

**LOST TIME, LOST PAY:  
NEW JERSEY'S MINIMUM WAGE  
KEEPS FALLING BEHIND**

**Submission to the New Jersey Minimum Wage Advisory Commission from  
The Raise the Wage Campaign**

SEPTEMBER 2008

When New Jersey raised its minimum wage to \$6.15 in 2005 and \$7.15 in 2006, the state took an important step in the right direction for hundreds of thousands of working families. But, despite this increase, the minimum wage has simply not kept up with the rising cost of living—especially given skyrocketing prices for food and energy. New Jersey depends on its front-line workers to drive the state's economy and perform important functions for residents, yet they cannot make ends meet on today's minimum wage.

The New Jersey Minimum Wage Advisory Commission recognized this problem in its December 2007 report on the adequacy of the state minimum wage. Had the Legislature adopted the Commission's recommendation to raise the minimum wage to \$8.25 an hour and establish automatic annual cost-of-living increases, New Jersey's workers would have received much-needed relief as they struggle to support their families and build a future.

Since the Legislature failed to act, though, a number of organizations founded the Raise the Wage Campaign this summer with the aim of reinvigorating discussion of the problems faced by New Jersey's minimum wage workers. The Campaign has three objectives:

- 1. Raising New Jersey's minimum wage in 2008 to at least \$8.50 an hour;**
- 2. Guaranteeing automatic cost-of-living increases each year—as 10 other states do—to make the minimum wage rate the economic decision it should be, not the political decision that it has traditionally been;**
- 3. Establishing a minimum wage for tipped workers—as nearly every other state does—to provide a strong, dependable source of income for workers who rely in part on tips.**

In the pages that follow, the Raise the Wage Campaign describes the situation New Jersey's working families face and outlines how our proposals will enhance their economic security.

## Who Needs Help

New Jersey has nearly 3.9 million workers, more than five percent of whom are paid minimum wage. If the minimum wage were increased to \$8.50 an hour, 212,000 workers would get a raise of at least \$1.35 an hour. Another nearly 250,000 workers who make slightly more than the current minimum wage would get a raise too, given the well-documented “ripple effect” that comes from raising the minimum wage.<sup>1</sup>

Minimum wage opponents continue to say these people do not need a raise. One of their contentions is that many minimum wage earners are teenagers who do not support a family. But an overwhelming majority of New Jersey’s minimum wage workers are 20 or older. According to data from the Economic Policy Institute, only about 15 percent of those who would be affected by a minimum wage increase are 19 or younger.<sup>2</sup> And, it should be pointed out that these younger workers are contributing to their families’ economic wellbeing even if they are not the primary breadwinners.

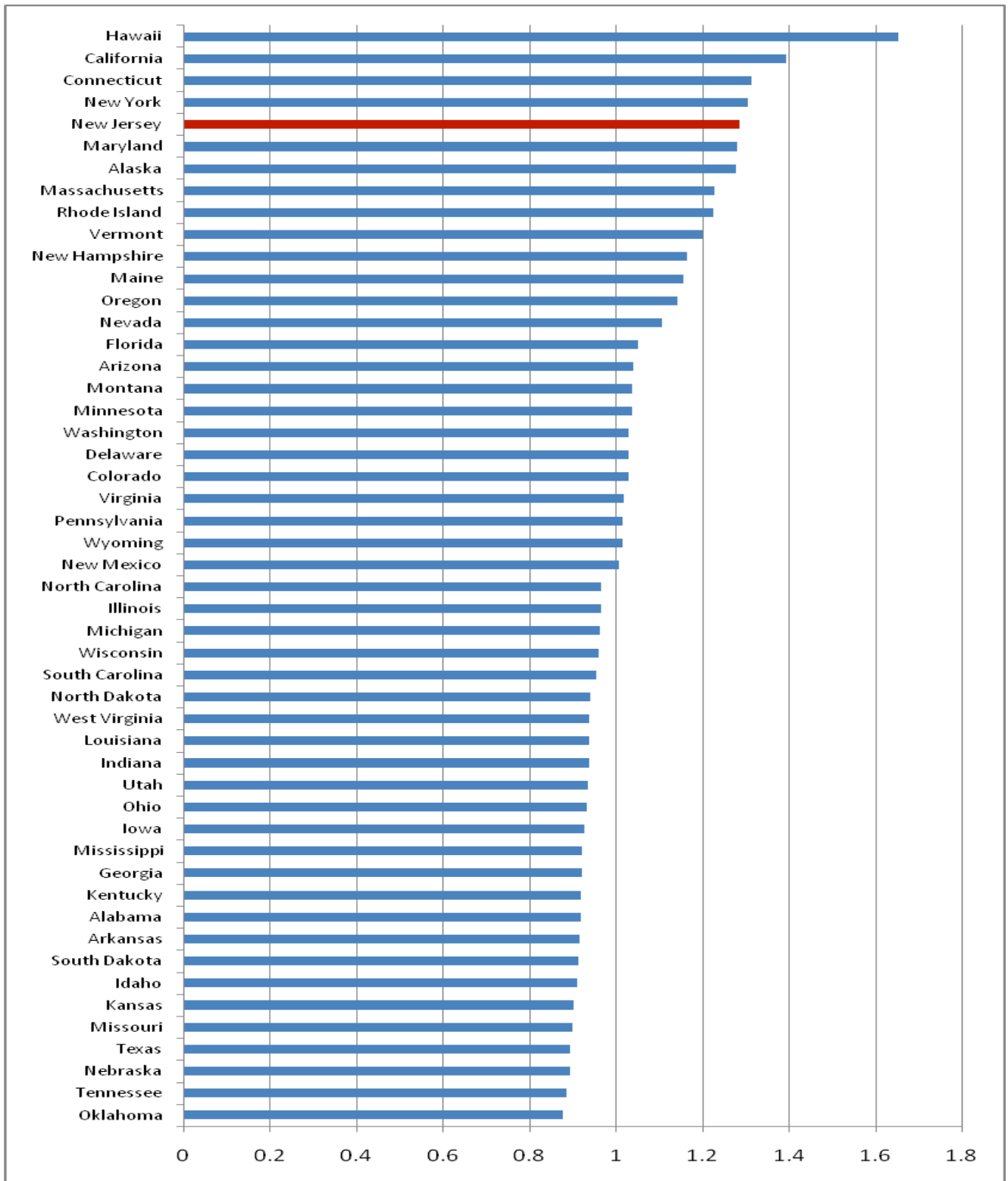
Of the 462,000 workers who would be directly and indirectly affected by an increase in the minimum wage, 58 percent are women. In New Jersey, a greater percentage of women than men work earn the minimum wage: 14 percent of all female workers (267,000 of 1.9 million) earn minimum wage, compared to 10 percent of all male workers (196,000 of 2 million).

