
Public Hearing

before

SENATE LABOR COMMITTEE

“Explore the conditions of the working poor in New Jersey.”

LOCATION: Committee Room 1
State House Annex
Trenton, New Jersey

DATE: November 8, 2004
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Stephen M. Sweeney, Chair
Senator Joseph V. Doria Jr., Vice Chair



ALSO PRESENT:

Dana A. Fraytak
Office of Legislative Services
Committee Aide

Yoshi Manale
Senate Majority
Committee Aide

Laurine Purola
Senate Republican
Committee Aide

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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SENATOR STEPHEN M. SWEENEY (Chair): We're going to open this public hearing on an issue that is of great concern to myself and, I think, the other members of this Committee, which is basically the working poor.

I am going to start off by taking testimony from Charles Wowkanech, President of the AFL-CIO.

And for everyone's information, since I have quite a few speakers here, we are going to limit, to five minutes, comments. So if everyone could please stay within the five minutes, Dana will be a very tough timekeeper for me.

So Mr. Wowkanech.

CHARLES WOWKANECH: Good morning.

Good morning, Mr. Chairman and members of the Committee, and thank you for conducting this hearing on this very important economic and social issue. What's going on in this country, really, from a worker standpoint is a very, very sad situation. Over the past 10 years, while the economic growth and prosperity in this country has been unparalleled and continues to grow, our own Department of Labor, over the same course, indicates that the number of workers living in poverty in New Jersey has increased from 659,000 to 741. I mean, it's just unheard of that this could be going on in such great time of prosperity. And I think we really have to look at why this is happening. There just seems to be a very, very strong quest for companies to increase the return of their profits to the shareholders. And the easiest way that this is being accomplished by, is through the new tool of outsourcing, where they reduce their labor force, reduce their health-care cost, their pension cost by virtually just

eliminating their employees in the state. And many of these jobs go offshore in other countries where people are working for peanuts, and they have no health care, they have no pensions. It's very, very difficult for the American worker, particularly here in New Jersey, in spite of the cost of living, to compete with those kinds of things.

I think one of the biggest examples that we've seen across the country, with the path of destruction that it's really left to the workers, is the largest corporation now -- Wal-Mart -- which particularly undercuts everyone else's wages, has a very weak or no health-care policy and no retirement to speak of for the employees. So we find our other companies -- that have been trying to do the right thing, but they're trying to hold on to compete -- they have to keep cutting back. They have to keep asking the workers to pay for more of their health care. And it's just a spiral, really, to the basement here.

A few things that we'd like to just talk about this morning -- three things that we think could help in the area of the working poor. And we'd ask the Committee to keep these facts in mind. One would be the need to raise the minimum wage. We just saw, most recently down in Florida, on Election Day last week, they raised it -- it was on the ballot, and they raised it to \$6.15 an hour. They went up a dollar, and then they tied it to the cost of living, moving forward.

I would like to point out to the Committee members present that it was not too long ago that New Jersey lead the nation with the best minimum wage. But then some years ago, legislatively here in New Jersey, we tied it to the Federal policy. And as most of you know, the cost here, living in the Northeast, is a lot higher than many, many other parts of the country. I think that's

something that we really need to take a look at, and I know there was great support within the leadership and within the legislative community.

The other item would be one that we from Labor feel very strongly about -- would be to remove some of the barriers to unionization. Many companies are adopting what we call a *card check*, which allows workers who want to join a union to simply sign a card. And when the company is given proof of the signatures, they enter an agreement where they don't get into these very expensive anti-union busting campaigns. And then, moving forward after the election, the relationship between the workers in the company, in terms of increasing productivity and making that company more competitive, goes a long way. So really it's very difficult for someone, I'm sure you know in this state, to work at a job for 5.15 or 5.50 an hour, with no health care and with no pension, to support a family.

Most recently we saw a five-week strike in Atlantic City with one of the most profitable industries in this country, meaning the casino industry, and the whole issue really came down to health care and pensions. The wage package, even though it was reported in the paper, was the ultimate -- the settlement was very good. But the issue really circled around the employer's desire, again, to stay competitive and to follow the Wal-Mart model -- is to make the employees pay for their health care.

Now if you're making 5.50 an hour, it's unconscionable to think you could pay for a health-care policy for a full family or even for a self -- a person is \$6,000, \$7000 a year. I mean, a person really has to make a choice between putting food on the table or having health care. We think that's something that should be corrected. We think there needs to be a fair

health-care system in this country so that those people don't have to make those decisions.

On the back of our testimony, I have enclosed just a breakdown of the union versus non-union sectors. In terms of the weekly wage, you can see that the union workers' hourly weekly wage today is about \$760 a week, the non-union is around 599. So you see a 27 percent advantage. Union women is 696 versus 523; African-American union workers are at 665, and non-union is 499. If you go down this and look at it, you'll see, time and time again, that there is an advantage. And that's why so many people opted to join a union. But once they do that, the way the laws are set up, the employers get into these egregious non-union campaigns, they fire the people and, in many cases, those individuals that want to be represented by a union fall by the wayside.

