

POOR IN THE GARDEN STATE: BEGINNING TO ASSESS NEW JERSEY'S PROGRESS IN ADDRESSING POVERTY



**The Initial
Poverty Benchmarks Report
from the
Legal Services of New Jersey
Poverty Research Institute**

January 2007

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I. Introduction

No single source regularly collects and reports all New Jersey poverty-related data. To garner such data and illuminate the extent and consequences of poverty in this state, the Legal Services of New Jersey Poverty Research Institute has inaugurated the Poverty Benchmarks Report series, a primarily web-based, www.lsnj.org/PovResrch.htm continuously updated, compilation of available data, key trends, and attendant policy implications. A shorter written edition, highlighting selected data and impacts, will be published annually during the holiday season.

In many ways, those without significant income or assets live in a world quite distant from those of wealthier New Jerseyans. Separated in housing, employment, health care, education, and transportation, people in poverty rarely rub elbows with, or are even noticed by, those with greater means. Before there can be effective solutions to the problems of poverty, society must share a joint resolve to change the conditions and address the causes. A common understanding of these conditions and causes must precede such shared resolve. We believe that broad awareness of available information concerning poverty is a precondition to lasting change, and add these Poverty Benchmarks Reports to our other studies to help build such understanding. In tracking these Benchmarks over time, we intend to gauge the state's effectiveness in addressing poverty.

We do offer one caution. Poverty derives from complex social and economic dynamics, and data that describes the manifestations of poverty should not be used to draw conclusions about the causes of poverty. Rather, in portraying poverty's effects the data presents the public – and policymakers – with information necessary to fashion a comprehensive and effective approach to ameliorating poverty.

The Outline of the Report

This report has five primary sections that provide structure and context for understanding the compiled data. Section III, *Measuring Poverty and Levels of Poverty*, explores what is meant by the word poverty, including the extent to which various poverty measures actually reflect this meaning and what insights into the reality of poverty these measures can offer. In common parlance, the word poverty generally conveys the meaning of income that is too low to provide for the costs of basic needs. Federal poverty measures are not adequate to gauge the actual number of people who do not have enough income to meet basic needs. This section discusses problems with the federal poverty measure and advances an alternative measure of income adequacy, the *real cost of living* or *self-sufficiency standard*. Much poverty data is reported using multipliers of the federal poverty level (fpl), and this report highlights data on the share of the population with incomes below 50%, 100% and 200% fpl. Since these multipliers represent less realistic measures of poverty, they are compared to the *real cost of living* to help interpret the level of income inadequacy represented by these statistics. Finally, this section explores the shortfall represented by the incomes at different poverty levels and examines statistics measuring the average gap between the actual income of families below the federal poverty level and the income at 100% of poverty. The analysis sets the stage for understanding what the various available

poverty measures really tell us about the experience of income inadequacy in New Jersey and provide a baseline for future analysis of progress.

Section IV, *Income Inequality*, presents indicators of income inequality in New Jersey, and explains the significance of this inequality in understanding the nature and experience of poverty in a high-income, high-cost state. While not directly assessing poverty, measures of income inequality expose increasing divisions between higher-income and lower-income segments of the New Jersey population. Lower-income New Jerseyans are facing increasing poverty in comparison to their higher income neighbors. The Census *gini coefficient* measure demonstrates how the distribution of income among New Jersey residents has become increasingly unequal over time, and further reveals that some of the highest-poverty counties in the state also have the highest levels of income inequality, suggesting zones of poverty next to areas of wealth. Fuller analysis reveals that economic gains over time are disproportionately concentrated among the highest income groups. In applying this data to an assessment of New Jersey's progress in addressing poverty, this section suggests the challenge posed by a trend of increasing comparative poverty in a society in which many residents can afford a very high cost of living.

Section V, *Characteristics of Populations in Poverty*, examines another type of disparity revealed by New Jersey's poverty data, the disproportionate incidence of poverty among certain identifiable demographic groups. While the federal poverty measure is very insufficient for assessing income adequacy, it does provide a statistical yardstick for comparing the experiences of different groups, revealing those populations with higher percentages living beneath the very inadequate income represented by the federal poverty level. This section presents an overview of state and national poverty rates for a variety of groups, and then takes a closer look at a number of groups that are particularly vulnerable to poverty in New Jersey, including children, people with disabilities, some racial and ethnic minorities, and female-headed households with children. These trends are further magnified by the interactions of multiple factors, such as age and race or age and household composition. Finally, the importance of understanding the systemic disadvantage revealed by these differences in the experience of poverty is reinforced by consideration of data concerning the working poor, which reveals that work is not a guaranteed path out of poverty. Thus, these disparities suggest that our assessment of the state's progress in addressing poverty must specifically consider progress in ameliorating the particular prevalence of poverty among identified vulnerable groups.

Section VI, *Place with Poverty*, tells yet another story of disparity that examines the higher concentrations of poverty in some regions and places in the state, and considers related factors of income and cost to understand the significance of these differences. This section focuses on county-level data comparisons because several key pieces of data are available for all twenty-one New Jersey counties. Comparison of federal poverty rates at the county-level reveals significant regional differences, with the highest concentration of poverty in the Northeast urban core, followed by the southern region. Analysis of county median incomes shows the expected inverse pattern of higher-poverty correlating with lower average income, while lower poverty correlates with higher incomes. Concentration patterns become even more apparent in a comparison of the limited number of high-population cities for which income and poverty data are available. New Jersey's two most populous cities at the extreme ends

of the poverty and incomes scales, Camden and Edison, provide examples of the statewide patterns of concentrated poverty in some areas compared with concentrated affluence in others. While such disparities are of concern due to the suggestion of social inequities based on areas of residence, analysis of the *real cost of living* on the county level adds a further dimension to this analysis. Lower-income, higher-poverty counties correlate with the counties with the lower cost of living, while higher-income, lower-poverty counties are more expensive places to live. The high cost of housing, in particular, may serve to explain the absence of a higher share of the poverty population in the higher-cost areas of the state. Finally, an analysis of poverty-related disparities across the different areas of the state must take into consideration the reality of *de facto* segregation along economic and racial lines. An analysis of key example communities in Essex County, the most segregated county in the state, illustrates the concentration of poverty and communities of people of color in distressed urban areas within close proximity to affluent, primarily white suburban areas. The statewide trends mirroring these divisions are documented in economic and racial dissimilarity indices that measure the relative segregation of different communities within each county. An assessment of the state's progress in addressing poverty must grapple with the question of how concentration patterns reflect on the ability of lower-income groups to access the economic and social advantages presented by higher income areas.

Section VII, *Impacts of Poverty*, analyzes the way in which the experience of poverty translates to significant deprivations and hardships. The report explores data relating to basic human needs, including health care, housing, education, transportation, and access to assistance with income and nutrition needs. This data reveals a variety of correlations between income inadequacy and challenges in meeting basic needs. These include factors such as disparate access to social resources, inadequacy of available assistance, and indicators of negative outcomes for lower-income people. The consistent theme in the data is one of income-based disparities over a range of social indicators, suggesting the human consequences of the poverty trends uncovered in the preceding sections. Thus, an assessment of the state's progress in addressing poverty must include an analysis on the state's success in ameliorating or eliminating the deprivations linked to poverty.

About Legal Services of New Jersey

The Legal Services network is New Jersey's system for providing lawyers in civil legal matters to people who cannot afford them. Consisting of seven not-for-profit corporations linked under the statewide umbrella of Legal Services of New Jersey (LSNJ), the network offers legal representation in all 21 counties through 27 offices. Seeking broader solutions to recurrent legal problems through greater understanding of the causes and effects of poverty, LSNJ created the Poverty Research Institute (PRI) in 1997. Basic information about LSNJ as well as PRI reports and publications can be found at www.lsnj.org.

Acknowledgements

This report of the Poverty Research Institute (PRI) of Legal Services of New Jersey (LSNJ) was primarily authored by Melissa Quaal, with substantial contributions of research and writing from Allan Lichtenstein, Shivi Prasad, Anjali Srivastava, Serena Rice, and Monica Taylor-Jones. Additional input on portions of the report was provided by Kristin Mateo and Connie Pascale.

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All opinions are those of Legal Services of New Jersey.

Melville D. Miller, Jr.
Edison, New Jersey
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II. Key Findings and Implications of this Report

The following broad areas constitute key findings that emerged from our data analysis. Page numbers of the supporting data are noted.

Income inequality

Not all New Jersey residents have shared in recent economic prosperity. Income inequality, the difference in income between the lowest and highest income residents, has been growing both in New Jersey and in the U.S for the last three decades.

- New Jersey's income inequality has been growing faster than the national average such that by 1999 they both shared the same degree of income inequality. The same income variation evident from Mississippi to Manhattan exists within the boundaries of our state. (pg. 27)

Concentration by income and race

Economic and racial/ethnic divisions are pervasive in New Jersey. The result is a pattern of concentration of low-income people and people of color within urban cities and towns, while surrounding areas include only small numbers of these population groups. In essence, New Jersey is marked by *de facto* segregation by income and race.

- Analysis of poverty rates and the racial/ethnic makeup of neighboring towns provide a stark example of the concentration by income and race in New Jersey. Newark and Millburn, which are located ten miles apart, are polar opposites. Over one-quarter of Newark's population lived below the poverty line in 1999 compared with less than two percent of Millburn's population. In addition, 88 percent of Millburn's population was White, non-Hispanic while 81 percent of Newark's population was either Black or Hispanic/Latino. (pg. 47)
- In 1999, 27 percent of the state's families making less than \$15,000 a year would need to move in order to have an equal number of low-income families spread across the state and eliminate economic segregation. (pg. 48)
- In 1999, certain towns within Camden, Passaic, and Essex Counties had racial concentrations such that over fifty percent of the population would have to move from their zip code to another in the county to eliminate segregation and achieve an even white/non-white distribution. (pg. 49)

Working and still living in poverty

A persistent myth regarding families living in poverty is that of their reluctance to work. Research shows just the reverse and finds that a majority of families in poverty includes working adults. This suggests an alarming scenario in which pay is so low that work does not provide enough income to help working families escape poverty.

- In 2005, 8 out of every 10 New Jersey families with children that lived under the federal poverty line had a parent who was working. (pg. 39)
- Nearly 9 out of every 10 New Jersey families with incomes less than 200 percent of the federal poverty line included a working parent. (pg. 39)

Poverty and disabilities

There exists a disproportionate incidence of poverty among certain population groups. For people living with a disability the chances of living in poverty are high. This presents a particularly difficult situation for many because a disability can be a barrier to work. For some, it is an insurmountable hurdle, especially without access to appropriate supports or assistance.

- Overall, 22 percent of the populations living in poverty have a disability. The problem is particularly acute for the working age population. While only eight percent of the working age population (aged 21 to 64) that were *not* living in poverty had a disability in 2005 nearly a quarter (23 percent) of those living in poverty had a disability. Clearly, having a disability prevents many New Jersey residents from avoiding poverty. (pg. 35)

The loss of the safety net

New Jersey's direct subsidy programs are intended to assist families in crisis by providing much-needed funds and assistance toward self-sufficiency, in essence a safety net. In recent years, much of the safety net has been lost and many families go without needed help.

- Around 21 percent of poor families in New Jersey receive public assistance through either welfare or SSI, which provides income support to the disabled. A majority of poor families does not receive any direct cash assistance. (pg. 65)
- The maximum welfare grant has not changed since 1987, not even to be adjusted for inflation, and therefore represents a decreasing source of income. In 1987, receipt of the maximum welfare grant provided a recipient with 56 percent of a poverty income and by 2005 it had shrunk to only 32 percent. (pg. 66)
- Food stamp participation among the state's working poor population is one of the lowest in the region. In 2003, only one-third of eligible working poor families received food stamps compared to nearly half of eligible working poor families in the nation. (pg. 69)

Policy Implications from the Data

The data compiled and analyzed in this report reveals a number of important trends and patterns in the ways that poverty impacts New Jersey. While this data cannot tell us why people are poor, it does describe in detail the reality of poverty in the state. The significance of this assembled data goes beyond descriptive information. The themes articulated in this report suggest a variety of policy responses.

1. Promote and fund policies and programs that directly subsidize incomes when individuals and families do not have enough to cover the cost of living in New Jersey.

Given the income adequacy gap faced by a significant portion of New Jersey's population, one facet of the state's policy response must encompass direct assistance to raise the incomes of people who, for a variety of reasons, are unable to meet their income needs on either a short-term or long-term basis. Such policies serve to address both the **levels of poverty** and the **income inequality** that characterize New Jersey. Examples of important income assistance strategies include:

- A. Strengthening the Unemployment Insurance safety net, by making a greater share of low-wage workers eligible to receive benefits during periods of unemployment, and by providing extended benefits to address New Jersey's high exhaustion rate.¹
 - B. Supplementing the payment levels of federal disability assistance programs (such as SSI and SSD) to provide more adequate income levels for residents unable to work
 - C. Increasing state cash public assistance levels, which have not been raised since 1987, to provide adequate incomes to meet basic needs, family stability, and a platform to enable and assist to move toward supporting themselves through work.
2. Promote policies that make work pay and provide access to good-paying jobs.

Of New Jersey's population with incomes below true poverty, a significant majority works for much or all of the year, but still faces a gap between income and the cost of living. This reality requires a two-fold policy response. On the one hand, the low-wage workers on which our economy depends need assistance to fill the gap between their incomes and the cost of living. At the same time, youth and low-wage workers also need assistance to access the education and training needed to attain higher-paying jobs. Such policies provide two necessary responses to the reality that a large share of the **poverty population** is working but unable to meet their income needs. They also indirectly address the problems of **income inequality** and the realities of multiple **levels of poverty** in New Jersey. Examples of potential policy strategies include:

¹ In New Jersey, 46.9% of all unemployed workers who receive unemployment benefits use up their 26 weeks of benefits without finding employment, ranking New Jersey as fourth worst in the nation for exhaustion rates.

- A. Raising the income eligibility limit for the state Earned Income Tax Credit (EITC) to match federal eligibility levels so that more of the working poor can benefit from this refundable credit.
 - B. Annually raising the state minimum wage to account for inflation, and assessing the need for additional increases to address New Jersey's high cost of living.
 - C. Offering substantial tuition assistance to low-income youth, low-wage workers, and unemployed workers to pursue higher education and complete degrees that can assist them to obtain jobs in higher-paying labor demand occupations.
 - D. Ensuring employment and training providers provide high-quality remedial education and training and certification programs for low-wage workers.
 - E. Expanding incentive programs and collaborations with private employers to develop advancement opportunities and training programs for low-wage workers.
3. Invest in programs that target assistance to populations that experience disproportionately high rates of poverty.

Since poverty strikes certain demographic groups at much higher rates than others, the state needs to coordinate efforts to ameliorate the prevalence of poverty where it is most evident. These efforts should incorporate programs and policies that address basic needs, as well as those that provide roads out of poverty. Such efforts are needed to address the disparities evident in **poverty populations**. Potential ways to direct this assistance could include:

- A. Increasing outreach for and participation in income-targeted programs that serve the needs of poor children, including school breakfast and lunch, FamilyCare, and WIC.
 - B. Increasing investments in programs that assist individuals with disabilities to engage in profitable employment, including exemptions from income eligibility ceilings for public health care programs, greater flexibility in arranging personal care assistance, and supported employment programs.
 - C. Increasing investment in micro-enterprise business grants and loans for low-income women and minorities to develop small businesses, with technical support.
 - D. Improving case management and transitional supports for welfare parents to assist in transitioning out of poverty, rather than simply transitioning off of assistance.
4. Develop and implement policies that address the concentration of poverty in **places with poverty** that are low-income and low-opportunity areas, and disparate access to social resources that are concentrated in higher-income areas including:

- A. Reforming the Council on Affordable Housing (COAH) process to make its calculation of affordable housing needs realistic, and to make municipal participation mandatory.
 - B. Creating business incentives to develop higher-paying jobs in high-poverty areas, and ensuring that such jobs benefit local residents.
 - C. Ensuring that redevelopment projects benefit current residents of an area to be redeveloped, rather than displacing them.
5. Invest significant resources in programs that directly address areas of basic need in which there are income-based disparities in access or outcomes.

Given the clear evidence that poverty correlates with deprivation, hardship, and negative outcomes, the state must invest in efforts to ameliorate these common correlates of poverty. In coordination with efforts focused on incomes, the state's anti-poverty efforts must also directly intervene to meet the basic needs of low-income residents through need-focused programs. Such targeted assistance programs are necessary to alleviate specific **impacts of poverty**, and can also address some of the negative impacts of the **concentration of poverty**. Efforts could include investment in the following types of assistance:

- A. Ensuring universal health care coverage.
- B. Expanding housing assistance programs such as Emergency Assistance for welfare recipients, the State Rental Assistance Program and the Homelessness Prevention Program in order to meet the housing needs of more struggling households, and ensure that the assistance is adequate to alleviate housing hardship in terms of both duration and value of subsidy.
- C. Investing in quality schools and supplementary education programs for under-achieving students in high-poverty areas, including funding for more highly qualified teachers, and tutoring and after-school programs.
- D. Assisting both those exiting welfare and those in low-wage jobs to access affordable transportation options through the expansion and development of transportation assistance programs including extended WorkPass benefits, discounted public transportation for low-wage workers who are not exiting welfare and more direct coordination of vanpool programs to increase access to job-growth areas from high-poverty areas.
- E. Increasing both welfare benefits and the state SSI supplement to provide incomes high enough to meet basic needs.²
- F. Improving Food Stamps outreach to working poor families who are eligible for assistance, and implementing of any necessary policy changes to facilitate enrollment in the program.

² Note – increased welfare and supplemental disability payments are also recommended under the income subsidy recommendation.

6. Develop policies to address the growth of **income inequality** and the exclusion of people in poverty from the benefits of a growing economy, including.
 - A. Investing in Individual Development Account programs to assist lower-income people to develop assets.
 - B. Raising the income level for the state income tax exemption and decreasing the tax burden for lower-income residents above the threshold.
 - C. Modernizing the sales tax code to shift a greater share of sales tax revenue to luxury items and services that are primarily used by higher-income residents, and providing a sales tax rebate for people in poverty.
7. Invest in additional data gathering concerning poverty in order to enhance government's capacity to set policy priorities based on evidence of need and understanding of the ways that poverty unfolds.

While this report reflects the depth and variety of data that is available about poverty in New Jersey, there remain significant areas of potential inquiry for which data is limited or unavailable. Efforts should be made to gather and analyze information that is currently unavailable. Such efforts would greatly increase the state's capacity to understand the dynamics of poverty and to explore appropriate policy responses. The following is a suggested list of areas the state should invest data-gathering and analysis efforts:

- A. Waiting list data or data on applications for assistance within means-tested assistance programs that are limited by funding.

When individuals in need are unable to access assistance because funding is limited, this denial indicates the existence of unmet needs which should be considered in future budgeting decisions. When waiting lists are artificially limited, or when denials for assistance on the part of eligible applicants are not tracked, the state loses this potential data source. Administering government agencies can and should compile, analyze and report such data for programs that they either administer or fund through local agencies. The following example programs should maintain open waiting lists or track applications that are denied due to lack of funds:

- o Housing subsidy programs (State Rental Assistance Programs, Section 8, and HOME vouchers)
- o Emergency housing assistance and utility assistance programs sources (Social Services for the Homeless, Homelessness Prevention, Community Services Block Grant)
- o Education assistance programs, such as those in the Department of Labor (Smart Steps initiative.)

- B. State-level data on disparities in the prevalence of specific social problems, which national data suggests are more likely suffered by people in poverty.

National data and research suggests a number of particular vulnerabilities and needs that are experienced by people in poverty, but the lack of state-level data does not allow for investigation of the ways in which these trends present in New Jersey. Such data could be an important tool in formulating state policies that could be effective in addressing any disparities related to poverty and specific social disadvantages. A variety of government agencies should bear responsibility for tracking relevant patterns of disadvantage, as related to income.

- The Judiciary should analyze data on crime victimization (as is done by the federal Bureau of Justice Statistics)
- The Department of Corrections should track information on income at time of incarceration.
- The Department of Children and Families should gather and report information on the income of families involved with the child welfare system. It should also comply with the data gathering and reporting recommendations of the Staffing and Outcome Review Panel, which include the regular, public reporting of the following:
 - Staffing numbers at all levels, from case workers to management, and vacancies of more than 1 month;
 - Staff retention, including resignations, terminations, and years of service and educational background of staff that resigns;
 - Caseload size (by numbers of children and families), as well as uncovered cases and detail regarding extreme caseloads (more than 85);
 - Caseload closing project reports, including quarterly closing and costs;
 - Numbers of legal orphans, including those awaiting adoption consent, adoption finalization hearings, select-home adoption; and those placed in select homes, residential or group home settings;
 - Development of core services, including visitation, counseling, parenting, drug treatment, and housing services.
- The Division of Family Development should comply with all statutory quarterly reporting requirements on the welfare caseload, including:
 - Publicly reporting, at least quarterly, the number of exempt and deferred participants, the number, and reasons for termination, of both TANF and GA recipients, and the

- number of former recipients who have re-entered the program after being terminated;
 - Gathering and publicly reporting, at least quarterly, employment outcomes for welfare recipients, including the number of recipients obtaining employment, average wages and benefits earned, types of employment (including public/private), and average length of retention in employment among those who reapply for benefits.
- C. Geographic analysis of job growth patterns, areas of concentrated poverty and the public transportation system.

