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## EXECUTIVE SUMMARY

Public Law 2005, Chapter 70 provided for an increase in New Jersey's minimum wage from \$5.15 per hour to a rate of \$6.15 per hour as of October 1, 2005, and to \$7.15 per hour as of October 1, 2006. This law also established the New Jersey Minimum Wage Advisory Commission (referred to herein as the "Commission"). The Commission was charged with reporting 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 on December 21, 2007, and subsequent reports are to be provided in one-year intervals thereafter. This document represents the Commission's second annual report.

Our analysis reveals that:

- On July 24, 2009, the federal minimum wage will be increased to \$7.25/hour. New Jersey's minimum wage workers will automatically receive the new federal level.
- Neither New Jersey's current minimum wage rate of \$7.15 per hour, nor the increased rate of \$7.25 per hour that will take effect in July 2009, are adequate to maintain the purchasing power that this wage level commanded in October 2006.
- The overall cost of living in New Jersey is higher than the national average by a factor ranging from 27.6 percent to 35.9 percent above the national index, while housing costs range on average from 55.8 percent to 78.4 percent higher than the national average.
- The purchasing power of the minimum wage has declined over the past 25 years. In fact, from 1992 — when New Jersey's minimum wage was \$5.05 — through 2004, there was only one small increase to \$5.15 in 2000. The virtually stagnant rate over this period negatively impacted the purchasing power of New Jersey's minimum wage earners. Similarly, if the minimum wage is maintained at its current level, its relative value will deteriorate in the future, causing an inflation-induced pay cut that will increase the difficulty for families who solely depend on the minimum wage to purchase basic needs.
- New Jersey's current minimum wage of \$7.15 is barely sufficient to maintain a single-parent family of two above the poverty line in 2008 and is insufficient for larger family sizes with a single wage earner. Unless the minimum wage is indexed annually to maintain its purchasing power, many households headed by minimum wage workers will soon fall below the poverty line.

The Commission's deliberations included several meetings and careful consideration of the written public comments and testimony received in response to a request for comments published in the *New Jersey Register* and on the Department of Labor and Workforce Development's Web site on July 7, 2008.

After considering several options, the majority of the Commission agreed to the following recommendation: **New Jersey should increase the minimum wage to \$8.50 per hour in 2009, and should establish an automatic annual increase in the minimum wage rate for each subsequent year, based on the increase in the consumer price index. In addition, the Commission recommends that New Jersey establish a minimum cash wage requirement for tipped employees set at a percentage of the State minimum wage that is comparable to the “tip credit” percentage in surrounding states.**

## FINDINGS

The Commission finds that New Jersey's minimum wage rate of \$7.15 per hour is not adequate to maintain the purchasing power that workers earning this wage level enjoyed in October 2006. Furthermore, under the factors specified in the statute that established the Commission, the current minimum wage is insufficient to support a full-time worker in New Jersey.

### **I. Adequacy of the minimum wage relative to the overall cost of living in New Jersey.**

New Jersey's cost of living is one of the highest in the country. The overall cost of living in New Jersey is higher than the national average by a factor ranging from 27.6 percent to 35.9 percent above the national index (see Table 1). As Figure 1 reveals, between 1980 and 2004 the cost of living<sup>1</sup> in New Jersey rose annually by 3.5 percent on average, 56 percent faster than the minimum wage. Because the adjustments to the minimum wage have not occurred with regularity, the minimum wage has not kept pace with increases in the cost of living. More specifically, the fact that the minimum wage went unchanged from 1981 to 1990 and from 1998 to 2004 negatively impacted the purchasing power of New Jersey's minimum wage earners.

The two most recent increases in the New Jersey minimum wage, in 2005 to \$6.15 per hour and in 2006 to \$7.15 per hour, restored some of the lost value of the minimum wage. Over the period from 1998 to 2006, the New Jersey minimum wage increased by 39 percent, compared to a 27 percent increase in the Consumer Price Index for All Urban Consumers in the Northeast Metropolitan Region (CPI-U).<sup>2</sup> Those two increases to the New Jersey minimum wage in 2005 and 2006 served as a short-term counterweight to the reductions in the purchasing power of minimum wage workers and their families.

However, as Figure 2 shows, for long time periods in the state's history, the real value of the minimum wage fell below its current level of \$7.15 per hour (in constant 2007 dollars). If New Jersey provides no further increase in the minimum wage beginning in 2008, the relative value of the minimum wage will continue to decline compared to the overall cost of living in the State. In fact, since 2006, when the last increase took effect, inflation has led to a decline in the purchasing power of the minimum wage by 6.3 percent.

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<sup>1</sup>The ACCRA Cost of Living Index was used in this analysis. This index measures relative price levels for consumer goods and services in participating areas for a mid-management standard of living. The nationwide average equals 100, and each index is read as a percent of the national average. The index does not measure inflation, but compares prices at a single point in time.

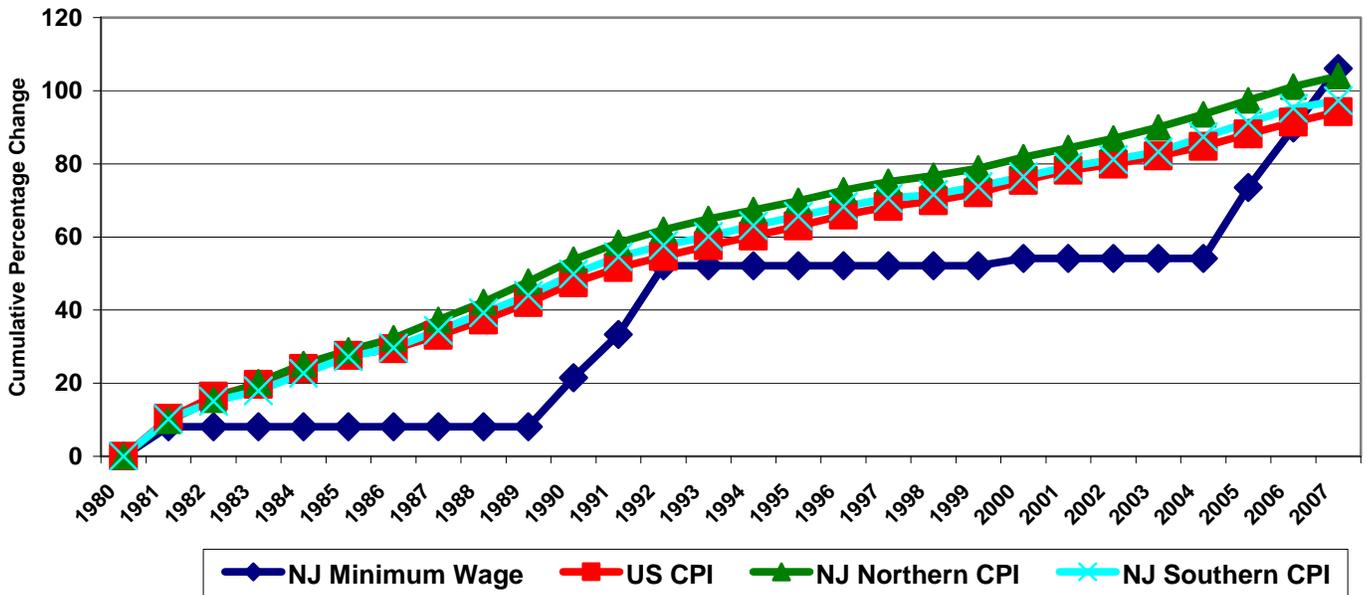
<sup>2</sup>Consumer Price Index for All Urban Consumers located in New York-Northern New Jersey-Long Island, NY-NJ-CT-PA.

**Table 1. Cost of Living Index, Second Quarter 2008, Selected Metropolitan Areas**

Metropolitan Areas	Composite index (100%)	Grocery items (12.5%)	Housing (29.8%)	Utilities (10%)	Transportation (10.7%)	Health care (4.1%)	Miscellaneous goods and services (32.9%)
<b>Delaware State</b>							
Dover, Delaware Metro:							
Dover, Delaware	102.1	106.4	91.4	123.0	105.8	102.5	102.7
Wilmington, Delaware-Maryland-New Jersey Metro Division:							
Wilmington, Delaware	103.6	104.1	96.7	111.2	103.2	110.9	106.6
<b>Delaware Average</b>	<b>102.9</b>	<b>105.3</b>	<b>94.1</b>	<b>117.1</b>	<b>104.5</b>	<b>106.7</b>	<b>104.7</b>
<b>New Jersey State</b>							
Edison, New Jersey Metro Division:							
Middlesex-Monmouth, New Jersey	127.6	111.7	155.8	120	106.8	108.1	119.5
Newark-Union, New Jersey-Pennsylvania Metro Division:							
Newark-Elizabeth, New Jersey	130.8	111.4	167.3	120.3	106.2	105.8	119.4
New York-White Plains-Wayne New York-New Jersey Metro Division:							
Bergen-Passaic, New Jersey	135.9	119.1	178.4	119.8	108.2	111.8	120.6
<b>New Jersey Average</b>	<b>131.4</b>	<b>114.1</b>	<b>167.2</b>	<b>120.0</b>	<b>107.1</b>	<b>108.6</b>	<b>119.8</b>
<b>New York State</b>							
Nassau-Suffolk, New York Metro Division:							
Nassau County, New York	151.8	117.8	230.6	141.4	108.4	119.9	114.4
New York-White Plains-Wayne, New York-New Jersey Metro Division:							
New York (Manhattan), New York	220.3	145.2	408.5	177.3	115.8	133.3	135.9
New York-White Plains-Wayne, New York-New Jersey Metro Division:							
New York (Queens), New York	157.7	132.6	233.5	155.9	107.3	104.0	122.2
Rochester, New York Metro:							
Rochester, New York	103.2	94.0	92.2	141.7	105.3	104.6	104.3
Syracuse, New York Metro:							
Syracuse, New York	99.6	99.6	86.3	121.6	102.4	89.6	105.2
<b>New York Average</b>	<b>146.5</b>	<b>117.8</b>	<b>210.2</b>	<b>147.6</b>	<b>107.8</b>	<b>110.3</b>	<b>116.4</b>
<b>Pennsylvania State</b>							
Lancaster, Pennsylvania Metro:							
Lancaster, Pennsylvania	104.8	95.0	119.2	100.0	98.2	96.6	100.0
Philadelphia, Pennsylvania Metro Division:							
Philadelphia, Pennsylvania	123.5	124.3	142.9	119.5	102.5	108.8	115.4
Pittsburgh, Pennsylvania Metro:							
Pittsburgh, Pennsylvania	93.1	96.4	77.8	97.9	105.0	94.4	100.2
<b>Pennsylvania Average</b>	<b>107.1</b>	<b>105.2</b>	<b>113.3</b>	<b>105.8</b>	<b>101.9</b>	<b>99.9</b>	<b>105.2</b>

