

# SUPPORTING NEW JERSEY'S WORKERS

---

The Importance and Adequacy of  
the State Minimum Wage

A Publication of the  
Poverty Research Institute



Legal Services of New Jersey, Poverty Research Institute, September 2008

Copyright © 2008 Legal Services of New Jersey

# **Supporting New Jersey's Workers: The Importance and Adequacy of the State Minimum Wage**

**September 2008**

## Legal Services of New Jersey Poverty Research Institute

Legal Services of New Jersey heads a statewide system of seven non-profit corporations which provide free legal assistance in civil matters to low income people in all twenty-one counties of New Jersey. The Poverty Research Institute (NJPRI) was established by LSNJ in 1997 to create greater public awareness of poverty's scope, causes, consequences and remedies, in major part as a way to help alleviate some of the legal problems of those living in poverty. It is the first and only entity exclusively focused on developing and updating information on poverty in the state. The NJPRI conducts systemic research on the incidence, effects and other aspects of poverty – as well as the relationship among poverty, work and public policy – and makes its findings available to the public.

Information on NJPRI can be found at [www.lsnj.org](http://www.lsnj.org). For further questions, please email [pri@lsnj.org](mailto:pri@lsnj.org) or call 732-572-9100

## Introduction

*“There is one rule for industrialists and that is: Make the best quality goods at the lowest cost possible, paying the highest wages possible.”*

*- Henry Ford*

The core rationale behind the institution of a minimum wage is the notion that work has value and that those who work and contribute to our economy and society, at the very minimum, should be provided with wages sufficient to meet a basic level of subsistence. An effective minimum wage ensures that work is appropriately valued by providing wage sufficiency, or the adequacy of earned income to cover the costs of all the basic needs. The establishment and adjustment of such a threshold is important not just to workers but also to the larger economy and society as it provides a balance against trends of inequality. Given recent trends toward increasing inequality in New Jersey,<sup>1</sup> ensuring the adequacy of the minimum wage is becoming all the more important.

In order to evaluate the adequacy of the minimum wage in New Jersey, a number of factors must be considered. The basic function of the wage requires income from full-time employment to cover subsistence level expenses, including the basic components of the cost of living in the state. Also essential to the function of the minimum wage is the capacity to make the state competitive with other states in retaining and supporting a competent workforce. The minimum wage must also be evaluated according to its ability to maintain its strength relative to costs and to other minimum benchmarks of income. As the cost of living has continued to rise since October 2006 — the last legislated minimum wage increase in

---

<sup>1</sup> See Bernstein, Jared, Elizabeth McNichol, & Andrew Nicholas. *Pulling Apart: A State-by-State Analysis of Income Trends*, Center on Budget and Policy Priorities and Economic Policy Institute, April 2008.

New Jersey — it is important that the state act to ensure low-wage workers can support themselves and their families through their earnings.

This report is divided into five sections which include: 1) the context of New Jersey's overall 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. Three recommendations follow from this analysis.

## Recommendations

The Legal Services of New Jersey Poverty Research Institute recommends that the State:

**1. Immediately increase the minimum wage to \$8.50/hour.**

A minimum wage of \$8.50 would provide an annual pre-tax income of \$17,680 for a full-time minimum wage worker and would place New Jersey at the lead among states that designate a separate state minimum wage.

**2. Institute automatic annual increases of the minimum wage based on the New Jersey regional Consumer Price Index for All Urban Consumers.**

The history of erosion in New Jersey's minimum wage due to irregular legislated increases, particularly in light of the recent high rate of inflation which is rapidly declining the purchasing power of the minimum wage, demonstrates the clear need for a mechanism to prevent the continuation of this drain on the adequacy of the minimum wage.

- 3. Continue the charge of New Jersey's Minimum Wage Advisory Commission to review the adequacy of the indexed minimum wage not less than every three years and recommend additional increases, as necessary.**

While indexing the minimum wage to inflation will provide the guarantee that the purchasing power of the minimum wage will not fall sharply relative to inflation, core components of the cost of living can increase in cost much more quickly than overall inflation (as with the cost of food in the last several years). The oversight of New Jersey's Minimum Wage Advisory Commission is needed to ensure that as costs of living change for low-wage workers the minimum wage can be evaluated for its true adequacy.

## Overall high cost of living in New Jersey

New Jersey's cost of living is among the highest in the nation. One factor in this high cost of living is the relative wealth of New Jersey's residents. According to the most recent data published by the Census Bureau, New Jersey ranks second among all 50 states for median household income at \$67,035, 32 percent above the national median income. Naturally, this high average income is tied to high prices, creating a disproportionate challenge for low-wage workers who face much higher costs for basic necessities compared with workers at the same income in less expensive areas of the country.