In March 2008, New Jersey Policy Perspective and the Center for Women and Work at Rutgers University released *Climbing the Ladder: How to Invest in New Jersey’s Working Families* as part of the nationwide Working Poor Families Project. This report made clear the extent to which working families in the state are in distress. It found that nearly one in five New Jersey working families fall in the “low-income” category, a 16 percent increase since 2000. In calling for a range of policy actions, including raising the minimum wage, the report stated, “There is increasing awareness of the fact that just having a job is not in and of itself a guarantee of economic wellbeing.”<sup>3</sup>

## Cost of Living

The cost of living in New Jersey continues to be well above the national average. According to the Council for Community and Economic Research (C2ER)—a nonprofit organization that compiles data on the cost of groceries, healthcare, housing, transportation, utilities and other necessities—New Jersey’s cost of living index stood at 128.5 in the first quarter of 2008, making it nearly one-third higher than the U.S. average. In fact, New Jersey is above the national average in every category. Only New York, Connecticut, California, Hawaii and the District of Columbia are more expensive. And four of these five have a minimum wage higher than New Jersey’s.

## COST OF LIVING INDEX



SOURCE: Missouri Economic Research and Information Center<sup>4</sup>

Housing continues to be a major driver of New Jersey’s high cost of living. According to the National Low Income Housing Coalition, only four states have housing costs higher than New Jersey’s \$1,157 monthly average fair market rent for a two-bedroom apartment.<sup>5</sup>

The Economic Policy Institute’s “basic family budget” calculations provide a useful breakdown of living costs both by category and by region within the state.

### LIVING COSTS

AREA	HOUSING	FOOD	CHILD CARE	TRANSPORTATION	HEALTH	OTHER	TAXES	MONTHLY TOTAL	ANNUAL TOTAL
Middlesex-Somerset-Hunterdon	\$1,340	\$643	\$882	\$447	\$456	\$477	\$507	\$4,751	\$57,011
Jersey City	\$1,192	\$643	\$882	\$482	\$456	\$441	\$459	\$4,555	\$54,658
Bergen-Passaic	\$1,256	\$643	\$882	\$447	\$456	\$457	\$473	\$4,613	\$55,355
Monmouth-Ocean	\$1,251	\$643	\$882	\$447	\$456	\$455	\$471	\$4,605	\$55,255
Newark	\$1,103	\$643	\$882	\$447	\$456	\$420	\$411	\$4,362	\$52,340
Trenton-Ewing	\$1,120	\$643	\$882	\$404	\$456	\$424	\$404	\$4,333	\$51,992
Philadelphia-Camden-Wilmington	\$932	\$643	\$882	\$401	\$456	\$379	\$328	\$4,020	\$48,243
Atlantic City	\$1,033	\$643	\$882	\$404	\$456	\$403	\$369	\$4,190	\$50,278
Vineland-Millville-Bridgeton	\$956	\$643	\$882	\$468	\$456	\$384	\$359	\$4,148	\$49,780
Ocean City	\$895	\$643	\$882	\$468	\$456	\$370	\$335	\$4,048	\$48,579
Warren County	\$1,007	\$643	\$882	\$468	\$456	\$397	\$380	\$4,232	\$50,785

SOURCE: Economic Policy Institute, 2008 Family Budget, for two adults and two children<sup>6</sup>

In recent years, major family budget costs have consistently trended upwards. The two tables below provide breakdowns.