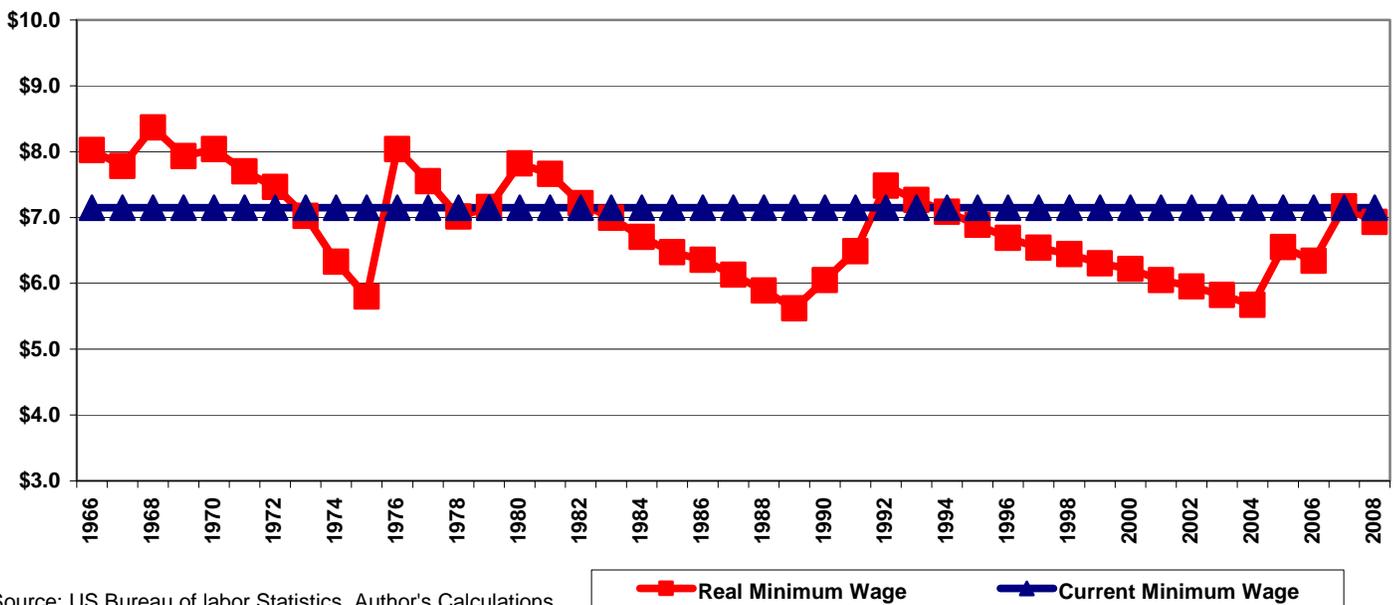
## 27 Years of Lost Purchasing Power

Figure 1. New Jersey Minimum Wage vs. Consumer Price Index (US & NJ) Annual Percentage Changes 1980-2007



Source: US Bureau of Labor Statistics

Figure 2. Minimum Wage at 2008 Dollars Compared to Current \$7.15 Minimum Wage 1966-2008



Source: US Bureau of labor Statistics. Author's Calculations.

## **II. Adequacy of the minimum wage relative to 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.**

The statute that created the Commission also charges the Commission with identifying changes in the cost of living in certain components that represent essential purchases for low-income families. Generally, low wage workers have little or no bargaining power to negotiate their wages. A large body of research suggests that low wage workers typically do not receive annual pay increases, which further deteriorates their household's ability to keep pace with inflation. Low wage workers struggle to meet their basic needs in the areas of food, housing, transportation, child care, clothing, and other necessities as these items increase in cost.

As shown in Table 1, the largest single factor driving up the overall cost of living in New Jersey is the cost of housing, which far exceeds average housing prices in the nation. Housing costs in New Jersey range on average from 55.8 percent to 78.4 percent higher than the national average. Moreover, the rate of increase in housing costs in New Jersey has outpaced the increase at the national level. Since 1990, the single-family housing price index has risen by 131.2 percent in New Jersey, compared with 129.8 percent nationally. The fact that the minimum wage has not kept pace with inflation has created an additional burden for those families that mainly rely on income from a minimum wage earner.

It is more likely that an individual working at the minimum wage rate would be a renter, especially given the cost of homes in New Jersey. A more realistic housing expenditure would be costs associated with rent and utilities. Table 2 presents housing data from the U.S. Department of Housing and Urban Development (HUD's) Fair Market Rents (FMR) survey. FMRs are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. FMR's are established for units of varying size (0 – 4 bedrooms) for every county in New Jersey.

**Table 2. HUD Proposed FY 2009 Fair Market Rent for All Bedroom Sizes**

<b>County</b>	<b>Efficiency</b>	<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>
Atlantic	\$813	\$895	\$1,068	\$1,354	\$1,519
Bergen	\$995	\$1,114	\$1,249	\$1,543	\$1,776
Burlington	\$736	\$842	\$1,005	\$1,203	\$1,431
Camden	\$736	\$842	\$1,005	\$1,203	\$1,431
Cape May	\$719	\$734	\$923	\$1,209	\$1,245
Cumberland	\$779	\$782	\$985	\$1,197	\$1,261
Essex	\$869	\$1,061	\$1,213	\$1,452	\$1,606
Gloucester	\$736	\$842	\$1,005	\$1,203	\$1,431
Hudson	\$989	\$1,045	\$1,219	\$1,477	\$1,591
Hunterdon	\$1,106	\$1,147	\$1,349	\$1,693	\$1,997
Mercer	\$833	\$958	\$1,152	\$1,377	\$1,545
Middlesex	\$1,106	\$1,147	\$1,349	\$1,693	\$1,997
Monmouth	\$895	\$1,034	\$1,263	\$1,646	\$1,786
Morris	\$869	\$1,061	\$1,213	\$1,452	\$1,606
Ocean	\$895	\$1,034	\$1,263	\$1,646	\$1,786
Passaic	\$995	\$1,114	\$1,249	\$1,543	\$1,776
Salem	\$736	\$842	\$1,005	\$1,203	\$1,431
Somerset	\$1,106	\$1,147	\$1,349	\$1,693	\$1,997
Sussex	\$869	\$1,061	\$1,213	\$1,452	\$1,606
Union	\$869	\$1,061	\$1,213	\$1,452	\$1,606
Warren	\$790	\$884	\$1,034	\$1,238	\$1,274

Source: US Department of Housing and Urban Development.

As shown in Table 2 above, housing costs consume a large share of a family's budget, especially for low-income working families. The proposed average cost of a two-bedroom apartment in New Jersey ranged from \$923 to \$1,349 per month, or \$11,076 to \$16,188 per year, according to HUD. For someone working full-time at the minimum wage, rent and utilities will consume nearly 75 percent of wages even at the lowest rent of \$923. Housing is unaffordable for minimum wage workers in many areas throughout the state. Even after the federal minimum wage increase takes full effect in 2009, the cost of a two-bedroom apartment will still be out of reach for a minimum wage worker in parts of the state. It must be noted that low-income families may be eligible for housing subsidies and this calculation does not account for subsidized housing.

Utility costs are 20 percent higher in New Jersey and the cost of grocery items ranges on average from 11.4 percent to 19.1 percent higher than the national average. Health care costs in New Jersey are on average about nine percent higher than the national average,

while transportation costs are about seven percent higher than the national average. Moreover, miscellaneous goods and services, the largest component of the index, on average cost about 20 percent more in New Jersey than the national average.

Families supported by a minimum wage earner also face significant challenges in paying for child care, especially if a child care subsidy is not available. Families that rely on minimum wage earnings are likely not to be able to afford child care expenses for one child, let alone for two or more children. As shown in Table 3, in 2008, child care in a licensed facility cost an average of \$787 per month, while full-time care for an infant and a preschooler cost an average of \$1,467. Low-income working families that need child care but cannot afford it have limited options.

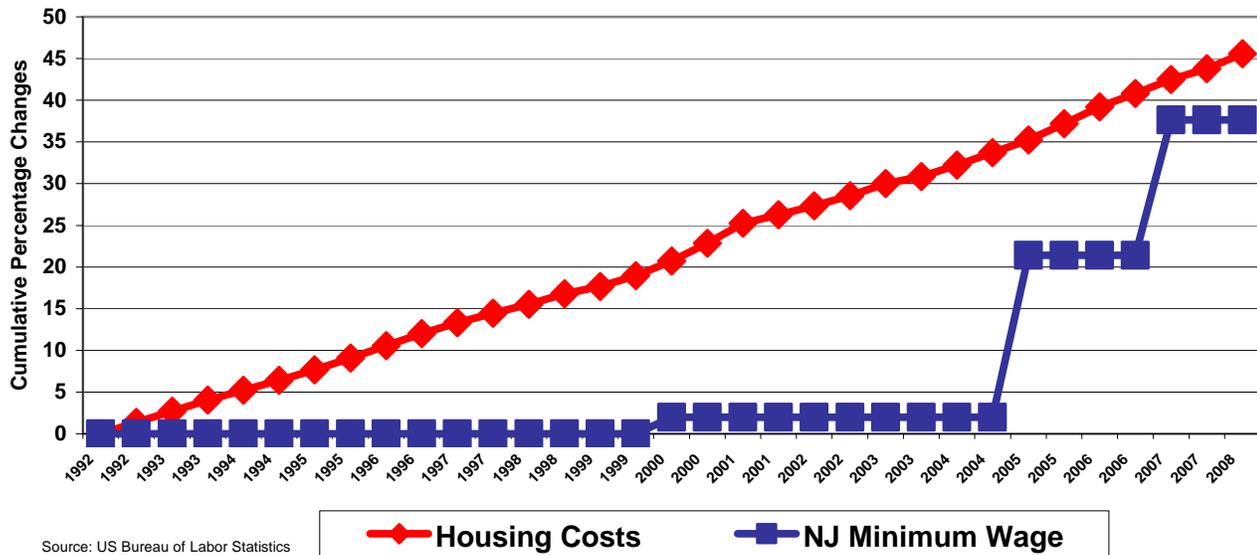
**Table 3. Itemized Basic Family Budget for New Jersey Residents**

