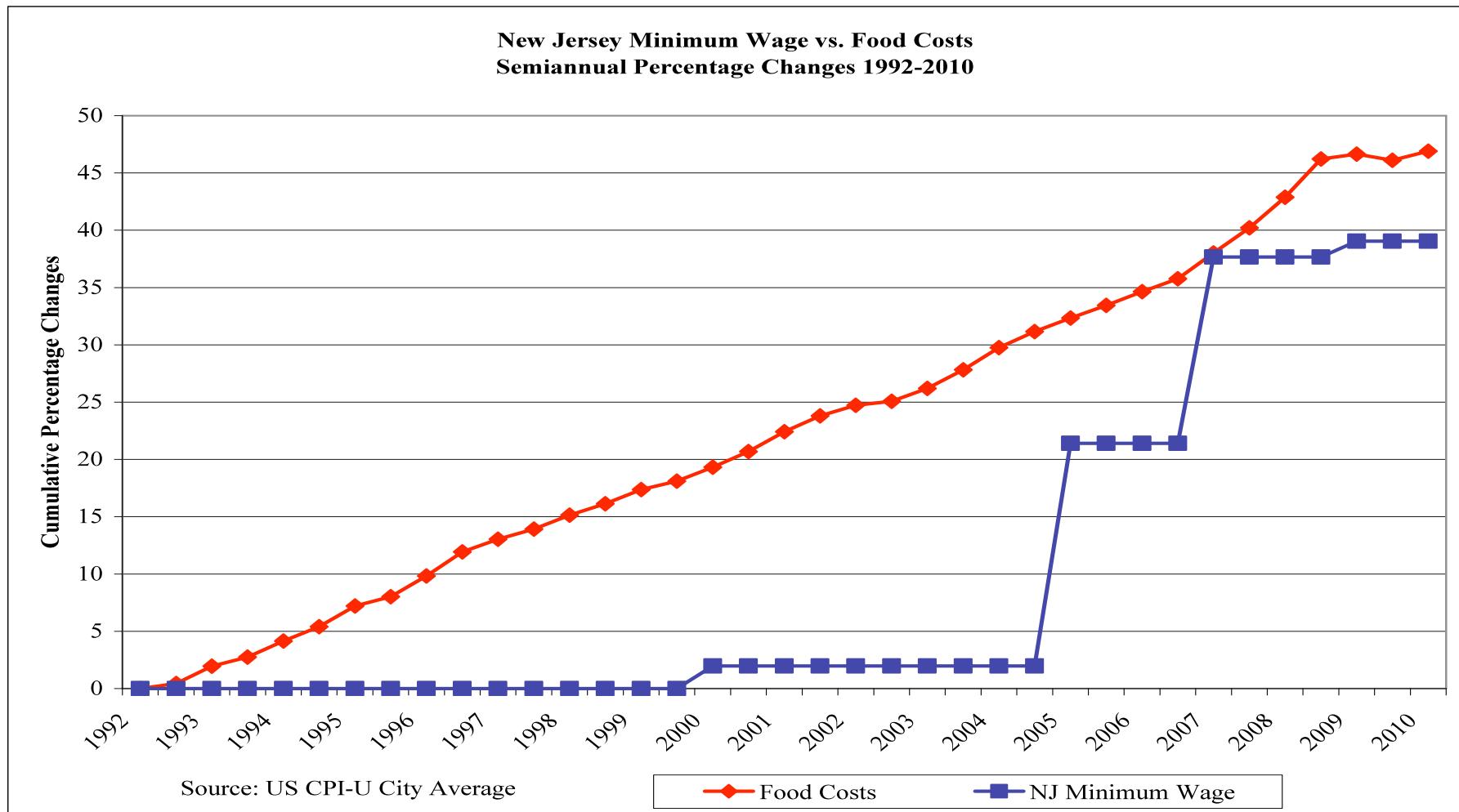
Section B. Evaluation Factors

2. Changes in the Components of the Cost of Living