### YEARLY COST OF LIVING INCREASES New York-Northern New Jersey-Long Island, NY-NJ-CT-PA

YEAR	ALL ITEMS	FOOD	HOUSING	FUEL & UTILITIES	MEDICAL	TRANS.	GASOLINE
2004	3.5%	4.2%	4.2%	5.3%	3.2%	3.4%	17.1%
2005	3.9	2.8	4.5	14.8	3.0	5.3	20.6
2006	3.8	3.1	5.1	7.6	4.0	3.8	13.6
2007	2.8	4.0	3.5	5.4	5.5	1.2	5.7
1 <sup>st</sup> half of 2008	3.8	5.0	3.3	11.8	3.0	8.8	28.4

### Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD

YEAR	ALL ITEMS	FOOD	HOUSING	FUEL & UTILITIES	MEDICAL	TRANS.	GASOLINE
2004	4.1%	3.1%	4.4%	6.0%	4.1%	17.2%	17.1%
2005	3.9	2.8	4.0	6.9	5.4	7.1	23.0
2006	3.9	1.8	5.8	13.2	4.2	2.8	15.7
2007	2.2	3.5	2.7	4.0	3.3	0.4	5.4
1 <sup>st</sup> half of 2008	4.1	3.5	3.0	7.5	3.6	10.0	26.2

SOURCE: U.S. Bureau of Labor Statistics<sup>7</sup>

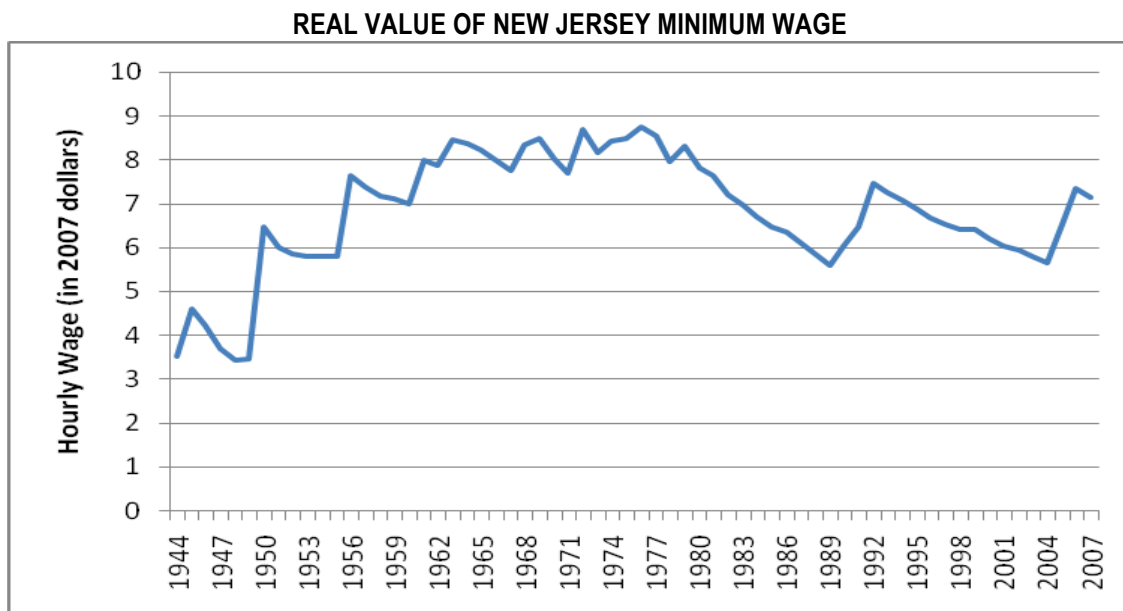
## The Minimum Wage

Comparing New Jersey's wage to that of other states is one way of showing where New Jersey's workers stand. Workers in 13 states and the District of Columbia are paid a higher minimum wage than in New Jersey:

Washington	\$8.07
California	\$8.00
Massachusetts	\$8.00
Oregon	\$7.95
Illinois	\$7.75
Vermont	\$7.68
Connecticut	\$7.65
District of Columbia	\$7.55
Michigan	\$7.40
Rhode Island	\$7.40
Hawaii	\$7.25
Iowa	\$7.25
New Hampshire	\$7.25
Maine	\$7.25 (effective Oct. 1, 2008)

In Washington, Oregon, Vermont and the seven other states whose laws require automatic yearly increases to maintain purchasing power, these rates will increase another 30-40 cents in 2009.

Another useful way to evaluate the minimum wage is to compare New Jersey today to New Jersey in the past. The actual purchasing power of New Jersey's minimum wage peaked in 1976, when it was \$2.40 an hour and bought what \$8.74 would purchase today. Since then, there have been some ups and downs, but for the most part the value of New Jersey's minimum wage has been on a downhill slide.