Budget Item	Family Size							
	Adult	Adult +Preschooler	Adult +Infant +Preschooler	Adult +Preschooler +Schoolage	Adult +Schoolage+Teenager	Adult +Infant +Preschooler +Schoolage	2 Adults +Infant +Preschooler	2 Adults +Preschooler+Schoolage
Housing	\$949	\$1,117	\$1,117	\$1,117	\$1,117	\$1,373	\$1,117	\$1,117
Child Care	\$0	\$787	\$1,467	\$1,270	\$482	\$1,950	\$1,467	\$1,270
Food	\$242	\$366	\$477	\$548	\$634	\$643	\$686	\$754
Transportation	\$225	\$229	\$229	\$229	\$229	\$229	\$442	\$442
Health Care	\$133	\$318	\$328	\$339	\$363	\$350	\$384	\$395
Miscellaneous	\$155	\$282	\$362	\$350	\$283	\$454	\$410	\$398
Taxes	\$353	\$653	\$867	\$818	\$570	\$1,208	\$904	\$860
Hourly	\$12	\$21	\$26	\$25	\$20	\$33	\$15	\$14

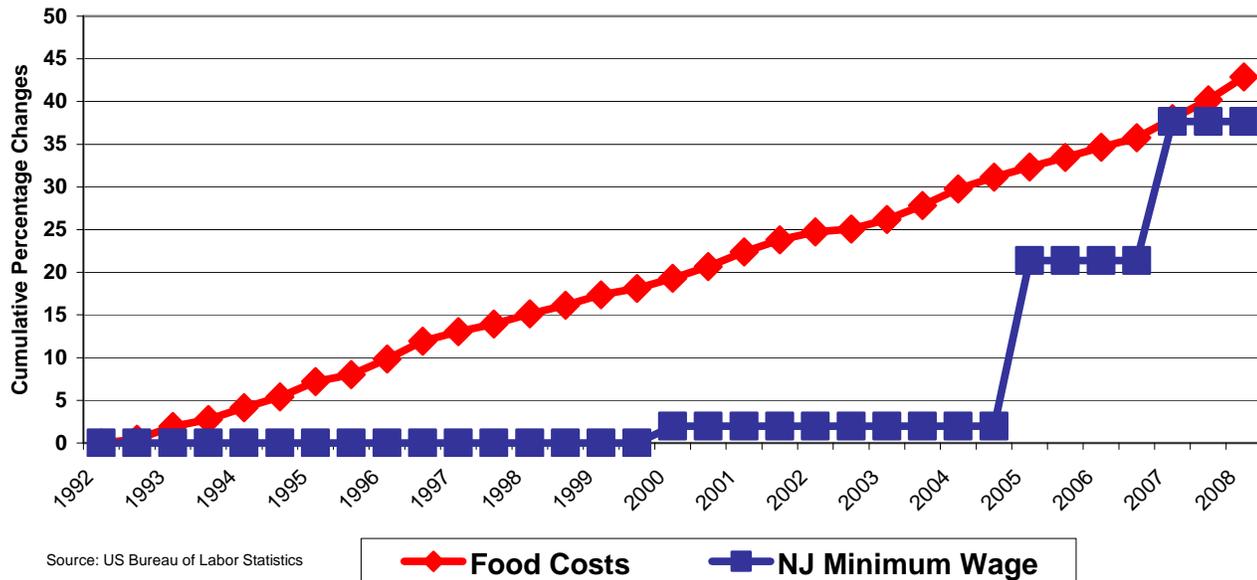
Source: Diane Pearce. *The Real Cost of Living in 2008: The Self-Sufficiency Standard for New Jersey*, June 2008

As shown in Figures 3 through 7 below, since the last series of major adjustments in the state minimum wage in 1992 and 2005-6, the overall rate of growth in the minimum wage has not kept pace with the overall growth in the cost of basic family needs. Throughout these years, the minimum wage either remained flat or declined in inflation-adjusted terms. The latest increases in 2005 (\$6.15) and 2007 (\$7.15) allowed for the minimum wage to regain most of its purchasing power for transportation, food and housing costs, yet left it far behind in health care and child care costs. Moreover, since 2007, inflation has increased dramatically (mainly as a result of surging energy and food prices) and minimum wage workers in New Jersey have once again fallen behind the pace of rising costs for basic needs. The increase of \$0.10 per hour due to the federally-mandated \$7.25 per hour minimum wage that will take effect in July 2009 will do little to alleviate the situation. If the minimum wage remains at its current level, even with the \$0.10 increase next July, its real value would continue to deteriorate in the future. This would result in an inflation-induced pay cut, thereby making it difficult for families whose incomes depend on the minimum wage.

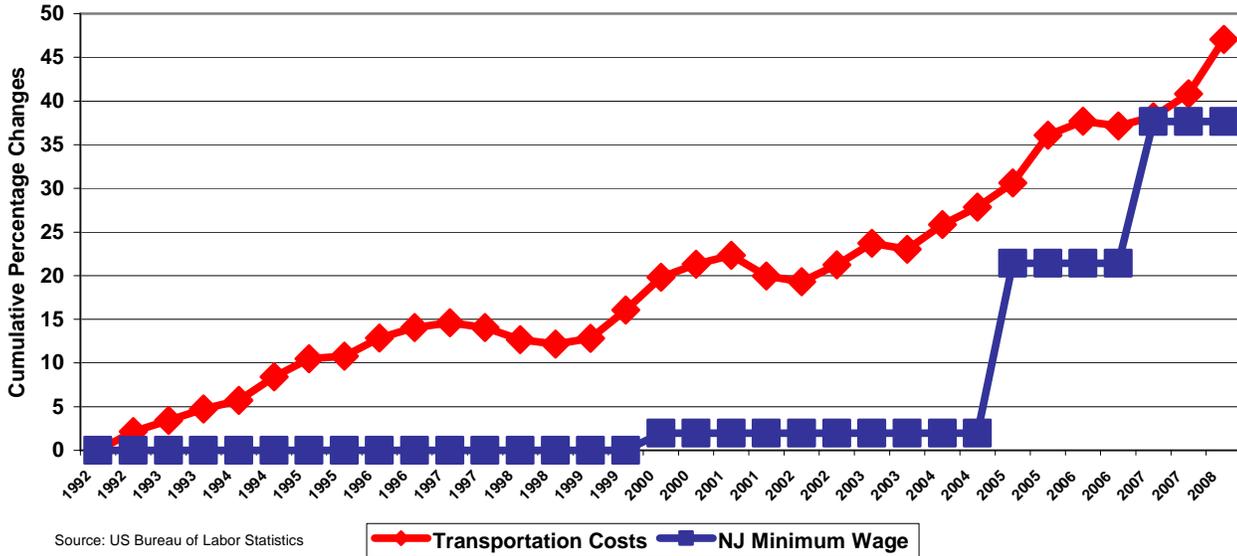
**Figure 3. New Jersey Minimum Wage vs. Housing Costs  
Semiannual Changes 1992-2008**



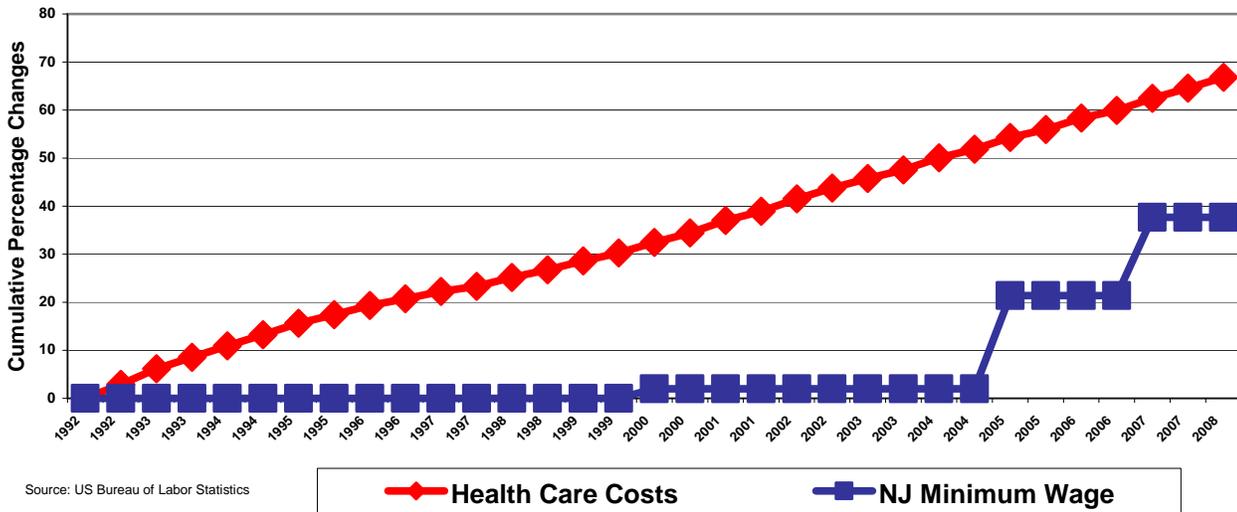
**Figure 4. New Jersey Minimum Wage vs. Food Costs  
Semiannual Percentage Changes 1992-2008**



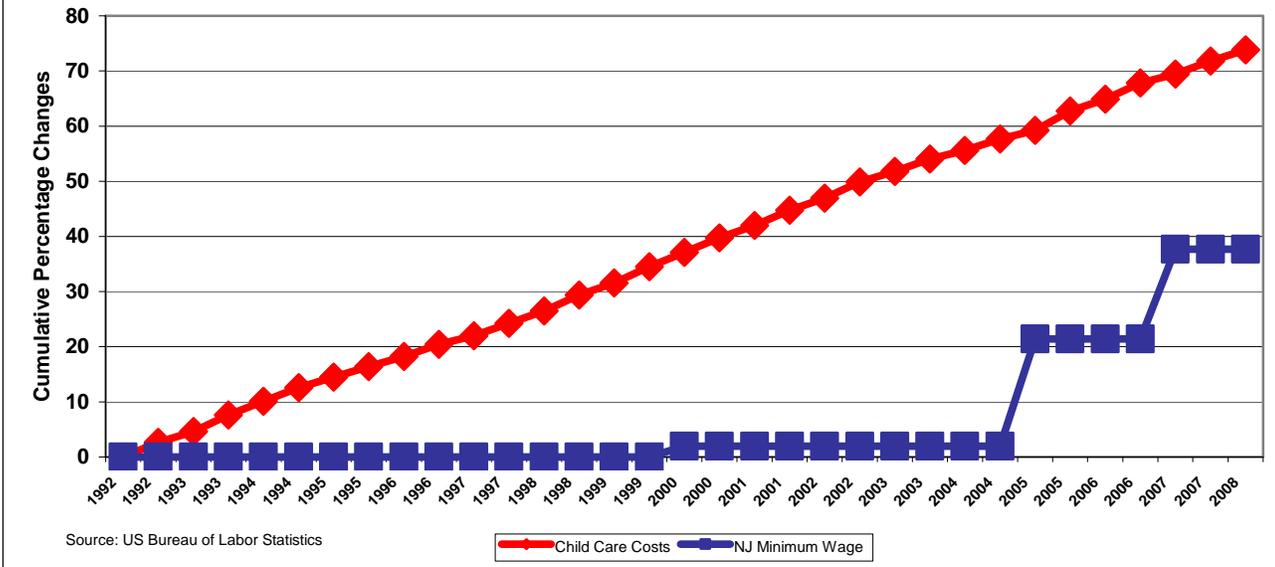
**Figure 5. New Jersey Minimum Wage vs. Transportation Costs  
Semiannual Percentage Changes 1992-2008**



**Figure 6. New Jersey Minimum Wage vs. Health Care Costs  
Semiannual Percentage Change 1992-2008**



**Figure 7. New Jersey Minimum Wage vs. Child Care Costs  
Semiannual Percentage Changes 1992-2008**



### III. Adequacy of the minimum wage relative to the cost of living in New Jersey compared to that of other states

Compared to the cost of living in our neighboring states, it costs 22.7 percent more to live in New Jersey than in Pennsylvania and 27.8 percent more than in Delaware, but 10.3 percent less than in New York (see Table 1).