One powerful factor in the negative impact of the concentration of poverty in New Jersey is the disconnect between populations experiencing poverty and areas of job growth. While a part of the solution to this problem is the development of more job opportunities in high-poverty areas and the development of affordable housing in job growth areas, effective public transportation is also an essential public investment that can address this problem. Anecdotal evidence suggests that public transportation is not meeting this need, but data connecting these factors is limited. As part of the State Development and Redevelopment Plan process, the Departments of Community Affairs, Transportation, and Labor and Workforce Development should collaborate to develop an analysis of the spatial mismatch related to jobs, affordable housing, and the state's public transportation infrastructure.

- D. Analysis of Census Bureau data files by the New Jersey State Data Center to provide figures that are not published by the Census for New Jersey.

In addition to the publicly available tables produced by the Census, public-use microdata samples, that allow additional tabulations of data, are also available. Special tabulations that are not possible from this data set can be purchased from the Census. The State Data Center in the New Jersey Department of Labor and Workforce Development should invest the necessary time and money in providing the following tabulations to inform the state's policy decisions and make information on poverty more available to the public:

- Calculations of the number people in households with incomes below 250% fpl, which reflects the statutorily defined *self-sufficiency* income for New Jersey.
- Tabulations of the rate of working poor below 200% fpl among the working-age, non-disabled population.
- Annual analysis of income inequality on the state and county level, using either the Census gini coefficient calculation or by analyzing income quintiles.

- Economic and racial dissimilarity indexes for the state, using decennial Census data.
- Economic analyses of the ways that poverty and unemployment trends relate to economic trends, accounting for peaks and troughs in the business cycle.
- Annual tabulations of both cost-burden and severe cost-burden on the state and county levels for the population with incomes below 50%, 100% and 200% of poverty, and for the populations below 30%, 50% and 80% of area median income.

III. Measuring Poverty and Levels of Poverty

We begin our analysis of poverty in New Jersey with an exploration of the term poverty itself including the extent to which poverty measures actually reflect the true meaning of poverty and provide meaningful insights into the reality of poverty. In order to effectively marshal data on poverty, we must first be clear about how we are using the term. This exploration of poverty measurements includes contrasting different poverty measures, an initial examination of the prevalence of different levels of poverty in the state, comparison to the real cost of living in New Jersey, and data regarding the income gap of New Jerseyans living below the federal poverty level.

A. What is Poverty?

For the general public the term poverty generally evokes a notion of income that is too low to meet basic needs. In other words poverty is equivalent to *income inadequacy*, or the level of income at which a family is unable to afford the cost of the basic necessities for a minimum standard of living. In contrast, poverty as defined by the federal government and calculated by the U.S. Census Bureau, is a statistical measure that does not necessarily reflect this common perception. It does, however, represent the official government assessment and measurement of poverty. There are a number of reasons that the measure of poverty by the Census Bureau is significant. Calculations based on the federal measure are used to calculate the number of persons living in poverty at a given time and are therefore important in motivating public concern and political response to the problem of poverty. It is also a significant factor in determining who is eligible for specific benefits such as Food Stamps, Low-Income Energy assistance, Head Start, and other programs of significant assistance to the poor.¹ If poverty measures are too low, then persons in need of this vital assistance are deemed ineligible and go without these programs.

Despite its weighty importance, the poverty rate determined by the Census Bureau is considered by many to be far from adequate to meet a family's basic needs. As a result, the current federal poverty measure has been heavily criticized as inaccurately indicating well-being among low-income families and individuals. Federal determination of poverty began in 1963 when Mollie Orshansky, an employee of the Social Security Administration, developed a simple equation. She formulated the cost of a minimum diet, as estimated by the Department of Agriculture, and multiplied it by three to account for all other expenditures. According to this calculation, poverty for a family of four in 1963 was about \$3,100. This income level was intended to represent a benchmark of *income adequacy*, or the level at which a family or individual's income is sufficient to meet basic needs. This formula was eventually adopted by the Census Bureau and, except for being annually adjusted for inflation, has remained the same. Therefore, the 2005 threshold for a family of four with two children—\$19,806—theoretically represents the same level of income adequacy as did \$3,100 in 1963.

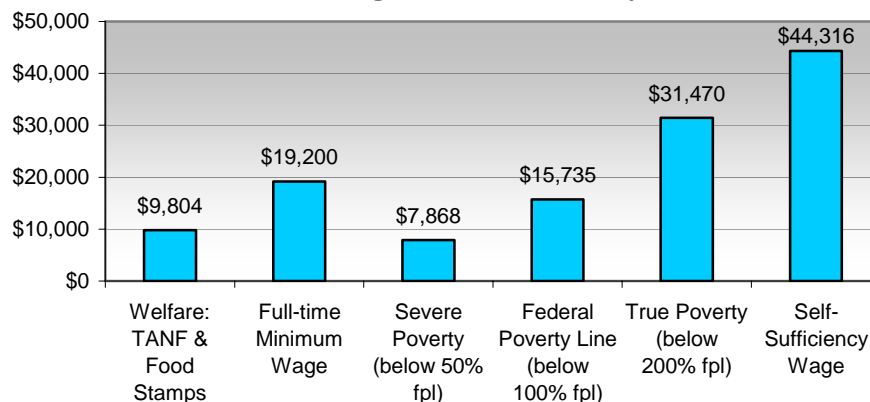
Much has changed, however, in the more than 40 years since the development of the poverty line. To start, the federal poverty thresholds do not account for medical expenses or changes in consumption patterns. Additionally, consumption of food no longer represents one third of a family's budget, but rather has been displaced by other costs, especially housing. As a result, food costs today are likely to be closer to

one sixth of a family's budget rather than a third.² The federal thresholds also do not include any non-cash (i.e., Food Stamps or housing assistance) or tax benefits when calculating the income of the poor and neglect to consider child care cost differences for families whose adults are all working versus families with a non-working adult.

Another omission from the federal calculation of poverty is its failure to adjust for local differences in the cost of living. The poverty line remains the same regardless of where an individual lives in the continental United States, despite the fact that some places are far more expensive than others. As a standard measure of adequate income, it is therefore incapable of comparing equivalent levels of need across areas with different costs of living.

Given the problems with the federal calculation, we need to consider alternative ways to measure poverty that more closely align with the commonly associated meaning of income inadequacy. One alternative is to use multipliers of the federal poverty line (fpl). Many government programs, including Head Start, Food Stamps, School Lunch, and Women, Infants, and Children (WIC) nutrition programs use a percentage multiple such as 125 percent, 150 percent or 185 percent fpl to determine eligibility for assistance. Another alternative measure of minimally adequate income is the Real Cost of Living (RCL is also referred to as the self-sufficiency wage). The RCL measure calculates the income needed to meet basic needs without any public assistance for a variety of family compositions, based on conservative estimates of actual costs. The RCL takes into account county-level expenses such as housing costs. It also assumes that all adults in families are working and includes the cost of child care expenses. As such, the self-sufficiency wage provides a more realistic calculation of income adequacy for a family in New Jersey than is provided by either the poverty line itself or even multipliers. Given its foundation in true costs and its ability to reflect variations in income needs, the RCL is a preferred method by which to gauge economic well-being. Figure 1 compares the current federal measure of poverty to other poverty incomes.

Figure 1: Different Wage Levels for a 3-Person Family: One Adult, One Preschooler, and One Schoolage Child, New Jersey, 2005



Source: Calculation of U.S. Census Bureau, 2005 American Community Survey. U.S. Census Bureau, Poverty Thresholds 2005; and Rice, Serena. 2006. "The Inadequacy of WFNJ Grant Levels." Poverty Research Institute, Legal Services of New Jersey.

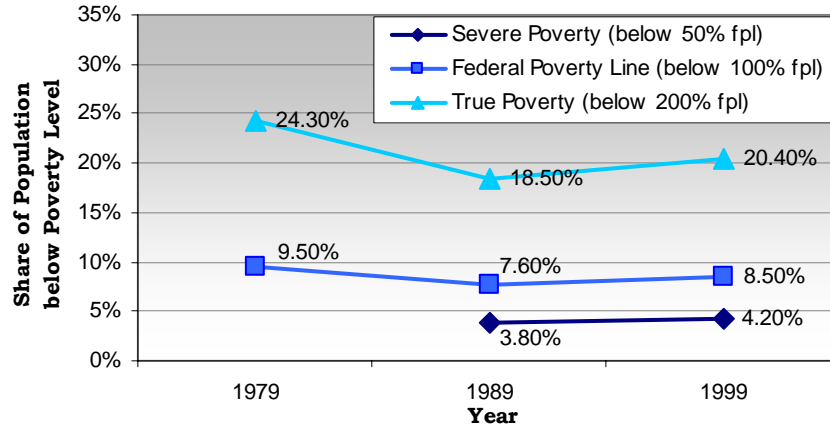
Because New Jersey is largely a prosperous and wealthy state, it is also a high-cost state. This makes the official poverty measurement, which does not account for regional differences in costs, less accurate at measuring when families have enough to get by. As is shown in Figure 1, federally designated poverty lines and multipliers of the official poverty line remain far below the self-sufficiency wage. The same is true of welfare and food stamp benefits and the take-home pay of a full-time minimum wage worker (included in this full-time, minimum wage figure is the addition of the earned income tax credit minus any taxes paid).

This report references the federal poverty line, its multipliers, and the RCL in different contexts. As a measure of self-sufficiency and a barometer of whether a family can meet its basic needs, the RCL is clearly useful. Self-sufficiency standards have been developed for 35 states in the nation and have been used extensively as a policy analysis, public education, and policy advocacy tool. Additionally, some state and local government agencies use their self-sufficiency standard to determine program eligibility and evaluate programmatic success. It has not, however, been adopted by the federal government, and is therefore not tracked or measured on a national scale. As a result, much of the data garnered for this report uses the federal poverty line or some multiple thereof because this is the format in which data is available. In such cases, an understanding of how income at the low poverty level compares to income at the RCL remains vital to a thorough understanding of what it takes to get by in New Jersey.

B. Levels of Poverty In New Jersey

A family's well-being depends on their income adequacy rather than whether or not their income is above or below a set cutoff line that defines poverty. The poverty line measurement is intended by the U.S. Census Bureau to act as more of a statistical yardstick than a hard and fast rule. A more multi-dimensional look at poverty involves looking at different levels of poverty, meaning how many people are just above or below the official poverty line. To measure these different levels of poverty, we use three different measures, calculated using multipliers of the fpl—severe poverty, official poverty, and true poverty. Severe poverty is measured by Census and counts families or individuals with incomes below 50 percent of the federal poverty line. Official poverty is the 100 percent level that is tracked as the Census poverty rate. A more realistic measure of near-adequate income that is tracked by Census is 200 percent fpl, a figure we define as “true poverty” since it comes closer to the income needs calculated by the RCL. It is important to keep in mind that calculations of the number of persons below severe, official, or true poverty do not indicate individuals at that level of income but rather all persons below that income level. For example, the federal poverty rate includes all persons living in severe poverty in its calculation.

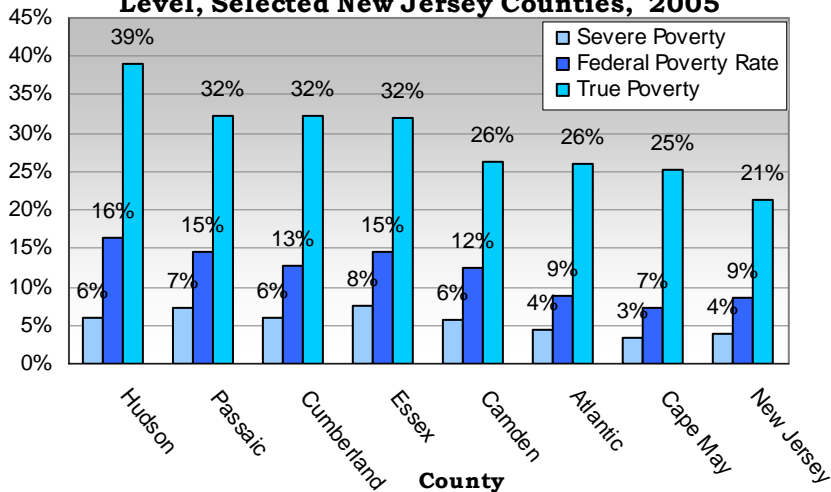
Figure 2: Levels of Poverty in New Jersey: Severe, Official, and True Poverty, 1979, 1989, and 1999



Source: Calculation from U.S. Census Bureau, Historical Tables

Figure 2 shows the rate of persons living below 50 percent, 100 percent, and 200 percent of the federal poverty line for the past three decades. Most notably, around a fifth of the state has had income below true poverty, 200 percent of the federal poverty line, in 1979, 1989, and 1999. This means that in 1999, over one-fifth of state residents lived with income below 200 percent of the federal poverty line, which includes those living below the official poverty line and those living in severe poverty. Of the population living below the official poverty line, nearly half had incomes low enough to be considered severely poor, at below 50 percent of the federal poverty line. New Jersey's official poverty rate, 100 percent of the federal poverty line, hovered between 9.5 and 7.6 in 1979, 1989, and 1999.

Figure 3: Share of Population Below Poverty Level, Selected New Jersey Counties, 2005



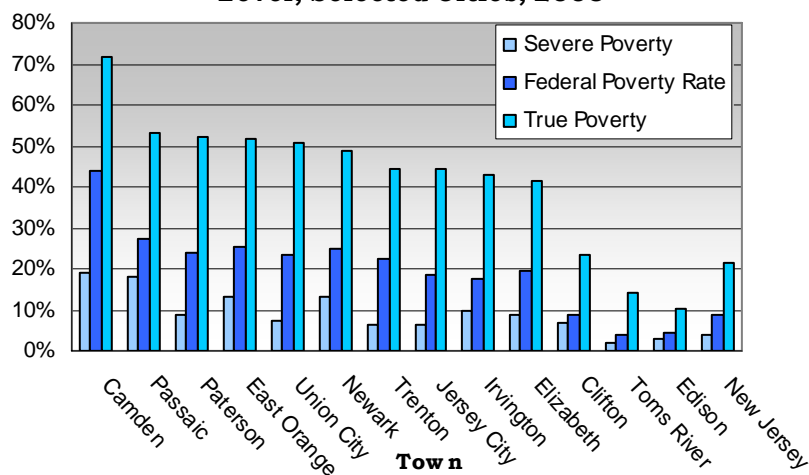
Source: Calculation with U.S. Census Bureau, 2005 American Community Survey

Poverty rates for the state frequently mask higher levels of poverty within counties and cities in New Jersey. The federal poverty rate calculated for New Jersey by the Census' American Community Survey in 2005 was 8.7 percent, while Essex, Passaic, and

Hudson counties were closer to 15 percent.³ Figure 3 provides the severe, official and true poverty rates for the state and seven counties. These seven counties are highlighted throughout the report because they have the highest rates of true poverty in the state. This allows for a comparison of the conditions and impacts that result from high rates of poverty.

As Figure 3 shows, the poorest five counties, Hudson, Passaic, Cumberland, Essex, and Camden all have severe poverty rates above 5 percent and official poverty rates between 12 and 15 percent. Most discouraging, however, is that true poverty rates for all seven selected counties range between 20 percent and nearly 40 percent. This suggests that in 2005, between one-quarter and four-tenths of the people residing in these counties lived in true poverty. The Census also reports levels of poverty for the relatively few cities with populations over 65,000 in New Jersey in 2005. Figure 4 details those cities.

Figure 4: Share of Population Below Poverty Level, Selected Cities, 2005



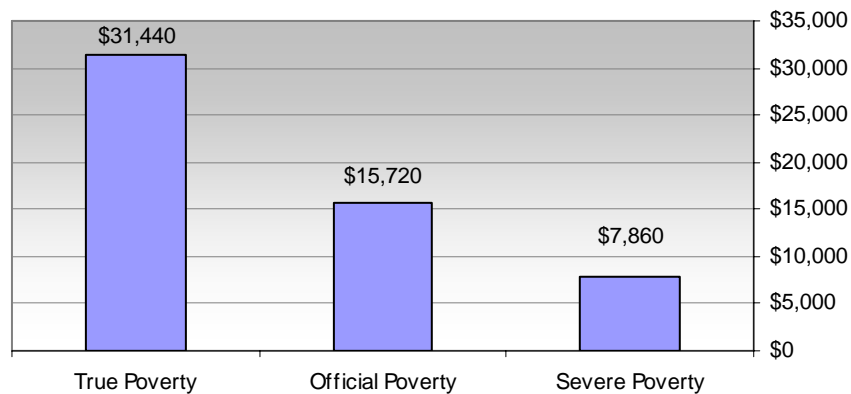
Source: Calculation with U.S. Census Bureau, 2005 American Community Survey

Among the 13 New Jersey cities with populations of 65,000 or more, ten have true poverty rates of 40 percent or more, ranging from a high of almost 72 percent in Camden to 41 percent in Elizabeth.

C. What it means to live in poverty

In order to better comprehend what it means to live in poverty, it is important to move beyond a simple calculation of the number of people in poverty and come to an understanding of what it means to live with such a low-income. Figure 5 provides the annual income for a three-person family (one adult and two children) at the true poverty, federal poverty, and severe poverty income levels in 2005.

Figure 5: Income below Severe Poverty (below 50% fpl), Federal Poverty (below 100%), and True Poverty (below 200%), 3-person Family, 2005

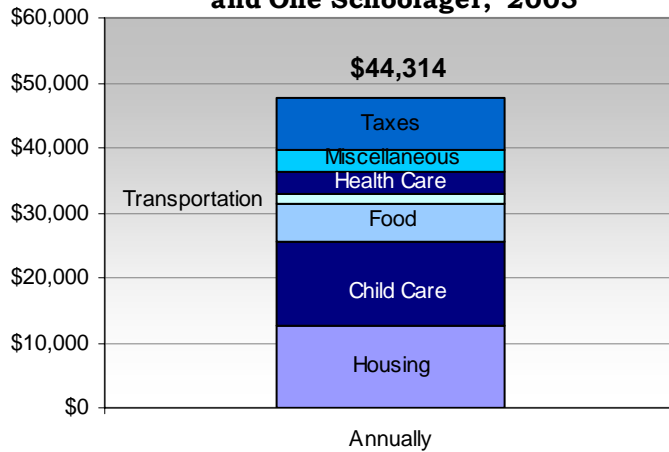


Source: Calculated with U.S. Census Bureau, 2005 Poverty Thresholds

The annual income of a family living at the severe poverty income line is less than \$8,000 and a family at the official poverty line has below \$15,720 in yearly income. True poverty for a family of one adult and two children means a maximum income of just \$31,440. The self-sufficiency wage, discussed above, puts this same family in the position of needing more than \$44,000 every year in order to cover the real cost of living.⁴

This comparative estimate of adequate income is broken down in Figure 6 according to the self-sufficiency's conservative measures of the average costs for a single-parent family with one preschooler and one school aged child in New Jersey. Housing and child care alone cost about \$25,000 per year, a figure that exceeds the income level of the same family at the official poverty line. If the cost of food, transportation, and health care are added, the family's expenses exceed income at the true poverty level.

**Figure 6: Real Cost of Living in New Jersey,
One Adult, One Preschooler,
and One Schoolager, 2005**



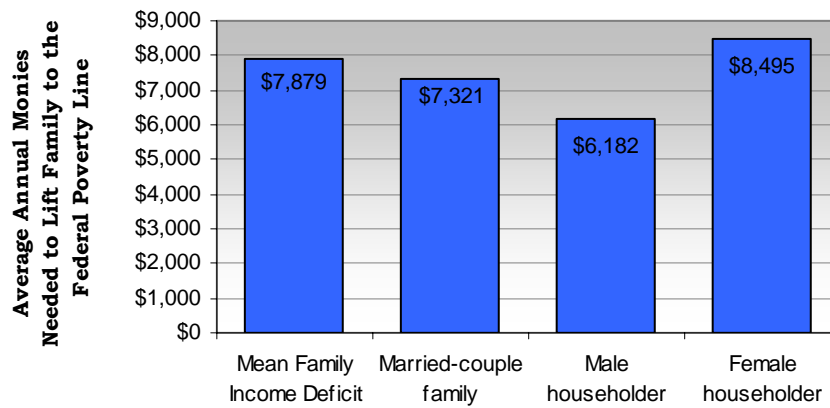
Source: Analysis of Pearce, Diana, The Real Cost of Living in 2005, New Jersey

Obviously, families living at severe, federal and true poverty incomes might be forced to spend less and thus fail to achieve a minimum standard of living. Alternately, they might spend more on goods than they have in income by using credit cards, short-term loans, or seeking public assistance. In either scenario, the result is that the one-fifth of the state's population living below true poverty faces difficult choices created by the mismatch between their low-income and the state's high cost of living.