But I think it's a moral issue, it's a social issue. And if you look at this in terms of health care and pension, you'll see that our people believe -- and you'll see by the numbers that people have a right to health care and that they should have the benefits. So as this discussion evolves forward, I think it's worth it to know, not only here in New Jersey, but around the country, the uninsured list continues to rise. And those employers and people who are gainfully employed and trying to do the right thing actually get surcharged, and the taxpayers do -- pay for our competition.

So, really, we need some type of legislative relief in that area. I know it's been argued for many, many years that we can't do anything here in New Jersey, because if we do, then we become uncompetitive in New York and Pennsylvania. But if you're really serious about maintaining a middle class here in New Jersey, if you're really serious about doing something to help address the

working poor situation, then I think, besides the minimum wage, health care is probably the number one item, particularly for many single parents.

So I'd just like to, at this time, thank the Chairman and members of the Committee for discussing this issue. It's one that most people don't like to discuss. While they admit that there is a problem, they think that with the view -- possibly some of the new coming tax cuts and the trickle-down theory, that these people will receive help and they're going to get health care. But I think there's been, here in New Jersey, at least a 15-year track record, since my involvement, that this is not going to happen. So I really do appreciate the Committee's willingness to discuss this.

Are there any questions?

SENATOR SWEENEY: Thank you.

Any questions?

Senator Doria.

SENATOR DORIA: I just wanted to commend the President of the AFL-CIO. I think the issue is an important issue. I happened to be the Speaker when we passed the last minimum wage bill in 1990.

MR. WOWKANECH: Right.

SENATOR DORIA: And at that time, we were ahead of the rest of the country by 80 cents, which was a major accomplishment. In 1996, we then passed the legislation, Assemblyman Geist's legislation, which put us at the Federal minimum wage. I think we need to look at this. The issue of health care is even more important, and it's something that we need to definitely look at for the State of New Jersey.

One of the things that I have suggested, Mr. Chairman -- I have a bill actually -- and would require any company doing business with the State of New Jersey to provide health insurance to their employees. And that would be a first step. Because if they're doing business with the State, then they should be providing health insurance. I think we need to look at that as we move along. But I commend Mr. Wowkanech for his testimony.

SENATOR SWEENEY: Thank you, Senator Doria.

Thank you, Mr. Wowkanech.

MR. WOWKANECH: Okay. Thank you.

SENATOR SWEENEY: Next, I'm going to have John Rogers, from the New Jersey Business & Industry Association.

You don't look like John. (referring to Melanie) Oh, okay.
(laughter)

J O H N R O G E R S: Thank you, Mr. Chairman, members of the Committee.

My name is John Rogers. I represent the New Jersey Business & Industry Association. Joining me this morning is Melanie Willoughby, Senior Vice President of NJBIA. NJBIA represents 23,000 businesses with 1.2 million employees in the State of New Jersey, and we appreciate the opportunity to testify before you today on this important issue.

There are many factors which impact the ability of the poorest of our society to succeed. The proper education and training, addressing the high cost of housing and health care, and excessive taxes and fees all contribute to the working poor paying a disproportionate share. To truly address the plight of the working poor, it is critical to keep in mind that no single solution will improve

their standard of living. Instead, there needs to be a host of changes across a broad spectrum in order to help them succeed.

NJBIA is here today because the employers in our organization are very concerned about being able to hire the best qualified employees and ensuring that they have a hospitable and affordable community in which to live. The results of our business outlook survey, indeed, represent that businesses in a variety of fields, such as manufacturing, retail, the high-tech sector, and service industries, are all constantly trying to attract workers with the skill sets necessary to succeed as effective employees. Time and again, employers tell me they need workers with both the basic skills necessary to operate in a workplace setting, as well as technical skills, such as the ability to operate complex machinery. We believe that one of the essential components to lifting the working poor is to provide the proper education and training which gives them the skill sets necessary to earn additional funds.

Unfortunately, some take an overly simplistic approach to the plight of the working poor, and believe that merely increasing the minimum wage is the answer. I must emphasize that wages that are paid to an employee are based on their qualifications, education, experience, and demand for their skills. We are additionally concerned that the impact of merely increasing the State minimum wage will actually result in fewer jobs or reduced hours for the employees that we're actually trying to assist. We want to emphasize that an employer in this struggling economy has a set amount for its payroll. If the payroll is artificially increased and not based on a commensurate increase in revenues, then the employer will be forced to reallocate the payroll among the employees by cutting hours or reducing staff. That is why it stands to reason

that increasing the cost of wages will negatively impact the business community's ability to provide jobs. An increase in the minimum wage will require private employers to make real decisions about their business practices. You might think that the employers can just increase prices to make up for the increase in their salary accounts. However, this notion is flawed because in an international economy, with enormous pressures from China and India, we must keep our prices competitive so that jobs can stay here in the United States. It is unrealistic to believe that businesses in a struggling economy will absorb the cost of increased wages without any ramifications.