SOURCE: NJPP analysis of Bureau of Labor Statistics data

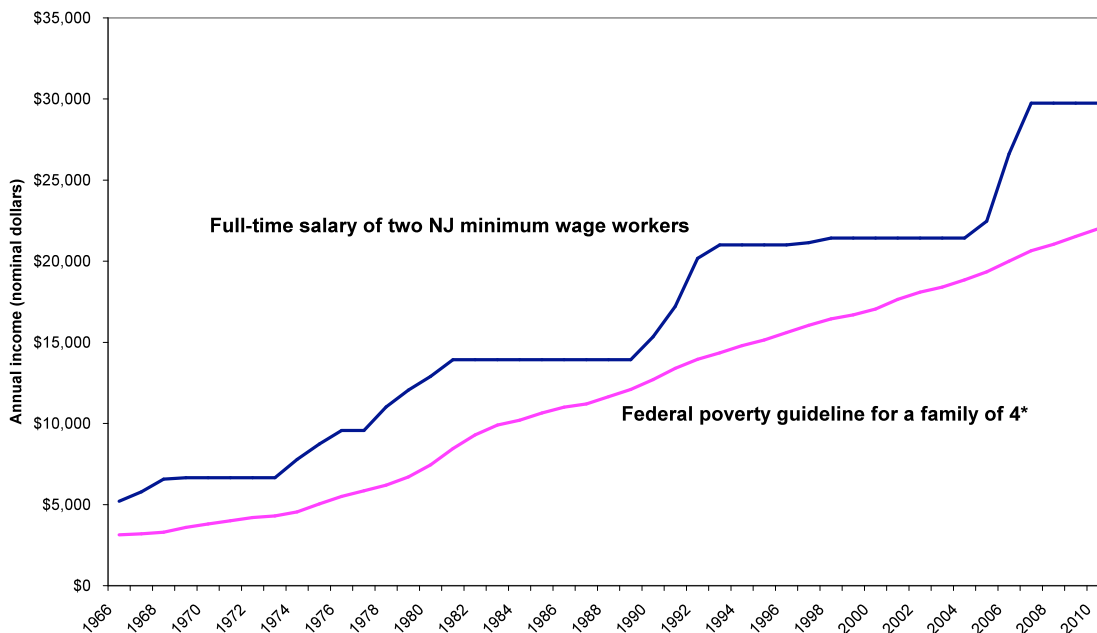
## Changes in Value Relative to Other Measures

The current value of the New Jersey minimum wage can also be assessed by comparing it to other measures that focus on how much money is needed to live and support a family in New Jersey.

Though they are commonly used as an indicator of wellbeing, the federal poverty guidelines are widely recognized as inadequate for measuring the self-sufficiency of households. The guide used by the federal government takes the cost of food staples and multiplies it by three. This made some sense in 1963, when it was instituted. Then, food accounted for 23 percent of a family budget and housing was 29 percent. But today, food costs are less than 20 percent of a family budget and housing is greater than 40 percent. Nor does the federal government take into account geographic variations in the cost of living; the federal poverty threshold in New Jersey is the same as in Mississippi, where costs are much lower.

A fulltime worker in New Jersey, paid the minimum wage, makes just \$14,872 in a year—barely above the federal poverty level for a family of two (\$14,000), and less than the federal poverty level for a family of three (\$17,600) or four (\$21,200). In fact, if two adults in a two-parent, two-child family worked fulltime in 2008 at minimum wage, their family’s annual income would exceed the federal poverty threshold by \$550 less than in 2007. This erosion would take place because, inadequate a measure as it is, the poverty threshold rose but the minimum wage did not keep up with the cost of living.

**Minimum Wage and Poverty**



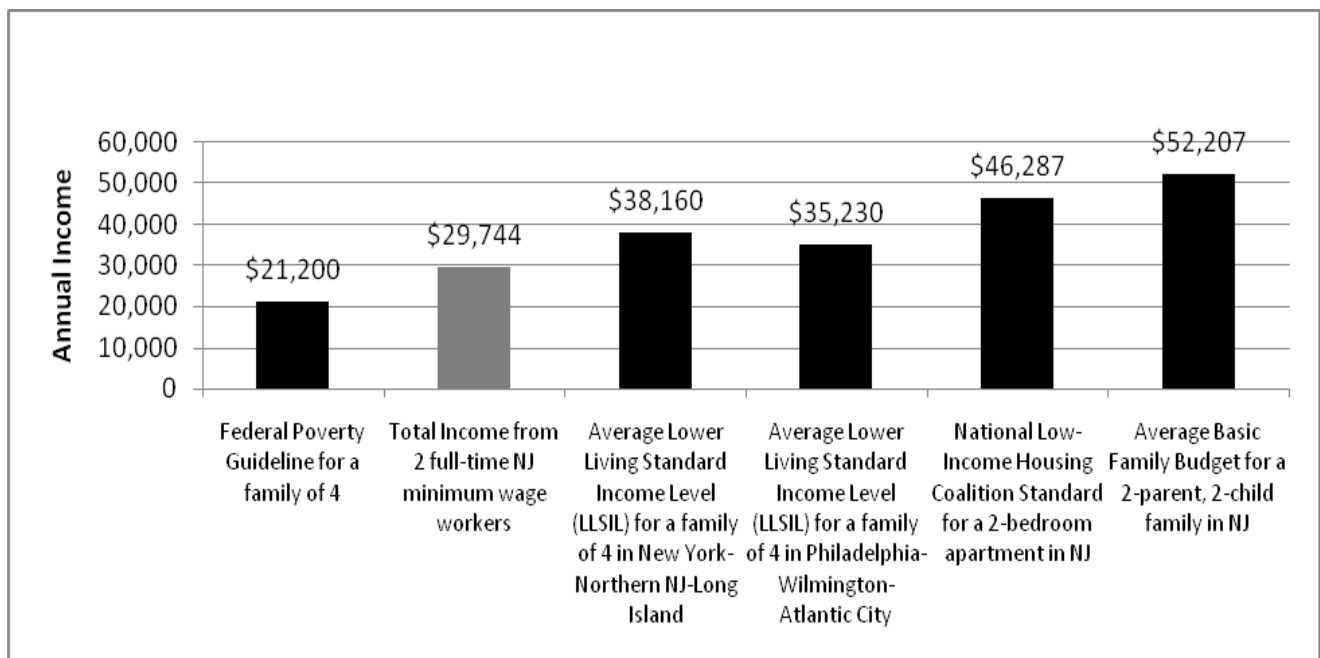
Source: HHS Poverty Guidelines  
\* Adjusted by CBO inflation projections in 2008-2010

