

# FACT SHEET

## NEW JERSEY'S MINIMUM WAGE



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### A HIGHER MINIMUM WAGE WOULD BENEFIT WORKING WOMEN, THEIR FAMILIES AND ALL NEW JERSEYANS

#### KEY FACTS

- Women and people of color are the majority of minimum- and low-wage earners in New Jersey.
- Full-time workers making the current minimum wage of \$7.25 per hour earn \$14,500 annually – about \$3,000 below the poverty line for a family of three, and far less than the amount needed for a family to be economically secure in one of the most expensive states in the country.<sup>1</sup>
- Over half a million New Jersey workers and a quarter of a million children would benefit if the state legislature passed a pending proposal to raise the minimum wage to \$8.50 per hour and index it to inflation.
- By boosting pay for nearly 300,000 women, increasing the minimum wage would help close the wage gap. In 2010, New Jersey women working full time, year round were paid only 79 cents for every dollar paid to their male counterparts.

#### **Women, people of color, and their families are disproportionately affected by a low minimum wage.**

- The Economic Policy Institute (EPI) estimates that over half a million New Jersey workers would benefit if the minimum wage were raised to \$8.50 per hour, including 307,000 workers making under \$8.50 per hour and 233,000 workers who earn just above \$8.50 per hour. More than half of the workers who would get a raise are women (55 percent) and more than half are people of color (54 percent).<sup>2</sup>
- Parents comprise almost a quarter of workers who would be affected by this minimum wage increase, and more than 282,000 children in the state have a parent who would get a raise. Parents who would see a raise contribute, on average, 41 percent of their families' income. One in ten of these affected parents earns the family's entire income.<sup>3</sup>
- Contrary to common perceptions, many minimum-wage workers continue earning low wages for a significant part of their careers.<sup>4</sup> For families who struggle to make ends meet, a higher minimum wage would provide added economic security for years to come.
- Comparing the change in costs of raising a family with the change in the minimum wage underscores this struggle: for example, while the cost of child care and health care in New Jersey rose by over 80 percent and 75 percent respectively from 1992 to 2011, the state's minimum wage increased only about 40 percent.<sup>5</sup> Raising the minimum wage and indexing it to inflation would help prevent wages from sinking further relative to the cost of living.

- In New Jersey the typical woman working full time, year round is paid only 79 cents for every dollar paid to her male counterpart.<sup>6</sup> Since women are overrepresented among low-wage earners, increasing the minimum wage would help close this 21-cent gap.

**New Jersey's wage standards are lower than in other states in the region and across the country.**

- Eighteen states and the District of Columbia have raised their minimum wages above the federal rate of \$7.25 per hour, and ten states have indexed the wage to keep up with inflation.<sup>7</sup>
- Many of the states with a higher minimum wage have a lower cost of living than New Jersey, which consistently ranks among the five states with the highest cost of living.<sup>8</sup> This means the minimum wage of \$7.25 per hour is particularly inadequate in New Jersey.
- Wages for tipped workers in New Jersey are especially low relative to other states. New Jersey is the only state in the Northeast with a minimum cash wage for tipped workers of just \$2.13 per hour, and a total of 32 states and the District of Columbia set the tipped minimum wage at a higher level, including seven that have eliminated the subminimum cash wage for tipped workers altogether.<sup>9</sup> While employers are responsible for making sure that their tipped employees are paid the minimum wage, many workers are paid less due to wage theft and other practices.<sup>10</sup>
- A bill pending in the New Jersey legislature would raise the minimum wage to \$8.50 per hour and adjust it annually based on inflation.<sup>11</sup>
- A separate bill passed by the New Jersey Assembly Labor Committee, A-2708, would revise the allowable tip credit so the tipped minimum cash wage would reach 40 percent of the minimum hourly wage in 2012 and 69 percent in 2013. It would also create a permanent relationship between the minimum cash wage for tipped workers and the minimum wage other workers are entitled to by law.

**An increase in the minimum wage would benefit New Jersey's economy.**

- Workers earning too little to get by cannot provide the spending boost New Jersey's economy needs. Research has demonstrated that spending by households with a minimum wage worker can rise by about \$2,800 in the year following an increase of just \$1 in the minimum wage.<sup>12</sup>
- EPI estimates that raising New Jersey's minimum wage to \$8.50 per hour would generate about \$278 million in additional economic activity in the state in the first year following the increase, leading to the creation of over 2,400 full-time jobs.<sup>13</sup>
- Research contradicts the argument that raising the minimum wage harms business. For example, one study found no negative employment effects resulted from different wage policies across contiguous counties,<sup>14</sup> and a Fiscal Policy Institute study showed higher rates of small business job growth in states with minimum and tipped wages above the federal level.<sup>15</sup>
- Good wages make good business sense: a study of several large retail chains showed that those who pay and train workers better and hire more on a full-time schedule are more profitable and enjoy higher sales per employee than competitors.<sup>16</sup> More generally, increasing wages for low-wage workers can reduce turnover, boost worker efforts, and encourage employers to invest in their workers.<sup>17</sup>
- Low wages also come at a cost to taxpayers, because many low-wage workers need to rely on public benefits such as food stamps, Medicaid, and the Earned Income Tax Credit (EITC).

A minimum wage increase would put money into New Jersey's economy, creating jobs. It would also increase economic security for thousands of working families in New Jersey struggling to make ends meet and would help close the wage gap between women's and men's earnings.