D. The Poverty Gap

In addition to knowing how many people are living at different levels of poverty, it is important to know where they fall in the given income range. Poverty calculations by the Census group all families and individuals with income levels below the federal poverty line into one category – those living in poverty. They do not, however, distinguish between families with one dollar less than the income needed to be considered living above poverty and those whose income is thousands of dollars lower than the actual poverty line. As a result, the deprivations faced by each of these families are not distinguished in poverty statistics, although they are in fact quite different. One family is surviving on a lot less income than the other. The poverty gap is a calculation that attempts to explain how far below poverty the average poor family's income really is. It is used to estimate the annual difference between income and the official poverty rate for the average New Jersey household counted in the state's poverty population. Also called the family income deficit, the poverty gap measure calculates the amount of money needed to lift poor families above the official poverty line. Figure 7 provides this figure for the average family living in poverty in order to demonstrate the amount of money needed to bring them above the official poverty line.

Figure 7: Average Family Income Deficit by Family Type, New Jersey, 2005



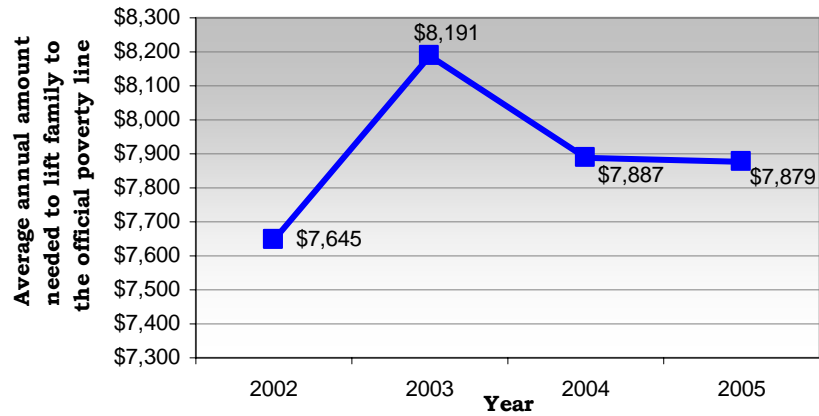
Source: Analysis of U.S. Census Bureau, 2005 American Community Survey⁵

The chart illustrates that the average household living in poverty in New Jersey would need nearly \$8,000 in annual income to reach the official poverty line. Households headed by women would require close to an average of \$8,500 per year to reach the official poverty line, while male-headed households and married-couple families have smaller poverty gaps, on average. Considering that a family of three in poverty must have an income below \$15,720 in order to be counted as poor, the poverty gap suggests many poor families have only about half that much income.

There are also dramatic disparities between counties. While the average family living in poverty in New Jersey would need an annual amount of \$7,879 in order to lift their income to the poverty line, Camden and Passaic have an even higher average poverty gap, at \$8,491 and \$8,598, respectively. In addition to Camden and Passaic, the average poor family in Burlington, Atlantic, Essex, Middlesex, Ocean, Gloucester, and Warren would need more than \$8,000 to escape poverty.⁶

An important way in which the poverty gap measure is informative is that it can provide a measure over time of how far below the poverty line families that live in poverty are falling. Figure 8 illustrates the poverty gap, in real dollars, from 2002 to 2005.

Figure 8: New Jersey's Poverty Gap: The Mean Family Income Deficit (in 2005 dollars), 2002-2005

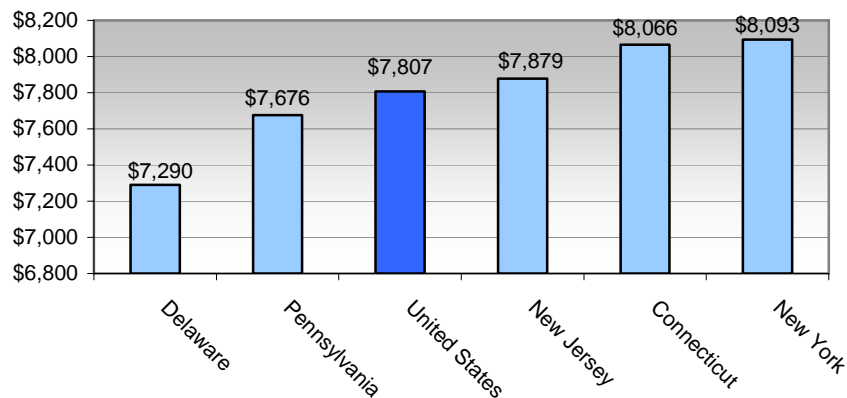


Source: Analysis of U.S. Census Bureau, 2002-2005 American Community Survey.

The average amount of money that a family living below the poverty line would need to reach the poverty line peaked in 2003 at \$8,191 (in inflation-adjusted dollars) and has stabilized in 2004 and 2005 at almost \$7,900.

Figure 9 provides a comparison of the poverty gap for the Northeastern states and the nation in 2005. New Jersey's mean family income deficit ranks higher than the national average, which, given New Jersey's comparatively high cost of living, suggests an even deeper relative deprivation for New Jersey's poor families. It is also high compared to that of both Pennsylvania and Delaware, but remains lower than both Connecticut and New York.

Figure 9: Mean Family Income Deficit, Northeastern States, 2005



Source: Analysis of U.S. Census Bureau, 2005 American Community Survey

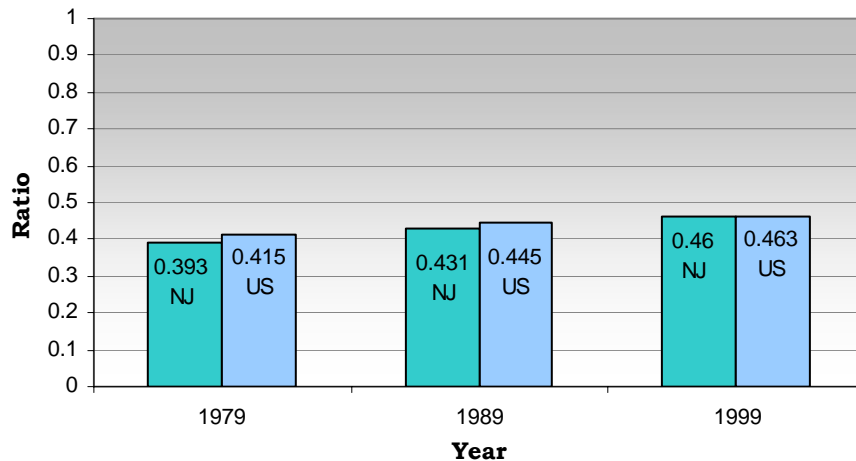
IV. Income Inequality

The following analysis presents indicators of income inequality in New Jersey, and explains the significance of this inequality to an understanding of the nature and experience of poverty in a high-income, high-cost state. While not directly assessing poverty, measures of income inequality expose increasing divisions between higher-income and lower-income segments of the New Jersey population. Lower-income New Jerseyans are facing less income growth over time than their higher income neighbors. The result is that dramatic differences in income exist from family to family within the state. This section begins with a detailed analysis of income inequality and follows with an analysis of the percent and dollar changes in incomes over time for different groups.

A. The degree of Income Inequality

In order to assess the degree of *income inequality*, or the gap between upper and lower incomes within the state, we use a calculation called the Gini coefficient. The Gini is a ratio between zero and one, where zero represents a perfect state of equality in income—everyone in a population has the same income—and one represents a case of perfect inequality—one person has all of the area’s income. Therefore, the closer a population’s Gini coefficient is to approaching one, the higher the degree of income inequality within that population. As such, it provides a measure of the gap in income between the rich and the poor, demonstrating the degree to which income in New Jersey is concentrated within a relatively small portion of the population.

Figure 10: Income Inequality: The Gini Coefficient, 1979, 1989, 1999, U.S. and N.J.

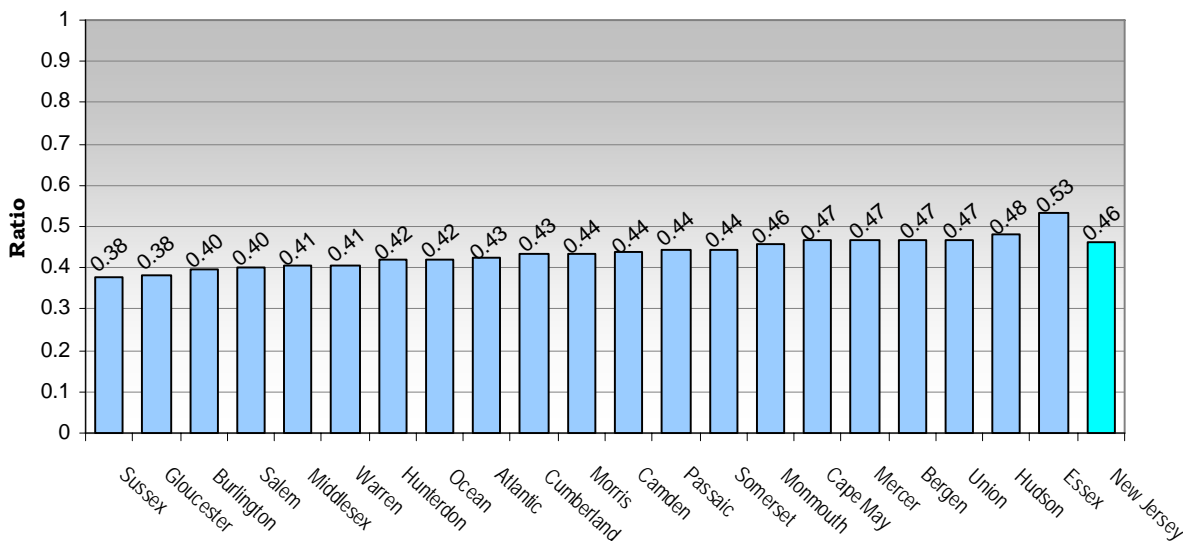


Source: Census, Historical Income Tables for States; Decennial Census.

Figure 10 shows the Gini coefficient for families in New Jersey and the nation. As it makes clear, income inequality has been rising in New Jersey and the nation in the last three decades. For New Jersey, 1979 rates show that nearly 40 percent of the state’s income was not evenly distributed throughout the population. By 1999, the Gini coefficient rose to 46 percent, nearly as high as the national figure of almost 47

percent. This demonstrates that New Jersey’s income inequality has been increasing even faster than the nationwide average and is, therefore, catching up to national rates of inequality. This suggests a growing concentration of income among top wage-earners, which is leaving behind low-wage workers and making it more difficult for them to get ahead. It is important to note that a Gini coefficient for the U.S. compares the lowest incomes in the poorest areas such as Mississippi, with those in the wealthiest areas, such as Massachusetts or Manhattan. As New Jersey’s Gini coefficient reaches the same level of inequality as the U.S. measure, it indicates that the same drastic inequalities evident across the country are emerging within a single state.

Figure 11: Income Inequality: Gini Coefficient for Households, New Jersey and its counties, 1999



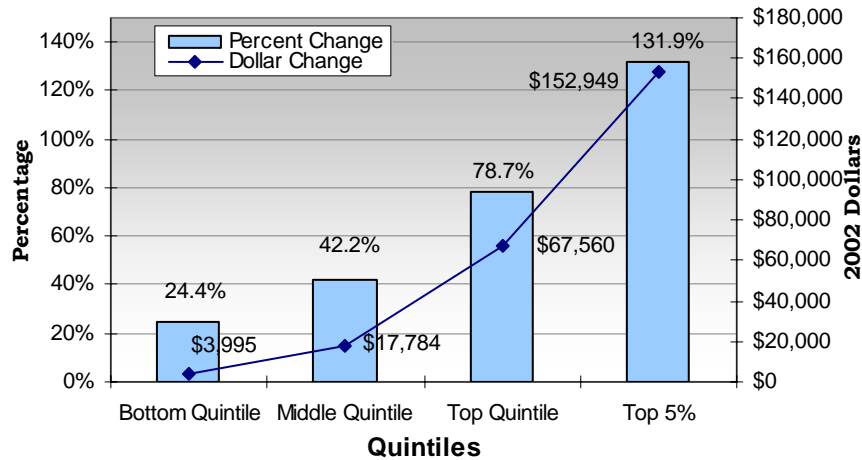
Source: 2000 U.S. Census

Income inequality is also strikingly evident within New Jersey counties. All counties in the state had a Gini coefficient higher than 35 percent in 1999, which reflects the most recent data available, meaning more than a third of all income was not evenly distributed throughout the area. There are also striking rates of income inequality within specific counties. Essex and Hudson Counties, for example, have the highest income inequality levels at .533 and .482; respectively. This reflects these counties’ unique makeup of poorer urban centers, wealthier suburban rings, and the influx of workers from New York looking for more affordable places to live. Cape May, Bergen, Union and Mercer Counties also have Gini coefficients higher than the state level.

B. Closer look at Income Inequality in New Jersey

Increasing income inequality, then, represents a growing gap between those with low wages and those with high wages. The following analysis takes a closer look at the growing gap between low wage earners and high-income individuals within the state.

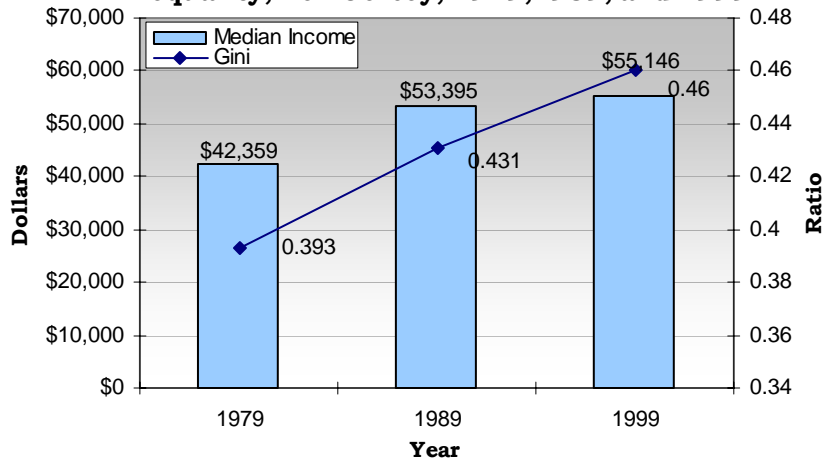
**Figure 12: Dollar and Percent Change in Income
New Jersey, Early 1980s to Early 2000s**



Source: Center on Budget and Policy Priorities. January 2006.
Pulling Apart: A State-By-State Analysis of Income Trends.

Figure 12 illustrates the income changes occurring between the early 1980s and the early 2000s among different income groups in New Jersey, calculated as both a total percentage income and a raw dollar increase. It shows that households in the top 5% in the income range saw dramatic increases in their income (131.9 percent growth), which grew at a much faster rate than that of all other income groups during the past three decades. The bottom quintile group, or the lowest 20 percent of the income range, on the other hand, experienced only a 24.4 percent growth in income over the past three decades for a total dollar change of only \$3,995 since the early 1980s.⁷

**Figure 13: Median Household Income and Income
Inequality, New Jersey, 1979, 1989, and 1999**



Source: U.S. Census Bureau, Historical Income Tables for States;
Decennial Census.

Figure 13 plots the median household income along with the Gini coefficient for New Jersey over the past three decades. It shows that the positive increase in median household income is shadowed by an increase in income inequality. It also

demonstrates that income inequality is increasing at a faster rate than median income, so that the economic prosperity suggested by the increasing median income is not being shared equally with lower-income groups but is of disproportionate benefit to higher income groups.

V. Characteristics of Populations in Poverty

The analysis in this section examines another type of disparity revealed by New Jersey's poverty data, the disproportionate incidence of poverty among certain identifiable demographic groups. While the federal poverty measure insufficiently assesses income adequacy, it does provide a statistical yardstick for comparing the experiences of different groups. It allows for an exploration of both the population groups that are particularly affected by poverty and some of the characteristics of these groups. This section presents an overview of state and national poverty rates for a variety of groups and then takes a closer look at a number of groups that are particularly vulnerable to poverty in New Jersey, including children, people with disabilities, some racial and ethnic minorities, and female-headed households with children. When reviewing this data it is important to consider what these statistics fail to transmit. This includes the interaction of multiple factors such as age and race, with the experience and prevalence of poverty.

A. Who Lives in Poverty in New Jersey?

Using the federal measure, the statewide poverty rate for New Jersey's total population was 8.7 percent in 2005, meaning an estimated 738,969 persons lived below the poverty line. While the national rate of 13.3 percent of the population living in poverty is clearly higher, New Jersey mirrors national trends reflecting an unequal distribution of the experience of poverty. Within the vulnerable population there are individual groups that are far more likely than others to fall victim to poverty. A breakdown of the poverty rates for specific demographic groups gives a clearer picture of these vulnerable populations. For instance, one-sixth of the state's disabled population lived below the poverty line in 2005, as did nearly 18 percent of adults with less than a high school education. Nearly 12 percent, or 251,999, of New Jersey children lived in poverty, as did 8.5 percent of New Jersey seniors. Of persons over 25 years of age, poverty is much more prevalent as education levels decrease. Eighteen percent of those with less than a high school degree live in poverty while fewer than three percent of individuals with a bachelor's degree live in poverty (see Figure 14).

Additionally, nine percent of adult women and six percent of adult men lived in poverty in 2005. An overwhelming proportion of female-headed households with children lived in poverty, such that nearly three of every ten families (29 percent) lived below the poverty line in 2005. Almost five percent of the White population lived in poverty in 2005, while almost one-fifth of Blacks/African-Americans and Hispanics/Latinos lived with incomes below the federal poverty line.

Figure 14: Official Poverty Rates for Different Demographic Groups, New Jersey and U.S., 2005

	Poverty Rate
Total Population	8.69%
Age	
Under 18	11.81%
18 to 34	10.00%
35 to 54	6.74%
55 to 64	6.74%
65 and over	8.53%
Disability Status	
No Disability	7.40%
Disability	15.22%
Gender (18 and Over)	
All Adults	7.65%
Women	9.13%
Men	6.03%
Race	
White	5.70%
Not of Hispanic Origin	4.70%
Black	18.22%
Hispanic	18.16%
Asian	6.21%
Family Status	
Married Couple Household	3.19%
with Children Under 18	3.73%
Female-Headed Household	20.86%
with Children Under 18	28.83%
Education (25 and Over)	7.09%
Less than High School	17.80%
High School Graduate	8.56%
Some College/Associate Degree	5.59%
Bachelor's Degree	2.78%
Graduate/Professional Degree	2.00%

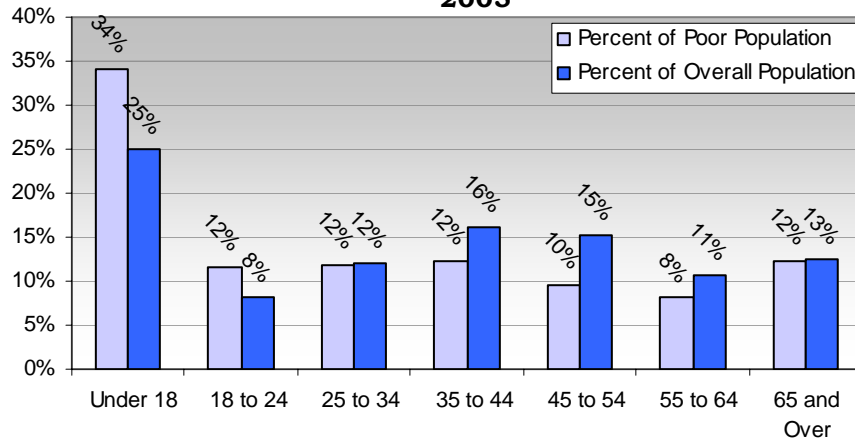
Source: Calculated from U.S. Census, 2005 American Community Survey

Compared to the national average, New Jersey has lower federal poverty rates overall and for all demographic groups. A smaller percentage of children, fewer women, and fewer persons with low education levels live in poverty. It is important to remember, however, that because New Jersey is such a densely populated state, a relatively small percentage represents a large number of people.

