

# NEWS RELEASE

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**EMBARGOED FOR RELEASE AT 12:01 A.M., SUNDAY, MAY 5, 2013**

May 5, 2013

## **NEW LEGAL SERVICES STUDY: HERE'S WHAT IT REALLY COSTS TO LIVE IN NEW JERSEY**

EDISON – A new study by Legal Services of New Jersey establishes what it really costs to live in the Garden State, and reports that more than one million workers, despite holding down full-time jobs, still are falling short – often well short – of meeting even bare-bone living needs.

The full text may be viewed at <http://www.lsnj.org/PDFs/RCL2013.pdf>

For the impoverished and those without jobs, it's even worse in a high cost of living state like New Jersey. For them, deprivation – trying to survive without adequate food and other necessities – is an unending struggle.

The just-released study found that a couple with two kids needs anywhere from \$64,000 to \$73,371 a year just to squeeze by in New Jersey, which ranks among the highest cost of living states in the nation, actually number one in housing costs. More specifically, the study, focusing primarily on four family sizes, calculated that the real or true cost of living on average for New Jerseyans in full-time jobs amounts to \$28,593 for a single adult, \$56,865 for an adult with two school-age children, \$64,238 for two adults with two school-age kids, and \$73,371 for two adults with two preschoolers. Below these levels, for the average households some deprivation of essentials for living will occur.

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The detailed analysis of what has been occurring in the last decade or so pinpoints an ominous trend in the Garden State: living costs have been escalating at the very time wages have been plummeting.

The study by the Legal Services of New Jersey Poverty Research Institute offers new insight into the nearly constant struggle for survival of many working New Jerseyans. Inherent in that finding is how they, even while holding full-time jobs, have to skimp or juggle just to meet basic needs, such as sufficient food, adequate heating of the home, enough funds for a medical care copayment, or even fixing a broken appliance. And the situation is even more precarious for households with at least one disabled worker.

About 25 percent of all full-time workers are falling below what it costs just to cover the basics of daily life – a roof over their heads, enough food on the table, child care while at work, transportation to the job – with nothing left over for any extras or even emergency repairs to the refrigerator or the clothes washer, according to the new report.

This is the fifth real cost of living study done by Legal Services over a 12 year period, from 1999 to 2011. The results show that the real cost of living, known as the RCL, has jumped dramatically – anywhere from 18.5 percent to nearly 30 percent. During the same dozen years, though, median wages fell by 4.4 percent.

“What we are seeing is that hundreds of thousands of people, even when holding down one and sometimes a second job, are still unable to keep up with rising living costs,” said Legal Services president Melville D. Miller, Jr. “Most are at best barely getting by – and the true costs of living cited in the study do not even take into account many extras, such as savings for college

or retirement, major purchases like a car, emergency costs, or even occasionally eating out or going to the movies. Sadly, just the cost of the basics is overwhelming for many New Jerseyans. And it's even harsher for the impoverished and the disabled.”

The report, entitled “The Real Cost of Living in New Jersey — What It Takes To Meet Basic Needs and Avoid Deprivation,” provides real cost of living figures for each of the Garden State’s 21 counties, with highs and lows varying widely based on location. The study utilizes what is widely viewed as the most comprehensive methodology for determining living costs, one that is the basis of studies done in 37 states, as well as the District of Columbia and New York City. The New Jersey study, done in conjunction with Dr. Diana Pearce of the Center for Women’s Welfare at the University of Washington in Seattle, who pioneered this line of research, lays out actual living expenses rather than utilizing generic or one-size-fits-all calculations often incorporated into other income shortfall barometers, such as the federal government’s table of numbers for defining poverty.

A key finding is that the RCL is much like a magnet, limiting where people can live and effectively dotting the state with pockets of poverty. The counties in New Jersey with the lowest living costs, on average, have the higher poverty rates, while the reverse is true for the counties with the highest living costs. The report says that raises “troubling questions” over the “possible interaction between cost and entrenched patterns of economic residential concentration.”

Six southern counties – Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem – are among the ten with the lowest living costs. At the same time, seven northern counties – Bergen, Mercer, Monmouth, Morris, Passaic, Somerset and Union – are among the ten most costly locations for basic living expenses.

While the study focuses on living costs for four different working family sizes, it also developed average costs for 70 family compositions in each of the 21 counties.