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<sup>1</sup> Nat'l Women's Law Ctr. (NWLC) calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour. U.S. Census Bureau, CPS, 2011 Annual Social and Economic Supplement, Table POV35 [http://www.census.gov/hhes/www/cpstables/032011/pov/new35\\_000.htm](http://www.census.gov/hhes/www/cpstables/032011/pov/new35_000.htm) (last visited March 14, 2012).

<sup>2</sup> Hall, Doug (May 25, 2012). Increasing New Jersey's Minimum Wage Helps the Economy and the State's Lower-Income Earners. Economic Policy Institute (EPI). Retrieved May 31, 2012 from <http://www.epi.org/blog/increasing-jerseys-minimum-wage-helps-economy/>. EPI estimates that 307,000 workers making less than \$8.50 per hour would directly benefit from a wage increase, and 233,000 workers making slightly more would also see their pay rise due to the higher floor set by the new minimum wage.

<sup>3</sup> Ibid. and unpublished EPI estimates.

<sup>4</sup> Carrington, W.J., & Fallick, B.C. (2001). Do Some Workers Have Minimum Wage Careers? *Monthly Labor Review*, 24, 17-27.

<sup>5</sup> State of New Jersey Minimum Wage Advisory Commission (January 2012). Fifth Annual Report.

<sup>6</sup> NWLC (April 2012). The Importance of Fair Pay for New Jersey Women. Retrieved May 17, 2012, from [http://www.nwlc.org/sites/default/files/pdfs/2012equalpay-factsheets/new\\_jersey\\_equalpaystatefactsheet.pdf](http://www.nwlc.org/sites/default/files/pdfs/2012equalpay-factsheets/new_jersey_equalpaystatefactsheet.pdf).

<sup>7</sup> U.S. Department of Labor, Wage and Hour Division (January 1, 2012). Minimum Wage Laws in the States. Retrieved May 9, 2012 from <http://www.dol.gov/whd/minwage/america.htm>.

<sup>8</sup> For example, see 2007 data at: <http://mailer.fsu.edu/~wberry/garnet-wberry/a.html>. See also Berry, W., Fording, R., & Hanson, R. (2000). An Annual Cost of Living Index for the American States, 1960-1995. *The Journal of Politics* (62)2, 550-67.

<sup>9</sup> U.S. Department of Labor, Wage and Hour Division (January 1, 2012). Minimum Wages for Tipped Employees. Retrieved May 9, 2012 from <http://www.dol.gov/whd/state/tipped.htm>.

<sup>10</sup> Allegretto, S. A., & Fillion, K. (2011). Waiting for Change. Economic Policy Institute. Retrieved May 17, 2012 from <http://www.epi.org/page/-/BriefingPaper297.pdf>.

<sup>11</sup> A-2162 was approved by the Assembly on May 24, 2012 and approved by the Senate on November 29, 2012; another vote is required in the Assembly to amend the effective date. On November 29, the Senate also passed a proposed constitutional amendment, SCR1, which would raise the minimum wage to \$8.25 per hour and index it to inflation. These bills do not affect the minimum wage for tipped workers.

<sup>12</sup> Aaronson, D., Agarwal, S., & French, E. (2011). The Spending and Debt Responses to Minimum Wage Increases. The Federal Reserve Bank of Chicago. WP 2007-03. Retrieved February 17, 2012 from [http://qa.chicagofed.org/digital\\_assets/publications/working\\_papers/2007/wp2007\\_23.pdf](http://qa.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf).

<sup>13</sup> Hall, *supra* note 2.

<sup>14</sup> Dube, A., Lester, T. W., & Reich, M. (November 2010). Minimum Wage Effects across State Borders: Estimates Using Contiguous Counties. *The Review of Economics and Statistics*, 92(4), 945-964.

<sup>15</sup> Fiscal Policy Institute (March 30, 2006). States with Minimum Wages Above the Federal Level Have Had Faster Small Business and Retail Job Growth. Retrieved February 21, 2011 from <http://www.fiscalspolicy.org/FPISmallBusinessMinWage.pdf>. This study found that in states with wages above the federal minimum wage between 1998 and 2003, and minimum wages for tipped workers above the federal level of \$2.13, the rate of job growth in small business exceeded the rate in other states.

<sup>16</sup> Ton, Z. (January-February 2012). Why "Good Jobs" are Good for Retailers. *Harvard Business Review*, 90(1-2), 125-131.

<sup>17</sup> Lester, T.W., Madland, D., & Bunter, N. (2011). An Increased Minimum Wage is Good Policy even during Hard Times. Center for American Progress. Retrieved May 17, 2012 from [http://www.americanprogressaction.org/issues/2011/06/higher\\_minimum\\_wage.html](http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html).

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**The Center for Women and Work (CWW)** is housed in the School of Management and Labor Relations at Rutgers, The State University of New Jersey. CWW is an innovative leader in research and programs that promote gender equity, a high-skill economy, and reconciliation of work and well-being for all. For more information about the Center, its research and programs, visit us on the web at [www.cww.rutgers.edu](http://www.cww.rutgers.edu).

**The National Women's Law Center (NWLC)**, [www.nwlc.org](http://www.nwlc.org), is a non-profit organization that has been working since 1972 to advance and protect women's equality and opportunity. It focuses on major policy areas of importance to women and their families including economic security, education, employment, and health, with special attention given to the concerns of low-income women.