B. A Closer Look at the Ages of Persons Living in Poverty

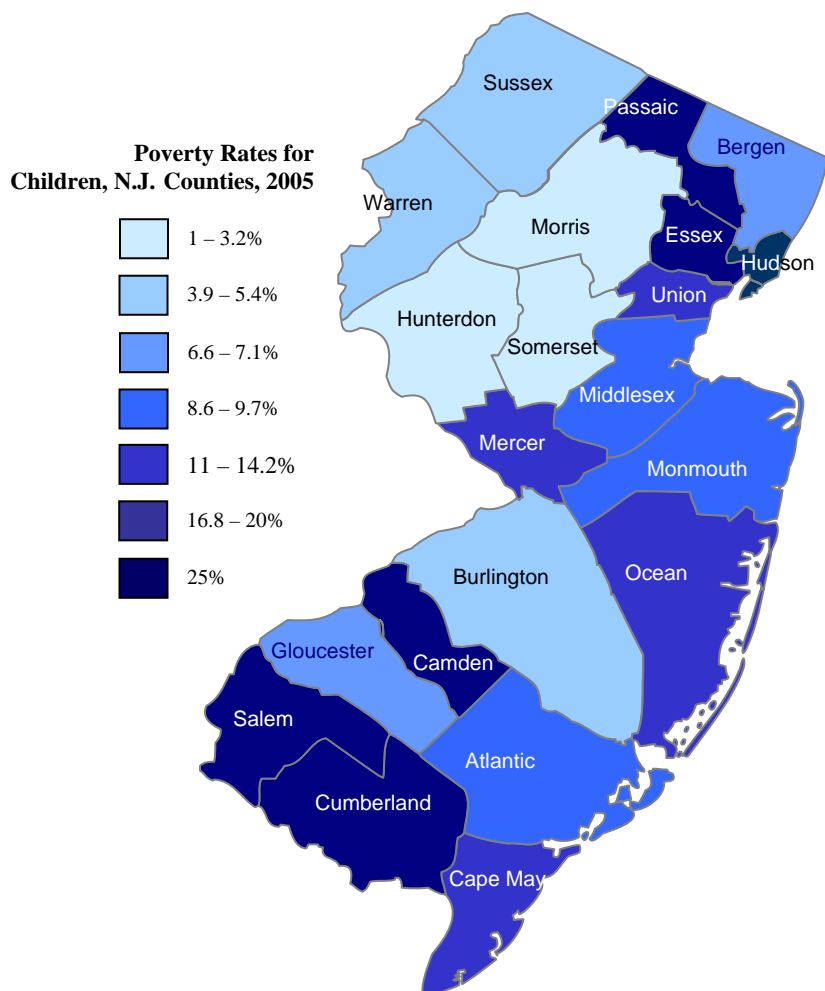
The largest share of the population living in poverty in New Jersey is under the age of 18 (34%). This statistic reveals not only that children are more vulnerable than any other age group to the possibility of experiencing poverty, but also that a significant minority of all New Jerseyans experiencing poverty are children. In contrast, adults from age 35 to 64 have disproportionately low representation in the poverty population (see Figure 15) .

Figure 15: Age of Persons Living in Poverty and Share in the Overall Population, New Jersey, 2005



Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

Figure 16: Poverty Rates for Children



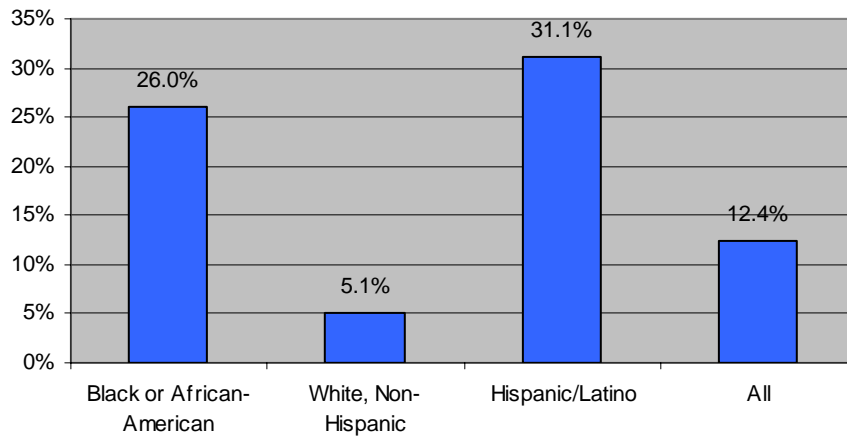
Source: U.S. Census Bureau, 2005 American Community Survey

The prevalence of child poverty is not uniform across the state. Child poverty rates are high in many of the same counties that have low median income and high adult poverty rates. In counties such as Camden, Salem, Cumberland, Passaic, and Essex, nearly 20 percent of children live in poverty and in Hudson one-quarter of children live in poverty. Alternately, the wealthier counties of Hunterdon, Somerset, and Morris as is shown in Figure 16, have child poverty rates lower than 3.3 percent, which correlates with the relatively low numbers of poor households in the wealthiest counties in the state in 2005.

Poverty Rates for Children by Race

Poverty rates for children by racial or ethnic group reflect a further disparity between whites and people of color. Figure 17 shows that overall 12 percent of all children live in poverty while around five percent of White, non-Hispanic children in New Jersey live in poverty. On the other hand, Black or African-American and Hispanic/Latino children are much more likely to live in poverty, experiencing child poverty rates of 26 and 31 percent, respectively.

Figure 17: Percent of all children under age 18 living in poverty by race/ethnicity, New Jersey, 2005

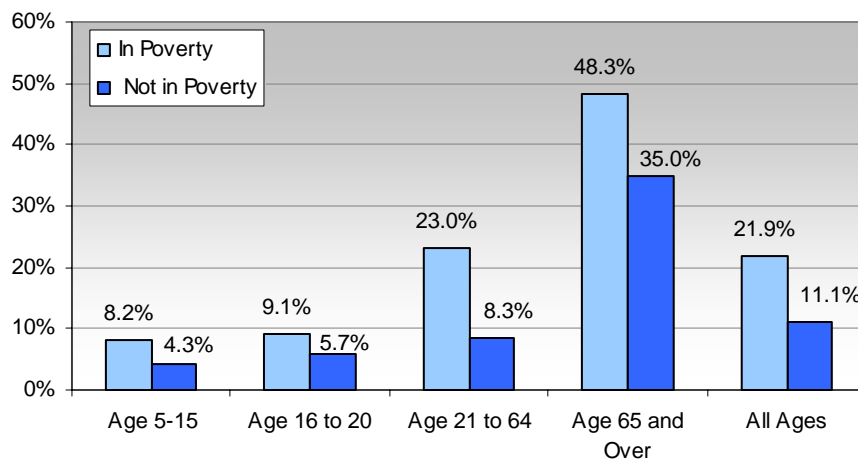


Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

Data available at the county level shows poverty rates for White, non-Hispanic children is consistently lower than for African-American or Hispanic youngsters. Indeed, twelve counties have 40 percent or more of their Black or African-American children in poverty, six counties have the same rate of Hispanic or Latino children in poverty but no counties have poverty rates at this level for their White, non-Hispanic children. In six of the counties with the highest rate of true poverty—Atlantic, Camden, Cumberland, Essex, Hudson, and Passaic⁸—White, non-Hispanic children have rates of poverty between 12 percent and a little more than 30 percent, while Hispanic/Latino and African-American or Black children have poverty rates that range between 30 and nearly 50 percent.

C. Persons with Disabilities

Figure 18: Percent of Persons with Disabilities by Poverty Status and Age, New Jersey, 2005

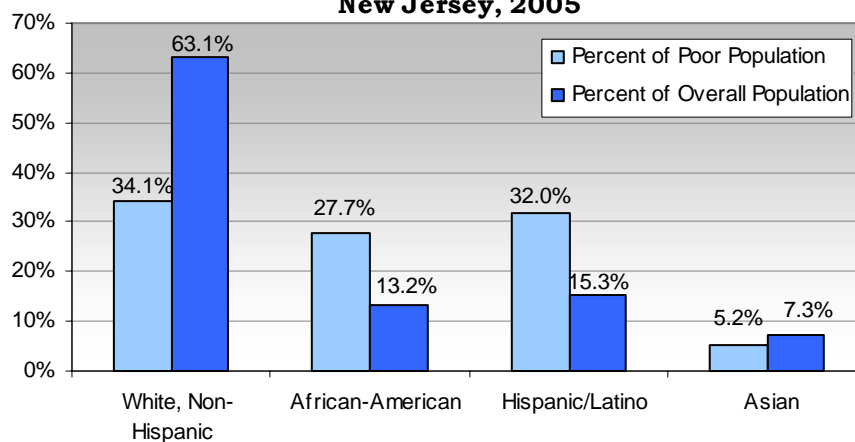


Source: Calculated from U.S. Census Bureau, 2005 American Community Survey.

Over 15 percent of persons living with a disability live in poverty while only a little over 7 percent of the non-disabled population experience poverty. This disparity leads to a disproportionate representation of individuals with disabilities in the share of the population with income below the federal poverty measure. As Figure 18 shows nearly 22 percent of persons living in poverty are counted as disabled, compared to just over 11 percent of the general population. Disability rates are higher in the poverty population for all age groups, but the contrast varies between age groups. While persons with disabilities are generally most prevalent in the 65 and over age bracket, the disparity in rates of poverty between disabled and non-disabled populations are not as dramatic as the disparities evident in the working age populations, ages 21 to 64. Nearly a quarter of the working age poverty population has a disability, whereas only 8.3 percent of non-disabled working age adults live in poverty.

D. Race

Figure 19: Share of Population in Poverty and Overall Population by Race/Ethnicity, New Jersey, 2005

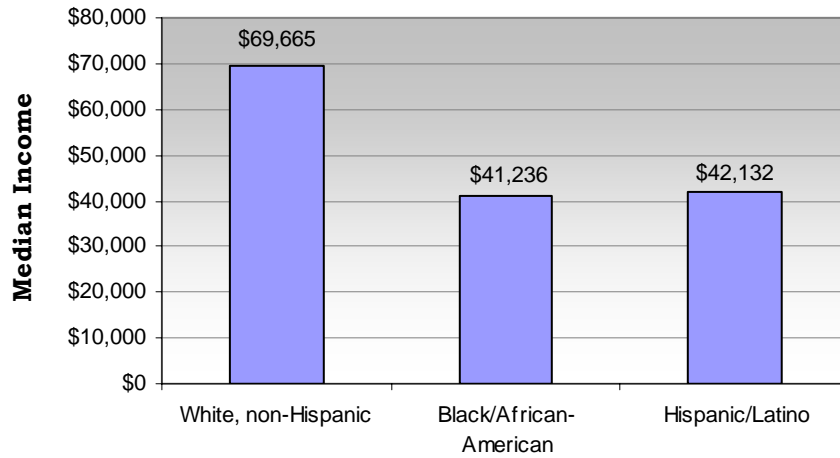


Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

White, non-Hispanics, which make up a majority of the state's overall population, are also the largest share of the poor population (see Figure 19). African-Americans or Blacks and Hispanic/Latinos, however, make up a larger share of the poor population than they do of the overall population. While African-Americans or Blacks constitute a little over 13 percent of the state population, 28 percent of people in poverty are African-American or Black. While 15 percent of New Jersey's population is Hispanic, but over 30 percent of the population of people living in poverty identify themselves as Hispanic/Latino.

Median household income is also lower overall for people of color in New Jersey as Figure 20 shows. Indeed, Whites made almost \$30,000 more, on average, in 2005 than their minority counterparts.

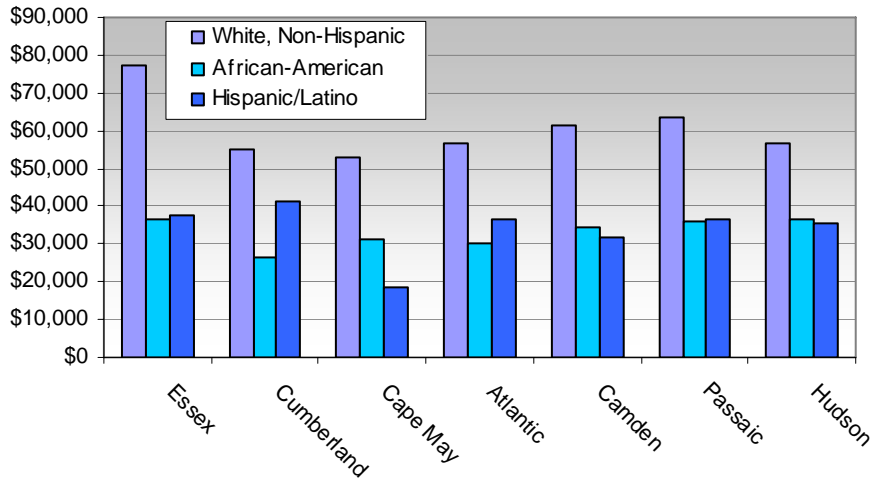
Figure 20: Median Household Income by Race and Ethnicity New Jersey, 2005



Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

A persistent disparity in income is evident when comparing median household incomes by racial and ethnic groups. As Figure 21 shows, the seven counties identified earlier in the report as those with the highest rates of true poverty mirror this dramatic racial and ethnic disparity. This is particularly true in the urban county of Essex that has very high income inequality and where Whites have a median income nearly twice that of both African-Americans and Hispanics.

Figure 21: Median Household Income for Selected Counties, New Jersey, 2005



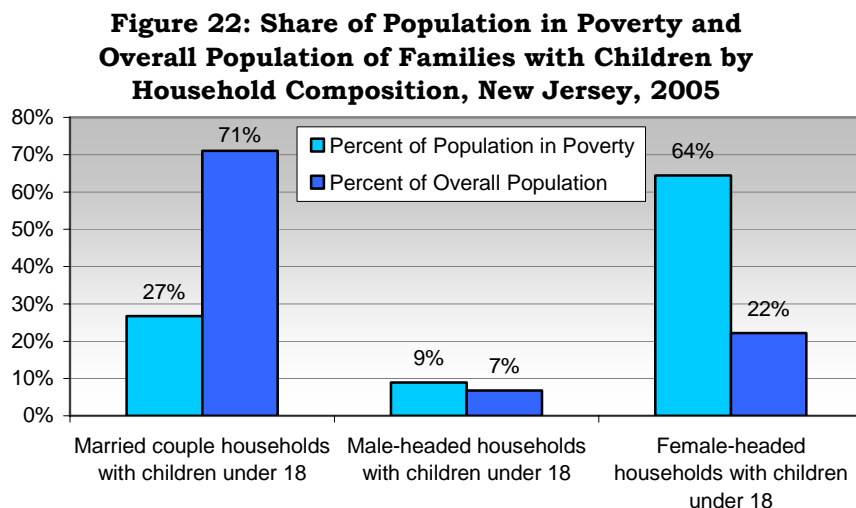
Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

Indeed, in every county in the state the median household income for the White-only population exceeds that of either the African-American or the Hispanic/Latino population. For example, Essex County which has a median household income of \$49,460, the third lowest in the state, also has the fifth highest median household income among the White-only population. On the other hand, the median household income for African-Americans or Blacks in Essex is so low that only five other counties

in the state have lower median household incomes among their Black/African-American population.

E. Household Composition

Disproportionate shares of poor families are headed by women. While just a little over 18 percent of the overall population live in a female-headed households, over half of all poor families are headed by women as is shown in Figure 22. Of poor families with children under 18, almost two-thirds (64%) are female-headed households while only 9 percent are male-headed households. This difference is likely due to the higher wages that men receive in the labor market and the fact that it is rare for men to become a child’s sole guardian.



Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

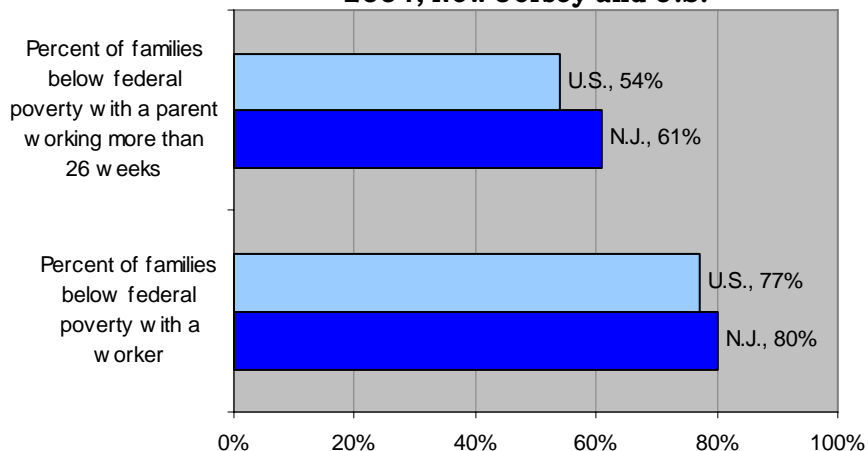
Married-couple families are also less likely than female-headed households to live in poverty despite the fact that they make up a majority of families with children. That is not to say that many married couple families do not live in poverty—many still do. While they make up a smaller share, over one-quarter of married-couple families with children live below the poverty line.

F. Employment

Holding and retaining a good job is what keeps most New Jersey residents out of poverty. It is therefore a commonly held belief that families in poverty do not include working members. Another commonly held belief is that work should be sufficient to lift a family out of poverty. The data reveal that both of these beliefs are little more than persistent myths. Many families and individuals living in poverty include a worker. Figure 23 details the rate of work participation among poor families with children at both the federal poverty rate and at 200 percent of the fpl for New Jersey and the nation. These data pertain to families with workers who are not over age 65 and do not have disabilities restricting them from participation in the labor force. Families living below the federal poverty line (100% fpl) in New Jersey surpass national rates of participation in work in general, as well as rates of participation in more than

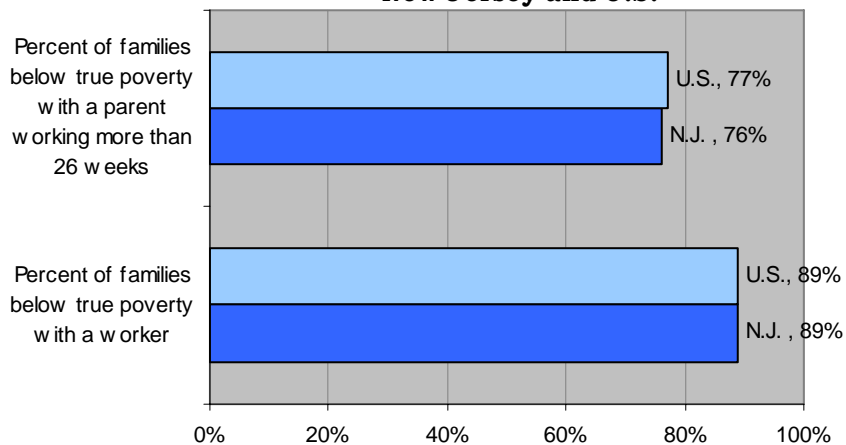
part-time work. Overall, 80 percent of New Jersey families living below the poverty line include a worker, and 61 percent work more than part-time. Of families with income below true poverty (200% fpl) nearly 90 percent include a worker and 76 percent work more than 26 weeks per year (see Figure 24).

Figure 23: Working Families with Children Living Below the Federal Poverty Line, 2004, New Jersey and U.S.



Source: Center on Budget and Policy Priorities, 2006. "Poverty Despite Work."

Figure 24: Working Families with Children Living Below True Poverty, 2004, New Jersey and U.S.



Source: Center on Budget and Policy Priorities, 2006. "Poverty Despite Work."

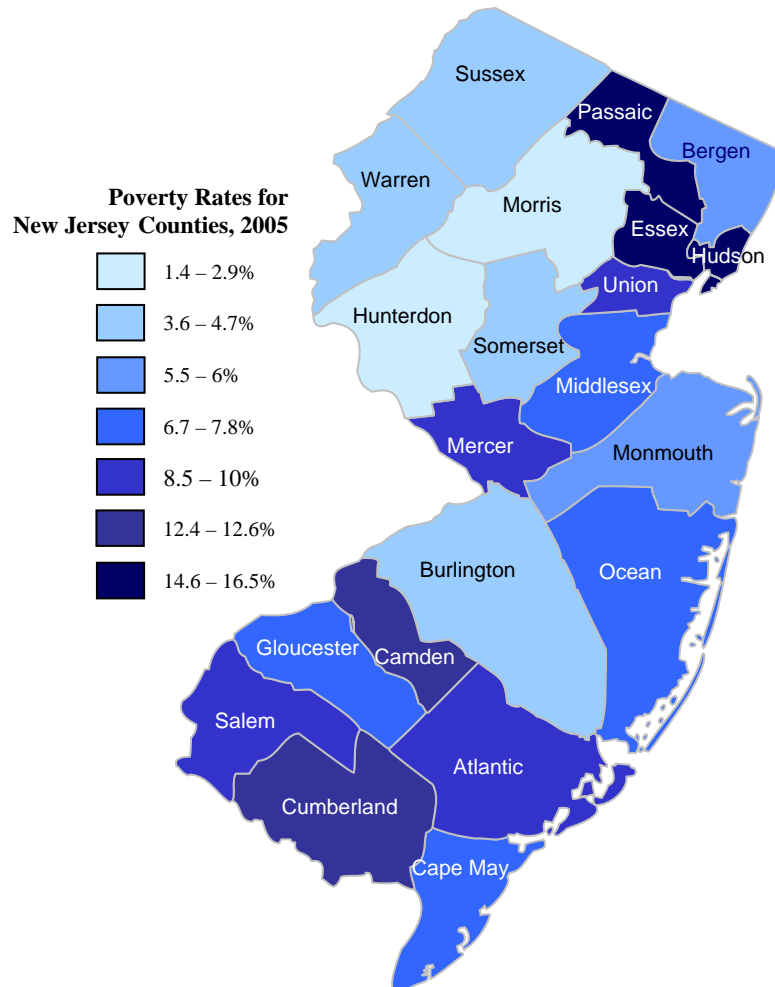
Work is vital to both avoiding and escaping poverty. It is a necessary tool for achieving self-sufficiency and providing for a family's security. Unfortunately, when jobs are short-term or pay low wages, the alarming fact is that work is not a sufficient anti-poverty tool. Indeed, for the majority of families with children living in poverty in New Jersey work does not provide relief from poverty.