Furthermore, the real cost to employers is not based on the lower salary wage earners, but it expands to all employees at a company. When the wage is increased, employees with higher wages and a greater level of skill also demand that their wages increase. Increasing the entry wage for workers will have a domino effect on all other hourly wages, which is of great concern to the business community.

In addition to wages, it is important to consider the high cost of benefits that employers provide. When wages increase, the cost of benefits paid by employers increase as well. But I would like to specifically address the cost of health insurance today. It has skyrocketed, and this has impacted the ability of employers and employees. According to the Bureau of Labor Statistics, health-care costs make up an increased portion of the total compensation paid to workers. In 2004, health benefits made up 29 percent of total worker compensation, compared with 27 percent in 2000.

The escalating cost of health insurance is consistently ranked as the number one issue confronting businesses. Any attempt to address the conditions

of the working poor should confront the high cost of health insurance. Most employers want to provide quality benefits to their employees, however, it is difficult to predict and budget for increases in health insurance costs which can reach as high as 40 percent in a single year, especially for small employers. As a result, employers end up contributing a greater portion of compensation to the cost of health care rather than to wages.

Finally, Mr. Chairman, I would like to take a few minutes and discuss an area that will really assist the working poor. Skills training is the key to economic success, not only for companies but for individual employees as well. While New Jersey spends \$12 billion each year on K-12 education and \$2 billion on higher education, it only allocates \$400 million in job training costs, programs. If New Jersey is really serious about assisting the working poor, it will allocate additional resources to job training programs.

Last November, Governor McGreevey signed the Community Colleges Compact, which makes the State and the community colleges formal partners in an effort to build New Jersey's workforce. Since the compact was signed, the colleges have created the New Jersey Community College Consortium for Workforce and Economic Development. This consortium will especially be beneficial to employers that have multiple sites across the state and want employees to update their skills. Under the new plan, the consortium will coordinate all the training so it is delivered in a more uniform manner and easier for the employer to oversee.

New Jersey's 19 community colleges have been the statewide leaders in delivering customized training for large and small businesses throughout New Jersey. They design programs to meet the specific needs of local businesses and

recruit top instructors. In the last year alone, community colleges worked with over 500 New Jersey businesses to train 50,000 New Jersey workers.

As you can see, additional training is really a top priority in order to move the working poor up the ladder to a better paying position. Providing the education and the training necessary to move an employee from an entry level position to higher employment is really the only way to guarantee that the employee can achieve a higher quality of living wage.

Mr. Chairman, the last thing I would just simply like to address is, from the previous testimony, there was discussion about a proposal on a card check bill. Our position is, is that the card check bill would actually pertain to 10 percent of employees who are not covered under the National Labor Relations Act. Rather than have an election, as with the 90 percent of employees, this would merely allow the unions to get a card signed by a majority of the employees, and then you would have an instant union. Our position is, is that for those 10 percent of the workforce that are not covered under the National Labor Relations Act, if you were to have a card check procedure in conjunction with a union, then that would be something that we could possibly work on with you and the rest of the Committee.

SENATOR SWEENEY: Anyone? (no response)

Thank you. Thank you, John.

MELANIE WILLOUGHBY: Can I just say something, Mr. Chairman?

SENATOR SWEENEY: Quickly, because--

MS. WILLOUGHBY: One thing, really quickly.

I was very happy to hear Charlie Wowkanech mention the high cost of health care. Because I know the labor unions certainly share the same issues with business when we're talking about how high health insurance costs are. So, as a result, we would rally encourage working together with labor on trying to bring those costs down. When you're talking about affordability, that's when employers will be able to provide more health insurance for their employees -- is when it's once again affordable. And so I would ask that we work on that aspect of performing health care versus any mandates about provision of health care.

Thank you.

SENATOR SWEENEY: I think it's something we all have to be concerned about. I think it's something we all really need to really focus on, as Senator Doria had said earlier. Health care -- we're at a crisis in this country right now, about affordability and access, and we really need to do something now. We can't continue to let it slide and -- 29 percent increases and 30 percent. People negotiate contracts for health benefits now. It's not fair.

So it's something that, I agree, that's an area where labor and industry should work very closely together.

Thank you.

MS. WILLOUGHBY: Absolutely. And we're there to work together with you.

SENATOR SWEENEY: Thank you.

MS. WILLOUGHBY: Thank you.

SENATOR SWEENEY: And now, since I gave business and industry and labor extra time, I'm going to be more strict with the clock. Okay. I'm trying to be fair.

Next is Mary Smink, Interfaith Hospitality Network. I hope I said your name correctly. If not--

MARY SMINK: It's Mary Smink. You were fine.

SENATOR SWEENEY: Okay, thank you.

MS. SMINK: Good morning, Chairman, Co-chairman.

I was asked to come here just to speak regarding how -- a worker's point of view of this. I've been working since I was 16 years old, paying taxes, doing the normal -- trying to be American type thing. My dream is to have a house. I still don't have that yet.