**Table 4. Trajectory of Minimum Wage in New Jersey and Selected States**

State	2008	2009
New Jersey	\$7.15	\$7.25*
Connecticut	\$7.65	\$7.65
Massachusetts	\$8.00	\$8.00
New York	\$7.15	\$7.25*
Pennsylvania	\$7.15	\$7.25*
Delaware	\$7.15	\$7.25*
California	\$8.00	\$8.00
Federal Minimum Wage	\$6.55	\$7.25

\* These states will automatically move to the higher federal minimum wage 7/24/09.

As shown in Table 4, all of New Jersey’s neighboring states have established minimum wage rates that are greater than the federal minimum wage for 2007 and 2008. In 2008, two high-income states with which New Jersey is often compared, Connecticut and Massachusetts, have increased their state minimum wage rates to the levels of \$7.65 per hour and \$8.00 per hour, respectively. New York, Pennsylvania and Delaware’s minimum wages are identical to New Jersey’s. In addition, ten states are currently indexing their minimum wage rates to the Consumer Price Index for All Urban Consumers (CPI-U): Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington. As a result of their laws providing annual cost-of-living increases to the minimum wage, many of these states will soon have minimum wage rates that are higher than that of New Jersey. Table 5 shows the expected 2009 and 2010 minimum wage rates in the ten states that currently index to the CPI.

<b>Table 5. Trajectory of Minimum Wage in States that Currently Index to Consumer Price Index (CPI)*</b>		
<b>State</b>	<b>2009</b>	<b>2010</b>
Arizona	\$7.25	\$7.65
Colorado	\$7.28	\$7.55
Florida	\$7.25	\$7.70
Missouri	\$7.25	\$7.70
Montana	\$7.25	\$7.65
Nevada	\$7.25**	\$7.47**
Ohio	\$7.40	\$7.85
Oregon	\$8.40	\$8.85
Vermont	\$8.09	\$8.52
Washington	\$8.54	\$9.04
* CPI projected at the most current annual rate for that state.		
**Two tier system. Lower rate if job provides health insurance coverage.		

An aspect of minimum wage law in which New Jersey compares unfavorably to other states is how the law deals with “tipped workers.” New Jersey’s minimum wage is one of the nation’s weakest with respect to protecting employees for whom tips are a major source of income, such as waiters and waitresses, delivery drivers, and car wash and parking attendants.

Under the federal minimum wage law and most states’ minimum wages, employers may pay employees who receive tips somewhat less than the minimum wage so long as the employees earn at least the full minimum wage once tips are included. This is often called a “tip credit” system because some portion of the worker’s tips are allowed to be “credited” towards payment of the minimum wage.

However, federal law and the overwhelming majority of states set a minimum cash wage that employers must pay their tipped employees regardless of how much they earn in tips. Below is a comparison of states with “tip credit” minimum cash wage rates exceeding the federal minimum wage.

<b>Table 6. States with Minimum Cash Wages Exceeding the Federal Minimum Cash Wage</b>		
<b>State</b>	<b>Minimum Cash Wage for Tipped Workers</b>	
	Amount	Percent of State Minimum Wage
Alaska	\$7.15	100%
Arizona	\$3.90	57%
Arkansas	\$2.63	42%
California	\$8.00	100%
Colorado	\$4.00	57%
Connecticut	\$5.41	71%
Delaware	\$2.23	36%
DC	\$2.77	40%
Florida	\$3.77	56%
Hawaii	\$7.00	97%
Idaho	\$3.35	57%
Illinois	\$4.50	60%
Iowa	\$4.35	60%
Maine	\$3.50	50%
Maryland	\$3.08	50%
Massachusetts	\$2.63	33%
Michigan	\$2.65	37%
Minnesota	\$6.15	100%
Missouri	\$3.33	50%
Montana	\$6.25	100%
New Hampshire	\$2.93	45%
New York	\$4.60- plus	64%- 85%
Nevada	\$6.33	100%
North Carolina	\$2.43	40%
North Dakota	\$3.92	67%
Ohio	\$3.50	50%
Oklahoma	\$2.93	50%
Oregon	\$7.95	100%
Pennsylvania	\$2.83	40%
Rhode Island	\$2.89	39%
Vermont	\$3.72	48%
Washington	\$8.07	100%
Wisconsin	\$2.33	36%

New Jersey and Virginia are the only two states in the nation that set no cash minimum wage requirement for tipped employees, allowing an employer to pay tipped employees no cash wages at all. The federal minimum wage, which applies to almost all employers of tipped employees in New Jersey, prevents that extreme result, because federal law sets

a minimum cash wage of \$2.13 per hour for tipped employees. The federal minimum wage for tipped employees, which has not been increased since 1991, is far below the standard in most states. In Connecticut, the minimum cash wage for tipped workers is \$5.41 per hour and tipped employees in New York must be paid at least \$4.60 per hour in cash wages.

#### **IV. Adequacy of the minimum wage relative to changes in the purchasing power of the minimum wage**

Due to inflation, the purchasing power of the minimum wage has declined over the past 25 years. As shown in Figure 1, between 1980 and 2004, the purchasing power of the New Jersey minimum wage significantly declined by almost 30 percent. Even after the two most recent increases in 2005 and 2006, New Jersey's minimum wage still has less real purchasing power than it did in 1980. As Figure 2 illustrates, throughout most of the 1960s and 1970s, the real purchasing power of the minimum wage exceeded the current wage rate of \$7.15 per hour; in five of these years, New Jersey's minimum wage rate was set at a level equivalent to more than \$8.00 per hour in 2008 dollars.

Another way to measure the relative value of the minimum wage is to compare it to the average wage in the state, which typically grows at a faster rate than inflation. When compared to the average private sector non-supervisory wage,<sup>3</sup> the minimum wage in New Jersey has declined from 44 percent in 1997 to a low of 34.5 percent before the increase in October 2005.<sup>4</sup> Even after the increase in 2006 to \$7.15 per hour, the minimum wage was only 41.1 percent of the state's hourly wage, because other wages increased at a faster rate. At the current \$7.15 per hour, the minimum wage represents only 31.6 percent of the 2007 average hourly wage.

#### **V. Adequacy of the minimum wage relative to changes in the value of the minimum wage compared to economic indices**

##### **i. The Federal Poverty Guidelines**

When the federal poverty guidelines were introduced in the United States in 1969, they were heavily influenced by the standard of living that prevailed in the 1950s. The federal poverty standard was based on the cost of a single item, food, which at that time accounted for a third of total expenditures for basic needs. Hence, poverty thresholds were determined by multiplying the food budget by three. Poverty thresholds therefore change in response to changes in prices. However, it is widely recognized among economists and other social scientists that the official poverty benchmark is too low. This

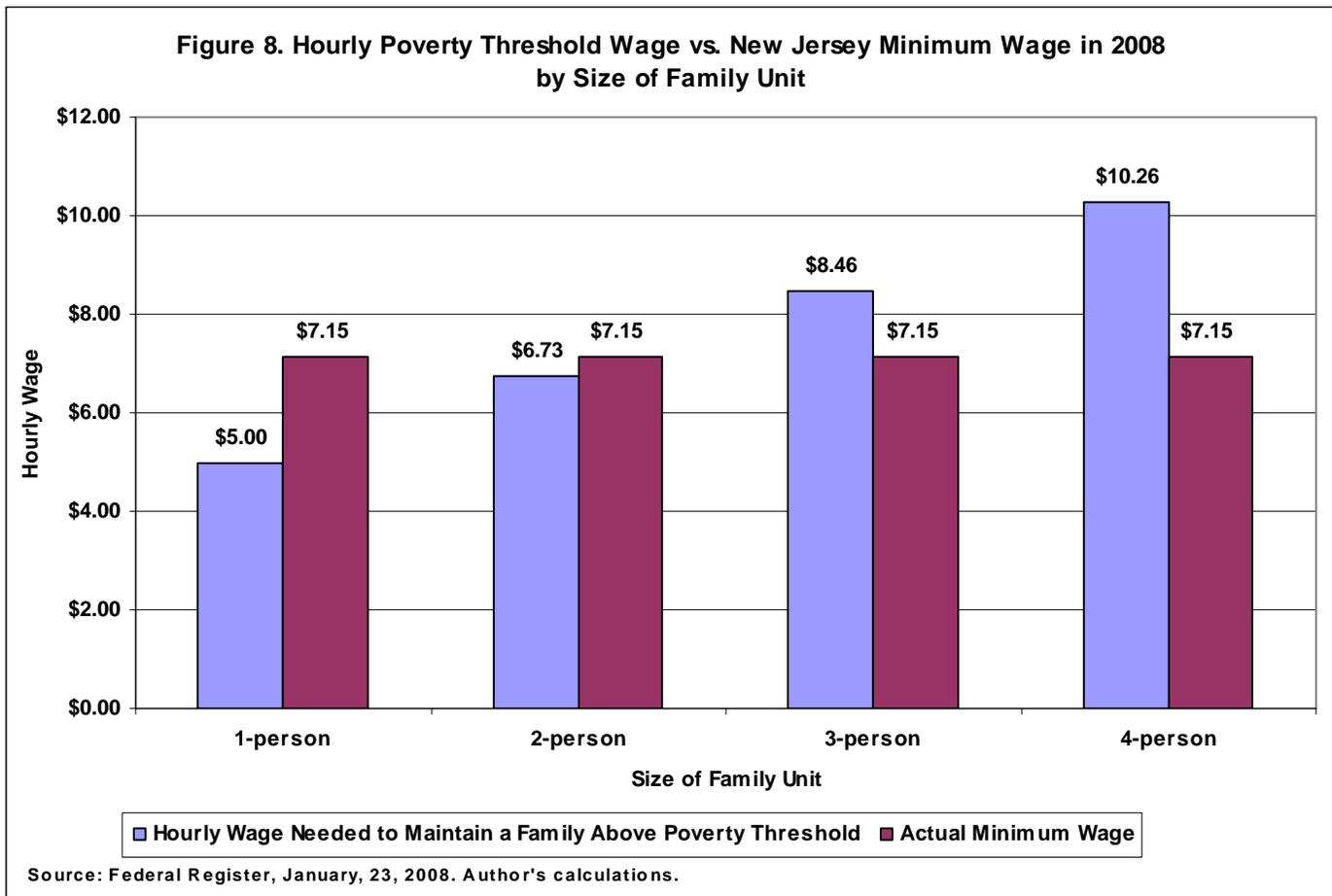
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<sup>3</sup> Economic Policy Institute. Minimum Wage Issue Guide: Facts at a Glance. Retrieved May 20, 2007 from <http://www.epi.org/content.cfm/issueguidesminwage>.

