

NEW JERSEY STATE AFL-CIO

106 West State Street
Trenton, New Jersey 08608
(609) 989-8730
FAX (609) 989-8734
www.njafclcio.org



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CHARLES H. MARCIANTE
PRESIDENT EMERITUS

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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"