One of the things that I was asked to speak about was my profession. My profession is nursing. I work with the elderly, long-term care facilities. I work through an agency, so I chose money over medical benefits. I had to. That's a really hard choice to make as a parent of three children, because my kids do need medical benefits. It was a sacrifice for the money, because I needed the money more at the time. I'm still working towards a point where I can go into a staff position and have medical benefits. But from what I'm hearing, from my co-workers and the people that are already staff members, it's not a good situation in our field, and it's not a good situation in any field, from what I'm understanding from hearing what I'm hearing now.

In my field, I know of a CNA who's married, just rented a house, and she just found out that she has to pay \$600 a month for her and her husband and child in medical benefits. That's outrageous, considering what her

rent is, what she's making, what her husband's making. I mean, they have basically \$200 to \$300 a month to live on now. And they're planning on having a family. It's not a good situation.

I've worked, like I said, since I was 16 years old, with the American dream of owning a house. I haven't achieved the goal yet, but I know I will. And it's a struggle, but I think there should be more help from the State. I don't know what the answers are as far as laws and stuff like that. But if people like me -- coming up and speaking, and saying how hard it is as a single parent to maintain a household, maintain the health benefits, deal with child care costs. It's almost impossible in New Jersey, and I want to stay here.

I love this state. I grew up in this state. I grew up in Howell for 14 years, and then I was in the Toms River area the rest of my life. And I love it here. I want to stay, but I'm not sure if I'm going to be able to with the way the economy is now.

I can cite so many cases of how hard it is to raise children, deal with child care costs. Six hundred dollars for two people in medical benefits, I would have to pay \$800 to \$1,000 in medical benefits. And because of the fact that my daughter has a preexisting condition, it's even more. I can't do that. I can't do it with the income I have now, and I certainly couldn't do it if I became a staff member at a facility. And I make a pretty decent wage now through an agency. I cannot imagine having to live on 5.15 an hour. These people must-- I know my friends that are CNAs are making more than that. And my friend's working 80 hours a week and wondering how she's going to come up with the \$600 for medical benefits -- 80 hours a week -- and now she's

sick. She's having seizures. People can't do this. They can't work that many hours.

Like I said, I don't know -- there's no quick fix to this. And I don't envy your job. I'm trying to figure it all out, but something needs to be done. And I thank you for your time.

SENATOR SWEENEY: Thank you.

Any questions? (no response)

Thank you.

Next we have Bruce Davidson, from the Lutheran Ministries, or it's Mary Ellen Marino -- taking it for Bruce. Okay.

I should have picked you out. I had that in Catholic Charities, because--

REVEREND BRUCE H. DAVIDSON: Yes. That would have made sense, I guess. That's right.

Good morning.

Thank you for the opportunity to testify, and especially thank you for having this hearing, and for being interested and concerned about the condition of people living in New Jersey in low-wage jobs, particularly.

I want to speak today, not just on behalf of the Lutheran Office of Governmental Ministry in New Jersey, but also on behalf of the Anti-Poverty Network of New Jersey, of which our agency and our organization is a member.

In the fall of 2003, the Anti-Poverty Network conducted a series of 10 regional forums in various regions around the state. Our goal was to bring together people living in poverty and representatives of grassroots organizations, provider agencies, and houses of worship. Our expectation was that the forums

would reflect the actual needs and concerns of those in poverty and those who worked most closely with them. From this data, we would then plan a people's budget that would aim at identifying some specific strategy that would need to be funded to begin to address the realities of poverty in New Jersey.

Over 1,100 people participated in the forums, and in the statewide conference that followed them. Although some specific details varied from place to place, there was significant agreement in each gathering about particular priorities that create the greatest challenges for people living in poverty in New Jersey.

The need for safe and affordable housing was identified as the number one issue in each of these regional meetings. There's a serious lack of decent housing available to low-income people around the state. With the highest median income and one of the most expensive housing markets in the nation, New Jersey's low-wage workers are forced to put an unusually high percentage of their income into securing a place to live. Over 900,000 New Jersey households spend more than the recommended 30 percent of their income for housing. And most of those households are populated by low-income individuals and workers. New Jersey also has a minimum wage that is among the lowest in the country, which means that a person earning minimum wage would have to work 153 hours a week in order to afford the average rent for a two-bedroom apartment.

The second most prominent concern raised was over the cost of health care and health insurance. A growing number of low-wage workers report that they can't afford to carry health insurance, nor can they provide for regular

or preventive medical care. A major and unanticipated illness was identified as a major cause of homelessness for those who spoke at the forums.

An adequate safety net for those who are unemployed was also raised. New Jersey's cash benefits for people on public assistance haven't been raised since 1987. They, therefore, do not have the purchasing power necessary to help people in need to survive when such assistance is necessary.

Soaring costs for child care: Although some assistance is available to those in the most need, low-wage and other low-income individuals often cannot access these funds. Often this will mean that low-wage workers place their children in settings that may be unsafe or unhealthy, which seems contradictory to the State's current commitment to providing a better system of child welfare.