VI. Places with Poverty

This section tells the story of higher concentrations of poverty in some regions and places in the state. It considers the related factors of income and cost in order to understand the significance of these differences. A focus on county-level comparisons exposes several dimensions of poverty for all twenty-one New Jersey counties. The section begins with a comparison of federal poverty rates at the county level, which reveals significant regional differences, with a high concentration of poverty in the Northeast urban core and the southern region. An analysis of county median incomes follows in order to demonstrate the low median incomes in high-poverty areas, as well as the reverse. This section also includes the *Real Cost of Living* for all counties and suggests that the lack of affordability reflected by this measure can restrict housing and job options. An analysis of housing patterns and housing segregation follows in order to assess the degree to which housing affordability is restricted for low-income residents. Any progress in addressing poverty must contend with how concentration patterns affect the ability of lower-income groups to access economic and social advantages.

A. Official Poverty Rates throughout the state

Figure 25: Official Poverty Rates by County

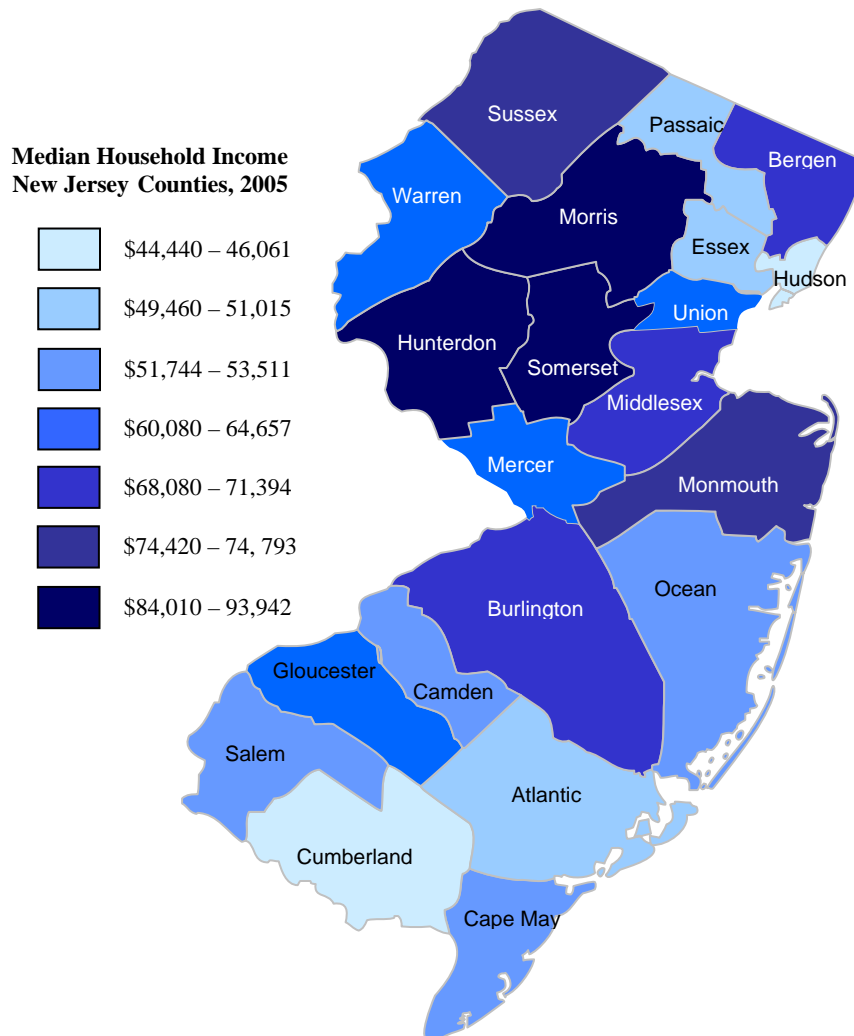


Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

Rates of official poverty vary across the state (see Figure 25). The seven counties with the highest true poverty rates identified earlier in this report have the following rates of poverty within their county populations—Atlantic at 8.9 percent; Camden at 12.4; Cape May at 7.4; Cumberland at 12.6; Essex at 14.7; Hudson at 16.5; and Passaic county at 14.6. The three northwestern counties of Essex, Hudson, and Passaic have official poverty that exceeds 14 percent of the county’s total population. The next poorest region of the state is southern New Jersey, which includes not only the urban Camden and Atlantic City areas, but also the lower rural region of Cumberland, Salem, and Gloucester counties. A number of northwest counties, including Hunterdon, Morris, Sussex, Warren, and Somerset have official poverty rates below 5 percent. This suggests a concentration of poverty in the northwest corner of the state as well as throughout southern Jersey, in contrast to the northwest region, which has a comparatively low proportion of the state’s total poverty population.

B. Median Household Income throughout the state

Figure 26: Median Household Income by County in 2005



Source: Calculated from U.S. Census Bureau, 2005 American Community Survey

Figure 26 outlines the median household income for all counties in the state. The same high-poverty counties highlighted previously also display low median income in addition to their high rates of official poverty. The same northeast and south Jersey versus northwest Jersey disparity is evident. Indeed, six of eight southern counties (Salem, Cumberland, Cape May, Atlantic, Camden, and Ocean) have median incomes of \$53,511 or less as do Hudson, Essex, and Passaic. Of the remaining ten northern and central counties, median household income is \$60,825 or more. For Hunterdon, Morris, and Somerset (the three counties with some of the lowest poverty rates) median household income ranges between \$84,000 and \$93,000.

Median Income at the City Level

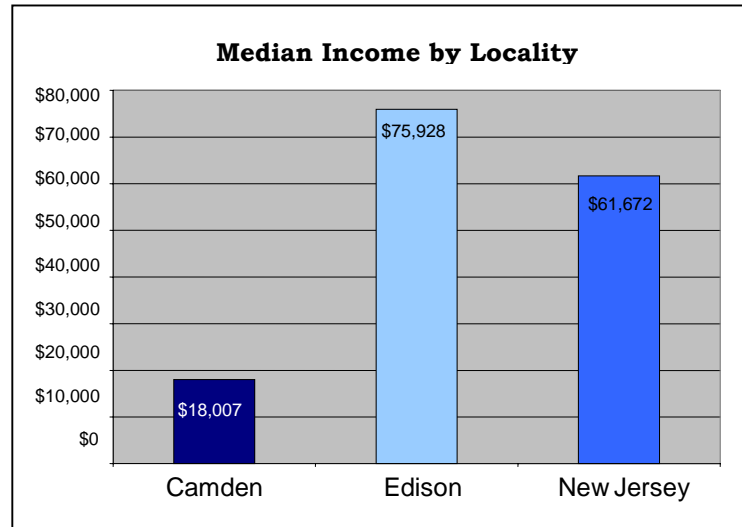
At the city level, eleven of the New Jersey cities with a population of more than 65,000 have median household incomes less than the overall median household income of \$61,672. At the extremes are the cities of Camden and Edison. The following is an in-depth analysis of the differences between these two places which is illustrative of broader patterns of disparity across New Jersey.

A Closer Look at Two Extremes: Camden and Edison

One of the most disturbing stories about income and poverty in New Jersey is the concentration of poverty in segregated areas that are excluded from the advantages of wealth experienced by other areas of the state. While county statistics begin to reveal these disparities, a much sharper contrast can be recognized by comparing the smaller areas for which Census collects data. Among the 13 local areas for which this data is available, Camden City and Edison Township represent the two extremes. While both are significant centers of population, with populations of 73,305 and 99,612 respectively, and they are located less than 70 miles apart in driving distance, they reveal dramatically different social dynamics.

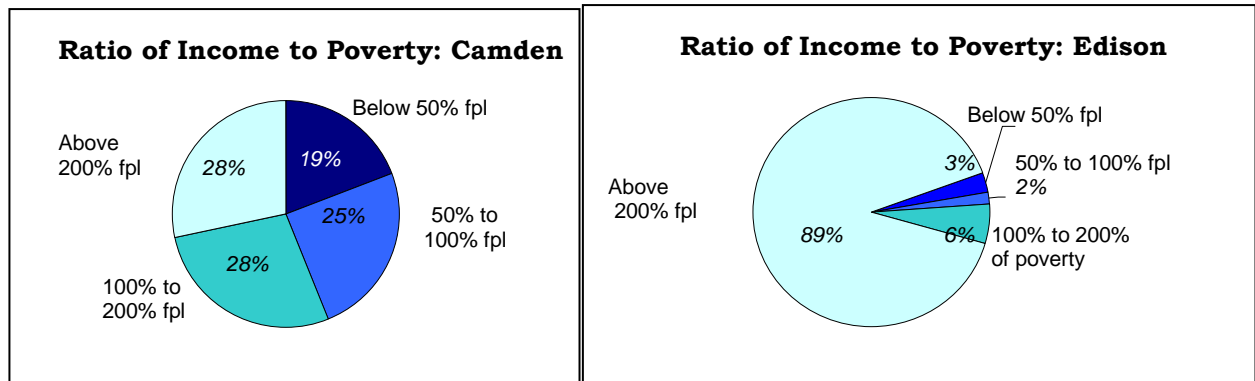
Median Income

The average income of households in the two cities are dramatically different, with the median income household in Edison having more than four times the income of the median household in Camden. The statewide median household income, although highest in the nation in 2005, obscures these inequalities.



Poverty Rates

Looking beyond average households to the range of household incomes in each city provides more detailed information about the relative concentration of wealth and poverty. While only about 1 in 10 Edison residents have incomes less than twice the federal poverty level (fpl), almost double that share of Camden's population (19%) is living in severe poverty, with incomes less than 50% of the federal poverty level.

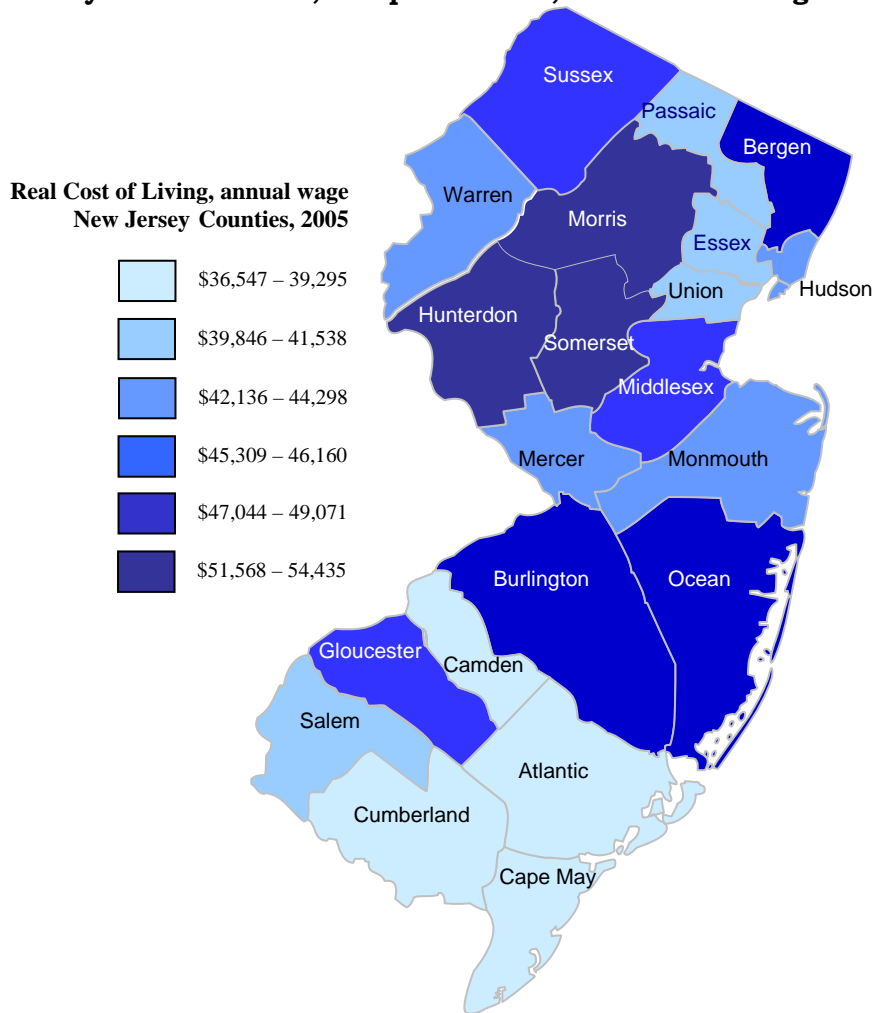


Segregation

The final element of this contrast is the concentration of historically disadvantaged minorities in higher poverty areas such as Camden. While Edison's largest population group is Whites (50.5%), with only 7.4% African American residents and 9.3% Hispanic or Latino residents, the population in high-poverty Camden is only 11.8% White, while 49.6% of residents are African American and 44.2% identify as Hispanic/Latino.

C. Self-Sufficiency Standard throughout the state

Figure 27: Annual Income at the Self-Sufficiency Standard for New Jersey (3-person family with one adult, one preschooler, and one schoolaged child), 2005



Source: Calculated from Diana Pearce, Real Cost of Living in 2005, New Jersey.

The map in Figure 27 helps to begin to provide an explanation of why poverty is concentrated in specific areas across the state and how people in poverty are restricted to these areas. The map charts the self-sufficiency standard as an annual income in each county for a three-person family consisting of one adult, one preschooler, and one school-aged child. While the self-sufficiency standard always exceeds the income level at the official poverty line, the map illustrates that counties with higher rates of poverty also have lower costs of living. These costs range between about \$36,000 and more than \$39,000 a year. Counties such as Hunterdon, Morris, Burlington, and Somerset, on the other hand, have some of the highest costs of living, from about \$49,000 to more than \$54,000 per year, which suggests a possible explanation for the lower poverty rates, given the very high cost of living in those counties.

The result is that people living with incomes below the poverty line are unable to live in the wealthier counties because they cannot afford it. They are forced to live in areas

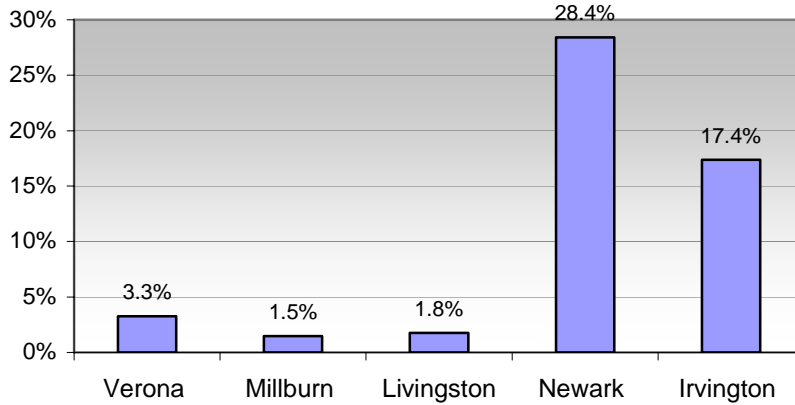
with a lower cost of living. These parts of the state then face increased municipal and social service costs. It is through the operation of this pattern that low-income families end up living in school districts with the poorest educational outcomes (see educational data in this report) and the fewest opportunities. The cost of living differential between counties also has an impact on housing and job choices because most affordable housing is constructed within a restricted number of municipalities that are out of range of most of the state's job growth. One analysis found that 12 municipalities account for over 50 percent of the state's stock of affordable housing. Additionally, the 46 municipalities that account for nearly 25 percent of statewide employment in 1999 only housed 15.7 percent of the state's affordable housing stock.⁹ The landmark Mount Laurel cases decided by the New Jersey Supreme Court recognized this issue and charged each municipality with developing its 'fair share' of affordable housing in order to rectify the problem. Current policy and a lukewarm approach to enforcing the court order have not resulted in the intended broader choices for low-income residents within the state.

D. Housing Segregation

As a result, the state has seen a *de facto* segregation of poor and minority households in high-poverty, low-opportunity areas and away from higher-income and more desirable areas. As was illustrated with maps by county across the state, low-income families are concentrated in particular parts of the state. There is also a concentration of people of color in particular parts of the state. While county-level information provides a window into this concentration of racial groups and income, the true segregation by race and income occurs from town to town.

A closer look at neighboring towns within Essex County helps to illustrate segregation within the state. For example, a comparison of Newark and Millburn, which sit approximately ten miles from each other, show two towns worlds apart. Millburn had a poverty rate of 1.5 percent in 1999, the most recent data available. Newark, on the other hand, had around 28 percent of its population living in poverty. The racial make-up of the two towns was equally divergent. While 88 percent of Millburn's population was White-only and 3.5 percent was Hispanic or Black, Newark's population was 14 percent white-only and 81 percent was either Hispanic or Black. Figure 28 provides greater detail on these towns and selected others in Essex County.

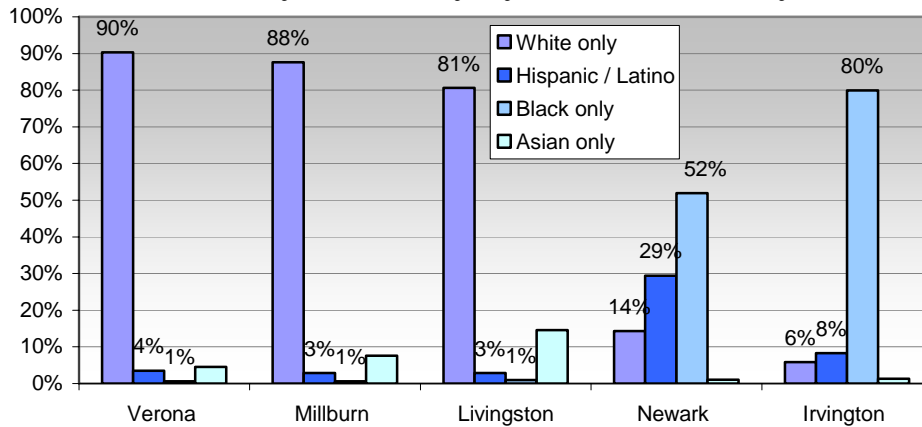
Figure 28: Percent of Population Living Below Federal Poverty Rate, 1999, Selected Towns in Essex County, New Jersey



Source: Calculated from 2000 U.S. Census

Despite their close proximity, the towns of Verona, Millburn, and Livingston had vastly different poverty rates than did Newark and Irvington in 1999. The same divergence is evident in the racial make-up of these towns (see Figure 29). Both Newark and Irvington had populations that included a majority people of color while Verona, Millburn, and Livingston were, by far, mostly White-only.

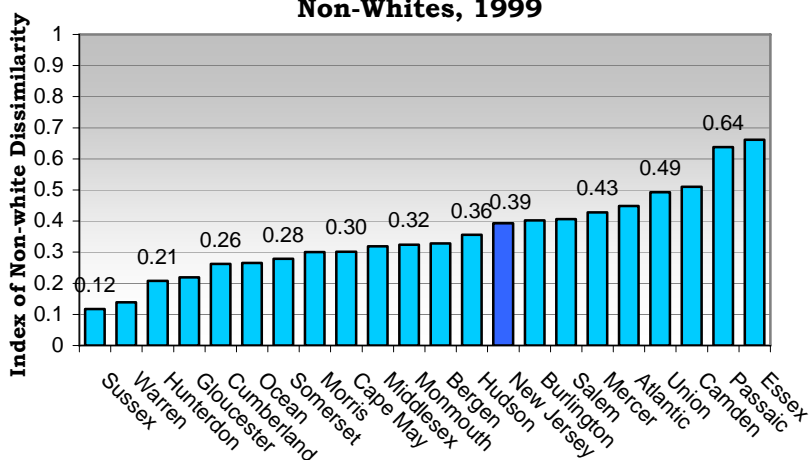
Figure 29: Percent of Population in Selected Towns in Essex County, New Jersey, by Race and Ethnicity, 1999



Source: Calculated from 2000 U.S. Census¹⁰

The dissimilarity index in Figure 30 provides another indication of the prevalence of racial segregation in New Jersey. It measures the share of persons in 1999 that would have had to move from one area to another in order to eliminate segregation.

Figure 30: Racial Dissimilarity Index, New Jersey, Non-Whites, 1999

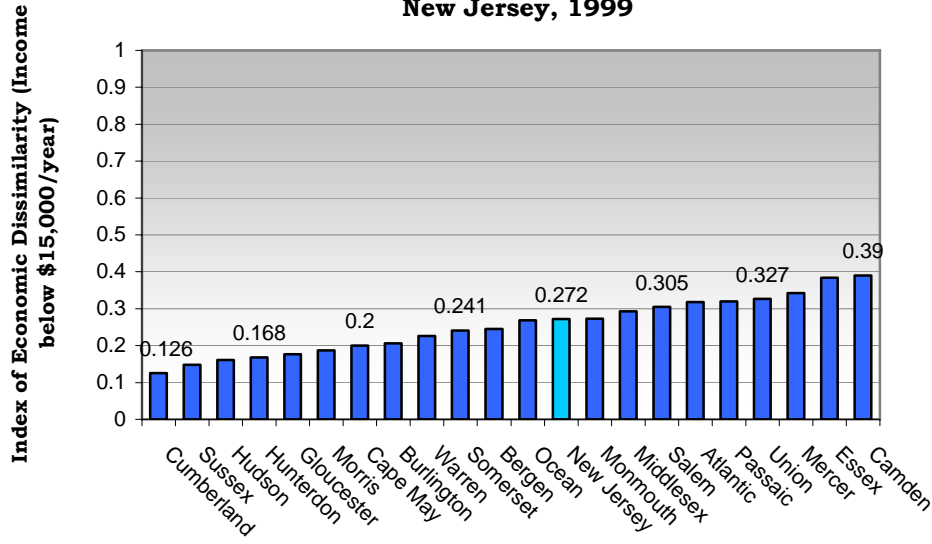


Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality. November 2003 "Monitoring the Healthcare Safety Net: Book 2. Data for States and Counties, Community Context." Data are from 2000 Census.