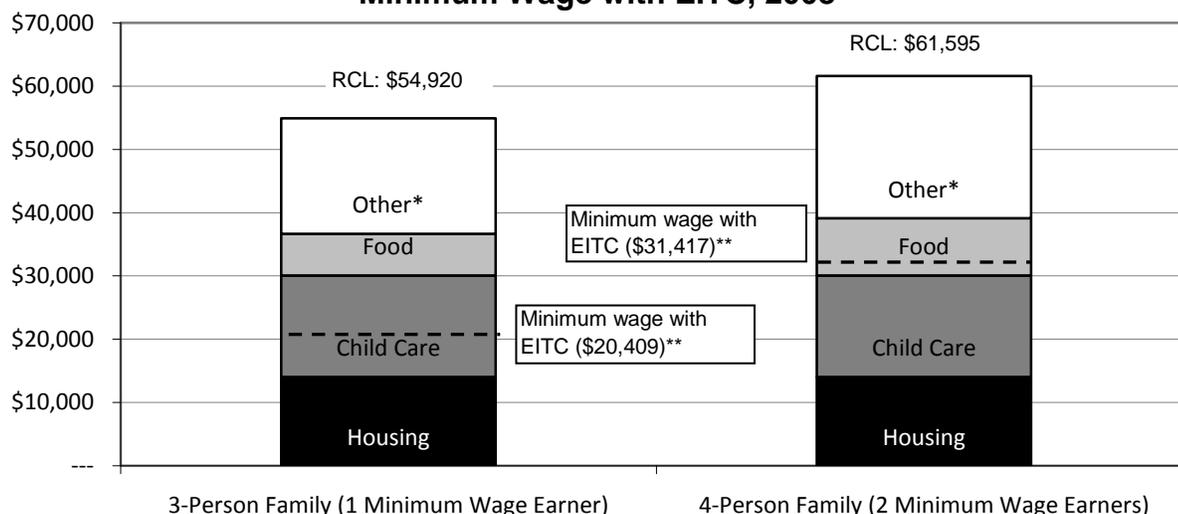
Because low-wage workers in New Jersey face the amplified challenge of purchasing basic needs in a high-priced market, it is necessary to evaluate the minimum wage relative to a budget specific to basic needs.<sup>2</sup> LSNJ publishes a report on the *Real Cost of Living in New Jersey* which provides such a budget by calculating the minimum income required to cover the costs of all basic necessities for working families. Moderate costs estimates for housing, childcare, food, transportation, healthcare, taxes, and miscellaneous household costs are factored in, as are available federal and state tax credits, to produce minimum income need estimates for 70 different family types in each New Jersey County. For the purposes of statewide analysis, we have calculated a statewide estimate for two family types using population-based weighted averages for all 21 counties. As presented in Figure 1, the current minimum wage of \$7.15/hour, even when supplemented by the EITC, provides a full-time worker a little over a third (37.2%) of the income needed to cover basic expenses for a three-person household (with two

---

<sup>2</sup> While revealing of the relatively high cost of living in New Jersey respective to the rest of the county, the ACCRA Cost of Living Index is less effective in measuring the adequacy of the minimum wage because it assesses variations in living costs at a mid-management standard of living. This index therefore reflects cost levels for many items outside a basic subsistence budget. This is important because a comparison of increases in the Real Cost of Living in New Jersey from 1999 to 2008 versus basic inflation over the same time period reveals that costs for basic needs have risen at a much sharper rate than overall prices. (See: Pearce, Diana M. *The Real Cost of Living in 2008: The Self-Sufficiency Standard for New Jersey*, Legal Services of New Jersey, 2008.) Thus, the ACCRA Index is likely to underestimate the extent to which the cost of living for the basic needs of the lowest wage workers in New Jersey exceeds a comparable cost of living in other areas of the state.

children). When compared to the costs of this family type, this income covers only the cost of rent for a modest apartment and a portion of the cost of childcare. Even in two-worker households, when both workers earn the minimum wage they can cover barely more than half of their total expenses (51%), or the costs of housing, childcare, and a little food. The Real Cost of Living varies significantly depending on the county of residence, but these statewide averages provide a benchmark for assessing the high cost of living for basic necessities faced by low-wage workers in New Jersey.

**Figure 1: Real Cost of Living in New Jersey Versus the Minimum Wage with EITC, 2008**



Source: The Real Cost of Living in 2008: The Self Sufficiency Standard for New Jersey

\* The "other" category includes average expenses for transportation, employee share of health care costs (assuming employer-provided health benefits), miscellaneous expenses and taxes.