Since last years forums, and based on what we have learned most recently, the Anti-Poverty Network has also agreed to join with others in the state in calling for a significant increase in the minimum wage in New Jersey. We will do this alongside of our continuing efforts to advocate for a better State rental assistance program, for increases in New Jersey family care, for increases in child care costs, and for raising the welfare grant. We believe that with the high cost of living and the enormous cost associated with housing in New Jersey, the State must have a minimum wage that reflects our realities. We believe that the minimum wage should be raised to somewhere in the area of \$8.00 an hour, and it should then be indexed so that the annual increases will come automatically as the cost of living goes up.

Our studies indicate that even this dramatic increase will not bring most New Jersey workers up to a real living wage, which is closer to \$20 an

hour. However, we believe that raising the minimum wage is a first step in moving low-wage workers out of severe poverty. Also, we believe that an increase in the minimum wage is likely to have a positive effect on the wages of other low-income workers who may earn only slightly more than the minimum.

Finally, I want to say, as Director of a faith-based, advocacy ministry, that I would add that for those in my faith tradition, care for the lowest income people is a moral issue central to biblical teachings that my faith tradition holds sacred. We believe that there should be a minimum standard of living for all people that assures for opportunity for safe housing, adequate food and medical care, and an equal chance at betterment through education. Without such a standard, it is difficult to call any society just, especially when there is significant wealth directly alongside of severe poverty.

We are heartened by the efforts of State Government toward understanding the realities of poverty in New Jersey, and we are eager to see legislation and other initiatives put in place that will promote a decent and humane life for the citizens of the state.

Thank you.

SENATOR SWEENEY: Thank you.

Does any--

Thank you very much for your testimony.

Next, I'm not even going to attempt the first name, but Mrs. McDonald, or Ms. McDonald -- Mai-Tai -- from Solutions to End Poverty Soon.

MAI - TAI M c D O N A L D: Good morning, everyone.

I'm wearing a couple of hats, and I'll try to be as brief as I possibly can. Listening and learning, with my learning ability, as to what the Labor and all other agencies are about, people in the community have come to a conclusion: economics, economics, economics. The health-care system is very out of order. Nobody is talking about the mental health part of it, which we advocate very strongly. You have no clue as to the nonmedical services that are supposed to be provided for people -- we, me, I, us -- the low income. And how low is low to you? I don't have a clue. But it has to be very low. And how can you measure the low income with the so-called rich? What is it that they want? What is it that they need? How can we supply and help the different companies coming in, who use joining the union as a busting tool to get you out of their jobs. They take out health care, taxes, etc., etc., but yet the person working in these companies do not receive an adequate mental health, physical health, or any kind of health services when they go to the hospital, emergency ward, or doctors. That's a no-no.

And the discrimination, and to these things, need to be taken a very honest look at and see where you're coming from, and what you're really saying and what you're not saying for the benefit of us, we, them -- for the low income. And what you consider as low income, to us is a catch-22 zero. We are being used as a tool, a very discriminating tool for a head count, for other companies to come into the State of New Jersey and do -- and the geographical area that they are supposedly housed in. And are doing what they say they are doing, but which they are not doing. And we ask that a meeting such as this -- and you can see I represent low income. I'm low income myself. And I'm so low I can't hardly make it. But that's another hat.

I'm here for the people. You have a statement that I brought from a lady who came late last night. Our group, STEPS -- I reached out to 10 people since Thursday to come or call. And being afraid they were going to be terminated, yelled at, harassed on their jobs, they didn't come. One lady came to my house at 9:00 last night, in her own handwriting -- and I hope you have a copy of it. I told her to write her situation down so that you could take a look at some of the things, at least from one person. And she represents about 4,000 or 5,000 other people here -- and just here in the city of Trenton, that are going through the same thing that we're talking about here.

And I agree with the people that have already come up here, that their stats are pretty near correct; with the exception that your meeting, to let us know what you think they should have, is really not acceptable. It's not appropriate. Have a meeting at a time that's convenient for the people to come and talk, that you can see what this is all about for them, and take from them their needs, their wants, and whatnot. And then we can all work together and get something comprehensive enough to work on. Don't fund these companies. Don't let them come in and don't pay any taxes. Tell them that's a no-no. They take money out, for example, my salary to pay for taxes, health care, etc., etc., but yet I can't get it. They tell me I'm not eligible.

So I encourage you to hear what the other groups are talking about, and make a move and make it public. And have a daytime meeting that's comfortable -- maybe on a Saturday, it's okay.

I have with me one of our people from the community, Mrs. Toni Cooper. You got one minute.

TONI COOPER: My concern was more of a human rights and moral issue. I believe that the system is competitive. They need to be morally more inspired. I believe if they act on those things that they wouldn't be so selfish. So that's all I have to say.

MS. McDONALD: Thank you.

SENATOR SWEENEY: Thank you, ladies.

Next, I'm going to ask Assemblyman Michael Panter.
Assemblyman.

ASSEMBLYMAN MICHAEL J. PANTER: Thank you very much, Mr. Chairman and members of the Committee. I apologize if I might be redundant with anything that's been testified about already, but I was in a committee meeting and just came in a moment ago.