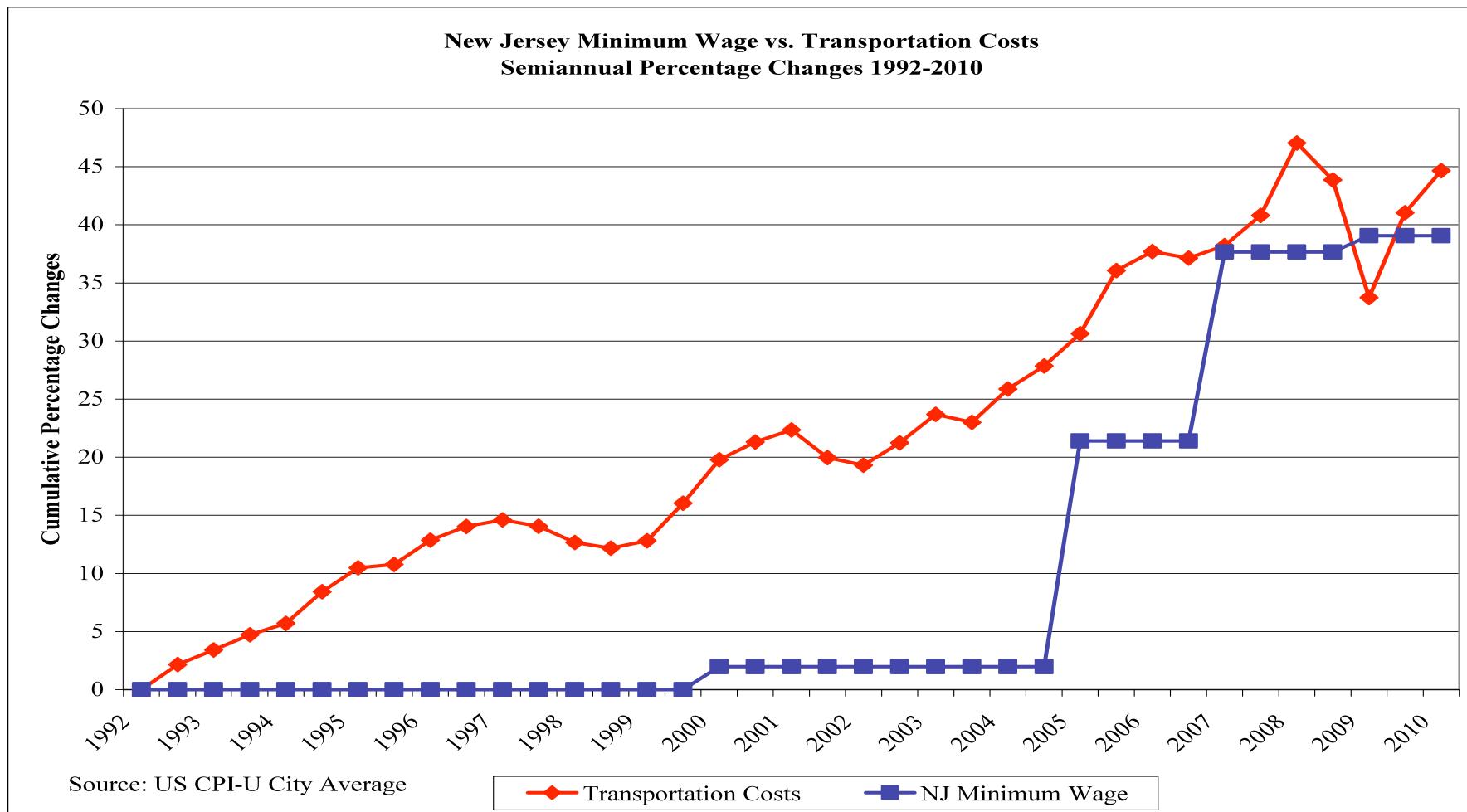
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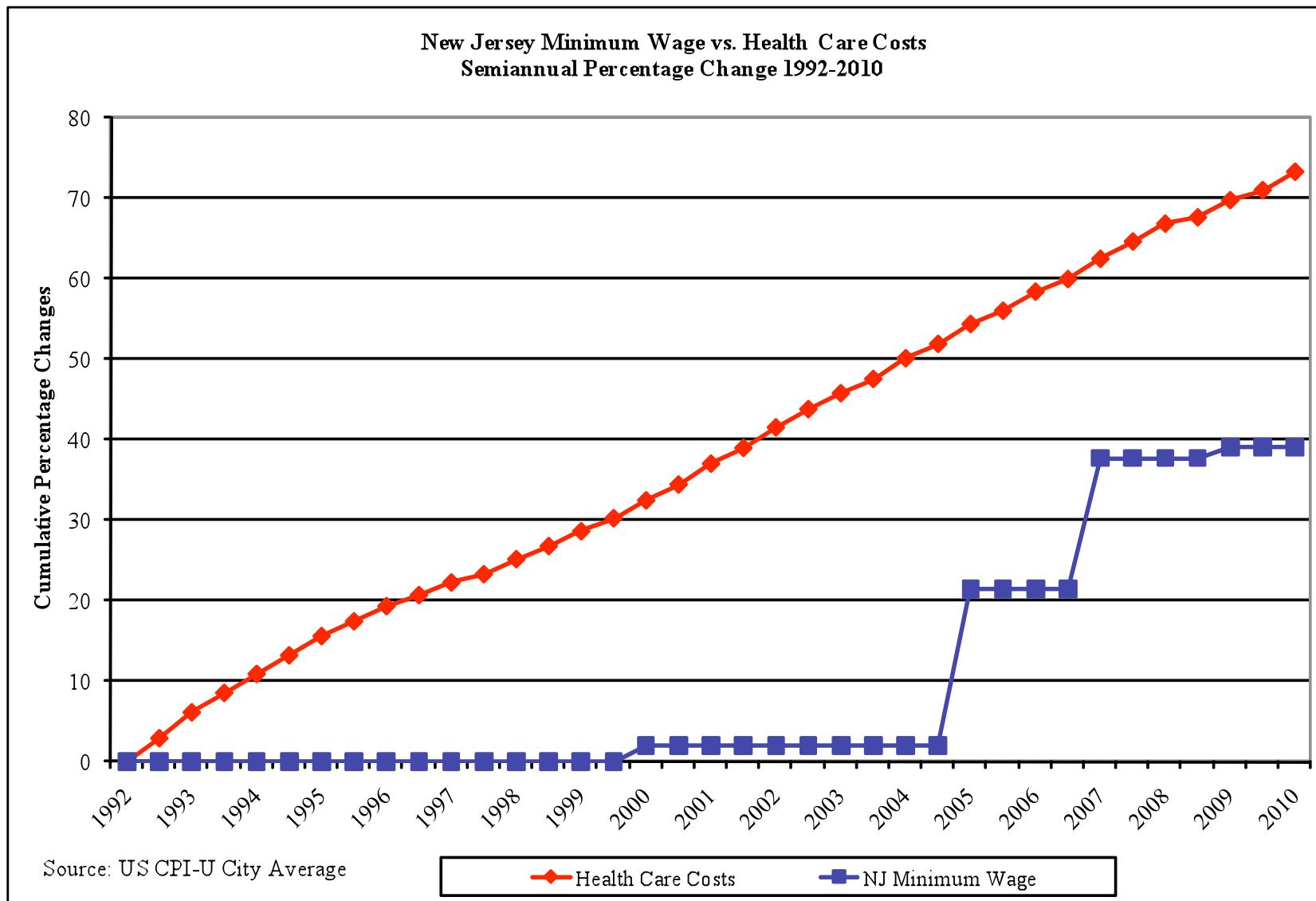