Overall, nearly forty percent of New Jersey’s non-white population would have to move in order that all area zip codes have an equal proportion of non-whites. While most of New Jersey’s counties have some degree of dissimilarity, there is a striking concentration in specific counties. Mercer, Atlantic, Union and Camden counties all have dissimilarity indices above 40 percent. Passaic and Essex are even above 60 percent, meaning the concentration of non-whites within selected areas of the county and parallel absence in other areas is so high that more than 6 out of every 10 non-white residents would have to move to achieve an equal white/non-white distribution across the county.

The following economic dissimilarity index in Figure 31 is similar, in concept, to the racial dissimilarity index except it measures the percent of families with low-incomes (\$15,000 or less a year) in a specific zip code and determines how many would have to move in order to eliminate economic segregation. In this sense, it measures the economic differences within a county and the degree of concentration of income groups within a particular area.

**Figure 31: Economic Dissimilarity Index,
New Jersey, 1999**



Source: U.S. Dept. of Health and Human Services, Agency for Healthcare Research and Quality. November 2003 "Monitoring the Healthcare Safety Net: Book 2. Data for States and Counties, Community Context." Data from 2000 Census.

Overall, 27 percent of all low-income families in the state would have had to move in 1999 in order to have an equal distribution across the state. Some of the counties with a low index might have had high concentrations of low-income families spread evenly across the county or they could simply have had few low-income families. For counties with high economic dissimilarity indices, the index suggests that low-income families were concentrated in one area of the county. Essex and Camden counties had indices of nearly 40 percent, suggesting that almost four out of every ten low-income families would have to re-locate to another part of the county in order to achieve full economic integration for the county. This degree of economic dissimilarity speaks to a strong separation of high-income and low-income families within the county. Both Essex and Camden Counties are distinguished by their relatively poor central cities and wealthier surrounding suburban rings.

VII. The Impacts of Poverty

The impact of poverty is widespread, affecting a family's ability to obtain medical care, a good education and other necessities, and to avoid material hardship. This section presents an analysis of the ways in which the experience of poverty translates to significant deprivations and hardships. The report explores data relating to basic human needs, including health care, housing, education, transportation, and access to assistance with income and nutrition needs. This section's data reveal a variety of correlations between income inadequacy and challenges in meeting basic needs. These include factors such as disparate access to social resources, inadequacy of available assistance, and indicators of negative outcomes for lower-income people. The consistent theme in the data is one of income-based disparities over a range of social indicators, suggesting the human consequences of the poverty trends uncovered in the preceding sections. Thus, assessing the state's progress in addressing poverty must include an analysis on the state's success in ameliorating or eliminating the deprivations linked to poverty.

A. Health Care

Great disparities emerge in the quality and access to health care of persons at different income levels. As essential as proper health care is to child development, adult well-being, and senior quality of life, it is often too expensive to afford. Poor families might rely on emergency room visits for their care or simply go without doctor's visits even though they need medical care.

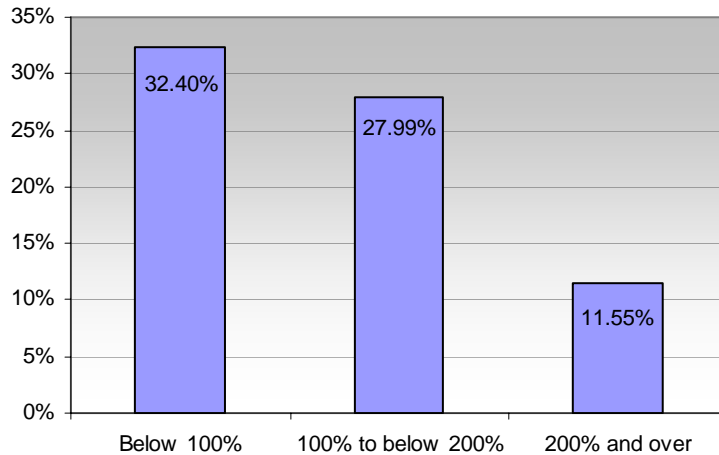
Consideration of health care among the disadvantaged is important due to the compounding effect of poverty and poor health. Research suggests that, "Poor health can be a cause of poverty, and poverty can occur as a consequence of ill health".¹¹ Indeed, while data on the topic is limited, many academics have associated inequities in health outcomes with social class.¹² That is, material conditions such as poverty, inadequate housing and constant exposure to air pollution underlie pervasive health inequities that particularly contribute to high mortality and morbidity rates among these populations.¹³ There is an increasing body of research that demonstrates a clear connection between poverty, poor quality of life and income inequality as a principal cause for poor health outcomes.¹⁴ In essence, the research illustrates that people with a higher socioeconomic status, especially the wealthy, tend to enjoy better health outcomes than people with a low socioeconomic status, poorer education and people who reside in deprived communities.¹⁵ Hence, those with low income lack the resources needed to experience better health thereby causing negative health outcomes.¹⁶

Health Insurance Coverage

Health insurance coverage is a key factor in the health care of the poor, because of its impact on access to regular, quality care. Overall, the degree of health insurance coverage among all New Jerseyans has decreased in the last few years, while the rate of uninsured persons has risen such that 15 percent of the state's residents lacked health insurance in 2005. Of persons living in poverty, the rates are much higher, as Figure 32 illustrates. Nearly a third of all persons living below the federal poverty line did not have health insurance coverage and over a quarter of persons between 100

percent and 200 percent of poverty went without insurance. Rates dramatically drop to less than 12 percent for persons with incomes over 200 percent of the federal poverty line.

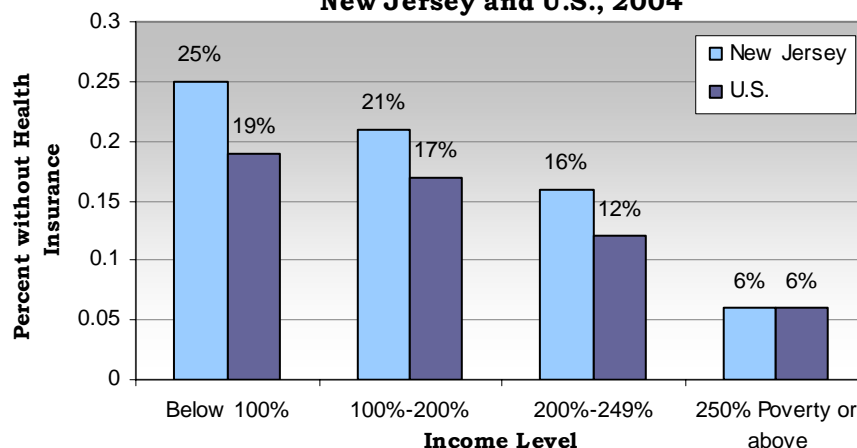
Figure 32: Uninsurance Rates by Level of Poverty, New Jersey, 2005



Source: Calculated from U.S. Census, 2005 Current Population Survey

Children are also much more likely to go without health insurance if they live below the true poverty rate, or 200 percent of the federal poverty line (see Figure 33). One out of every four children in New Jersey living below the poverty rate does not have health insurance—a rate six percent higher than the national average. The income disparity in access to health insurance for children decreases as we reach family income levels of 250 percent of the federal poverty line and above, where the rate of uninsured children drops to 6 percent and mirrors national trends.

Figure 33: Children, 17 or below, without Health Insurance by Poverty Level, New Jersey and U.S., 2004



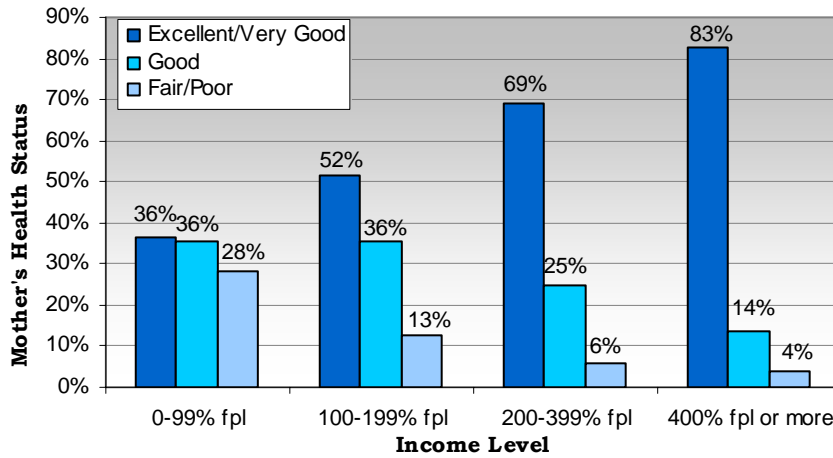
Source: 2005 Kids Count

Working age adults living in poverty, ages 19 to 64, are even more likely to go without health insurance coverage. Nearly half (48%) in 2004 were without any coverage at all and only 19 percent had employer-provided coverage.¹⁷

Health Status

While data regarding health insurance speaks to access to health care, indicators of health status speak more directly to the health disparities between income groups in New Jersey.

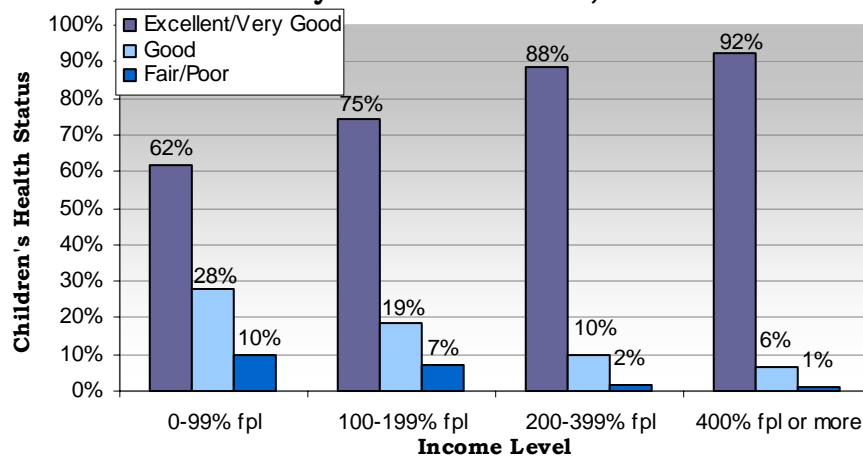
Figure 34: Mother's Health Status by Household Income, New Jersey, 2003



Source: National Survey of Children's Health, 2003

Health status reports on mothers and their children show fewer reports of excellent health among low-income families. Figure 34 shows that eighty-two percent of mothers with income above 400 percent of the federal poverty line report being in excellent health, while less than half of that rate report the same if they are living below the poverty line. Conversely, more than one in four mothers in poverty, and one in eight between 100 percent and 200 percent fpl, report fair to poor health, in contrast to less than four percent of mothers with incomes in the higher range.

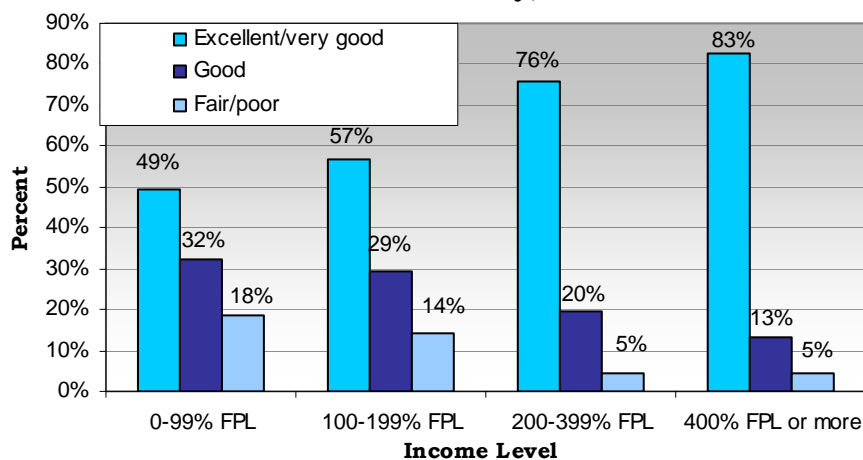
Figure 35: New Jersey Children's Health Status by Household Income, 2003



Source: National Survey of Children's Health, 2003

Similar patterns are evident in parents' reports of the health status of their children. Figure 35 illustrates a clear trend of increasing reports of excellent health as income levels rise. The opposite trend is evident for reports of good to fair health among children. Around 10 percent of families living below the federal poverty line report their child's health as fair or poor while only 2 percent say the same at 400 percent of the federal poverty line.

Figure 36: Children's Dental Health by Income, New Jersey, 2003



Source: National Survey of Children's Health, 2003

Dental care is an often overlooked component of overall well-being for many New Jerseyans. Reports on dental health among children follow similar trends as that of overall health (see Figure 36). More families living below the federal poverty line report a child's dental health as fair or poor (18%) while few families living at 400 percent of the federal poverty line (4.5%) report poor dental health. Alternately, less than half of families below 100 percent of the federal poverty line say their child's dental health is excellent while more than 80 percent of upper-income families say the same.

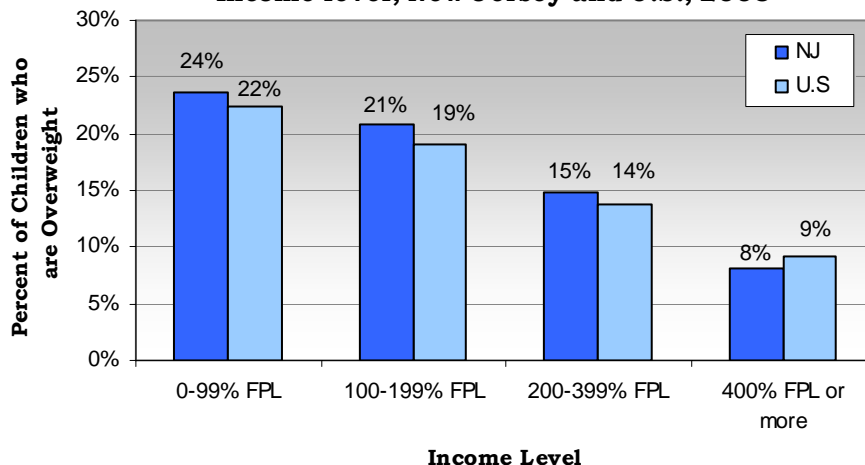
Older adults in New Jersey also fare poorly when it comes to dental health. One report found that between 61 and 70 percent went without private dental insurance. For those with Medicaid dental coverage, New Jersey scores poorly on reimbursement rates and coverage. The study graded states, and New Jersey's Medicaid coverage and reimbursement rates receive an overall grade of D, with an F grade for a number of procedures that are either not covered or have reimbursement rates below the tenth percentile of market rate¹⁸. When reimbursement rates are low for a public assistance program such as Medicaid, it creates a disincentive for dental health providers to accept patients with this coverage. Because Medicaid coverage is specifically aimed at persons with low-incomes, poor grades on dental health contribute to a growing disparity between low-income and upper-income older adults.

Health Conditions

Any number of health conditions can result when families do not get the proper health care necessary to intervene before a small health issue develops into a chronic problem. While it can be difficult to link specific health conditions such as diabetes or

cancer to poverty, there are higher rates of being overweight among poor children (see Figure 37), which may put them at risk of developing health conditions in the future. Research also has found that childhood obesity is frequently linked to poor nutrition, which carries additional negative health consequences.¹⁹

Figure 37: Percent of Overweight Children by Income level, New Jersey and U.S., 2003



Source: National Survey of Children’s Health, 2003

Health Outcomes

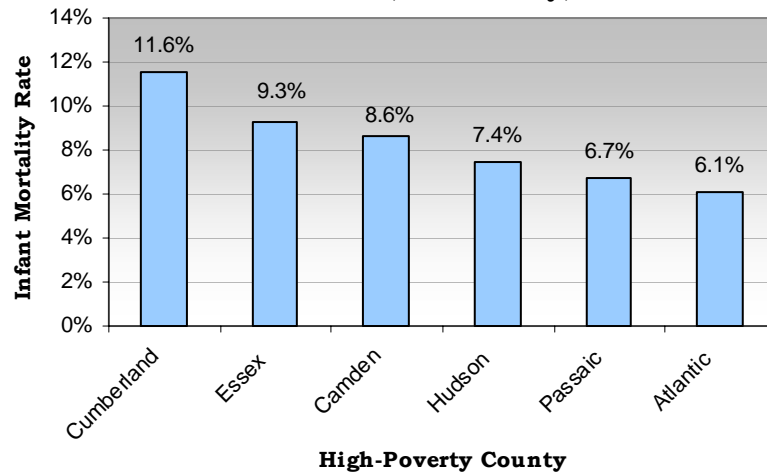
Health outcomes are those health conditions that might result from poor health care or lack of access to health care. While very few statistics are available by income level, the data available do suggest the consequences of not having good health care, which can result when a family can’t afford to pay for it.

For children born to families with fewer advantages, such as those with lower income levels, many are more likely to experience death at an early age. Indeed, infant mortality (the ratio of infant deaths to live births) has been found to be more than 50 percent higher for children born into families living in poverty than for those born outside of poverty. A different study also found that while poverty increases the risk of infant mortality, middle and upper-income families face fewer differences between their infant mortality rates.²⁰ This suggests that families in poverty face financial obstacles to reducing their risk of infant mortality, obstacles that can be bridged with adequate income.

Rates of prenatal care given to mothers in the first trimester are lower in New Jersey’s poorer counties and coincide with higher rates of infant mortality. The most recent data show that while women in Hunterdon, Morris, Warren, and Sussex Counties all had prenatal care in 1999 during the first trimester, for more than 82 percent of all mothers, Essex and Hudson County reported a rate of less than 69 percent. In Cumberland, Atlantic, Passaic, and Camden Counties, the rates of prenatal care were slightly higher—between 69 and 76 percent. Not surprisingly, infant and fetal mortality greatly increases when a pregnant woman does not have prenatal care. Nearly 31 percent of women without any prenatal care lost their child compared to around five percent of women receiving some prenatal care. Rates of fetal mortality

are even higher among women in New Jersey without any prenatal care, at 42.2 percent compared to around 6 percent for those receiving care in the first or second trimester.²¹

Figure 38: Infant Mortality Rate by Selected Counties, New Jersey, 2003



Source: Analysis of New Jersey Department of Health, 2003

Figure 38 reports infant mortality in selected counties.²² Infant mortality also varies by location within the state. The chart above illustrates the infant mortality rate for the six New Jersey counties with the highest true poverty rates. Cumberland Counties' rate of 11.6 percent is not only the highest in the state it is also nearly twice the national average. Moreover, it is comparable to rates in countries like Cape Verde, Samoa, and the Solomon Island, which are classified as some of the least developed countries in the world.²³ The Counties of Essex and Camden also have infant mortality rates above 8 percent.

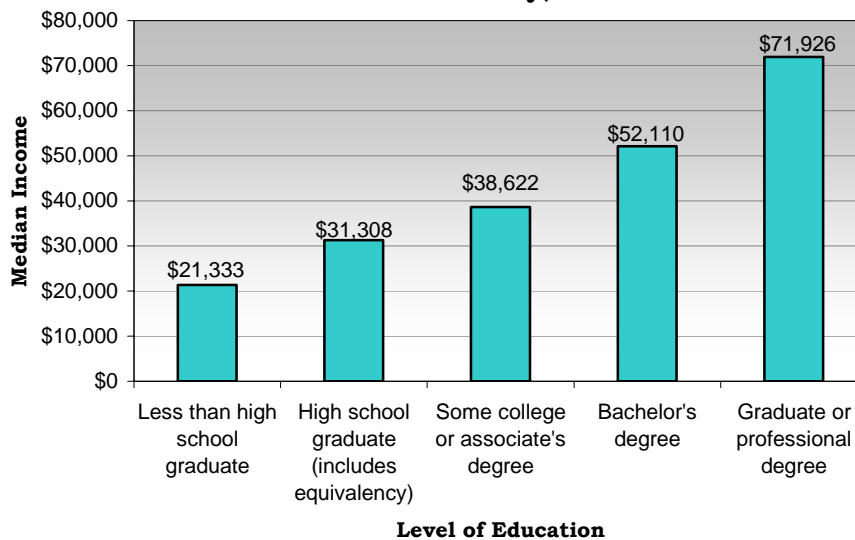
B. Education

Educational attainment provides the foundation for economic self-sufficiency. The ability to find and secure a good-paying job often corresponds to the level of education in an individual's background. Therefore, quality of education and progress in completing advanced education are important factors in avoiding or escaping poverty.

Education and Earnings

Figure 39 shows that level a group's level of education is directly proportional to median earnings. For example, adults with a graduate or professional degree in 2005 had median earnings 3.5 times that of their counterparts with less than a high school education.