I just wanted to offer a few thoughts with respect to the subject of minimum wage in New Jersey, which is an issue that is -- I hope will become increasingly important as we revisit the New Jersey minimum wage this fall. And there are, currently, on the Assembly side, about four minimum wage bills and varying proposals on how we should address the minimum wage. But I appreciate the opportunity to make a few comments. And I think that this topic -- generally speaking, we need to consider it from two perspectives.

First and foremost, we have to consider whether the current New Jersey minimum wage of \$5.15 an hour is sufficient to allow our fellow residents and the hundreds of thousands of New Jerseyans who are low-income workers to support themselves and their families; but we also need to consider the effect on business. And we certainly need to both solicit and take into account the views of the business community, because we can't consider this issue in a

vacuum. Although it certainly might make sense to reevaluate the minimum wage, we can't do that without understanding the effects it will have on industry, which is so important to our economy here in New Jersey.

In coming down here this morning and thinking about what I was going to say before this Committee -- and I do have a few statistics that I wanted to offer, which I think illustrate in very clear detail the effect that New Jersey's minimum wage has on our workforce -- I was thinking back to when I grew up on the New Jersey shore in a very working class community. And as a kid, I'd have to say that I didn't really understand, as I looked around me at my own parents and a lot of the neighbors and families who lived nearby who were struggling to make ends meet. It didn't make any sense to me, because these folks had jobs. In my family, both my mother and my father worked, and a lot of their neighbors did as well. And yet, they still had financial difficulties. I guess, in my mind, when you're a 10-year-old kid or you're a 15-year-old kid, you think to yourself that people who have jobs, people who work hard and people who go to work for 40 hours a week, should be able to make ends meet and provide for their families. But that isn't always the case. And it wasn't until years later that I heard the term *working poor*, which to me sounds like an oxymoron, but it really does exist. And it really is the reality for many citizens in New Jersey.

I think, to fully understand the minimum wage you have to look back to when it was created and the objectives that spurred that legislation, initially. The minimum wage originally was meant to provide for 50 percent of the average wage in any given region. And I think the reason for that is that you really don't want to have an economic dynamic where you have people from all

walks of life who can't afford to live in the communities where they work. In fact, in this country, there are several places in this country where it's become so cost prohibitive to work that you can't have people -- anyone from police, to firefighters, to teachers, to people who work in kitchens and restaurants, to custodians in schools -- who can live anywhere near the communities where they work. So they have to commute, essentially, several hours into town so they can afford to live in more cost-effective areas.

But the reason I mention this is because: That 50 percent of a regional average the minimum wage was originally meant to accomplish has slowly deteriorated in its actual value, such that nationally now the minimum wage represents only about 38 percent of the average wage in any given area. And in New Jersey, that number has declined to 24 percent.

Now, when you think about the minimum wage, and as we said, the Federal minimum wage is 5.15, and every state is obligated to have a wage of at least 5.15, although they can individually decide that their minimum wage go above that level. I think there are a few myths that have historically been thrown out there, when debates arise about minimum wage, that we have to dispel. One is that those making minimum wage are predominantly teenagers, they're young people; they're folks who are working in seasonal jobs for extra pocket money, and that they are not essentially adults providing for families. But nationally, as you look at the percentages, I think it's very enlightening. Because an overwhelming majority of those making minimum wage, in fact 68 percent nationally, are adults. One-third are parents. Nearly half are working full-time, over 35 hours per week. And 40 percent of those are the sole providers for their families.

In New Jersey, we have about 180,000 citizens earning between 5.15 and 6.15 per hour. So I think if it's pressing upon us, in a state where we value working families and we do everything we can to support them -- whether it's health care, or education, or providing them with a decent wage -- that we revisit the minimum wage at this point. Now, when you think about the minimum wage and what the most effective level might be, I just wanted to give you a few very brief statistics before I wrap up my testimony.

New Jersey's cost of living is 20 percent above the national average. Our cost of housing in New Jersey is second only to Hawaii. So it's the highest in the entire country, except for that very small state in the Pacific.

Our \$5.15 minimum wage is commensurate with the minimum wage in states like Arkansas, Georgia, New Mexico, and West Virginia, who have a significantly lower cost of living than New Jersey. Twelve states have gone above the \$5.15 Federal wage, already. And I think it's very interesting to note that Washington state is the highest minimum wage in the country, at \$7.16 per hour. And it's no coincidence that they're also the only state that pegs their minimum wage to increases in inflation and cost of living. So that gives you an illustration of how -- perhaps where a minimum wage should be, if we were to really reflect what it costs to live in any individual state.

Now, what that means for folks in New Jersey is that, for an adult in New Jersey to afford the average two-bedroom apartment in our state, somebody making minimum wage would have to work 153 hours per week. In Monmouth County, where most of my district that I represent is located, a single adult, without children, would have to earn \$9.67 per hour, or almost two times the minimum wage, to provide for his or her basic needs. And if that

person had two children, they'd have to make more than four times the minimum wage, or \$22.04 an hour, just to cover her basic needs, in terms of groceries, and utilities, and housing, and education for her children.