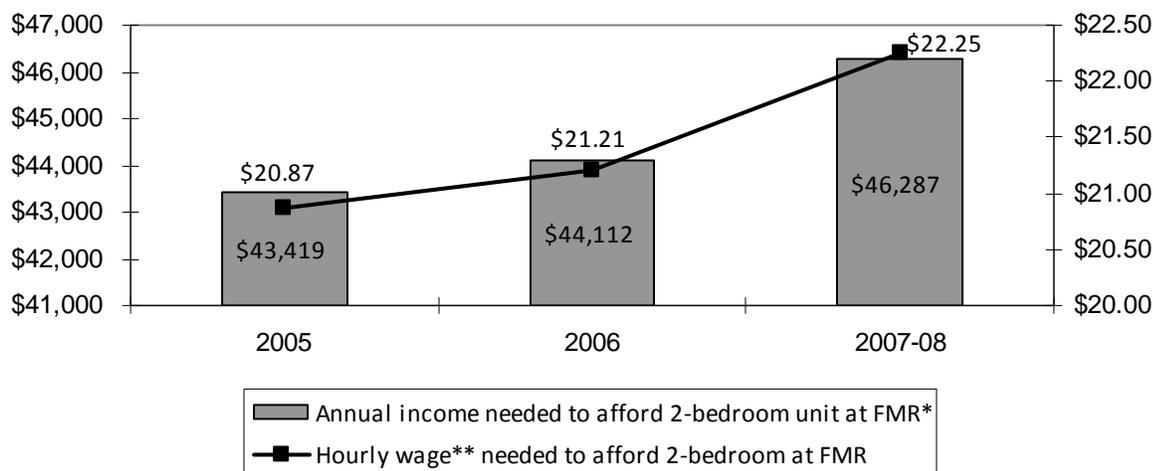
\*\*Applicable Federal and state taxes are deducted & EITC added to calculate net minimum wage; Taxes and tax credit value at minimum wage calculated based on the 2007 tax schedule; Real Cost of Living estimate includes taxes calculated based on 2006 tax sc

Note: 3-person family consists of one adult with one1 preschooler and one schoolage child. 4-person family has two adults with two children (1 preschooler and 1 schoolage child).

## Changes in the components of the cost-of-living for low-wage workers

The low income level of minimum wage workers creates the reality of bare bones budgets in which increases in the costs of basic needs can create crisis. The legislated increases in the minimum wage in 2005 and 2006 (to \$6.15/hour and \$7.15/hour respectively) were a first step toward addressing not only the inadequate base level of the minimum wage but also the need to continually respond to rising market costs. Since that time, several key basic components of the cost-of-living have continued to rise while the minimum wage has stagnated.

**Figure 2: Increase in Housing Cost, 2 -Bedroom Unit at FMR  
New Jersey, 2005 to 2008**



Source: "Out of Reach" Report by National Low Income Housing Coalition (2005, 2006 and 2007-2008)

\*Housing cost is assumed to be 30 percent of income, based on HUD standards of affordability

\*\* 40-hour work week, 52 weeks per year

One of the largest costs in most household budgets, and especially for low-wage workers, is housing. New Jersey is one of the most expensive states in the nation for housing,<sup>3</sup> so even modest rental

<sup>3</sup> New Jersey's *two-bedroom housing wage* — the hourly wage needed to afford a two-bedroom apartment at the FMR — is sixth behind HI, D.C., CA, NY, and MA, according to the *Out of Reach 2007-2008 Report* published by the National Low Income Housing Coalition.

housing costs \$1,157 a month, on average, for a two-bedroom apartment in 2008.<sup>4</sup> This high market housing cost means that a minimum wage worker would have to work 124 hours a week to bring in enough income to be able to reasonably afford housing. A full-time worker, working 40 hours a week, 52 weeks a year needs to earn over \$22/hour in 2008 to afford housing (Figure 2), an increase of \$1.38 (6.6%) since 2005 in the wage needed to cover the cost of housing.

While food represents a smaller portion of family budgets, the high rate of food cost increases in the past few years are also a serious challenge for low-wage workers in New Jersey. The US Department of Agriculture calculates a range of budgets for food necessary to ensure adequate nutrition, and publishes monthly national costs for these budgets. Of the four published budgets (Thrifty, Low Cost, Moderate Cost, and Liberal Plans), the New Jersey Department of Human Services, Division of Family Development used the Moderate-Cost Plan in the calculation of the state’s 2008 Standard of Need, as a “more reasonable estimate the actual cost of food in New Jersey” than the Low Cost plan.<sup>5</sup> Both the Low Cost and Moderate Cost Food Plans show an increase of about 17% in basic food budgets since 2005 (Figure 3).

**Figure 3: Average Monthly Foods Cost for a Family of 4**

| United States                                       | Low-Cost Plan | Moderate-Cost Plan |
|---|---------------|--------------------|
| 2005  | 649.90        | 810.60             |
| 2006  | 662.70        | 825.00             |
| 2007  | 701.30        | 871.80             |
| 2008  | 761.00        | 947.00             |
| <b>Percent increase in food cost (2005 to 2008)</b> | <b>17.1%</b>  | <b>16.8%</b>       |