Figure 39: Median Earnings by Educational Attainment, Adults 25 and Over, New Jersey, 2005

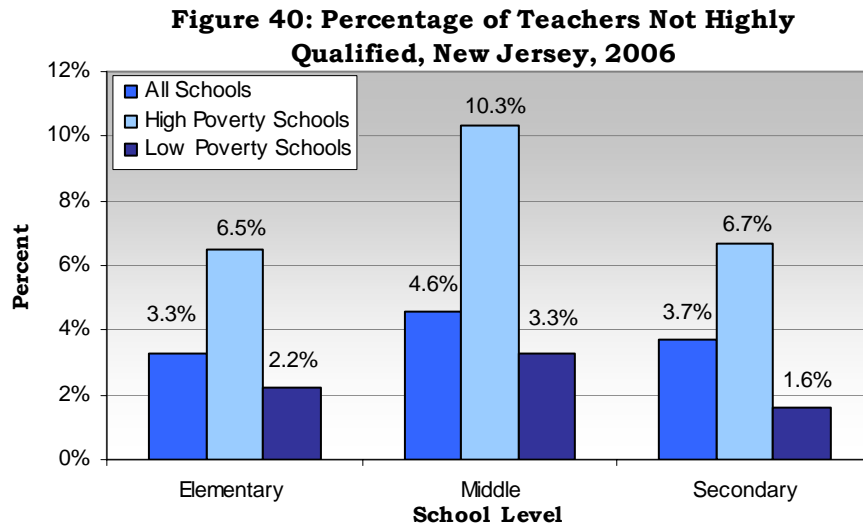


Source: Calculation from U.S. Census Bureau, 2005 American Community Survey

Individuals who have attained higher levels of education are less likely to live in poverty than are individuals with lower levels of education. Of those New Jersey adults living in poverty in 2005, over two-thirds, 70 percent, had a high school diploma or less; 18 percent had some college or an associate's degree; 8.5 percent had a bachelor's degree; and only 3.5 percent had a graduate or professional degree.²⁴

School Quality

Given the important role that education can play in eliminating poverty, it becomes imperative to assess the quality of New Jersey's educational system. Figure 40 details the percent of teachers not considered highly qualified who are teaching in all New Jersey schools, and, specifically, in high poverty and low poverty schools. Highly qualified teachers are those with at least a bachelor's degree that are fully certified or licensed, and that demonstrate competence in the core academic subjects that they teach. High poverty schools are defined as the 25 percent of schools with the largest share of students eligible for free or reduced-price lunch, while low poverty schools are those with the smallest share of such eligible students.



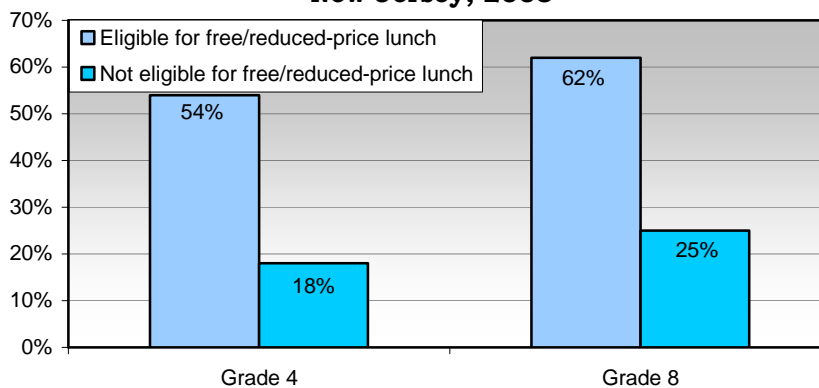
Source: Analysis of New Jersey Department of Education, 2006
www.nj.gov/njded/data/hqt/06/summary.htm

Figure 40 illustrates a clear disparity between high and low poverty schools. The New Jersey Department of Education reports that only slightly over 4 percent of New Jersey classrooms are staffed by teachers who are not considered highly qualified. In contrast, over 6 percent of classes in high poverty schools, regardless of grade, are taught by less than highly qualified teachers. Yet, one out of every ten classrooms within high poverty middle schools is staffed by a non-highly qualified teacher. In contrast, in low poverty schools only 2 percent of teachers are reported to be less than highly-qualified.

Educational Outcomes

A student's proficiency at school, from kindergarten to Grade 12, can shape their future decisions and opportunities to pursue further education as well as their preparation for the workforce. Factors such as living with poverty or in an area with a high degree of impoverishment can impact educational experiences. Figure 41 shows the results of fourth and eighth grade science proficiency exams for students that are eligible for free or reduced lunch programs and those that are not. Eligibility for free and reduced lunch programs is frequently an indicator that the student lives in poverty or in a household that faces material hardship.

Figure 41: Percent of students below Basic Proficiency in Science NAEP by Eligibility for Free/Reduced Lunch, Grades 4 and 8, New Jersey, 2005



Source: The Nation's Report Card, National Assessment of Educational Progress, 2005

A clear disparity is evident between students receiving free and reduced-price lunch and those that do not. Over half of fourth-graders receiving free and reduced-price lunch scored below 'basic' proficiency, while less than 20 percent of their higher-income counterparts did. Additionally, 62 percent of eighth graders in need of free or reduced-price lunch scored below basic proficiency, while only a quarter of those that do not receive free or reduced-price lunch scored at the same level.

Another way to examine the relationship between poverty and educational outcomes involves analyzing school districts. New Jersey's Department of Education has created an identification system called District Factor Groups (DFG), which is used to categorize a school district's socioeconomic status. The DFG system ranks school districts by six criteria and uses the district 'score' on these different criteria to assign it into one of eight categories. The criteria used to calculate a district's score are 1) percent of adults with no high school diploma, 2) percent of adults with some college education, 3) occupational status, 4) unemployment rate, 5) percent of individuals in poverty, and 6) median family income. District categories range from A (with the lowest socioeconomic status) to J (with the highest socioeconomic status). Figure 42 shows the district factor groupings and the number of districts in each group.

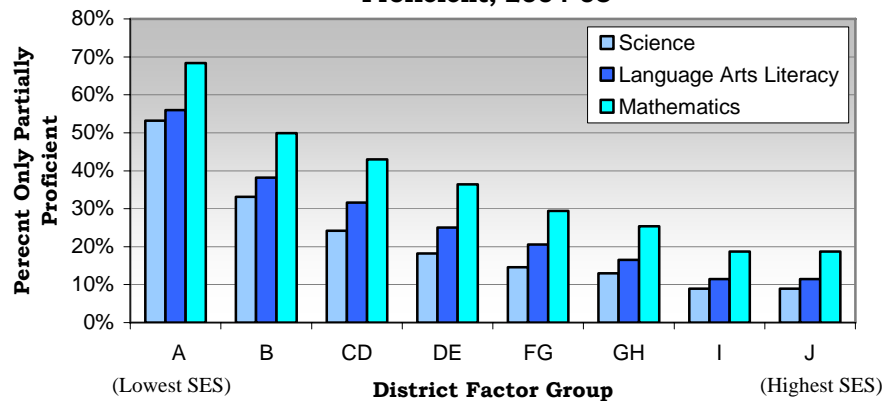
Figure 42: Number of District Factor Groups in New Jersey, 2000

DFG	# Districts
A (lowest)	39
B	67
CD	67
DE	83
FG	89
GH	76
I	103
J (highest)	25

Source: Analysis of New Jersey Department of Education, 2000

Figures 43 and 44 show the percent of students in each district factor group that scored ‘partially proficient’ on the required examinations taken by all New Jersey students in grade eight and in high school. They illustrate a strong, positive relationship between socioeconomic status and educational outcomes.

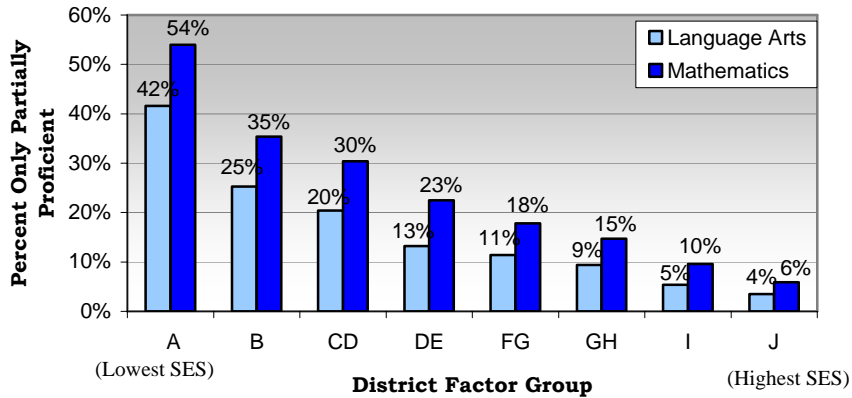
Figure 43: Grade Eight Proficiency Assessment by Socioeconomic Status: Percent scoring Partially Proficient, 2004-05



Source: Calculation from N.J. Department of Education, N.J. School Report Card, 2004-05

Students in the most disadvantaged school districts (district factor group A), and somewhat less disadvantaged districts (district factor group B), have higher rates of poor performance than the socioeconomically most advantaged school districts (district factor groups I and J). Similar trends are evident in both eighth grade and high school proficiency exams.

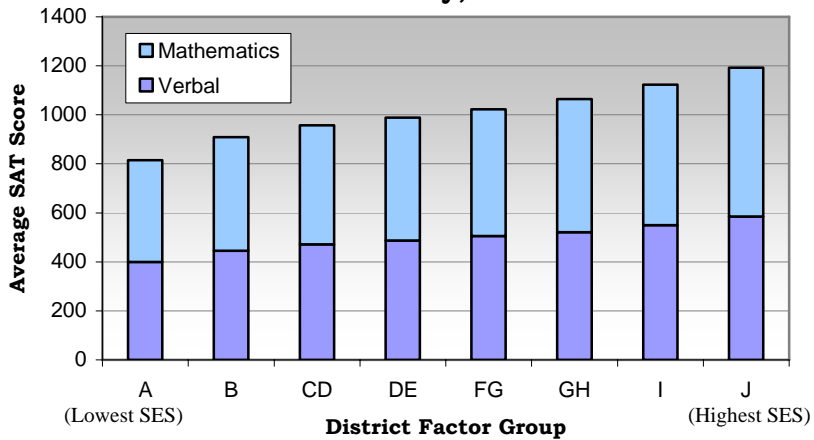
Figure 44: High School Proficiency Assessment by Socioeconomic Status: Percent of students scoring Partially Proficient, 2004-05



Source: Analysis of N.J. Department of Education, N.J. School Report Card, 2004-05

The same trend emerges for SAT scores (see Figure 45). Students within lower socioeconomic status districts score less well than their counterparts in higher ranked DFGs. The average combined verbal and mathematics score in J districts is almost 50 percent higher than the average score in A districts. Overall, there is a clear trend of higher SAT scores as the socioeconomic status of the school district increases.

Figure 45: SAT Score by Socioeconomic Status, New Jersey, 2004-05



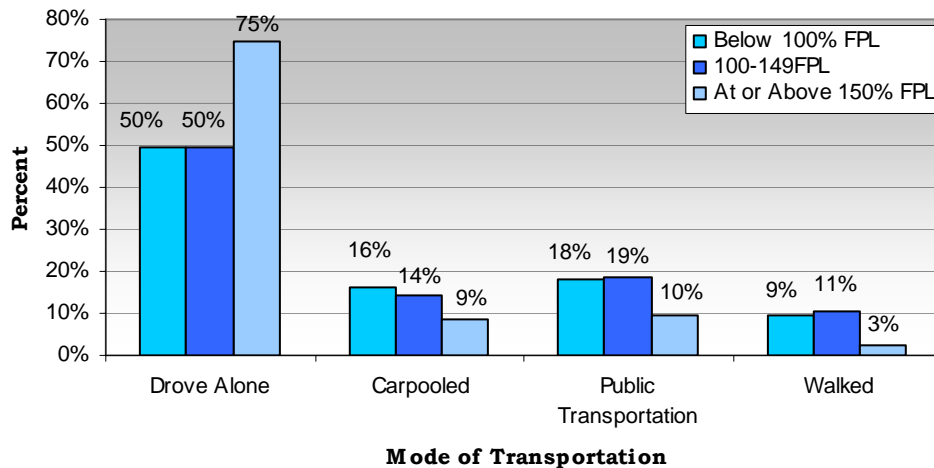
Source: Analysis of N.J. Department of Education, N.J. School Report Card, 2004-05

C. Transportation

The ability to get to work in a regular and timely manner requires the use of a reliable transportation method. For many, this means having a car. Figure 46 assesses the means of transportation to work by level of poverty. While nearly three-quarters of persons at or above 150 percent of the federal poverty line drive a car alone to work, less than half of persons below that income level do the same. It is likely that at least

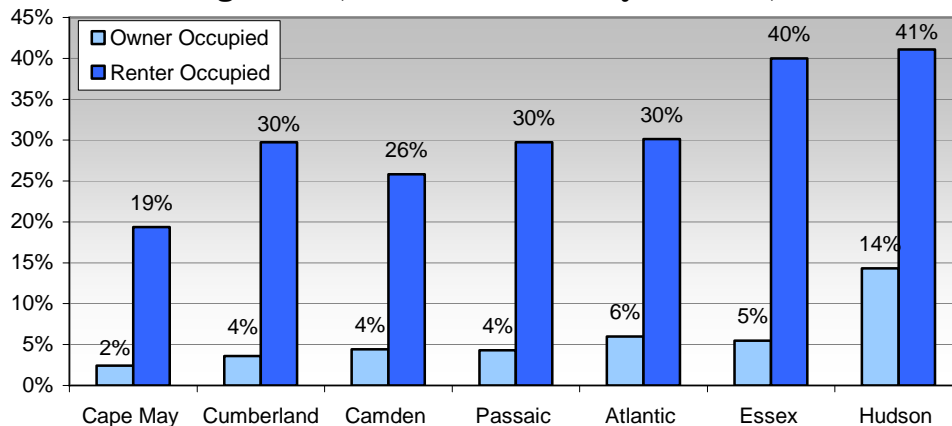
some of this difference in transportation mode is due to factors other than an individual's income level. People with cars will often choose to carpool or take public transportation. They may even walk to workplaces that are close to home. Nevertheless, the dramatic differences in solo car usage by income level suggest that more low-income workers must rely on public transportation, carpooling, or walking while those with more disposable income can choose to drive alone.

Figure 46: Means of Transportation to Work by Poverty Status, New Jersey, 2005



Source: Calculation from U.S. Census Bureau, 2005 American Community Survey, Taxicabs, Motorcycle, Bicycle, and Worked at home categories are excluded from this analysis.

Figure 47: Percent of Persons Not Owning a Car by Housing Tenure, Selected New Jersey Counties, 2005



Source: Calculation from U.S. Census Bureau, 2005 American Community Survey

Figure 47 above shows the percent of persons in New Jersey's seven highest poverty counties who do not own a car, based on whether or not they rent or own their housing units. While home ownership is an imperfect measure of income, people with the ability to purchase a home often have more income than people who rent. The statistics point to a significant disparity. In both Essex and Hudson Counties, both of

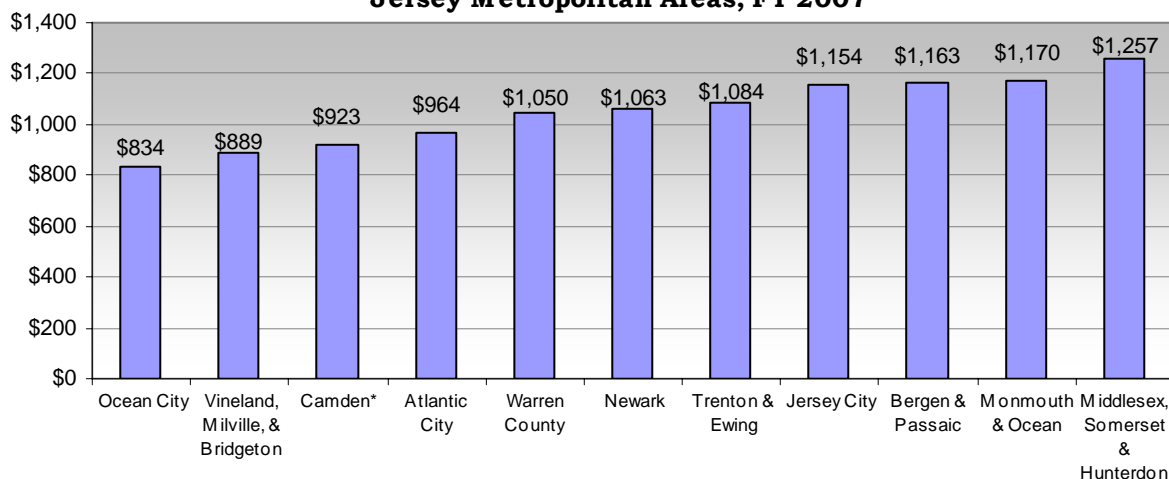
which have good public transportation, 40 percent or more of renters do not have a car while at least 85 percent of homeowners do. In the less urban counties of Atlantic, Passaic, Camden, Cumberland and Cape May, the disparity persists. In these counties, 19 to 30 percent of renters are without a car while only 2.4 to 6 percent of homeowners are without a car.

D. Average Housing Costs

Poverty leaves many New Jersey residents without the basic necessity of housing. In addition to housing segregation due to particularly high housing costs in parts of the state, the overall supply of safe, decent, affordable housing is limited for all.

The federal Department of Housing and Urban Development (HUD) determines a “Fair Market Rent” for all Metropolitan areas in the nation every year. These rents provide a guideline for the cost of rent within the state by estimating the rental cost of moderate, non-luxury units at the 40th percentile rate, meaning that 40 percent of units rent for lower monthly rents and 60 percent of units charge higher rents.

Figure 48: Fair Market Rent for a 2 Bedroom Rental Unit in New Jersey Metropolitan Areas, FY 2007



Source: Schedule B—FY 2007 Final Fair Market Rents for Existing Housing
 *The Camden county figure includes Philadelphia city and Wilmington, MD.

As Figure 48 illustrates, fair market rents for a two-bedroom apartment in New Jersey range between \$834 and \$1,257 a month in New Jersey metropolitan areas. For many low-wage workers and low-income families rents at this level remain out of reach. For example, an individual in Camden County would have to work nearly 100 hours a week at the minimum wage to afford this rent. A minimum wage worker in Hunterdon, Somerset, or Middlesex would have to work nearly 130 hours a week to afford a two-bedroom apartment at the fair market rent in any of these counties (see Figure 49).

Figure 49: Hours of Work Per Week at the Minimum Wage to afford 2 bedroom Fair Market Rent by HUD Region, FY2007

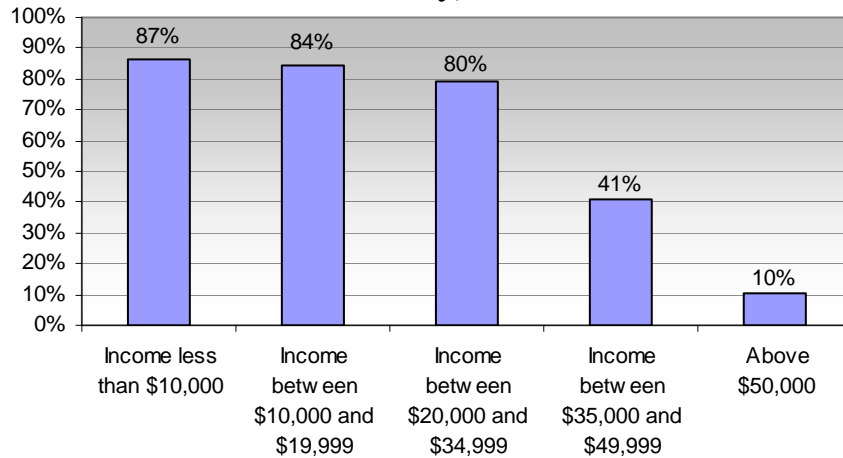
Location	Hr/Wk	Location	Hr/Wk	Location	Hr/Wk
Ocean City	87	Atlantic City	101	Jersey City	121
Vineland, Milville,		Warren County	110	Bergen, Passaic County	122
Bridgeton City	93	Newark City	112	Monmouth, Ocean County	123
Camden County	97	Trenton City	114	Middlesex, Somerset, Hunterdon County	132

Source: Analysis of Schedule B—FY07 Fair Market Rents for Existing Housing (at min. wage of \$7.15)

Housing Cost Burden

As a result of the high cost of renting, many renters in New Jersey are cost-burdened according to federal standards, meaning they pay more than 30 percent of their income toward their rent. As Figure 50 shows, renters with low incomes are more likely to be cost-burdened such that nearly 90 percent of renters making less than \$10,000 are cost-burdened. Renters with incomes above \$50,000, however, are far less likely to be cost-burdened and only 10 percent pay more than 30 percent of their income in rent. These figures are all the more compelling when relative income strain is considered. For families with very low incomes paying more than the recommended 30 percent of income for housing can severely strain an already tight budget. This cuts into the remaining 70 percent of household income that is already inadequate to meet all other basic needs.