<sup>4</sup> New Jersey Department of Labor and Workforce Development, Labor Market and Demographic Research, Occupational Employment Survey Program.

is because it is calculated using an outdated approach which does not reflect the actual costs of providing for basic needs other than food, housing, healthcare and child care. Moreover, it does not take into account regional differences in the cost of living.

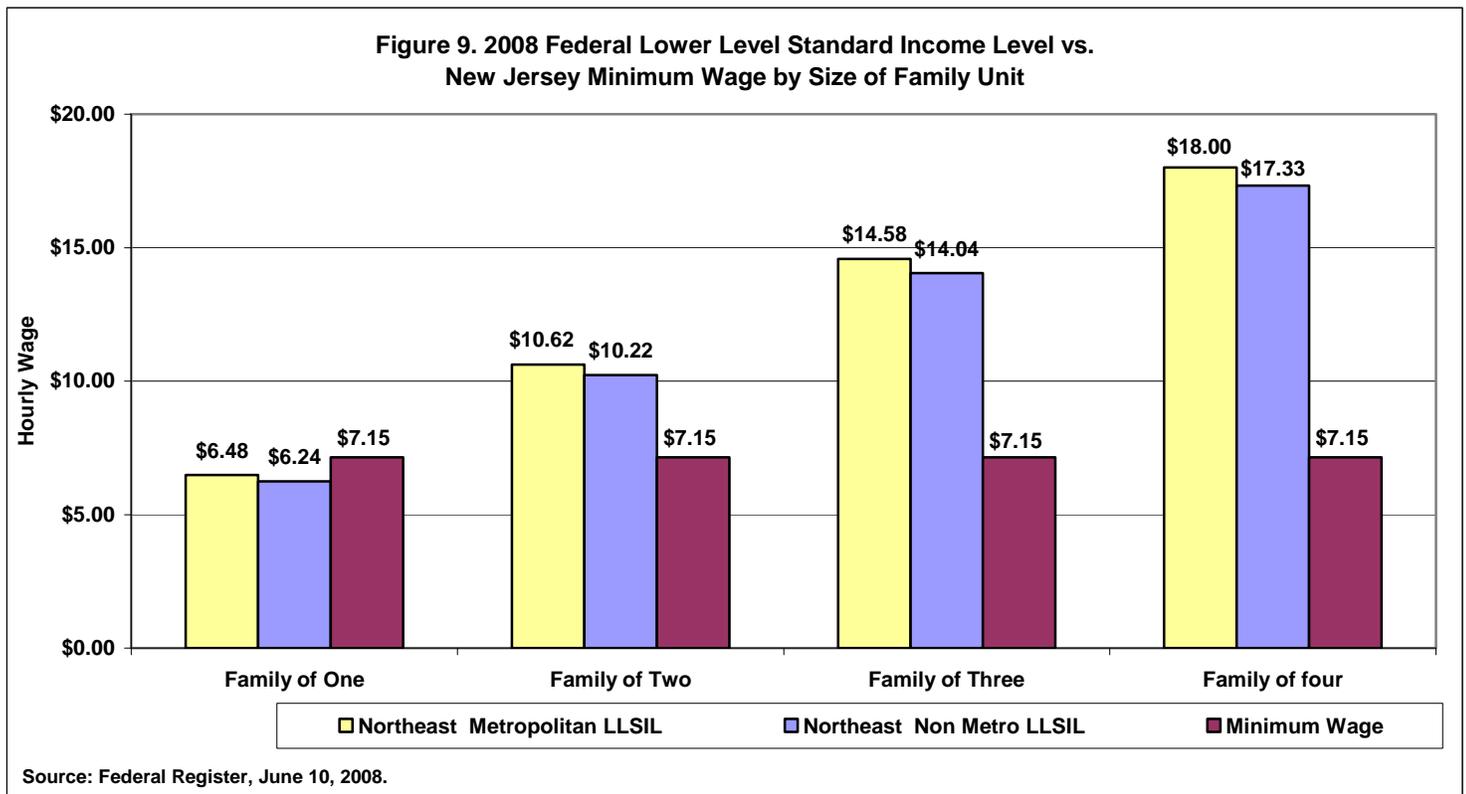
An appropriate metric for adequacy is whether a minimum wage rate is sufficient to allow a full-time worker to live above the poverty threshold. For example, someone who works fulltime for 52 weeks at \$7.15 per hour would earn \$14,872 over a year. Figure 8 compares the 2008 New Jersey minimum wage of \$7.15 with the lowest wage rate needed for a family to stay above the poverty threshold (the “poverty threshold” wage).



Many, though not all, minimum wage earners are adults whose income supports themselves and their family. According to data from the New Jersey Department of Labor and Workforce Development, nearly 44 percent of minimum wage workers are in the 25-64 age group and some are their household’s primary breadwinner. In New Jersey, one-fifth of families with three or more persons have only one person working in the family. New Jersey’s current minimum wage would keep a two-person family unit above the federal poverty threshold. However, the minimum wage is not sufficient to maintain family units of sizes greater than two above the poverty threshold.

## ii. The Federal Lower Living Standard Income Level

The Lower Living Standard Income Level (LLSIL) is a minimum standard measure used by the U.S. Department of Labor. LLSIL depicts a family's minimum income needs by major geographic and metropolitan areas. Figure 9 compares New Jersey's current \$7.15 minimum wage with the hourly wage equivalent of the LLSIL in metropolitan and non-metropolitan areas for various family sizes. Changes in the LLSIL are usually reflective of the cost of living as measured by the CPI-U. Between 1998 and 2005, the cost of living increased by 19.3 percent while the minimum wage remained unchanged.



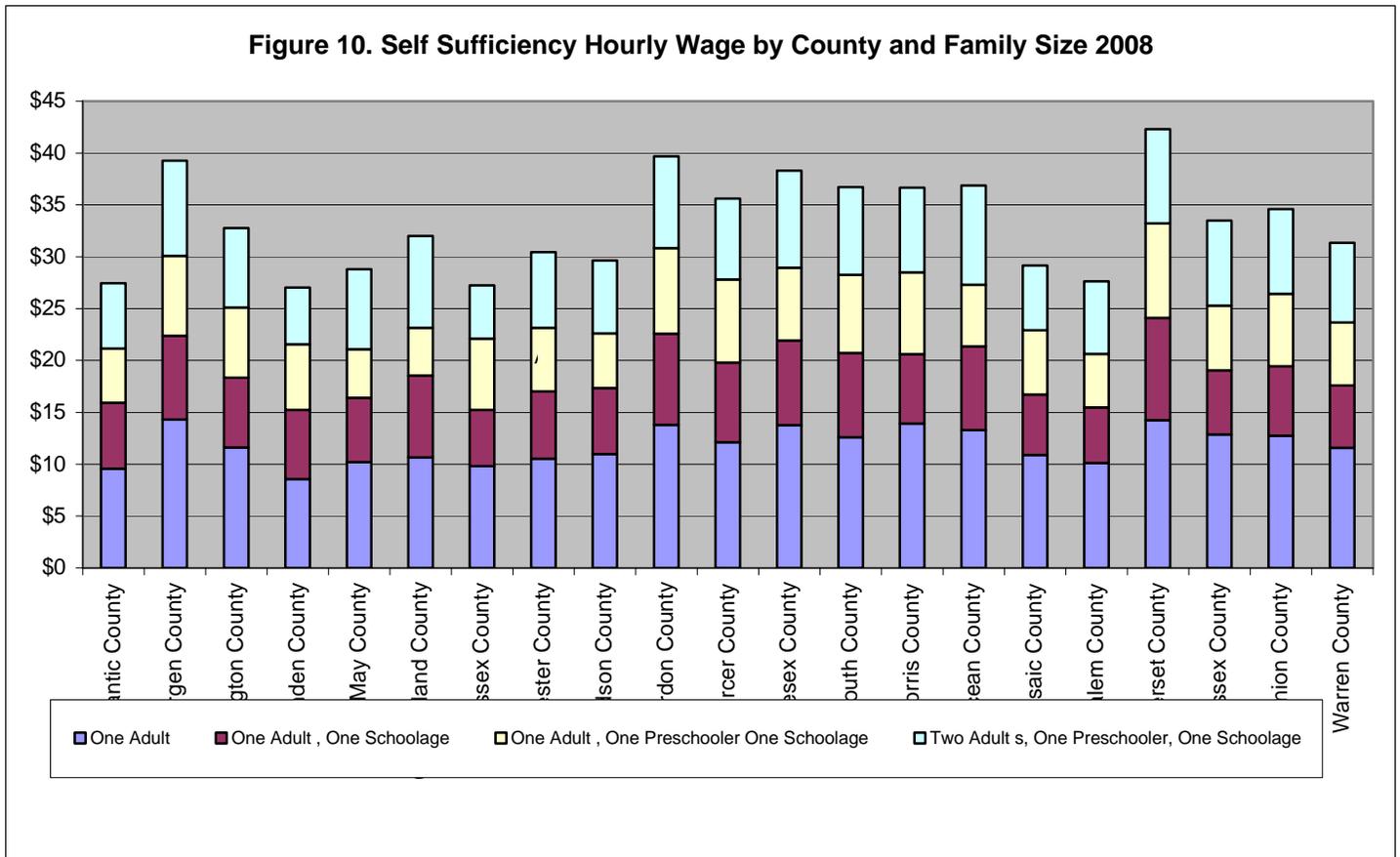
Using the LLSIL measure, a family of two or more with one income earner is not able to meet the minimum standard of living at the current minimum wage. A family of four with a single wage earner would require an hourly wage that is more than twice the amount of New Jersey's minimum wage just to meet these minimum living standards.