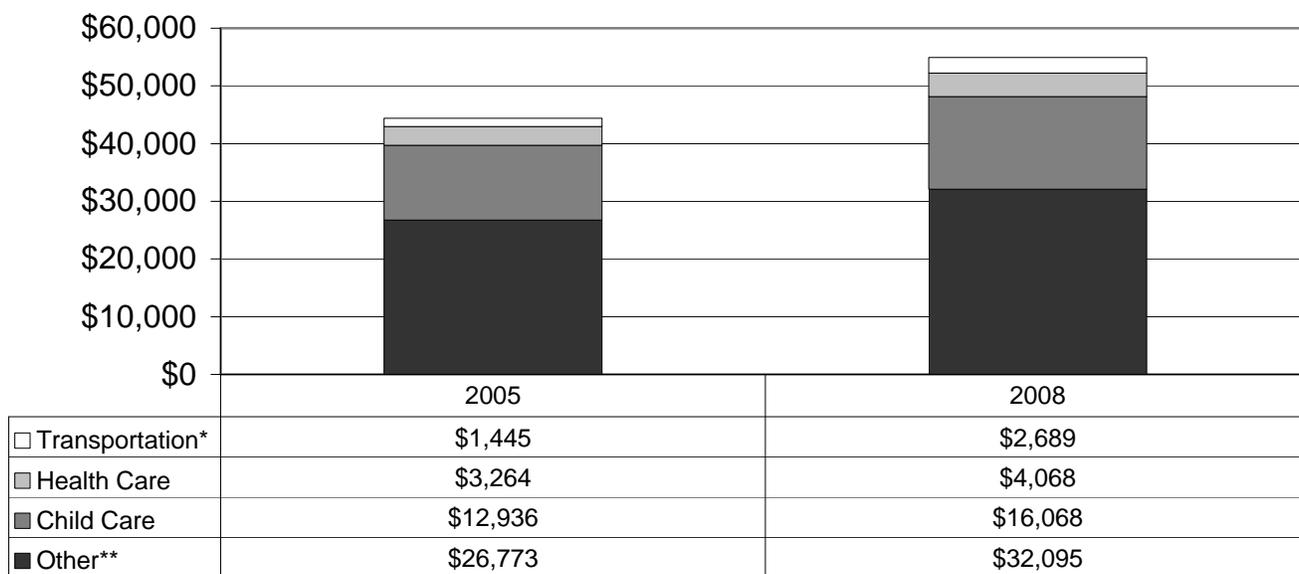
Source: USDA Food Plans: Cost of Food, 2005 to 2008 (June costs); Estimates for family of 4 with two adults and two children (ages 6-8 and 9-11).

<sup>4</sup> Average rent calculations based on US Department of Housing and Urban Development (HUD) Fair Market Rents. *Out of Reach 2007-2008*.

<sup>5</sup> Proposed amendment to N.J.A.C. 10:84-1.6 published in New Jersey Register, Volume 40, Issue 7, April 7, 2008.

Similar increases in other basic components of New Jersey’s cost-of-living are captured in the Real Cost of Living research as summarized in Figure 4. While a portion of the increase in transportation costs is due to a change in the calculation to more accurately represent real costs, it is clear that child care, health care and transportation cost increases are all factors in the continuing rise in the cost of living based on bare-bones budget expenses.

**Figure 4: Childcare, Health Care and Transportation Components of the Real Cost of Living, 2005-2008**



Source: Real Cost of Living in 2008; Real Cost of Living in 2005.

\* The methodology for calculation of transportation costs was changed from 2005 to 2008, including a reduction in the number of counties for which use of public transportation is assumed.

\*\* The "other" cost category includes expenses related to housing, food, and other miscellaneous household necessities

## Cost of living and minimum wage laws in New Jersey compared to other states

While New Jersey is among the most expensive states to live in, New Jersey is not at the forefront among states that establish minimum wage levels aside from the Federal minimum wage. In fact nine states with lower median incomes in 2007 had higher state minimum wages. Among the states with higher wages were Oregon, Vermont, and Rhode Island whose median incomes (25<sup>th</sup>, 22<sup>nd</sup>, and 18<sup>th</sup> in the nation, respectively) suggest much lower costs of living. What is more, the advances in New Jersey's minimum wage from the 2005 and 2006 increases are being eroded. In 2008 New Jersey now ranks fifteenth among states that set their minimum wage above the Federal minimum. Many of the states ahead of or close to

**Figure 5: Median Income (2007) and Minimum Wage Ranking of States with Legislated State Minimum Wage and/or Indexed Minimum Wage**