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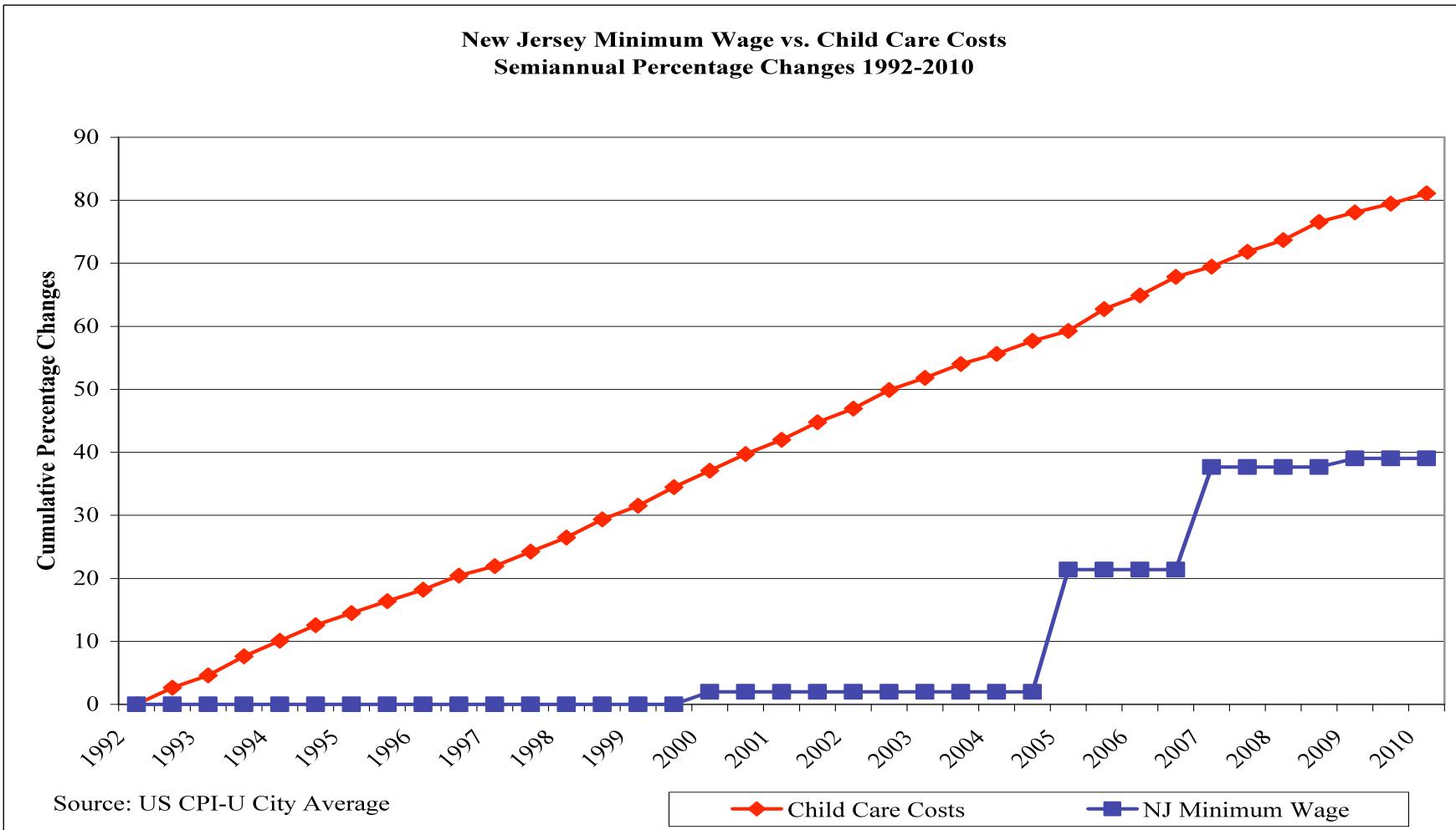
Section B. Evaluation Factors

