

# NEW JERSEY STATE AFL-CIO

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February 23, 2012

Dear Members of the Assembly Labor Committee:

### **RE: Support A-2162 (Oliver / Greenwald / Green / Johnson / Prieto / Wisniewski): Increases the Minimum Wage**

The New Jersey State AFL-CIO thanks Speaker Oliver and Majority Leader Greenwald and the other sponsors of this legislation for their leadership on this issue. The proposals put forth through A-2162 are modest, long overdue and when analyzed fairly, should not be controversial.

We would like to focus our comments on two issues – assessing the adequacy of the recommendation to increase the minimum wage to \$8.50 and the effect of increasing the minimum wage on the economy and jobs.

#### Is \$8.50 appropriate?

New Jersey's minimum wage, when ranked with only those states that have a cost of living equal to or above ours, has the second lowest minimum wage in the nation. Of the states with a cost of living higher than New Jersey's in 2011, only Hawaii did not have a higher minimum wage than New Jersey (Hawaii's is the same as New Jersey at \$7.25). All the other high cost of living states have higher minimum wages.

Overall, 19 states and the District of Columbia have higher minimum wages than New Jersey, yet 16 of them have a lower cost of living. One of them, Washington State, recently adopted a \$9.04 minimum wage – approximately 20% higher than New Jersey's.

Furthermore, the New Jersey minimum wage has failed to keep pace with all major components of the cost of living over the past twenty years, with these costs far outpacing the value of the minimum wage. Just since the last increase of 10 cents in 2009, the minimum wage, when compared to housing costs, had a difference of 7%, food was 10% higher, transportation was 15% higher, child care was 43% higher and health care was 36% higher. In summary, it has been calculated by Paul Osterman, a noted economist at the M.I.T. that the current minimum wage is lower, in inflation-adjusted terms, than it was in 1968. In order to keep up with inflation since that time, we currently would require an increase to \$10.39 – almost two dollars less than the proposal before you today.

However, perhaps the most startling statistic illustrating how inadequate New Jersey's minimum wage is that it equals only 55% of the "self sufficiency standard," a common barometer used to measure basic economic necessity. In summary, when measured against this index, any minimum wage worker trying to support a child is living in poverty according to federal government guidelines. A New Jersey employee working 40 hours a week, 52 weeks a year, earns \$15,080 a year, which after taxes is well below the national poverty line of \$14,570 per year.

*"The Voice for Working Families in New Jersey"*

Economic & Jobs Impact:

During this debate, we will hear a lot of information about how a minimum wage increase will affect jobs and the slowly recovering economy. Most economists understand that low wages translate directly into less consumer demand which holds back economic growth and stifles our economic recovery. A minimum wage increase directly counters this harmful effect. Minimum wage earners spend their income on basic necessities almost immediately. A 2011 study by the Chicago Federal Reserve Bank examined 23 years of household spending data and found that for every dollar increase for a minimum wage worker, \$2,800 in new consumer spending is injected into the economy over the following year.

This consumer spending drives consumption of products and services which in turn requires new workers to meet this demand. Most independent academic studies conducted over the past two decades – including those studying the effect in New Jersey - illustrate that increasing the minimum wage does not result in net job loss. Most businesses will keep their workforce at existing levels and consumer demand will drive a net increase in jobs.

Increasing the minimum wage is one powerful way to stimulate the economy that does not require taxpayer funds or increase government debt or borrowing. Increasing the minimum wage has received support across the political spectrum. Republican Presidential candidate Mitt Romney has come out in support of indexing, Independent Mayor Bloomberg supports legislation raising New York's minimum wage to \$8.50 and in Connecticut, legislation sponsored by Democrats is about to be heard in committee calling for an increase to \$9.75.

A word about indexing and tipped employees. The last time New Jersey debated the minimum wage was 2005. That bill was originally introduced with an indexing provision, like the one before you today. Unfortunately, that provision was removed and replaced with a study commission. Today, we have the opportunity to correct this and get the minimum wage done right once and for all – and that is to have it indexed annually.

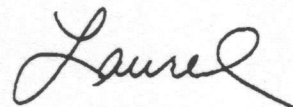
Finally, a comprehensive reform of the minimum wage should also address tipped workers. Currently earning just \$2.13 cents, these workers have not seen an increase in over 20 years. We respectfully ask the sponsors to include amendments addressing this group of employees.

Thank you for the opportunity to testify and we respectfully ask for your support.

Sincerely,



Charles Wowkanech  
President



Laurel Brennan  
Secretary-Treasurer