| Current Income Ranking (2007) |               |      | 2007 Minimum Wage Ranking |               |           | 2008 Minimum Wage Ranking |               |           | 2009 Minimum Wage Ranking |               |           | 2010 Minimum Wage Ranking |               |           |
|-------------------------------|---------------|------|---------------------------|---------------|-----------|---------------------------|---------------|-----------|---------------------------|---------------|-----------|---------------------------|---------------|-----------|
| State                         | Median Income | Rank | State                     | Minimum Wage  | Rank      | State                     | Minimum Wage  | Rank      | State                     | Minimum Wage  | Rank      | State                     | Minimum Wage  | Rank      |
| New Jersey                    | \$67,035      | 2    | Washington                | \$7.93        | 1         | Washington*               | \$8.07        | 1         | Washington*               | \$8.47        | 1         | Washington*               | \$8.81        | 1         |
| Connecticut                   | \$65,967      | 3    | Oregon                    | \$7.80        | 2         | California                | \$8.00        | 2         | Oregon*                   | \$8.35        | 2         | Oregon*                   | \$8.68        | 2         |
| Hawaii                        | \$63,746      | 5    | Connecticut               | \$7.65        | 3         | Massachusetts             | \$8.00        | 2         | D.C.                      | \$8.25        | 3         | Vermont*                  | \$8.39        | 3         |
| New Hampshire                 | \$62,369      | 6    | Vermont                   | \$7.53        | 4         | Oregon*                   | \$7.95        | 4         | Vermont*                  | \$8.06        | 4         | Connecticut               | \$8.25        | 4         |
| Massachusetts                 | \$62,365      | 7    | California                | \$7.50        | 5         | Illinois                  | \$7.75        | 5         | California                | \$8.00        | 5         | D.C.                      | \$8.25        | 4         |
| California                    | \$59,948      | 8    | Illinois                  | \$7.50        | 5         | Vermont*                  | \$7.68        | 6         | Connecticut               | \$8.00        | 5         | Illinois                  | \$8.25        | 4         |
| Washington                    | \$55,591      | 11   | Massachusetts             | \$7.50        | 5         | Connecticut               | \$7.65        | 7         | Illinois                  | \$8.00        | 5         | California                | \$8.00        | 7         |
| Colorado                      | \$55,212      | 12   | Rhode Island              | \$7.40        | 8         | D.C.                      | \$7.55        | 8         | Massachusetts             | \$8.00        | 5         | Massachusetts             | \$8.00        | 7         |
| Nevada                        | \$55,062      | 14   | Hawaii                    | \$7.25        | 9         | Michigan                  | \$7.40        | 9         | Maine                     | \$7.50        | 9         | Ohio*                     | \$7.72        | 8         |
| D.C.                          | \$54,317      | 16   | Michigan                  | \$7.15        | 10        | Rhode Island              | \$7.40        | 9         | New Mexico                | \$7.50        | 9         | Colorado*                 | \$7.67        | 9         |
| Illinois                      | \$54,124      | 17   | <b>New Jersey</b>         | <b>\$7.15</b> | <b>10</b> | Hawaii                    | \$7.25        | 11        | Michigan                  | \$7.40        | 11        | Arizona*                  | \$7.53        | 10        |
| Rhode Island                  | \$53,568      | 18   | D.C.                      | \$7.00        | 12        | Maine                     | \$7.25        | 11        | Rhode Island              | \$7.40        | 11        | Maine                     | \$7.50        | 11        |
| Vermont                       | \$49,907      | 22   | Maine                     | \$7.00        | 12        | New Hampshire             | \$7.25        | 11        | Colorado*                 | \$7.37        | 13        | New Mexico                | \$7.50        | 12        |
| Arizona                       | \$49,889      | 23   | Colorado                  | \$6.85        | 14        | West Virginia             | \$7.25        | 11        | Ohio*                     | \$7.35        | 14        | Nevada*                   | \$7.48        | 12        |
| Oregon                        | \$48,730      | 25   | Ohio                      | \$6.85        | 14        | <b>New Jersey</b>         | <b>\$7.15</b> | <b>15</b> | Arizona*                  | \$7.25        | 15        | Florida*                  | \$7.41        | 14        |
| Michigan                      | \$47,950      | 27   | Arizona                   | \$6.75        | 16        | Colorado*                 | \$7.02        | 16        | Hawaii                    | \$7.25        | 15        | Michigan                  | \$7.40        | 15        |
| Florida                       | \$47,804      | 28   | Florida                   | \$6.67        | 17        | Ohio*                     | \$7.00        | 17        | New Hampshire             | \$7.25        | 15        | Rhode Island              | \$7.40        | 15        |
| Ohio                          | \$46,597      | 34   | New Hampshire             | \$6.55        | 18        | Arizona*                  | \$6.90        | 18        | West Virginia             | \$7.25        | 15        | Missouri*                 | \$7.26        | 17        |
| Maine                         | \$45,888      | 36   | West Virginia             | \$6.55        | 18        | Nevada*                   | \$6.85        | 19        | Nevada*                   | \$7.19        | 19        | Hawaii                    | \$7.25        | 18        |
| Missouri                      | \$45,114      | 37   | Missouri                  | \$6.50        | 20        | Florida*                  | \$6.79        | 20        | <b>New Jersey**</b>       | <b>\$7.15</b> | <b>20</b> | New Hampshire             | \$7.25        | 18        |
| Montana                       | \$43,531      | 40   | Montana                   | \$6.15        | 21        | Missouri*                 | \$6.65        | 21        | Florida*                  | \$7.13        | 21        | West Virginia             | \$7.25        | 18        |
| New Mexico                    | \$41,452      | 45   | Nevada                    | \$6.15        | 21        | Montana*                  | \$6.55        | 22        | Missouri*                 | \$6.98        | 22        | Montana*                  | \$7.15        | 21        |
| West Virginia                 | \$37,060      | 50   | New Mexico                | \$5.15        | 23        | New Mexico                | \$6.55        | 22        | Montana*                  | \$6.88        | 23        | <b>New Jersey**</b>       | <b>\$7.15</b> | <b>22</b> |