So the real question that I just wanted to leave this Committee with -- because I think it's something that all of us in the Senate and Assembly should consider this fall -- is whether it's time to revisit the \$5.15 minimum wage in New Jersey, and whether we are, in effect, denying a large segment of our population the ability to both live in New Jersey, and if they're here already, the ability to support their families.

So I appreciate the Committee's time, and look forward to working with you on this issue.

SENATOR SWEENEY: Thank you, Assemblyman.

Next, we're going to have Jon Shure, New Jersey Policy Perspective.

JON SHURE: Good morning.

First, let me thank the Senate Labor Committee for undertaking an examination of the plight of the working poor in New Jersey.

As the Federal government reduces its commitment to helping those who are not millionaires, nor likely to be millionaires any time soon, the role of the states is especially important.

The percentage of New Jersey residents in poverty is growing. Using the Federal poverty threshold, it's over 8 percent, and for children it's over 11 percent. But the Federal poverty line is about as meaningless a way to measure poverty as a rule is to measure someone's weight. The guide for setting the poverty level is based on the cost of food items. This made some sense in 1963, when it was instituted, and food accounted for only 23 percent of the family

budget, and housing was 29 percent. But today, food is just 16 percent of a family budget, and housing is up to 41 percent. Nor does the Federal poverty threshold take into account geographic cost variations, or the ages of family members other than adult and child.

Working 40 hours a week for a full year, someone at minimum wage makes \$10,712. Two people in a household doing that would be over the Federal poverty line, but you can understand why they're not celebrating. What it really costs to live in New Jersey -- not to have frills and not to have government assistance -- ranges for a family of four from just under \$41,000 a year in Camden County to over \$61,000 in Hunterdon. And the problem with low-wage jobs is not just low wages. These jobs are less likely to provide health coverage, sick pay, family leave, training, and a retirement plan.

During the course of the 1990s -- the booming '90s, we were told -- median wages in New Jersey actually went down. The income gap -- not the gap between the rich and the poor, but the gap between the rich and everyone else -- got wider. So while a few weeks ago we read glowing headlines about New Jersey's median income rising, we should be aware this statistic papers over a wide disparity from place to place and person to person.

I'm going to focus on two areas where I think it's crucial for New Jersey to take action to help its working people. And we need to point out that it's not easy to be poor, but it's even harder to be poor in New Jersey, where the cost of living is fully one-third greater than the national average. And yet, some of the key laws and programs aimed at helping people move up the ladder in New Jersey are designed as though they were supposed to help people in a different place and a different time.

Minimum wage, first -- and I'll try not to repeat too much of what was said. But it was mentioned that back in 1992, we had the distinction of having the nation's highest minimum wage. In 1999, a law was passed, tying New Jersey's wage to the Federal level. But that's a polite way of saying that while the minimum wage in this state can't fall below the Federal level, it can't go above it, either. That needs to be changed.

The purchasing power of the Federal minimum wage peaked in 1968. Minimum wage that year was \$1.60 an hour, but it was worth over seven of today's dollars. When you consider the average cost of a new home in 1968 was \$26,000 versus almost \$270,000 today, and a gallon of regular gas was \$0.34 back then, minimum wage has not kept pace. Since 1968, its value has decreased by about 40 percent.

About 75,000 people in New Jersey are paid \$5.15 an hour or less. They account for 4.1 percent of the workers in the state who are paid an hourly rate. About 2.9 percent of workers, nationally, earn \$5.15 an hour or less, compared to the hourly rate. So it might be surprising, but it's true, that in a state where the cost of living is so high, New Jersey is tied for having the nation's sixth highest percentage of workers earning at or below Federal minimum wage. And none of the 15 states with the highest percent of workers making at or under \$5.15 has a cost of living as high as New Jersey's. In fact, at \$5.15 an hour, our minimum wage is the same as the five states with the lowest cost of living in the nation: Arkansas, Tennessee, Oklahoma, Texas, and North Dakota -- nice places to visit, but--

By contrast, as was said, 12 states have a higher minimum wage than the Federal level, and more are likely to get there. New York's legislature

passed an increase and is expected to override the governor's veto. And as was mentioned just last Tuesday, by a landslide of 71 percent, Florida voters approved a minimum wage increase.

Many of the states that are above the Federal minimum wage are our neighbors. And this race is an interesting irony. We, as a State, spend millions of tax dollars a year competing against those states to get businesses to come here, but we do very little to make sure that working people have enough to live here.

Another way to look at the minimum wage and its worth is to compare it to the average of all workers paid by the hour. The Federal minimum wage has fallen to just 33 percent of the average hourly wage, its lowest point since 1949. But in New Jersey, it's even lower -- about 26 percent. In fact, in just the two years between 2001 and 2003, the state's hourly wage rose by \$0.97, while the minimum wage stood still.