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Section B. Evaluation Factors

3. The Cost of Living in the State Compared to Other States

Cost of Living Index, Third Quarter 2010, Selected Metropolitan Areas

| Metropolitan Areas | Composite index (100%) | Grocery items (12.95%) | Housing (28.99%) | Utilities (10.02%) | Transpo-rtation (11.98%) | Health care (4.07%) | Miscella-neous (31.99%) |
|-----------------------------------|---------------------------|---------------------------|---------------------|-----------------------|-----------------------------|------------------------|----------------------------|
| Delaware | | | | | | | |
| Dover, Delaware | 101.3 | 109.5 | 95.5 | 110.1 | 95.7 | 105.8 | 102.0 |
| Wilmington, Delaware | 107.0 | 107.3 | 104.9 | 115.0 | 96.0 | 109.4 | 110.2 |
| DE Average | 104.2 | 108.4 | 100.2 | 112.6 | 95.9 | 107.6 | 106.1 |
| New Jersey | | | | | | | |
| Middlesex-Monmouth, New Jersey | 124.9 | 110.0 | 151.9 | 128.4 | 102.0 | 109.2 | 115.8 |
| Newark-Elizabeth, New Jersey | 131.0 | 109.5 | 171.0 | 128.9 | 102.3 | 105.3 | 118.0 |
| Bergen-Passaic, New Jersey | 133.5 | 112.5 | 178.6 | 128.6 | 100.7 | 108.6 | 118.2 |
| NJ Average | 129.8 | 110.7 | 167.2 | 128.6 | 101.7 | 107.7 | 117.3 |
| New York | | | | | | | |
| Nassau County, New York | 144.0 | 126.3 | 203.8 | 141.6 | 113.7 | 116.9 | 112.4 |
| New York (Manhattan), New York | 207.9 | 147.9 | 370.5 | 172.8 | 113.6 | 127.1 | 141.5 |
| (Queens), | 158.5 | 129.4 | 230.4 | 172.8 | 109.2 | 118.8 | 124.3 |
| Rochester, New York | 99.8 | 93.9 | 96.7 | 111.9 | 105.1 | 99.5 | 99.2 |
| Albany-Schenectady-Troy, New York | 107.6 | 106.0 | 115.6 | 103.2 | 103.2 | 105.9 | 104.2 |
| NY Average | 143.6 | 120.7 | 203.4 | 140.5 | 109.0 | 113.6 | 116.3 |
| Pennsylvania | | | | | | | |
| Lancaster, Pennsylvania | 107.5 | 101.5 | 122.0 | 110.9 | 98.8 | 97.1 | 100.4 |
| Philadelphia, Pennsylvania | 124.8 | 122.6 | 138.8 | 134.3 | 104.3 | 105.9 | 120.1 |
| Pittsburgh, Pennsylvania | 91.6 | 103.5 | 75.4 | 95.8 | 104.1 | 90.1 | 95.7 |
| PA Average | 108.0 | 109.2 | 112.1 | 113.7 | 102.4 | 97.7 | 105.4 |

Source: Cost of Living Index, Third Quarter 2010.

Note: The minimum wage in each of the 4 states is currently \$7.25.

