

# NEWS RELEASE

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**EMBARGOED FOR RELEASE AT 12:01 A. M., SUNDAY, JULY 29, 2012**

July 26, 2012

## **NEW LEGAL SERVICES STUDY SHOWS NEW JERSEY RICH GET RICHER, POOR POORER**

EDISON – When the proverbial money pie depicting the distribution of income in New Jersey during the past decade finally was divided, the rich gained by far the biggest helping, while most others in the state wound up with slim pickings – if even that.

That’s essentially the finding of a new study of income inequality in the Garden State which shows that money went to the moneyed in big chunks, making the gap between the rich and virtually all others wider than at any time since perhaps the Great Depression of the 1920s. The divide is even more pronounced when wealth – property and other holdings – becomes the focus.

As in the nation and other countries, the rich in New Jersey have been getting richer and the poor poorer. Those in-between hardly budged during the first decade of the 21st century.

The new study, conducted by the Poverty Research Institute of Legal Services of New Jersey and entitled “Income Inequality in New Jersey: The Growing Divide and Its Consequences,” found the distribution of income between 2000 and the end of 2009 was heavily one-sided, with more than three quarters of the income gains going to the well-to-do in just 20 percent of the state’s households. That left little for everyone else, and some backtracked.

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Significantly, more than a quarter of the gains went to just the top or richest one percent of the populace – an estimated 75,000 people living in households with incomes of at least \$570,000. On the other end, those in the 40 percent of the state’s households with incomes under \$34,300 – roughly 3 million people – actually saw their incomes take a hit during the decade.

Today’s report represents the first-ever study focusing on the depth and repercussions of the ever-widening divide between the haves and have-nots in New Jersey and suggests that, as new Census and other figures emerge, the gulf will be even wider. The first indication of this is that, despite a brief dip in the income inequality barometer during the Great Recession from December 2007 to June 2009, the gap between the haves and have-nots once again widened in 2010. And there already are forecasts by economic experts that, when the Census figures for 2011 are released in a few months, poverty will have increased in the nation to the highest level in some 50 years.

Citing the inherent importance of income inequality and the spinoff it can have on the impoverished, Legal Services president Melville D. Miller, Jr., announced that the non-profit organization will do annual studies of the issue and release such “inequality audits” to the public.

Said Miller, “Especially in a very high-cost state like New Jersey, income inequality and the increase of income and wealth in the highest fifth of households can be a major factor in driving the cost of living still higher, putting essentials further beyond the reach of those with lower incomes.”

Past Legal Services reports have noted that there are more than two million New Jerseyans living at or just beyond the federal poverty level.

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The new Poverty Research Institute report cites research and other studies highlighting the long-range adverse impacts of income and wealth inequality, including people and often their children being locked into lives of perpetual poverty and hard times. That is especially so for certain groups, especially for Blacks, Hispanics, people with lower levels of education, and female-headed households, notes Poverty Research Institute director Allan Lichtenstein, the study's primary author.

The study focuses on that projected vicious cycle, noting the extent to which such groups with already higher and expanding poverty increasingly account for those in the lowest income levels, and that “their standards of living may be headed for further decline, consistent with decreased opportunities for moving up and escaping the ranks of the impoverished.”

A recommendation of the study is that state government officials, before making policy decisions, first conduct an “income inequality impact review” to weigh the consequences of any change or new initiative.

The full study can be viewed at [http://www.lsnj.org/PDFs/Income\\_Inequality\\_in\\_NJ\\_2012.pdf](http://www.lsnj.org/PDFs/Income_Inequality_in_NJ_2012.pdf).

Replete with various graphs, the report divides the state into five income groups or quintiles of 20 percent.

In focusing not only on actual income increases or decreases in the last decade, it also takes a hard look at how the various income groups lined up in comparison to one another – the comparative share of income.

It states, “The entire increase in income inequality between 2000 and 2009 has come from an increase in the share of income held by households in the top quintile, while the income

shares for the bottom four quintiles declined. More specifically, when the top quintile is broken down into smaller components, it is, in fact, the top one percent of households that has reaped the bulk of the increase in income share.”

Here are some of the highlights of the study:

- The top quintile (households with incomes of at least \$132,000) pulled in 77 percent of all the additional income gained in New Jersey during the decade, while the income share of the bottom quintile (under \$27,300) and the next to bottom quintile (\$27,300 to under \$53,230) actually lost ground. The third quintile (\$53,230 to under \$85,500) had an 11 percent share of the income gain during the 10-year period, and the fourth quintile (\$85,500 to under \$132,000) a 14 percent share.
- Of the 77 percent gain for the top quintile, 27 percent – or more than a fourth – went to the top one percent in that grouping, 17 percent to the next four percent, 13 percent to the next five percent and 21 percent to the next ten percent.
- As income inequality increased, its impact was disproportionately higher for female-headed households, Blacks, Hispanics and people with high school diplomas or lower levels of education.
- During the decade, households headed by females emerged as the largest grouping within the bottom quintile. On the other hand, nearly 90 percent of those in the top quintile lived in married couple households.
- Although the numbers of Blacks and Hispanics in the state’s population increased, there were even greater proportionate increases in the percentage of Blacks and Hispanics in the bottom

or poorest quintile.

- Individuals with education levels no higher than a high school diploma or GED made up 65.5 percent of the poorest or bottom quintile. At the same time, those with associate’s, bachelor’s, graduate or professional degrees accounted for 63 percent of the top quintile.

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