\*Minimum wage in the state is adjusted to inflation ( A 5 percent inflation rate is assumed in the calculation of 2009 minimum wage for the respective states and a 4 percent inflation rate in the calculation of 2010 minimum wage)

\*\*New Jersey minimum wage will increase to \$7.25 in 2009 with the Federal minimum wage if it is not replaced with a higher state minimum wage.

Note 1: Since Federal minimum wage will increase to \$7.25 in 2009, the minimum wage of states with grey shading will automatically increase to \$7.25.

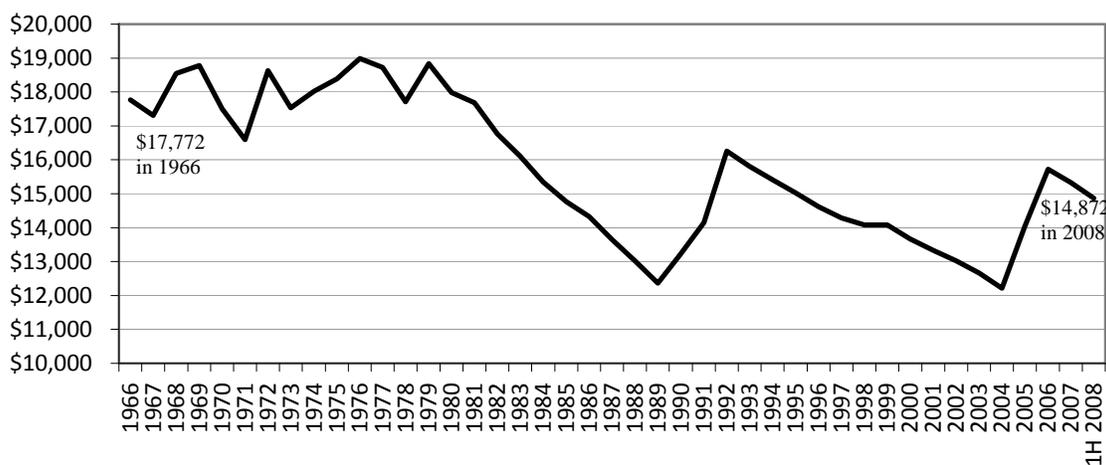
Note 2: State minimum wages of Montana and New Mexico were increases to \$6.55 in July 2008 due to the increase in the Federal minimum wage.

New Jersey's minimum wage also have future increases already set, either due to legislated future increase or due to indexing which automatically adjusts the state minimum wage with inflation. Figure 5 shows 2007 and 2008 minimum wage rankings for all states with separately determined minimum wages and projects rankings for 2009 and 2020 based on legislated increases or estimated inflation adjustments. Ten states currently index their minimum wage to inflation to automatically adjust for increasing costs of living. All ten have median incomes below New Jersey's (\$43,531 in Montana to \$55,591 in Washington), and three already have minimum wages above New Jersey's in 2008.

## Declining purchasing power of the minimum wage

The reality of inflation has the consequence of decreasing the real value of a static minimum wage to purchase market goods over time. In order to combat this trend, the minimum wage must be regularly increased to keep pace with market prices. A review of the history of New Jersey's minimum wage shows that the adequacy of the minimum wage began to drop sharply starting in the 1980s when minimum wage increases ceased to be implemented with their previous regularity. By using the Consumer Price Index for all Urban Consumers (CPI-U) to translate New Jersey's historic minimum wage in 2008 dollars it is possible to chart the declining value of the minimum wage due to inflation (Figure 6). From its initial purchasing power in 1966, equivalent to over \$17,700 in 2008 terms, the minimum wage now provides less than \$15,000 for a full-time, year-round worker.