It finds that the minimum full-time pay needed in 2011 to meet the RCL averaged \$13.75 an hour for a single person, \$27.34 per hour for one adult with two school-age children, \$15.44 per hour for two adults (both working) with two kids in school, and \$17.64 per hour each for two working adults with two preschoolers.

There are considerably more than a million full-time workers in New Jersey earning less than \$13.75 an hour, the study notes.

To afford the real cost of living, for example, a New Jersey couple with two preschoolers would need employment that collectively paid about \$35 an hour or some \$1,400 a week, because the RCL for a family of that composition in the Garden State averages \$73,371.

From its number-crunching involving 70 family types, representing the vast majority of all family compositions, the study develops the following average cost of living threshold for each of the 21 counties:

Atlantic, \$51,395; Bergen, \$81,212; Burlington, \$70,224; Camden, \$58,966; Cape May, \$58,134; Cumberland, \$60,415; Essex, \$57,095; Gloucester, \$61,700; Hudson, \$55,432; Hunterdon, \$76,349; and Mercer, \$69,545.

Also, Middlesex, \$68,645; Monmouth, \$58,966; Morris, \$74,172; Ocean, \$69,857; Passaic, \$71,095; Salem, \$52,184; Somerset, \$58,966; Sussex, \$67,386; Union, \$70,483; and Warren, \$62,612.

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Generally, variations in housing and child care expenses are the key factors leading to RCL differences among counties.

For many workers costs – especially for housing, child care and food – are rising far faster than their paychecks or any incremental increases in income, according to the study. For New Jerseyans without jobs and those living in poverty, the situation is even graver: statistics show that increases in living costs between 1999 and 2011 have steadily outdistanced increases in the minimum wage and virtually all public assistance programs, such as welfare,, most of which showed no or only slight increases during the span.

The study notes that the findings could be useful in many ways, including as a “tool that policymakers may use to see the extent of income inadequacy in New Jersey and to evaluate public assistance amounts, wage levels, and antipoverty policies.”

It can also prepare people for the harsh realities of making ends meet from day to day in a state where costs are comparatively higher than in many other parts of the country, especially for housing. Applying the real cost of living to gauge income shortfalls makes the oft-cited federal thresholds for defining poverty seem grossly understated, because Washington uses the same cost estimates for all states except Hawaii and Alaska.

As set by Washington, the Federal Poverty Level (FPL) in 2011 was \$11,702 for a single person, \$18,123 for a family of three and \$22,811 for a family four. In comparison, the Legal Services study determined that the real cost of living in New Jersey for the four family sizes studied is anywhere from 244 percent to 322 percent higher than the FPL. By that measure, there are upwards of 2.5 million people in New Jersey living in poverty.

Take, for example, a woman with two school-age children in Monmouth County who has an income of \$27,000 from her full-time job. That amounts to nearly \$9,000 more than the \$18,123 federal authorities define as the poverty threshold for a family of three. Yet, dealing with the reality of living costs in Monmouth, she and the kids experience true poverty. She scrimps and cuts corners here and there just to meet her monthly rent and put enough food on the table for a day-to-day battle for bare-bones existence.

She and the kids are struggling for good reason. As the Legal Services study found, the real cost of living for a family of three in Monmouth County is \$66,240, which amounts to almost \$50,000 more than what the federal government classifies as poverty – and nearly \$40,000 more than the family’s income from the mother’s \$13-an-hour job.

The same working woman with two small children would need an income of \$50,687 in Essex County, \$54,709 in Middlesex, \$47,344 in Camden, \$68,549 in Bergen, \$55,038 in Ocean, \$45,861 in Hudson, \$53,701 in Burlington, \$61,820 in Passaic, and \$41,262 in Atlantic County.

Legal Services of New Jersey (LSNJ) heads the 47 year-old statewide Legal Services system of seven non-profit corporations providing free legal assistance in civil matters to low-income people in all twenty-one counties. LSNJ created the Poverty Research Institute (PRI) in 1997 to enhance public awareness of poverty’s scope, causes, consequences and remedies. LSNJ believes greater knowledge about poverty will help alleviate some of the legal problems of those living in its grasp, thereby serving LSNJ’s core mission of addressing those legal problems. PRI is the first and only entity exclusively focused on developing and updating information on poverty in the state.

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