The federal government also produces a more realistic figure for evaluating family resources. The Lower Living Standard Income Level created by the 1998 Workforce Investment Act is used

to determine eligibility for various government programs open to those who are above the official poverty threshold but still require assistance. For a family of four in 2007, this standard was \$38,160 in New York/Northern New Jersey and \$35,230 in Philadelphia/South Jersey. Two adults working fulltime at minimum wage bring in substantially less than that: \$29,744. And the 2007 standard is 3.4 percent higher than 2006, further demonstrating how the value of New Jersey’s minimum wage has not just stalled but eroded.

The Economic Policy Institute’s basic family budget calculations (cited above) for a two-parent, two-child household range between \$48,568 and \$57,011 per year, depending on which of the state’s 11 geographic regions is considered—far more, in any region, than that family could make with two minimum wage earners.

### MEASURES OF NEW JERSEY’S COST OF LIVING



A related question is whether New Jersey’s minimum wage is sufficient to support even a single minimum wage worker, let alone that worker’s entire family. In a 2008 study, Legal Services of New Jersey’s Poverty Research Institute found that New Jersey’s minimum wage does not meet this “self-sufficiency standard,” which requires workers to make an amount ranging from \$8.58 an hour in Camden County to \$14.25 in Somerset County. Under the current state minimum wage, even a single worker with no family to support cannot support himself or herself adequately anywhere in the state.

Still another revealing way to assess the New Jersey minimum wage is against the cost of housing. The *Out of Reach* report issued by the National Low Income Housing Coalition found that in 2007, in order to afford fair market rent and utilities without paying more than 30 percent of income on housing, a household would need \$46,287 a year. That would require 124 hours of work per week at minimum wage, according to the Coalition. The rent figure is a 4.9 percent increase over 2006; the hours of work are up by 4.2 percent.<sup>8</sup>

**By any measure, the latest data confirm what the Advisory Commission reported in December 2007: New Jersey’s minimum wage is *not* adequate to the needs of working people and their families.**

### New Jersey’s Tipped Workers

One important area not addressed by the Advisory Commission’s December 2007 report concerns workers who rely on tips as a major source of income. These men and women include waiters and waitresses, delivery drivers, car wash and parking attendants and grocery baggers. New Jersey’s minimum wage law is one of the nation’s weakest in protecting these workers; it is far out of step with the safeguards that most comparable states provide.

Under the federal and most state minimum wage laws, employers may pay tipped workers somewhat less than the full minimum wage so long as the workers earn at least the full minimum wage once tips are included.<sup>9</sup> This is often called a “tip credit” system because some portion of tips is allowed to be “credited” towards payment of the minimum wage.

However, because tips are notoriously unpredictable and can fluctuate widely, most states do not allow workers to be forced to work just for tips. Instead, they establish a minimum wage for tipped workers—usually between 50 and 100 percent of the full minimum wage—that employers must pay in cash wages to tipped workers.

New Jersey is one of just two states—the other is Virginia—with a minimum wage law that does not require employers to pay tipped workers any wages at all.<sup>10</sup> Federal law does not allow New Jersey employers to go quite that far, since it establishes a minimum wage for tipped workers that applies to most businesses in the states. However, the federal minimum wage for tipped workers is shockingly low—just \$2.13 an hour. It has not been increased since 1991, and is far lower than what most other states guarantee their tipped workers.

A strong minimum wage for tipped workers is important for three reasons:

- It guarantees a dependable minimum income in the many industries where tips can fluctuate significantly with economic trends, or even shift-to-shift;
- It is less susceptible to abuse and manipulation than tips, which can be prone to widespread misappropriation due to complicated tip-sharing schemes;
- It helps boost the pay of tipped workers above the level of the minimum wage, to bring pay somewhat closer to what might be considered a living wage.

Through the 1980s, the federal minimum wage for tipped workers was set at 60 percent of the full minimum wage.<sup>11</sup> However, in the 1990s, Congress froze it at \$2.13 an hour. Unfortunately, the long overdue federal minimum wage increase passed by Congress in 2007 did not address the minimum wage for tipped workers, leaving a significant hole in federal wage protections.

Today, 31 states and the District of Columbia have minimum wages for tipped workers that are above the \$2.13 federal level. By contrast, 18 states have minimum wages for tipped workers



equal to or lower than \$2.13. As shown below, these are mostly low-wage, southern states. New Jersey is the only northeastern state with weak tipped worker protections.