**Figure 6: Annualized Minimum Wage in 2008 Dollars  
New Jersey 1966-2008**

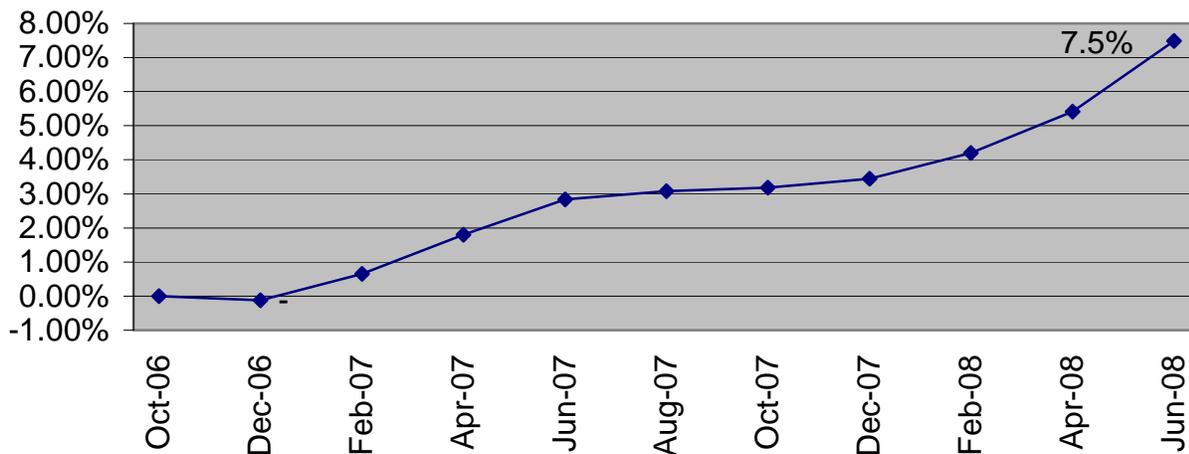


Source: New Jersey state minimum wage over time adjusted for inflation based on Bureau of Labor Statistics, CPI-U. A weighted CPI-U formula that most closely approximates New Jersey's market costs is used (one-third Philadelphia CPI-U and two-thirds New York area CPI-U).

The increases in 2005 and 2006 still left the purchasing power of the minimum wage nearly \$3,000 short of its original value, and the recent increases in the rate of inflation are further eroding its

adequacy. Just since October, 2006, when New Jersey last increased its minimum wage, the New Jersey region has seen a 7.5% increase in the cost of living due to inflation (Figure 7). What is more the rate of inflation — the speed at which costs are going up — has been growing, meaning that further erosion of the real value of the minimum wage should be expected.

**Figure 7: New Jersey Regional Inflation  
October 2006 - June 2008 (Cumulative)**

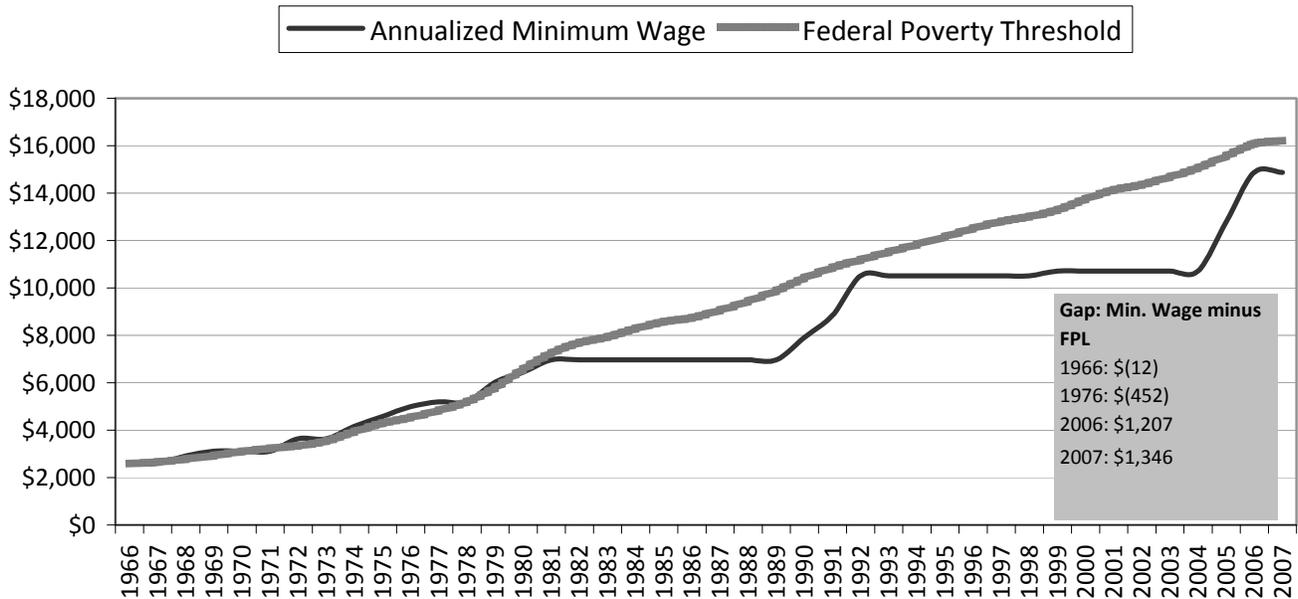


Source: Bureau of Labor Statistics, CPI-U. A weighted CPI-U formula that most closely approximates New Jersey's market costs is used (one-third Philadelphia CPI-U and two-thirds New York area CPI-U).

