

NEWS RELEASE

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LEGAL SERVICES STUDY FINDS ECONOMIC RECOVERY NOT STEMMING NJ INCOME INEQUALITY

EDISON – A new study reveals the income gap between the rich and poor in New Jersey has widened even further, with major social consequences, including the possibility that frustrations over long-standing income inequality may well be a factor fueling demonstrations and unrest in the aftermath of shootings in Ferguson, New York, Cleveland and elsewhere.

That’s one of the observations in the latest study on income inequality released today by the Poverty Research Institute of Legal Services of New Jersey (LSNJ), which says the spread between the haves and the have-nots in the Garden State is getting steadily bigger and shows no sign of abating. It signals that deep-seeded frustrations of those at the bottom of the income ladder — in New Jersey mostly blacks and Hispanics — when weighed against the relatively few numbers of people at the top — mostly Whites and some Asians — results in a “perceived and experienced sense of unfairness.”

In short, it explains. “Such sentiments can produce disequilibrium and dysfunction, and be presumed to add fuel to the post-Ferguson demonstrations across the nation.”

The study, “Income Inequality in New Jersey: The Growing Divide and its Consequences,” may be viewed in its entirety at <http://www.lsnj.org/PDFs/incomeinequality2014.pdf>.

Researched by Allan Lichtenstein and Shivi Prasad, co-directors of the Poverty Research Institute, the study paints a grim picture of the swath of income inequality in New Jersey, and documents how the rich getting richer and the poor even poorer has “worsened markedly” since the beginning of the century. Further, it reports that despite the economic recovery, the inequality gap in New Jersey actually has become even greater in the four years since the official end of the recession.

In fact, it found that only the most well-to-do — the top 20 percent of New Jersey’s households — have begun to experience a growth in income in the post-recession years. The other four fifths of the population have either taken a substantial hit or are barely holding steady.

Additionally, most of the gain for the top 20 percent, those with incomes of \$140,000 or more, actually has gone to just about five percent (those with incomes of \$265,000 and up) of the wealthy households. Other past studies have reported that the top one percent rake in most of the income gains, but reliable information on how that group currently stands is not available.

The study primarily breaks down household income growth in the state into five categories of 20 percent each. The differences are stark. The top percentile by the end of last year proved to be a virtual magnet, pulling in more than 51 percent of all the income in the entire state. At the same time, those at the very bottom percentile accounted for just 3.3 percent of all income.

LSNJ President Melville D. Miller Jr. stated. “There are no hard and fast studies conclusively pinpointing either benefits or disadvantages of continued income inequality, but there is little disagreement that wide scale inequality poses some threat to economic stability and growth, and significant negative consequences for individuals at the human level, especially regarding their quality of life.”

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Broadly quoting from the study, Miller noted, “In the aftermath of national reaction to police actions in Ferguson, New York City, Cleveland and other municipalities across the country, many seek to understand what led us there. Distinct from the particulars of specific police encounters, the outcries express a widely-shared sense of injustice and inequity, in a word, unfairness. Income and wealth inequity can serve as fairness indicators in the minds of those without resources. This sense of fairness constitutes the core why most Americans – and New Jerseyans – believe that inequality matters.”

Here are some key findings of the 40-page study:

- The gap between the top 20 percent of households and all other income groups has widened since the recession’s end.
- The two bottom household quintiles have seen a continuous decline in average and median income since 2009.
- Only the top quintile gained income since the end of the recession.
- The difference between the top and bottom rungs last year was larger than at any time since 2000.
- Since the recession, racial and ethnic disparities in income inequality have been increasing, with Blacks and Hispanics affected the most in comparison to white and Asian households.

The study contains numerous charts showing income disparity levels at different stages since the turn of the century. It notes that while there is a clear distinction between poverty and inequality, programs and policies aimed at reducing poverty likely will diminish inequality as well. In that regard, such anti-poverty programs in New Jersey should be given a new hard look.

Legal Services of New Jersey, located in Edison, heads a statewide system of regional, non-profit corporations which provide free legal assistance in civil matters to low-income people in all twenty-one counties of New Jersey. LSNJ created the Poverty Research Institute (PRI) in 1997 to assemble data and other information that would assist in its mission of providing civil Legal aid. Such information can pinpoint the location, demographics, and other aspects of poverty, helping fashion more effective and efficient legal responses and solutions. Periodically, as a public service, LSNJ publishes reports and statistics gleaned from this data to enhance public awareness of poverty's scope, causes, consequences, and remedies. Greater knowledge about poverty makes more likely public policy decisions that reduce its extent and effects, and thereby ultimately also serve LSNJ's core mission. PRI is New Jersey's first and only entity exclusively focused on developing and updating information on poverty in the state. Its work is supported, in part, by a grant from the Fund for New Jersey.

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