## iii. The Self Sufficiency Standard

A study conducted by the Legal Services of the New Jersey Poverty Research Institute (NJPRI) revealed that a one-adult household in New Jersey required between \$8.58 and \$14.32 an hour to cover the cost of basic needs in 2008, depending on the location.

While variations in the cost of health, child care, transportation, and food are negligible across New Jersey, differences in the cost of housing are very significant in different areas of the state. For example, the cost of housing in the Middlesex-Somerset-Hunterdon area is almost 50 percent higher than that in the Atlantic-Cape May region. The wage rate necessary to allow an adult living alone to be “self-sufficient” and able to cover the cost of all basic needs is \$8.58 in Camden County and \$14.32 in Bergen County (Figure 10). By the same reasoning, a family with one adult, one preschooler and one child of school age in Salem County requires an hourly wage rate of \$20.63 while the same family living in Somerset County needs an hourly wage of \$33.21 to be self-sufficient.

It should be noted that the rate of growth of the self-sufficiency wage in the northeast region is 60 percent greater than the inflation rate in the region. Between 1999 and 2008, the average self-sufficiency wage for a single-person household increased by 46.9 percent (from \$7.96 to \$11.69) while the CPI-U increased by only 29.6 percent during that period.



## **THE EFFECT OF DIFFERENT POLICY OPTIONS ON THE PURCHASING POWER OF THE MINIMUM WAGE**

Raising the minimum wage and providing an automatic cost of living adjustment each year would restore the value lost to inflation and would ensure that the minimum wage keeps pace with the cost of living in the future. As discussed above, the current minimum wage of \$7.15 is barely sufficient to maintain a family of two persons above the poverty threshold and is not adequate for larger family sizes. If New Jersey's working families who depend on minimum wage earnings are to avoid falling below the poverty line, the minimum wage must keep pace with the cost of living in the state.

The Commission believes that in order for New Jersey's minimum wage to keep pace with increases in the cost of living, an annual adjustment mechanism must be created. One common measure of inflation is the Consumer Price Index for All Urban Consumers (CPI-U). The CPI-U measures the average change over time in the prices paid by urban consumers for commonly purchased goods and services. Indexing the minimum wage to the CPI-U would adjust the State's minimum wage rate by the same percentage that inflation changes each year. As noted above, ten states currently use annual CPI-U Index mechanisms to adjust their minimum wage rate: Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington.

An alternative to indexing the minimum wage to the CPI-U would be to index to the state's average wage. Given the manner in which wages respond in periods of economic downturn, the Commission recommends indexing to the CPI-U rather than using the Statewide Average Weekly Wage. During periods of low inflation or economic expansion, average wages grow faster than inflation, whereas during periods of high inflation or economic downturn, a minimum wage indexed to inflation would grow faster than average wages. We believe that protecting vulnerable low wage workers' ability to purchase basic necessities during periods of high inflation should be the most important factor in creating a cost-of-living index. Indexing the minimum wage to inflation as measured by the CPI-U would ensure that the minimum wage keeps pace with the cost of living and would protect the earnings of low wage workers from losing ground to inflation. Adjusting the minimum wage annually for inflation would ensure that the minimum wage maintains its value relative to prices in the market.

### **Analysis of Four Options (see Figure 11 and Table 6)**

**Option 1:** Increase the minimum wage to \$8.50 beginning in 2009, to set the rate incrementally above the hourly poverty threshold wage (\$8.46) for a three-person family unit (see Figure 8) and subsequently increase the minimum wage automatically each year using the inflation index as measured by the CPI-U in the Northeast Metropolitan Region. At an inflation rate of 3.25 percent (the average inflation rate over the last three years), the nominal minimum wage will reach \$12.29 by 2018, a 72 percent increase.

**Option 2:** Beginning in 2009, provide automatic annual increases in the current \$7.15 per hour minimum wage using the inflation index as measured by the CPI-U. Under this scenario, the nominal minimum wage will be \$9.94 by 2018, with an actual inflation rate of 4.30 percent for 2008 and projected inflation rates of 3.25 percent annually thereafter (average CPI-U rise over the last three years). This will result in an increase of the minimum wage by 39 percent by 2018.

**Option 3:** Increase the minimum wage to \$11.69 beginning in 2009, to set the rate at the average self-sufficiency wage in New Jersey for one-adult families, and subsequently increase the minimum wage automatically each year using the inflation index as measured by the CPI-U. The nominal minimum wage will reach \$16.91 under this scenario, a 137 percent increase by 2018.

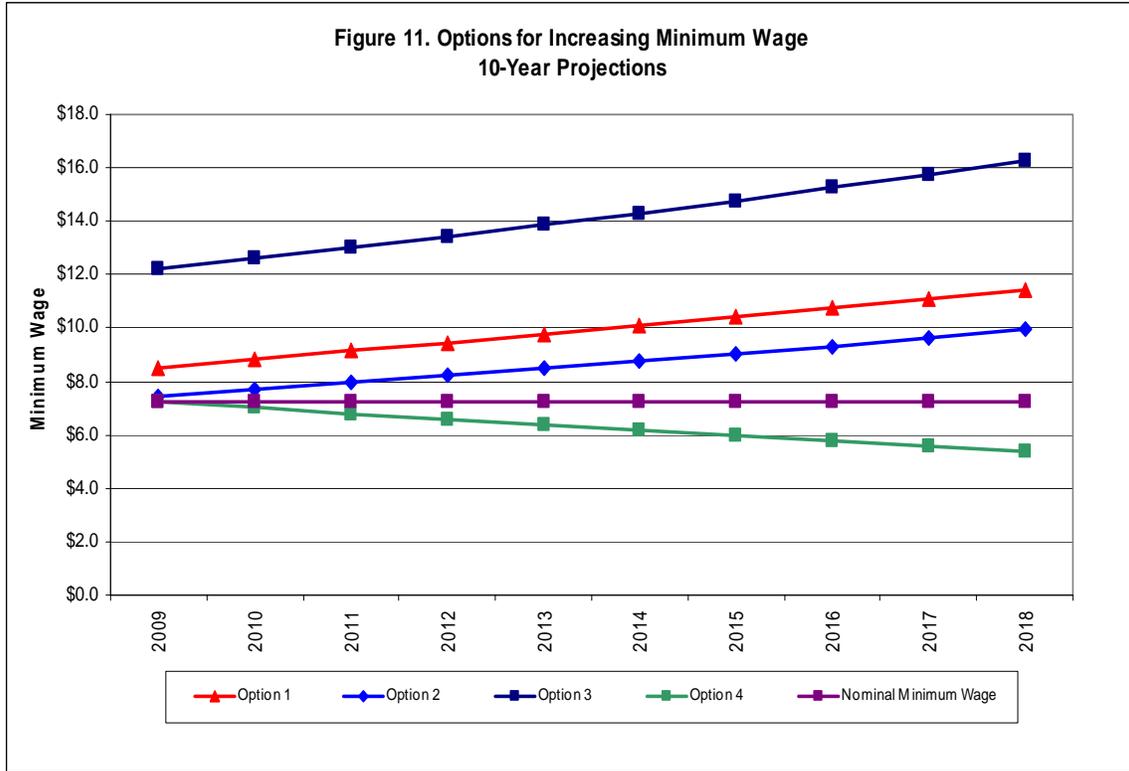
**Option 4:** Leave the current minimum wage unchanged. On July 24, 2009, the federal minimum wage increases to \$7.25; New Jersey's minimum wage will automatically set to this amount. Assuming no additional increases in the federal minimum wage over the next decade, this option would result in the decrease of the purchasing power of the minimum wage by 25.7 percent by 2018.

**Additional Option regarding Minimum Wages for Tipped Employees** (may be added to any of the above options):

Establish a minimum cash wage requirement for tipped employees and set it as a percentage of the full State minimum wage so that it increases automatically when the regular minimum wage is increased. The level should be comparable to the level in neighboring states. The average requirement in the four surrounding states of New York, Connecticut, Pennsylvania and Delaware is 53 percent of the minimum wage. This option would also include statutory language to establish procedural protections mirroring those under federal law and the laws of other states to guard against abusive tipped worker arrangements, including notice requirements to employees, prohibitions against tip skimming by employers and requirements for notice to customers if the employer collects service charges instead of allowing employees to keep their tips.

### **10-Year Trajectory of Minimum Wage under Various Scenarios:**

To assess the future path of the minimum wage under the options outlined above, we used time series analysis to forecast the CPI-U and the average annual wages in New Jersey for the next 10 years. It should be noted that our projections for the CPI-U and average wages are essentially an extrapolation of past trends and do not take into account any current or future policy initiative. The results of the indexing of minimum wage are expected to be as follows:



**Table 6. Projected Ten-Year Trajectory of Minimum Wage under Four Scenarios (LPA)**

Year	Option 1	Option 2	Option 3	Option 4	Nominal Minimum Wage
2008	\$8.50	\$7.15	\$11.69	\$7.15	\$7.15
2009	\$8.82	\$7.42	\$12.13	\$7.25	\$7.25
2010	\$9.15	\$7.70	\$12.59	\$6.98	\$7.25
2011	\$9.50	\$7.99	\$13.06	\$6.72	\$7.25
2012	\$9.85	\$8.29	\$13.55	\$6.46	\$7.25
2013	\$10.22	\$8.60	\$14.06	\$6.22	\$7.25
2014	\$10.61	\$8.92	\$14.59	\$5.99	\$7.25
2015	\$11.01	\$9.26	\$15.14	\$5.76	\$7.25
2016	\$11.42	\$9.61	\$15.71	\$5.54	\$7.25
2017	\$11.85	\$9.97	\$16.30	\$5.34	\$7.25
2018	\$12.29	\$10.34	\$16.91	\$5.13	\$7.25

Source: US Bureau of Labor Statistics, calculations by N.J. Dept of Labor and Workforce Development  
 \* Increase in real minimum wage reflects the statutory increase in the federal minimum wage to \$7.25 in 2009  
 \*\* Increase in nominal minimum wage reflects the statutory increase in the federal minimum wage to \$7.25 in 2009

### **Impact on State Average Weekly Wage (SAWW)**

An increase in the minimum wage is likely to have a very small impact on the statewide average weekly wage in New Jersey. In calendar year 2007, the statewide average weekly wage was \$1,031.28. Approximately 5.4 percent of all workers in New Jersey earn between \$7.15 and \$8.50 per hour. For instance, if the minimum wage is increased to \$8.50 per hour for all workers who currently earn less than \$8.50, we estimate that the statewide average weekly wage would increase by 0.245 percent, or \$2.52 per week. This is a modest change in comparison to the annual rise in the SAWW (\$ 42.05 per week in 2007).