On average, states that have raised the minimum wage for tipped workers above the federal level have set a rate that is 64 percent of their full minimum wage. (See table, below.) Several northeastern states that are economically similar to New Jersey are even higher. For example, Connecticut’s minimum wage for tipped workers is 70.7 percent of the state minimum wage. New York’s minimum wage for tipped workers (which, atypically, varies by industry) is 64 percent of the minimum wage for restaurant servers, 78 percent for workers in most other industries, and 85 percent for hotel maids.<sup>12</sup>

### STATE MINIMUM WAGES FOR TIPPED WORKERS

STATE	MINIMUM WAGE FOR TIPPED WORKERS	% OF STATE MINIMUM WAGE
Washington	\$8.07	100%
California	\$8.00	100%
Oregon	\$7.95	100%
Alaska	\$7.15	100%
Hawaii	\$7.00	97%
Nevada	\$6.85	100%
Minnesota	\$6.15	100%
Montana	\$6.55	100%
Connecticut	\$5.41	71%
Illinois	\$4.65	60%
New York	\$4.60-plus	64%-85%
North Dakota	\$4.39	67%
Iowa	\$4.35	60%
Colorado	\$4.00	57%
Arizona	\$3.90	57%
Florida	\$3.77	56%
Vermont	\$3.72	48%
Ohio	\$3.50	50%
Maine	\$3.50	50%
Idaho	\$3.35	51%
Missouri	\$3.33	50%
Oklahoma	\$3.28	50%
Maryland	\$3.08	50%
New Hampshire	\$2.95	45%
Rhode Island	\$2.89	39%
Pennsylvania	\$2.83	40%

STATE	MINIMUM WAGE FOR TIPPED WORKERS	% OF STATE MINIMUM WAGE
DC	\$2.77	37%
Michigan	\$2.65	36%
Arkansas	\$2.63	42%
Massachusetts	\$2.63	33%
Wisconsin	\$2.33	36%
Delaware	\$2.23	31%
Federal minimum wage for tipped workers = \$2.13		
Indiana	\$2.13	33%
Kentucky	\$2.13	33%
Nebraska	\$2.13	33%
New Mexico	\$2.13	38%
North Carolina	\$2.13	33%
South Dakota	\$2.13	33%
Texas	\$2.13	33%
Utah	\$2.13	33%
Wyoming	\$2.13	41%
Kansas	\$1.59	60%
<b>New Jersey</b>	<b>\$0.00</b>	<b>0%</b>
Virginia	\$0.00	0%
Georgia	Exempt	n/a
Alabama	n/a	n/a
Louisiana	n/a	n/a
Mississippi	n/a	n/a
South Carolina	n/a	n/a
Tennessee	n/a	n/a
Average – States with Minimum Wage for Tipped Workers Above Federal:		64%

SOURCE: NELP Analysis of State Minimum Wage Laws.

Sen. Edward M. Kennedy is preparing to introduce legislation to further raise the federal minimum wage. It is likely to include a provision restoring the federal minimum wage for tipped workers to at least 60 percent of the full minimum wage. However, passage is uncertain.

In the meantime, it is important that New Jersey address this serious gap in its system of wage protections. New Jersey should follow the lead of most other states and establish stronger wage protections for tipped workers.

The restaurant industry sometimes argues that most tipped workers earn high wages and so do not need the protection of a minimum wage. But federal wage data show that for the majority this is not true. New Jersey's nearly 55,000 waiters and waitresses make up one of the largest categories of tipped employees in the state. Over the past five years, their median wage has been \$9.56 per hour, including tips, in 2007 dollars, according to the Census Bureau's Current Population Survey. While this is somewhat more than the minimum wage, it is not nearly enough to support a working person in New Jersey.

To protect New Jersey's tipped workers, we recommend the following:

**1. A minimum wage for tipped workers set at a percentage of the full state minimum and increased yearly when the regular minimum wage is increased. The level of the minimum wage for tipped workers should be comparable to New York's, which ranges up to 85 percent of the state's full minimum wage.**

**2. Protections like those under federal law and the laws of other states that guard against abusive tipped worker arrangements. These include notice requirements to employees, prohibitions against tip skimming by employers and requirements for notice to customers where "service charges" are retained by the employer, not the workers.**

### **Economic Stimulus Advantages**

Opponents to raising the minimum wage sometimes argue that today's weak economy makes this the wrong time to raise the minimum wage. Such a contention ignores the economic stimulus impact a minimum wage increase provides. Recent studies show that raising the minimum wage puts more money into the economy with little or no risk of lost jobs.

A recent paper by Amy Chasanov for the Economic Policy Institute reminds us that low-wage workers are very likely to quickly spend a pay increase because their needs exceed their ability to save money for the future. In *No Longer Getting By: An Increase in the Minimum Wage is Long Overdue* (2004), she wrote, "Raising the minimum wage increases consumers' purchasing power, thereby putting more money back into local economies. (Increases in the salaries of higher-wage workers are more likely to go toward savings because their wages already cover their basic needs.) Thus, increasing the minimum wage will stimulate considerable spending and further fuel the economy as a whole."<sup>13</sup>

*Minimum Wage Trends*, a 2007 report by EPI's Liana Fox, notes that a recent University of Minnesota study on the potential impact of raising that state's minimum wage predicted that every dollar of minimum wage increase would generate \$1.50 to \$2.00 in the state economy.