## Minimum wage versus other benchmarks of minimum income

A final relevant factor to consider in assessing the adequacy of the state minimum wage is the way in which it compares to recognized measures of a minimum living standard. While the Real Cost of Living research offers the most realistic estimate of the income needed to make ends meet in New Jersey, other existing measures of low income spotlight the clear inadequacy of New Jersey's current minimum wage. The federal poverty level (FPL), published annually by the US Census Bureau, is widely recognized as an inaccurate measure of what it really costs to make ends meet, particularly in a high cost state like New Jersey. Even this very low income level, however, (just \$16,218 for a family of three in 2007) is now more than \$1,300 above the annual income of a full-time minimum wage worker (Figure 8). When first established, New Jersey's minimum wage kept pace with, or even exceeded the poverty level, but it has not maintained even this low level of adequacy. The gap between the poverty level and the

**Figure 8: Annualized Minimum Wage & Federal Poverty Threshold, New Jersey - 1966 to 2007**



Source: U.S. Census Bureau, Historical Poverty Tables, weighted average for a family of three (1966 to 2007)

minimum wage is beginning to grow again as the poverty level is adjusted upward for inflation and the minimum wage has not been increased in the same way.

This inadequacy relative to the federal poverty level is further amplified in comparison to two other standards of adequate income. The New Jersey legislature established a self-sufficiency standard of 250 percent of the federal poverty level (\$40,545 for a family of three in 2007) for services provided through the state’s employment and training system. Based on this standard the minimum wage provides barely more than a third (37 percent) of what that state has set as a benchmark of adequate income. The Federal Lower Living Standard is another income benchmark relevant to assessment of wage adequacy, since it is used by state and local Workforce Investment Boards to determine eligibility for some federally-funded workforce programs and benefits. The Standards for the New Jersey region are somewhat lower than the state’s own self-sufficiency standard, but the minimum wage still provides less than half of the income required for a family of four (Figure 9).

| <b>Figure 9: Lower Living Standard Income Level* &amp; Minimum Wage</b> |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
|   | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
| <b>NY-NJ-CT-PA</b>  | 33,210      | 34,240      | 35,480      | 36,900      | 38,160      |
| <b>PA-NJ-DE-MD</b>  | 30,780      | 31,370      | 32,850      | 34,070      | 35,230      |
| <b>Minimum Wage</b>   | 10,712      | 10,712      | 12,792      | 14,872      | 14,872      |

Source: U.S. Department of Labor

\*Lower Living Standard Income levels are for a family of 4

## Conclusion and recommendation

To be considered adequate, New Jersey's minimum wage must allow a full-time worker to reach and sustain an income sufficient to make ends meet. The current minimum wage falls short of any measure of adequacy, including the most important standard — the real cost of meeting all basic needs. Past inattention allowed the value of the minimum wage to stagnate and the 2005 and 2006 legislated increases, though laudable, were insufficient to restore the buying power of the minimum wage to an amount which meets the most basic level of subsistence in New Jersey. As time has shown, without adjustment the purchasing power of the minimum wage will continue to decline. Without future increases New Jersey will continue to fall behind other states that are working to keep the incomes of their low-wage workforce adequate, and New Jersey workers will continue to fall behind in even the portion of a basic needs budget that they can now afford.

New Jersey citizens working full-time should not have to live on incomes that cannot cover the costs of basic household needs. New Jersey's minimum wage requires significant and regular increases that will bring New Jersey's working poor closer to the possibility of covering our state's real cost of living. Based on our findings, LSNJ recommends that the state take three actions to make the minimum wage more adequate:

- 1. Immediately increase the minimum wage to \$8.50/hour.**

A minimum wage of \$8.50 would provide an annual pre-tax income of \$17,680 for a full-time minimum wage worker and would place New Jersey at the lead among states that designate a separate state minimum wage.

**2. Institute automatic annual increases of the minimum wage based on the New Jersey regional Consumer Price Index for All Urban Consumers.**

The history of erosion in New Jersey's minimum wage due to irregular legislated increases, particularly in light of the recent high rate of inflation which is rapidly declining the purchasing power of the minimum wage, demonstrates the clear need for a mechanism to prevent the continuation of this drain on the adequacy of the minimum wage.

**3. Continue the charge of New Jersey's Minimum Wage Advisory Commission to review the adequacy of the indexed minimum wage not less than every three years and recommend additional increases, as necessary.**

While indexing the minimum wage to inflation will provide the guarantee that the purchasing power of the minimum wage will not fall sharply relative to inflation, core components of the cost of living can increase in cost much more quickly than overall inflation (as with the cost of food in the last several years). The oversight of New Jersey's Minimum Wage Advisory Commission is needed to ensure that as costs of living change for low-wage workers the minimum wage can be evaluated for its true adequacy.



Copies of this report are available on Legal Services of New Jersey's Web site:

[www.LSNJ.org](http://www.LSNJ.org)

For printed copies of this report, please contact

Legal Services of New Jersey at 732-572-9100

**Copyright © 2008 Legal Services of New Jersey**