

## Economic Empowerment

Low-income families in New Jersey face two major economic challenges: a lack of adequate employment opportunities and, when they *are* employed, a lack of work supports to help them get by in a state with one of the highest costs of living in the nation. Since the recession started in 2008, the number of unemployed New Jerseyans is still about 32 percent higher (about 251,000) and that does not count the many New Jerseyans who have given up looking for work;<sup>1</sup> New Jersey now has the highest percent of long term unemployed among all states.<sup>2</sup> Although the unemployment rate has gone down, it is still above the national average and the decrease is due in large part to a shift to low-wage jobs. Without work supports (like child care assistance, EITC, and other gap-filling benefits), too many workers cannot support themselves in low-wage jobs – much less improve their economic future. The state has actually cut some work supports since the recession started, despite evidence that they stimulate the economy by increasing disposable income of low-wage workers. Below are key programs and policies that are central to ensuring economic opportunity for all.

**Earned Income Tax Credit (EITC):** The FY16 budget increased the state EITC to 30% of the federal credit, making it equivalent to New York State's and providing an important investment in our state's recovery. The credit directly benefits about 500,000 families and stimulates the local economy as these families spend the credit for important expenses. However, there are still unnecessary limits on the effectiveness of this program. The state has imposed onerous reporting requirements, which are sharply reducing the number of families receiving this credit.<sup>3</sup> The state and federal EITCs also short-change childless adults by providing a single person only one tenth of the EITC that a family with two children receives.<sup>4</sup> The impact of the state increase is also threatened by scheduled roll-backs of federal enhancements that benefit families with more than two children and married couples, which is scheduled in 2017.

**Minimum Wage:** New Jersey voters took a major step in 2013 to assist low-wage workers by passing a constitutional amendment to increase the state's minimum wage from \$7.25 to \$8.25 an hour and adjusting it to inflation. However this amendment did not increase the minimum wage for thousands of tipped workers, which stands at only \$2.13 an hour. In addition, the new minimum wage of \$8.38 is still below the \$10 that would be needed to raise it to the 1960's level, adjusting for inflation.

**Health Coverage:** The Affordable Care Act offers an incredible opportunity for working families with low- or moderate-income, especially given that the Governor has opted to expand Medicaid which has already saved New Jersey over \$700 million. Polls show that most families are not aware of the opportunities available in the Health Insurance Marketplace, although in some cases subsidies for Marketplace plans will be insufficient because of New Jersey's high cost of living. Implementation of the Basic Health Program might be able to address the affordability issue, but the state needs to research this issue more and it will take a year or two to implement.

**WorkFirst NJ:** WorkFirst NJ is the state's largest income support and employment and training program for the poorest families and childless adults. Eligibility for this crucial safety net has remained at the same income threshold since 1988. This had led to fewer and fewer poor New Jerseyans being eligible for time-limited cash and work supports needed to survive a crisis and become self-sufficient. Currently there are only about 105,000 individuals enrolled in these programs – an 18% drop since before the recession.<sup>5</sup> That represents only about 12% of all non-elderly adults and children living below the federal poverty level.<sup>6</sup>

**Education:** Education can provide access to economic opportunity, but the relationship between poverty and education is not one-directional. Children facing the various stressors linked to poverty and to high-poverty neighborhoods face serious barriers to learning and school success. One essential intervention to support children’s education is investment in preschool. High-quality preschool has one of the highest pay-offs of any public investment, giving children from poor families an increased chance to finish high school, get a job, and join the middle class. New Jersey leads the nation with a generously funded preschool program, but it applies to only 35 districts, where just half the children from poor families live. Moreover, once the children enter primary school and beyond, poverty conditions continue to affect their ability to participate. Community-based school models that involve the community partners and leverage schools as an access point for providing needed services can support both students and their families, and make efficient use of public investment in education and other services.

**We ask that you invest in the people of New Jersey by:**

- Enhancing the state Earned Income Tax Credit available to childless adults.
- Increasing the minimum wage for tipped workers to 70% of the state’s minimum wage and supporting congressional efforts to increase the national minimum wage to \$12.00/hour, with automatic adjustment for inflation.
- Providing additional funding for outreach in the Affordable Care Act; increasing rates to providers in localities and specialties in which access is a problem, such as for primary doctors and specialists; and providing state subsidies to low-income families to make Marketplace plans more affordable unless the Basic Health Program can be implemented.
- Expanding access to key education, work supports, and training services for New Jersey’s most vulnerable residents by increasing the eligibility levels in WorkFirst NJ; developing innovative training programs for other low income individuals as well, especially the long-term unemployed.
- Supporting educational success among low-income children by expanding preschool to the remaining 96 school districts where most of the remaining poor students live, and exploring opportunities to develop “community-based schools” programs in high-poverty districts.

*For more information, contact [Ray Castro](#), New Jersey Policy Perspective.*

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<sup>1</sup> NJ DOLWD Press Release, October 15, 2015.

<sup>2</sup> The PEW Charitable Trust. 2013. “Long Term Unemployed by State,” <http://www.pewstates.org/research/data-visualizations/long-term-unemployment-state-by-state-85899537448>.

<sup>3</sup> New Jersey Office of Legislative. 2013. “Analysis of the New Jersey Budget: Department of the Treasury,” [http://www.njleg.state.nj.us/legislativepub/budget\\_2014/TRE\\_analysis\\_2014.pdf](http://www.njleg.state.nj.us/legislativepub/budget_2014/TRE_analysis_2014.pdf).

<sup>4</sup> Mag, Elaine. Christian Science Monitor. 2014. “Expanding the EITC for childless adults.” <http://www.csmonitor.com/Business/Tax-VOX/2014/0205/Expanding-the-EITC-for-childless-adults>.

<sup>5</sup> Natasha Johnson. 2015. “State of New Jersey Department of Human Services, Division of Family Development, Current Program Statistics [http://www.state.nj.us/humanservices/dfd/news/cps\\_may15.pdf](http://www.state.nj.us/humanservices/dfd/news/cps_may15.pdf) [http://www.state.nj.us/humanservices/dfd/news/cps\\_jan13.pdf](http://www.state.nj.us/humanservices/dfd/news/cps_jan13.pdf).

<sup>6</sup> American Community Survey, 2014, <http://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>