Other studies have found no evidence of negative employment effects on small businesses or the retail industry, including research by the Center on Wisconsin Strategy which in 2006 found that, a year after a state minimum wage increase, the number of eating and drinking establishments—businesses often viewed as most affected by minimum wage increases—grew three times faster than Wisconsin’s overall rate of business growth.<sup>14</sup>

Fox observed that state minimum wage increases since 1997 “have provided a testing ground for the exaggerated claims of harm made by minimum wage opponents. If the minimum wage had substantial negative effects on the economy or the wellbeing of low-wage workers, then it would have been observed in those states. The reality is that the states with higher minimum wages have not seen ill effects. This has been shown both in rigorous econometric studies and in assessments of broad economic indicators.” She added, “. . .the weight of opinion has clearly been moving toward a belief that the minimum wage improves the lives of low-wage workers without adverse consequences.”<sup>15</sup>

It is interesting to note that the views of many mainstream economists have evolved on the issue of the minimum wage. For example, in the first edition of his introductory college textbook, *Economics: Principles and Policy*, published in 1979, Princeton University’s Alan S. Blinder wrote, “The primary consequence of the minimum wage law is not an increase in the incomes of the least skilled workers but a restriction of their employment opportunities.” But the 2006 edition says “some surprising economic research published in the 1990s cast serious doubt on this conventional wisdom.” Blinder told a Bloomberg News reporter in 2006, “My thinking on this has changed dramatically. The evidence appears to be against the simple-minded theory that a modest increase in the minimum wage causes substantial job loss.”

### **What the Minimum Wage Should Be, and How it Should Get There**

The federal minimum wage was enacted in 1938, after Congress found “labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers.”

In July 2007, after 10 years without an increase, the federal minimum wage rose from \$5.15 to \$5.85. At that point, New Jersey’s minimum wage of \$7.15 was \$1.30 an hour higher than the federal minimum. In July 2008, the federal wage rose to \$6.55, narrowing the differential so that New Jersey’s wage is now only 60 cents higher than the federal. When the next scheduled federal minimum wage increase takes effect in July 2009, it will be \$7.25—and New Jersey’s minimum wage will have gone from being 22 percent above the federal minimum wage two years ago to falling slightly *below* it. Everything we know about the relative cost of living between New Jersey and the nation as a whole shows that the state’s minimum wage should always be substantially higher than the federal wage.

New Jersey’s first state minimum wage was enacted in 1967. Since then, it has been raised 15 times; on average, this means workers have gone more than 2.7 years between raises.

In the face of mounting sentiment nationally for sensible policy reform, New Jersey continues to be a state where the minimum wage is determined in the political arena. The state raises its minimum wage when a critical mass of elected officials says it is time; increases have not come

in response to rational determinants like increases in the cost of living or declining wellbeing of low-income households. As a result, the cost of living continues to rise, but the economic security of minimum wage workers remains tied to lawmakers' political concerns. Meanwhile, given the long gap between minimum wage increases, workers' real purchasing power falls farther and farther behind as they await the next increase.

**The current system serves to lock in a decline in the minimum wage's purchasing power because issues other than workers' economic conditions are allowed to influence the decision.**

In 2007, the Advisory Commission proposed a better way: to make minimum wage increases a regular occurrence, based on economic realities and not political vagaries. Many government programs, such as Social Security, veterans' benefits, food stamps, the Earned Income Tax Credit and the federal income tax brackets are automatically adjusted each year to keep pace with the costs of goods and services.

Such automatic increases are known as indexing. The first state to index its minimum wage was Washington in 1998. Today, 10 states index their minimum wages, each using a form of the Consumer Price Index produced by the federal Bureau of Labor Statistics. The CPI also is commonly used to index many federal and state benefit programs, to establish tax-exemption levels and government pension benefits and by the private sector. Among the variations of the CPI used for indexing are: Consumer Price Index-All Urban Consumers (CPI-U); Consumer Price Index-Urban Wage Earners and Clerical Workers (CPI-W); and the Consumer Price Index for Specific Area (which is specific to four regions of the US and 27 metropolitan areas).

### STATE MINIMUM WAGE INDEXING

	STATE MINIMUM WAGE 7/1/08	2009*	2010*	2011*	START DATE
Arizona	\$6.90	\$7.04	\$7.18	\$7.32	Jan. 1, 2008
Colorado	7.02	7.16	7.30	7.45	Jan. 1, 2008
Florida	6.79	6.93	7.06	7.21	Jan. 1, 2005
Missouri	6.65	6.78	6.92	7.06	Jan. 1, 2008
Montana	6.55	6.68	6.81	6.95	Jan. 1, 2008
Nevada	6.85	6.99	7.13	7.27	July 1, 2007
Ohio	7.00	7.14	7.28	7.43	Jan. 1, 2008
Oregon	7.95	8.11	8.27	8.44	Jan. 1, 2004
Vermont	7.68	7.83	7.99	8.15	Jan. 1, 2007
Washington	8.07	8.23	8.40	8.56	Jan. 1, 2001

\*NJPP analysis. Projection is based on a CPI of 2 percent for each of the next three years. Numbers are rounded to the nearest cent.

In its December 2007 report, the Commission recommended a key step to safeguard workers' economic wellbeing. Rather than calling for an immediate change to indexed wages, the Commission recognized that indexing a wage that already is too low would keep workers' purchasing power from ever catching up. Instead, the Commission called for a wage increase, and *then* automatic yearly increases to keep pace with inflation. That is the prudent course.

## Conclusion

What was true in December 2007 remains true. What was then a stressful and detrimental situation for low-wage working New Jersey households is today more so. When it comes to New Jersey's minimum wage, both the numbers and the process work to the disadvantage of men and women who are trying to provide for their families and live the American dream.