## **RECOMMENDATIONS FOR FUTURE INCREASES IN THE STATE MINIMUM WAGE**

New Jersey's minimum wage should increase on an annual basis. Minimum wage earners lose purchasing power when the value of the minimum wage grows at a rate slower than inflation. For this reason, the Commission has considered options that would increase the minimum wage each year by indexing the wage rate to an economic indicator: the Consumer Price Index for All Urban Consumers in the Northeast Metropolitan Region. At the state level, Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington currently make a similar inflation-indexed adjustment to their state minimum wage each year.

The current minimum wage is inadequate to provide even a poverty-level income for many families in New Jersey. Minimum wage workers in New Jersey earned \$7.15 an hour in 2008, which would provide an annual income of \$14,872 to a full-time worker (working 40 hours per week, 52 weeks per year). This level of income for a family of three would fall \$2,725 below the official 2008 federal poverty level of \$17,597 and is inadequate to meet basic family expenses in any community in New Jersey.

The Commission recommends that New Jersey immediately increase the minimum wage to \$8.50 per hour beginning in 2009, which is just above the poverty threshold wage (\$8.46) for a three-person family in 2008. The Commission further recommends that New Jersey enact a law providing an automatic annual adjustment in the minimum wage rate by a percentage equal to the change in the Consumer Price Index for All Urban Consumers in the Northeast Metropolitan Region to retain this level of purchasing power in subsequent years.

A minimum wage rate of \$8.50 per hour in 2009 would increase the disposable income for low-wage workers and their families. Workers now earning \$7.15 per hour would receive an initial \$1.35 pay raise (\$2,808 per year for full-time workers), coupled with annual raises tied to inflation – a small but significant difference in their living standard. Indexing the minimum wage to inflation would prevent these workers' wages from losing purchasing power in future years. An extra \$2,808 per year could enable minimum wage earners and their families to reduce debt and move closer to self-sufficiency.

In addition, the Commission recommends that New Jersey establish a minimum cash wage requirement for tipped employees, as detailed in the "Additional Option" above, set at a percentage of the State minimum wage that is comparable to the "tip credit" percentage in surrounding states.

A majority of the Commission (Members Hall, Richard, and Socolow) agreed to the above recommendations that the New Jersey minimum wage should be increased to \$8.50 per hour in 2009 and increased automatically in each subsequent year using a CPI inflation index, and that New Jersey should establish a minimum cash wage for tipped employees set at a constant percentage of the State minimum wage that is comparable to the percentage used in surrounding states. Commission Members Kirschner and Trezza

did not endorse the Commission's final recommendation. The additional views of individual Commission members are noted in Appendix I below.

## SUMMARY OF COMMENTS FROM MEMBERS OF THE PUBLIC

**Written comments were submitted by the following individuals received in response to a request for written public comments published in the New Jersey Register and on the Department of Labor and Workforce Development website on July 7, 2008:**

1. Charles Wowkanech & Laurel Brennan, New Jersey State AFL-CIO, Trenton, New Jersey
2. John D. Rogers, New Jersey Business and Industry Association, Trenton, New Jersey
3. Jon Shure\*, Raise the Minimum Wage Campaign
4. Patricia Campos, President, New Jersey State Council of UNITE HERE!, Union City, New Jersey
5. Anjali Srivastava, Legal Services of New Jersey, Edison, New Jersey
6. Bennett Muraskin\*, Council of New Jersey State College Locals, AFT
7. Anonymous comment\*
8. Brian Secrest\*
9. Donald Jenkins\*; Peter Mulshine, Phillipsburg, New Jersey
10. Brock Hausman, Bound Brook, New Jersey
11. Larry Siegel, Plainsboro, New Jersey
12. Ed Johnson\*, Acting President, Local 827 IBEW Retirees Committee; Tamel Hunt\*; Ellen Coyne\*; Migdalia Santiago\*; Richard Giacomo\*; Lateefah Wells,\*; Karen Merezio\*; Darryl Sansalone\*; Ronald Bascombe\*; Jose Meran\*; Denise Lytle, Fords, New Jersey; Ellen Monane, Bergen County; Ruth Bauer Neustadter, Hackensack, New Jersey; three anonymous comments\*
13. Arthur Uscher\*; Ruth & Peter Adler, Fort Lee, New Jersey; Thelma Fedele\*; Gloria Klein\*; Dave Dubin\*
14. Andrea Bertucci\*
15. Anonymous comment\*
16. M. McDermott, Burlington, County, New Jersey
17. Anthony J. Gandolfo\*; one anonymous comment\*
18. Marvin Adrichem\*
19. Rich Nieuwenhuis, New Jersey Farm Bureau, Trenton, New Jersey

*An “\*” denotes the comment was submitted without an address.*

**The submitted comments are summarized below. The number(s) in parentheses after each comment identifies the respective commenter(s) listed above.**

COMMENT: Commenters urge the Commission to recommend a three-part proposal: an immediate increase in the minimum wage to \$8.50 per hour, an automatic annual cost-of-living-adjustment (COLA) and the creation of an indexed tipped employee wage. Commenters assert New Jersey should follow the lead of other states and enact their three-part proposal to help address New Jersey’s high cost of living and the growth in income disparity. (1)

COMMENT: Commenter urges the Commission to define the term “cost of living” and “must decide what indices are appropriate for consideration.” He adds the Commission should consider the impact a minimum wage increase would have on New Jersey employers and believes that an increase in the minimum wage “will only prevent employers from creating new private-sector jobs” and “will only hamper any economic recovery.” Lastly, commenter asks the Commission to continue to report on the impact a minimum wage increase will have on the State Average Weekly Wage (SAWW) and the payroll taxes calculated using the SAWW. (2)

COMMENT: Commenter urges the Commission to recommend a three-part proposal: an immediate increase in the minimum wage to \$8.50 per hour, an automatic annual cost-of-living-adjustment (COLA) and the establishment of a minimum wage for tipped employees with protections similar to those under current federal and state law to prevent abusive tipped worker arrangements. Among the numerous factors cited to support an increase in the minimum wage, commenter states the following factors should be considered: 1) the high overall cost of living in New Jersey; 2) the current value of the minimum wage when compared to other measures such as the federal poverty level; 3) the erosion of low-income workers’ purchasing power when compared to other states’ workers; 4) and studies which refute the theory that an increase in the minimum wage has a negative impact on the economy and causes job losses. The Commenter adds that employees who receive a majority of their income from tips should have a minimum wage that provides a base cash wage which supports workers’ self-sufficiency. (3)

COMMENT: Commenter urges the Commission to recommend a three-part proposal: an immediate increase in the minimum wage to \$8.50 per hour, an automatic annual cost-of-living-adjustment (COLA) and the establishment of a minimum wage for tipped employees with protections similar to those under current federal and state law. Commenter states the following factors should be considered: 1) New Jersey’s high cost of living; 2) the relationship of New Jersey’s minimum wage to the federal and other state’s minimum wages; and 3) the evidence from research showing an increase in the minimum wage increases workers’ purchasing power and has a “net positive effect on the economic vitality of any State. (4)

COMMENT: Commenter urges the Commission to recommend the state take 3 actions: immediately increasing the minimum wage to \$8.50 per hour, include automatic increases in the minimum wage based on the Consumer Price Index, and continue the Commission’s review of the adequacy of the minimum wage. Commenter states the following factors should be considered: “1) the context of New Jersey’s high cost of living; 2) examination of the cost for basic needs, including a focus on recent increases in some of these costs; 3) comparison of the cost of living and minimum wage laws in New Jersey compared to other states; 4) changes in the purchasing power of the state’s

minimum wage; and 5) changes in the value of the minimum wage relative to other benchmarks of minimum income needs.” (5)

COMMENT: Commenter recommends “the minimum wage be increase to \$8.50 per hour and be indexed to the cost of living.” Commenter also recommends that tipped employees be “guaranteed a percentage of the minimum wage.” (6)

COMMENT: Commenter urges the Commission to consider the age of minimum wage earners, the impact a minimum wage increase has on workers making slightly above the minimum wage, and the impact an increase would have on business costs and worker training. (7)

COMMENT: Commenter opposes an increase in the minimum wage because of its impact on small business owners, the cost of goods and payroll tax collection. He urges the Commission to consider a lower minimum wage for workers under the age of 18 or "raising the minimum wage only in metropolitan areas.” (8)

COMMENT: Commenters are concerned about the enforcement of the minimum wage and the workers being paid less than the minimum wage. Commenters are specifically concerned about the employment of undocumented workers. (9)

COMMENT: Commenter urges the Commission to recommend the establishment of a base wage for tipped employees “in the range of 65% to 85% of the full state minimum wage.” (10)

COMMENT: Commenter urges the Commission to recommend a “LIVING WAGE” and take action “on indexing the minimum wage” to help workers afford the high cost of living in New Jersey. Further, commenter states an increase in the minimum wage would stimulate the economy and does not increase unemployment. (11)

COMMENT: Commenters recommend an increase in the minimum wage to help workers afford the high cost of living in New Jersey. (12)

COMMENT: Commenters recommend an increase in the minimum wage to at least \$8.50 per hour to help workers afford the high cost of living in New Jersey. (13)

COMMENT: Commenter recommends an increase in the minimum wage as well as an increase in the minimum wage for wait staff. (14)

COMMENT: Commenter recommends indexing of the minimum wage to help workers afford the high cost of living in New Jersey. (15)

COMMENT: Commenter recommends a living wage between \$9 and \$10 per hour. (16)

COMMENT: Commenters recommend a minimum wage of \$10 per hour. (17)

COMMENT: Commenter recommends a minimum wage of at least \$11 per hour. (18)

COMMENT: Commenter cautions the Commission from recommending an increase in the minimum wage because it “would cause severe financial hardship to the already fragile agricultural industry.” Commenter adds an increase in the minimum wage coupled with “regulatory pressures” puts New Jersey’s agriculture at a disadvantage in global markets. (19)

## **APPENDIX I**

### **Additional Views of Members of the Commission**

#### **COMMISSION MEMBERS PHILIP KIRSCHNER AND JOANN TREZZA**

The Minimum Wage Advisory Commission, by a 3-2 vote, recommends a new minimum wage increase to \$8.50 per hour, beginning in 2009 and adjusted thereafter to the cost of living. We respectfully dissent from this recommendation due to the negative impact it will have on New Jersey's struggling economy. We believe that a policy that greatly increases costs when thousands of New Jerseyans are losing their jobs is extremely misguided. New Jersey should be focused on creating jobs, not on policies that will lead to a further reduction of jobs.