Figure 50: Percentage of Cost-Burdened Renters, New Jersey, 2005

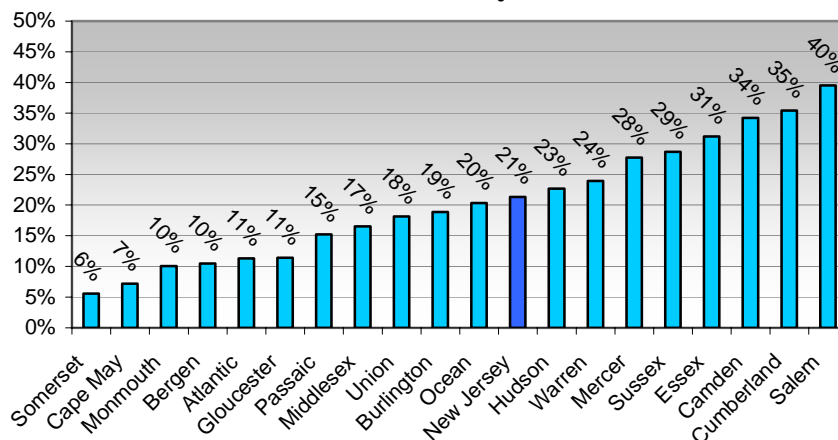


Source: Calculation from U.S. Census Bureau, 2005 American Community Survey

E. Public Assistance

Public assistance provides an often much-needed safety net for families living in poverty and struggling to get by. However, as Figure 51 demonstrates the majority of families in poverty do not rely on public cash assistance such as welfare or SSI.

Figure 51: Percent of Poor Families Receiving Public Assistance: Cash Public Assistance or SSI, 2005, New Jersey



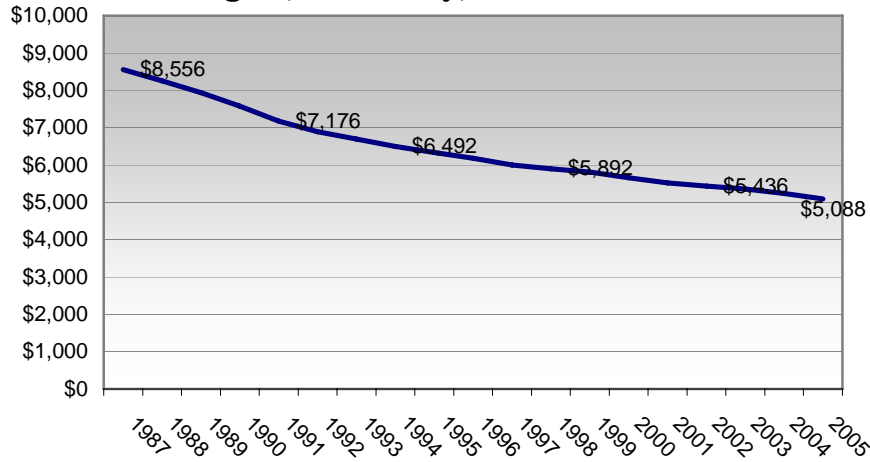
Source: Calculation from U.S. Census Bureau, 2005 American Community Survey

Additionally, rates of persons in poverty using public assistance differ by county. In the seven high-poverty counties between 11 percent and 35 percent of those living in poverty receive either SSI or cash public assistance (TANF). Clearly, most people living in poverty do not receive state assistance from these programs.

Of those that do rely on public assistance, some count on what is commonly known as welfare. In 1996, welfare to low-income families dramatically changed from a cash-based entitlement program to a work-centered program called Temporary Assistance to Needy Families at the national level and Work First New Jersey (WFNJ) within the state. WFNJ is focused on providing temporary cash benefits to help move recipients into employment, and recipients deemed able to work are required to participate in work activities or employment to receive benefits.

The level of cash assistance provided through welfare is far below the federal poverty line. Welfare grant levels have remained static since 1987 with a maximum grant award of \$424 per month for a family of three. Figure 52 provides the annual amount that a family could receive with the maximum welfare grant over time as an inflation-adjusted figure.

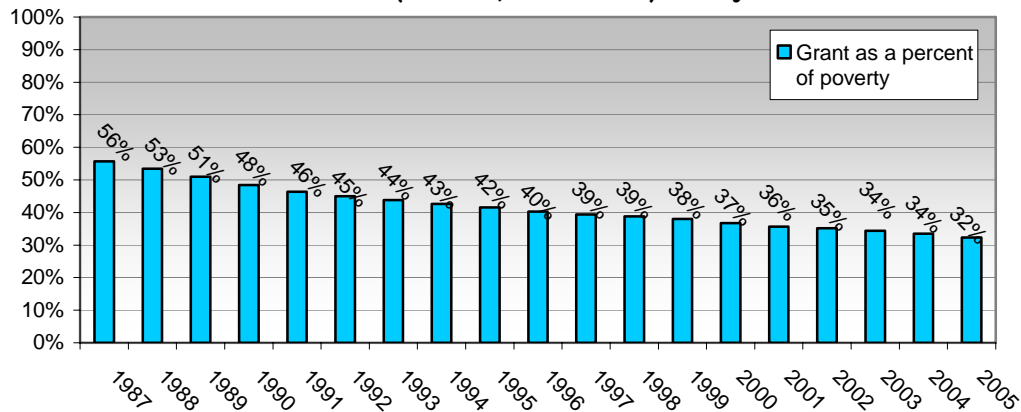
Figure 52: Maximum welfare grant as an annual figure, New Jersey, in 2005 dollars



Source: Analysis of 2004 Green Book, Ways and Means Committee and N.J.A.C. 10:90-3.3

It is clear that, in real dollars, the welfare grant amount is declining. At the same time, poverty thresholds, which are adjusted for inflation, track inflationary changes within the economy. This results in a growing gap between what a family of three can afford on welfare and the poverty line, making it all the more difficult to escape poverty.

Figure 53: Maximum Welfare Grant, inflation-adjusted, as a Percent of the poverty line, 1987 to 2004, 3-Person (1 adult, 2 children) family



Source: Calculation from 2004 Green Book, Ways and Means Committee, and U.S. Census Bureau, Poverty Thresholds.

Figure 53 charts both the welfare grant amount as a percent of the federal poverty line as well as the resulting (and growing) gap.

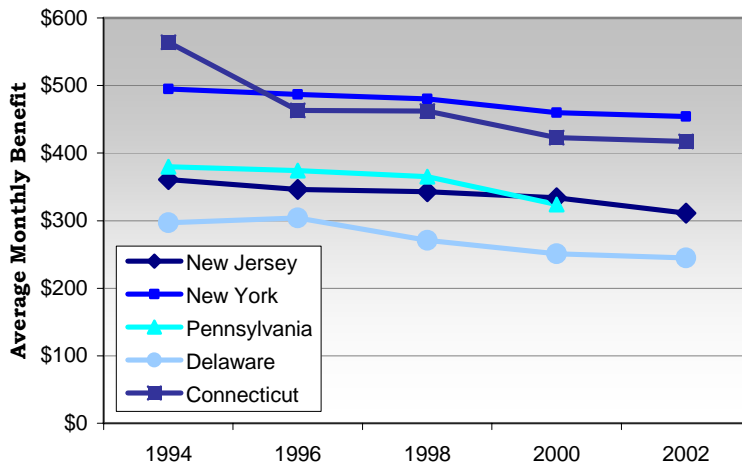
New Jersey is not alone in freezing its maximum welfare payment. The 1996 changes to the federal funding for welfare were so dramatic that almost one-half of all states chose to freeze benefits at 1996 levels. Twenty-five states did not change benefits between 1994 and 2003 and the inflation-adjusted value of TANF benefits fell by 18.3 percent over these nine years. Because New Jersey's maximum welfare grant amount

had already declined from its 1987 value, the inflation-adjusted value of TANF welfare benefits has fallen by 40.5 percent between 1987 and 2005.

Most of the other 25 states decided to increase benefits, but only six states increased the benefit amount significantly enough to raise the real (inflation-adjusted) value of benefits. Those states are Alabama, Louisiana, Maryland, Mississippi, West Virginia, and Wisconsin.

It is also useful to consider how New Jersey's welfare grant amount compares to that of other states in the region. Below is a comparison of the average monthly welfare grant amount in New Jersey, New York, Pennsylvania, Delaware, and Connecticut. The average monthly welfare grant can differ greatly from state to state because payments to persons on welfare differ depending on their current work situation, health status, and various other factors. The average grant levels in Figure 54 nevertheless provide a snapshot of the differences between the states.

Figure 54: Average Monthly Welfare Grant Amount, Northeastern States, 1994-2002



Source: Analysis of 2004 Green Book, Ways and Means Committee.

While New Jersey's average benefit has not declined as sharply as Connecticut's, nor has it dipped as low as Delaware's, the average benefit is still low compared to both New Jersey's cost of living and the average benefits in the two neighboring states with the highest costs of living (New York and Connecticut).

F. Hunger

The United States Department of Agriculture (USDA) tracks a condition known as food insecurity—the “limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods in socially acceptable ways”.²⁵ Data from the USDA (depicted in Figure 55) show that on average 8.1 percent of New Jersey households experienced food insecurity between 2003 and 2005. While New Jersey rates are lower than national averages, hunger and food insecurity are strikingly incongruous with the relative affluence of the rest of the state.

Figure 55: Percent of Food Insecurity, 2003-05 and 2000-02, U.S. and the region

	Food Insecure		
	Average 2000-02	Average 2003-05	Change 2000-02 to 2003-05
U.S.	10.8%	11.4%	0.6%
New Jersey	8.5%	8.1%	-0.4%
New York	9.4%	10.4%	1.0%
Pennsylvania	9.4%	9.8%	0.4%
Delaware	6.8%	6.6%	-0.2%
Connecticut	7.6%	8.2%	0.6%

Source: Mark Nord, Margaret Andrews, and Steven Carlson. 2005. "Household Food Security in the United States, 2005." USDA

Figure 55 also provides the food insecurity rates for other states in the region compared with the national average. While the region has lower rates of food insecurity than the national average they are still surprisingly high given how basic the need for appropriate amounts of food is. Furthermore, it is notable that all states and the nation (with the exception of Delaware and New Jersey) have seen increases in the percent of food insecurity from 2000-02 and the 2003-05 average.

In order to make ends meet, many New Jerseyans rely on a patchwork of emergency food assistance program across the state. In 2005, over 500,000 persons relied on food from an emergency food provider in New Jersey. At the main food bank in Philadelphia and South Jersey, they estimate serving over 100,000 persons each week.²⁶ New Jersey's largest food bank—Community FoodBank—distributed over 23 million pounds of food in 2005. In fact, the Statewide Emergency Food and Anti-Hunger Network reports that food assistance recipients used food pantries an average of 14 times in 2005, illustrating a need for food assistance on a regular basis.²⁷ They also report a 125 percent increase in New Jersey residents served by food pantries between 1999 and 2005.²⁸

Some of the most vulnerable populations are more susceptible to food insecurity and hunger. Of those U.S. households with children under six, almost one in five (18.5%) suffer from food insecurity, as do about one-third (33 %) of female-headed households. Of poor households, nearly 40 percent (36.8%) are food-insecure. African-Americans and Hispanics are also more likely to experience food insecurity, with rates of 23.7 percent and 21.7 percent, respectively.²⁹ Working families also faced difficulties. In 2003, almost one in three food stamp participants (28.3%) lived in a household in which at least one member was working.³⁰

The food stamp program is one source of assistance to persons struggling to afford the food they need. Figure 56 details the participation rates among all persons eligible for Food Stamps with particular detail regarding the working poor.

Figure 56: Food Stamp Participation Rates, for Eligible Population including the Working Poor, U.S. and the Region, 2002, 2003

	Food Stamp Participation Rate		Food Stamp Participation for Working Poor	
	2002	2003	2002	2003
U.S.	54%	56%	45%	47%
New Jersey	45	47	27	33
New York	51	48	41	42
Pennsylvania	53	54	52	55
Delaware	50	53	42	46
Connecticut	56	53	41	44

Source: Castner and Schirm. November 2005. "Reaching Those in Need: State Food Stamp Participation Rates in 2003." USDA Food and Nutrition Services. Castner and Schirm. April 2006. "State Food Stamp Participation Rates for the Working Poor in 2003." Mathematica Policy Research for USDA Food and Nutrition Services.

Food stamp participation rates both overall and among the working poor, are strikingly low in New Jersey compared to the national average as well as the region. This suggests that New Jersey families in need of assistance with the cost of food are not receiving the assistance they need.

VIII. Glossary of Meanings for Frequently Used Terms

Disparity: The relative inequality between population groups in relation to socially significant resources or benefits, including income and wealth, social advantage, and community resources.

Income inequality: A particular and detrimental form of social disparity that divides segments of the population according to financial means, with attendant social consequences.

Income Inadequacy: An income level at which a family is unable to meet their basic needs.

Severe Poverty: A poverty level is considered severe when the individual or family's income is below 50% of the fpl.

The Poverty Gap: The amount by which the incomes of poor families or individuals fall below the federal poverty threshold for their family size.

Levels of Poverty: A way of describing different degrees to which family or individual incomes are inadequate to meet the cost of meeting basic living needs. Levels of poverty range from "true poverty" (200% fpl) which approximate an income level minimally below the real cost of living, to "official poverty" as defined by the Census, to "severe" poverty which represents a dramatic income inadequacy situation.

Family: Also referred to as 'family household' by the U.S. Census. Defined as a householder and one or more people living together in the same household who are related to the householder by birth, marriage, or adoption—it may also include people not related to the householder.

Household: A person or group of people who occupy a housing unit.

Appendix 1: Child Poverty

Child Poverty Rate by County, 2005 (Figure 16)	
	<i>Percent of Child Poverty</i>
Atlantic	9.7%
Bergen	6.6%
Burlington	5.4%
Camden	18.7%
Cape May	12.2%
Cumberland	16.8%
Essex	19.1%
Gloucester	7.1%
Hudson	25.0%
Hunterdon	1.0%
Mercer	11.7%
Middlesex	9.2%
Monmouth	8.6%
Morris	2.8%
Ocean	11.0%
Passaic	20.0%
Salem	17.2%
Somerset	3.2%
Sussex	3.9%
Union	14.2%
Warren	4.7%

Appendix 2: Poverty Rate

Official Poverty Rates throughout the state, 2005 (Figure 25)	
	<i>Percent below Poverty</i>
Atlantic	8.9%
Bergen	5.5%
Burlington	4.6%
Camden	12.4%
Cape May	7.4%
Cumberland	12.6%
Essex	14.7%
Gloucester	6.7%
Hudson	16.5%
Hunterdon	1.4%
Mercer	8.5%
Middlesex	7.8%
Monmouth	6.0%
Morris	2.9%
Ocean	7.4%
Passaic	14.6%
Salem	10.0%
Somerset	3.6%
Sussex	4.4%
Union	8.9%
Warren	4.7%

Appendix 3: Median Household Income

Median Household Income throughout the state, 2005 (Figure 26)	
	<i>Median Household Income, 2005</i>
Atlantic	\$50,377
Bergen	\$71,394
Burlington	\$69,042
Camden	\$53,511
Cape May	\$51,744
Cumberland	\$46,064
Essex	\$49,460
Gloucester	\$64,484
Hudson	\$44,440
Hunterdon	\$93,342
Mercer	\$64,657
Middlesex	\$68,080
Monmouth	\$74,798
Morris	\$84,010
Ocean	\$52,065
Passaic	\$51,016
Salem	\$53,139
Somerset	\$88,532
Sussex	\$74,420
Union	\$62,591
Warren	\$60,825

Appendix 4: Real Cost of Living, New Jersey, 2005

Self-Sufficiency Standard: The Real Cost of Living in New Jersey, 2005 (Figure 27)	
	<i>3-Person Family (One Adult, One Preschooler, and One Schoolaged child)</i>
Atlantic	\$36,547
Bergen	\$47,763
Burlington	\$49,071
Camden	\$37,374
Cape May	\$39,099
Cumberland	\$39,295
Essex	\$39,975
Gloucester	\$45,695
Hudson	\$42,136
Hunterdon	\$53,530
Mercer	\$44,298
Middlesex	\$45,309
Monmouth	\$43,554
Morris	\$51,568
Ocean	\$47,044
Passaic	\$41,538
Salem	\$39,846
Somerset	\$54,435
Sussex	\$46,160
Union	\$40,628
Warren	\$43,319

Endnotes

¹ The Census Bureau produces a statistical figure denoting the degree of poverty based on family size, called poverty thresholds. Different government benefit programs use a simplified version of the Census Bureau formula, called poverty guidelines, to determine whether an individual is eligible for certain government benefits. Many use a multiple of the 100 percent of FPL figure. For this report, we used the Census Bureau calculation as the federal poverty line.

² Ziliak, James P. September 2003. "Filling the Poverty Gap, Then and Now." Department of Economics and UK Center for Poverty Research, University of Kentucky.

³ The "official poverty rate" comes from a U.S. Census Survey called the Current Population Survey (CPS), which has the most thorough income and poverty calculations of the survey done by the Census. Unfortunately, the CPS has a much smaller sample size on a year to year basis. For this reason, we use the American Community Survey (ACS) survey to provide analysis of smaller geographic areas and uses a larger sample size.

⁴ The Self-Sufficiency Standard provides a detailed analysis of the real cost of living for families based on the age of children as well as their geographic location. This calculation estimates an average cost of living in the state for a 3-person family with one-adult, one preschooler, and one schoolaged child but it should be noted that the standard is best used to determine the cost of living for a specific family in a specific location and not in this generalized fashion.

⁵ The Average Family Income Deficit figure is calculated by dividing the aggregate family income deficit by the number of families within each family type using charts B17010 and B17011 of the 2005 American Community Survey. It is not a statistic independently calculated by the Census Bureau.

⁶ Source: U.S. Census Bureau, 2005 American Community Survey, Table B17010 and B17011

⁷ Center on Budget and Policy Priorities: The CBPP data provides an assessment of how families in different income levels have fared over the past three decades during the 1980's, 1990's, and early 2000's. These time periods coincide with similar periods in the economic cycle, namely during economic recession. All families are ranked by family income, and divided into quintiles, with each containing the same number of persons. The average income of families in each quintile is then calculated for each of the three time periods. The CBPP compiles income data from the Bureau of Census Population Survey and additional data from the Census Bureau to construct a more comprehensive measure of income than that used in the Gini coefficient calculation, which accounts for the impact of the federal tax system (including the Earned Income Tax Credit), cash value in Food Stamps, subsidized school lunches, housing vouchers and income from capital gains. The incomes are adjusted for inflation and expressed as their value in 2002 dollars.

⁸ Cape May county calculations do not provide a large enough sample size such that an accurate analysis is possible.

⁹ Evans, Tim. July 2003. "Realistic Opportunity? The Distribution of Affordable Housing and Jobs in New Jersey." New Jersey Future.

¹⁰ Racial and Ethnic compositions for these selected towns was calculated by subtracting persons with Hispanic/Latino ethnicity from calculations of persons by their racial identification in the 2000 Census. This was done in order to avoid double-counting of any individuals while also providing a portrait of both the race and ethnicity of town residents in 1999.

¹¹ Hofrichter, R. 2003. The Politics of Health Inequities: Contested Terrain in Hofrichter, R. (eds.) Health and Social Justice: Politics, Ideology and Inequality in the Distribution of Disease. Pg. 17 San Francisco, CA. John Wiley & Sons, Inc.

¹² Kawachi, I., Kennedy, B.P. and Wilkinson, R.G. (eds). The Society and Population Health Reader, Vol. 1: Income Inequality and Health. New York: New Press, 1999.

¹³ Kawachi et al. 1999

¹⁴ U.S. Department of Health and Human Services. Health, United States, 1998: Socioeconomic Status and Chartbook. Washington, D.C.: U.S. Government Printing Office, 2000.

¹⁵ Smith, D. and et al. (1998). "Individual Social Class, Area-Based Deprivation, Cardiovascular Disease Risk Factors, and Mortality: The Renfrew and Paisley Study." Journal of Epidemiology and Community Health, 52, 399-405.

¹⁶ Hofrichter, 2003.

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¹⁸ Oral Health America. September 2003. "A State of Decay: The Oral Health of Older Americans."

¹⁹ Food Research and Action Center. October 2005. "Obesity, Food Insecurity and the Federal Child Nutrition Programs: Understanding the Linkages."

²⁰ Annie E. Casey Foundation, Kids Count, www.aecf.org/kidscount/databook/summary/summary4.htm

²¹ New Jersey Department of Health, 2003. Table IF2.

²² Infant mortality data in Cape May, Gloucester, Hunterdon, Salem, Somerset, Sussex and Warren are too small to calculate an infant mortality rate.

²³ This classification is carried out by the United Nations, which uses indicators like income, nutrition, health, education, and adult literacy to perform its calculation.

²⁴ U.S. Census Bureau, 2005 American Community Survey

²⁵ Bickel, Gary, Mark Nord, Cristofer Prices, William Hamilton, and John Cook. Marcy 2000. "Guide to Measuring Household Food Security, Revised 2000." U.S. Department of Agriculture, Food and Nutrition Services.

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