The Raise the Wage Campaign urges the state Minimum Wage Advisory Commission to once again act with the state's best interests in mind, and we pledge to do everything possible to turn these recommendations into reality for New Jersey's workers.

## RECAP OF RECOMMENDATIONS

- 1. Raise New Jersey's minimum wage in 2008 to at least \$8.50 an hour;**
- 2. Guarantee automatic cost-of-living increases each year—as 10 other states do—to make the minimum wage rate the economic decision it should be, not the political decision that it has traditionally been;**
- 3. Establish a minimum wage for tipped workers—as nearly every other state does—to provide a strong, dependable source of income for workers who rely in part on tips.**

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## Endnotes

<sup>1</sup> Economic Policy Institute. Economic Policy Institute's unpublished analysis. July 2008. *See also* Chasanov, Amy. *No Longer Getting By: An Increase in the Minimum Wage Is Long Overdue*. Economic Policy Institute. May 2004. <[http://www.epi.org/content.cfm/briefingpapers\\_bp151](http://www.epi.org/content.cfm/briefingpapers_bp151)>

<sup>2</sup> Ibid.

<sup>3</sup> New Jersey Policy Perspective and the Center for Women and Works at Rutgers University. *Climbing the Ladder: How to Invest in New Jersey's Working Families*. March 2008. <[http://njpp.com/rpt\\_ladder.html](http://njpp.com/rpt_ladder.html)>

<sup>4</sup> Missouri Economic Research and Information Center. "Cost of Living Data Series: 1<sup>st</sup> Quarter 2008." <[http://www.missourieconomy.org/indicators/cost\\_of\\_living/index.stm](http://www.missourieconomy.org/indicators/cost_of_living/index.stm)>

<sup>5</sup> National Low Income Housing Coalition. *Out of Reach 2007-2008*. <<http://www.nlihc.org/oor/oor2008>>

<sup>6</sup> Economic Policy Institute. "Basic Family Budget Calculator." July 2008. <[http://www.epi.org/budget\\_form.cfm?CFID=3369906&CFTOKEN=41651054](http://www.epi.org/budget_form.cfm?CFID=3369906&CFTOKEN=41651054)>

<sup>7</sup> U.S. Bureau of Labor Statistics. "Archived Consumer Price Index Detailed Report Information. Table 16A. Consumer Price Index for all Urban Consumers (CPI-U): Selected areas, by expenditure category and commodity and service group" 2004, 2005, 2006, and 2007 and "Table 34. Consumer Price Index for all Urban Consumers (CPI-U): Selected areas, semiannual averages, by expenditure category and commodity and service group for 1<sup>st</sup> half 2008." <[http://www.bls.gov/cpi/cpi\\_dr.htm](http://www.bls.gov/cpi/cpi_dr.htm)>

<sup>8</sup> National Low Income Housing Coalition. *Out of Reach 2007-2008. Data: New Jersey*. <<http://www.nlihc.org/oor/oor2008/data.cfm?getstate=on&state=NJ>>

<sup>9</sup> *See, e.g.*, 29 U.S.C. § 203(m).

<sup>10</sup> The New Jersey wage law defines "wages" as including tips without limitation. The definition reads as follows:  
(d) "Wages" means any moneys due an employee from an employer for services rendered or made available by the employee to the employer as a result of their employment relationship including commissions, bonus and piecework compensation and including any gratuities received by an employee for

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services rendered for an employer or a customer of an employer and the fair value of any food or lodgings supplied by an employer to an employee. . . .

N.J.S.A. 34:11-56a1(d) (emphasis added).

<sup>11</sup> See Whittaker, William G. “Congressional Research Service Report for Congress, The Tip Credit Provisions of the Fair Labor Standards Act 6.” 2006. <[http://assets.opencrs.com/rpts/RL33348\\_20060324.pdf](http://assets.opencrs.com/rpts/RL33348_20060324.pdf)>

<sup>12</sup> New York’s minimum wage requirements for tipped workers are currently established as fixed dollar amounts, not percentages of the full minimum wage. However, we provide the corresponding percentage to provide a basis for comparison to other states. The New York minimum wage requirements for tipped workers are also subject to other rules and limitations depending on the amount of tips received by the employee. *See* [http://www.dol.gov/esa/programs/whd/state/tipped.htm#New York](http://www.dol.gov/esa/programs/whd/state/tipped.htm#New%20York).

<sup>13</sup> Chasanov, Amy. *No Longer Getting By: An Increase in the Minimum Wage is Long Overdue*. Economic Policy Institute. May 2004. <[http://www.epi.org/content.cfm/briefingpapers\\_bp151](http://www.epi.org/content.cfm/briefingpapers_bp151)>

<sup>14</sup> Fox, Liana. *Minimum Wage Trends: Understanding Past and Contemporary Research*. Economic Policy Institute. November 2006. <<http://www.epi.org/briefingpapers/178/bp178.pdf>>

<sup>15</sup> *Ibid.*

## RAISE THE WAGE CAMPAIGN PARTNERS

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Lutheran Office of Governmental Ministry in New Jersey  
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New Jersey Association of Community Organizations for Reform Now  
New Jersey Citizen Action  
New Jersey Institute for Social Justice  
New Jersey Policy Perspective  
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New Labor  
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Rutgers Center for Women and Work  
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