With the loss of over 31,000 private-sector jobs in the first eleven months of 2008, New Jersey businesses simply cannot afford an increase in the minimum wage. To remain in business during this difficult economy, businesses are already taking drastic action. Some employers are already laying-off workers. Others are making across-the-board reductions in wages, bonuses and hours of operation. These are the steps employers must take during a recession to remain in operation and maintain as many jobs as possible. Recommending a dramatic single-step increase to our minimum wage will only place more significant burdens on thousands of small businesses during this critical time and hamper the State's ability to recover from the current recession.

The Commission's recommendation of \$8.50 per hour represents a 16 percent increase over the current minimum wage of \$7.15 per hour and a 15 percent increase over the federally mandated increase of \$7.25 per hour, which is scheduled to take effect on July 24, 2009. Again, it is important to note that if the Commission recommended no additional increase for this year, New Jersey businesses must still absorb an increase to the minimum wages. Rather than allowing the mandated federal minimum wage to take effect and our economy to recover, we believe that the Commission's action will lead to more layoffs.

A sharp increase to the minimum wage also does not take into account the ripple effect on other wage earners. Employers that pay their employees \$9.00 per hour or even \$10.00 per hour will all experience pressure to increase their wage. Employees making a wage higher than the minimum wage, which represent most employees in the State, will all demand an increase because the worker has demonstrated to the employer that he/she has the skills necessary to be an asset to the business enterprise. This ripple effect will have a negative impact on all businesses.

Study after study continues to give New Jersey's business climate poor ratings. Businesses continue to grapple with high corporate and property taxes; expensive health insurance; and rising energy costs. Employers simply cannot afford a large increase to the minimum wage next year. Such a policy recommendation will only further

exacerbate the State's poor business reputation and place New Jersey out-of-step with our neighboring states.

As we noted in the previous report, the concept of automatically indexing our minimum wage would set New Jersey apart from our neighboring states. Tying New Jersey's minimum wage to a simple mathematical formula does not take into account the extraordinary events from the past year, nor will indexing allow policy makers to respond to the current crisis. Also, the Commission's report notes that 56 percent of minimum wage earners are under 25 years of age and even at \$7.15 per hour New Jersey's minimum wage is sufficient to support a one or two person family based on the current Hourly Poverty Threshold Wage. The Commission's insistence that a minimum wage sustain a three or four-person family does not take into account that the majority of minimum wage earners will fall under 25 years of age, and therefore, be far less likely to support a family.

Furthermore, none of our neighboring states index their minimum wage. If New Jersey raises its minimum wage to \$8.50 per hour and automatically increases it every year while New York and Pennsylvania do not, New Jersey will be nearly \$2.00 per hour higher than these states in just two years. This will have an extremely negative impact on the state's economic competitiveness. Most businesses will not pay \$2.00 per hour more than what New York or Pennsylvania requires for the same job. In our view, indexing is not a good idea at any time, but certainly not in the present economic climate.

Additionally, we are concerned about the impact the increase will have on funds and costs associated with the State Average Weekly Wage (SAWW). By greatly increasing the minimum wage, the SAWW will also increase. This will lead to higher unemployment payments, temporary disability payments, family leave insurance payments and workers' compensation rates over time. These increases will impact all businesses and employees that pay taxes into the dedicated payroll funds.

Finally, we oppose the Commission's recommendation to change the treatment of tipped employees. Employers that rely on tipped employees would be devastated by the double blow of an \$8.50 per hour increase to the minimum wage in conjunction with a doubling of the tip credit. Again, due to the severity of our economic conditions these businesses are facing a significant downturn in sales as consumers constrict their spending. The proposed increase and changes to the New Jersey tip credit would be an additional burden to these businesses.

Further, we believe that the Commission's legislative charge to the review the adequacy of the minimum wage is not served by offering additional changes and recommendation regarding tipped employees. The Commission has not demonstrated that tipped employees fall under the minimum wage nor has it shown that tipped employees fail to maintain a standard of living below the poverty guidelines. For these reasons, we believe that it is inappropriate to mix a discussion about the minimum wage with the rates and further procedural protections for tipped employees.

In closing, we file this dissenting statement to clarify our opposition to the Commission's recommended increase. As previously noted, the minimum wage will automatically increase in 2009 to \$7.25 per hour because of the increase in the federal law. New Jersey businesses must already absorb that anticipated increase next year along with new costly mandates, such as paid family leave and a threatened increase in the Unemployment Insurance Benefits taxes. These are substantial burdens on the business community during a recession. The recommendations of this Commission will only added to the burdens experienced by the business community and further delay any hope of recovery from a recessionary economy.

For the above reasons, we respectfully dissent.

#### **COMMISSION MEMBER ERIC RICHARD**

With the current economic climate, a lot of discussion has revolved around coming to the aid of "Main Street." Despite this discussion, the majority of action taken by our elected officials has addressed the needs of "Wall Street." In 2009, raising New Jersey's minimum wage would have a positive economic impact on thousands of residents living and working on Main Street's throughout the State.

The data presented in this report has one undeniable conclusion – New Jersey's minimum wage is not adequate, and those earning it as their only source of income are living in poverty.

Lawmakers have the ability to permanently help the plight of low wage workers by acting on legislation to increase the minimum wage to \$8.50 an hour, and adding a "cost of living adjustment," or COLA provision. A COLA, plain and simply, is good public policy because it removes politics from the issue and would allow the minimum wage to keep up with inflation without annual legislative action; much the same way as many other worker benefits are adjusted. Ten states currently have this policy.

Furthermore, the AFL-CIO strongly supports the inclusion of a tip credit provision in any minimum wage legislation. We understand that some employers that depend on workers earning the majority of their income from tips are seeing a decline in revenues during this difficult economic period. However, it must be recognized that proportionally, the workers employed in these sectors are seeing the same decrease in their wages, creating a dire economic hardship for them and their families. New Jersey is one of only two states in the nation that does not have a minimum wage requirement for tipped workers, and New Jersey's current policy on this issue is the weakest in the nation. Tipped workers earn \$2.13 in New Jersey, the federal minimum. For a comparison with some of our neighbor states, tipped workers in New York earn \$4.60, and those in Connecticut earn \$5.41. The average of all surrounding states is 53% of the minimum wage, whereas New Jersey is less than 30%.

Achieving a “self-sufficiency standard,” as outlined in one of the options for consideration by the Minimum Wage Advisory Commission, is a long term goal and a noble pursuit for advocates of the working poor. However, at this difficult economic time, the most immediate and realistic opportunity to achieve economic justice for New Jersey working poor is to advance the minimum wage policies endorsed by the Commission in this report as soon as possible.

## APPENDIX II

### MEMBERS OF THE NEW JERSEY MINIMUM WAGE ADVISORY COMMISSION

<u>Commission Member</u>	<u>Designation</u>	<u>Term Expires</u>	<u>Affiliation (for information purposes only)</u>
David J. Socolow	Chairman	Ex-officio	Commissioner, NJ Department of Labor and Workforce Development
Charles N. Hall, Jr.	State AFL-CIO Rep.	12/22/2009	President, Local 108, RWDSU/UFCW
Philip Kirschner	Business Rep.	1/12/2010	President, NJ Business and Industry Association
Eric E. Richard	State AFL-CIO Rep.	12/22/2009	Legislative Director, State AFL-CIO
JoAnn Trezza	Business Rep.	1/12/2010	VP, Human Resources, Arrow Group Industries

## APPENDIX III

### AUTHORITY AND RESPONSIBILITIES OF THE NEW JERSEY MINIMUM WAGE ADVISORY COMMISSION

Public Law 2005, c. 70, enacted April 12, 2005.

C.34:11-56a4.7 "New Jersey Minimum Wage Advisory Commission."

2. a. There is created a commission to be known as the "New Jersey Minimum Wage Advisory Commission," which shall be a permanent, independent body in but not of the Department of Labor and Workforce Development. The commission shall consist of five members as follows: the Commissioner of Labor and Workforce Development, ex officio, who shall serve as chair of the commission, and four members appointed by the Governor as follows: two persons who shall be nominated by organizations who represent the interests of the business community in this State and two persons who shall be nominated by the New Jersey State AFL-CIO.

b. Members shall be appointed not later than December 31, 2005. Members shall be appointed for four-year terms and may be re-appointed for any number of terms. Any member of the commission may be removed from office by the Governor, for cause, upon notice and opportunity to be heard. Vacancies shall be filled in the same manner as the original appointment for the balance of the unexpired term. A member shall continue to serve upon the expiration of his term until a successor is appointed and qualified, unless the member is removed by the Governor.

c. Action may be taken by the commission by an affirmative vote of a majority of its members and a majority of the commission shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission.

d. Members of the commission shall serve without compensation, but may be reimbursed for the actual and necessary expenses incurred in the performance of their duties as members of the commission within the limits of funds appropriated or otherwise made available for that purpose.

C.34:11-56a4.8 Annual evaluation of adequacy of minimum wage.

3. a. The commission shall annually evaluate the adequacy of the minimum wage relative to the following factors:

- (1) The overall cost of living in the State;
- (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;
- (4) Changes in the purchasing power of the minimum wage; and
- (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).

b. In furtherance of its evaluation, the commission may hold public meetings or hearings within the State on any matter or matters related to the provisions of this act, and call to its assistance and avail itself of the services of the John J. Heldrich Center for Workforce Development and the employees of any other State department, board, commission or agency which the commission determines possesses relevant data, analytical and professional expertise or other resources which may assist the commission in discharging its duties under this act. Each department, board, commission or agency of this State is hereby directed, to the extent not inconsistent with law, to cooperate fully with the commission and to furnish such information and assistance as is necessary to accomplish the purposes of this act.

c. The commission shall submit a written report of its findings regarding the adequacy of the minimum wage and its recommendations as to whether, or how much, to increase the minimum wage to the Governor and to the Legislature, who shall immediately review the commission report upon its receipt. Each House of the Legislature shall consider the commission report within 120 days of the receipt of the report. The first report shall be submitted to the Legislature no sooner than October 1, 2007 and no later than December 31, 2007, and subsequent reports shall be submitted in one year intervals thereafter.