And I want to address, briefly, something that was said by some of the business representatives who make the claim that paying workers more is somehow not good for them or the economy. If the minimum wage had gone up by the same rate in the 1990s as pay for CEOs, it would be \$24 an hour today. (laughter)

New Jersey should raise the minimum wage. And we at New Jersey Policy Perspective will soon release a report going into this in more detail. Suffice to say, for now, those affected will be women, minorities, and people working less than full-time, disproportionately. The vast majority will be over age 20.

Now, should we be helping people to be trained for better skills, as was mentioned before? Certainly, we should. But if today's janitor is tomorrow's white-collared worker, but tomorrow's janitor still makes \$5.15 an hour, then I think we're missing the point of this.

The second thing I want to talk about briefly is the State's Earned Income Tax Credit. Commendably, New Jersey, in 2000, joined those states that added an EITC to supplement the Federal EITC. It rewards work, it helps people out of poverty. But we are the only one of 18 states with an EITC that cuts off eligibility at an income level below that of the Federal program. So while a family of four can earn upwards of \$34,000 a year and still get some Federal EITC benefit, New Jersey cuts them off at \$20,000, regardless of family size or anything else. It's called *falling off the cliff*, and it should not happen.

We need to increase eligibility standards to match the Federal EITC, and do other things too. We need to find out why so many people eligible to get the State EITC don't know about it. We need to change the eligibility so the State and the Federal programs are the same. We need to let low-income workers with no qualifying children get the State EITC, as they do the Federal. And we should raise New Jersey's EITC to a benefit level equaling 25 percent of the Federal program.

I can spend the rest of the day reciting statistics, but I won't. Ultimately, this comes down to values and ideals. We were told that one of the key things on voters' minds this past election was moral issues. Believe me, I'm not a Bible expert. But from what I know, it's pretty clear that failing to help those people who are in need is a sin.

No one who gets up every morning and wants to put in a full day's work, often doing labor that you and I would not want to do, should have to live in poverty. We, as a society -- and government as a reflection of the will of that society -- must do everything possible to commute the sentence of poverty inflicted on thousands of hard-working people in New Jersey. We need to change our way of thinking. Don't define poverty out of existence with the relevant standards of measurement. Don't pretend it's not there. We need to face the fact that, today, a full-time job simply does not guarantee that you can support a family. We need to reshape the nature of the discussion and the terms of the debate, to embrace the idea that the high road is the right road to prosperity, and that the only way to get there is to make work pay. These days, that might not be a popular notion across this nation. People who should know better seem to say the poor only have themselves to blame. Federal policies reflect a discredited view that helping the rich helps us all. But this is New Jersey. We do know better, and we should set the standard.

Thank you very much.

SENATOR SWEENEY: Thank you.

Anyone? (no response)

Thank you, Jon. (applause)

Maura Sanders and Kelly Magnus, Legal Services of New Jersey.

MAURA SANDERS, ESQ.: Good morning.

SENATOR SWEENEY: You're not going to read this, are you?

MS. SANDERS: Not today, no.

My name is Maura Sanders. I'm a senior attorney at Legal Services of New Jersey. And as everyone who has come before me has said, this

morning, I want to also express my appreciation and our organization's appreciation for having this hearing today and for recognizing the importance of the issue, and looking broadly at conditions for working-poor families.

I could start off and give you the statistics that I think you've heard today, as well, from everyone else in the room. What I do want to do, though, is talk a little bit about what we see in our offices in the people that come before us.

We see, everyday, in our clients, families that are struggling, people who are struggling every day to make ends meet, trying to make untenable decisions about whether to buy shoes for their kids, whether to put food on the table, or whether to pay the rent, with the minimum amount of income that they get from employment. We see people who come in every day who have to make untenable choices about whether to keep a job or quit a job, because they don't have health insurance, because it's the only way for them to get health care that they need, or the only way for them to get shelter, and they're about to get evicted, or they've lost their home.

We see families coming in who are trying to navigate through the Workforce New Jersey system, trying to make it past that and get into employment, who are faced with the same kinds of issues as they try and transition into work, many for the first time -- who are trying to figure out how they're going to make that jump, how they're going to make that step, and are they, at that point, even going to be able to have sustained income.

Our studies show that for those families who do transition into work, many of them-- It takes two to three years for them even to reach \$8 an hour in income. Many of them change jobs three, four, five times during that

time period and suffer with bouts of unemployment, often ineligible for unemployment insurance at that point, because they haven't had enough quarters, they haven't had enough of a work history.

In all of these circumstances, consistent themes emerge over and over again. Income is insufficient to meet their needs on an ongoing basis. Low-wage workers do not have enough money to pay their bills every month for housing, for child care, for health insurance, and for transportation.

And, secondly, when crisis hits, many of those families who are struggling and just barely making it every month cannot survive, and fall off at that point. We see an awful lot of folks who come into our offices who have been employed, who have been struggling every month, some way cobbling together how to pay those bills. Something happens: there's an illness, there's a death in the family, there's a divorce, there's domestic violence, there's all kinds of issues that comes up, and they find themselves homeless, they find themselves out of work because we don't have a system that gives them that support they need to make it in between.

And while those problems are all multi-faceted -- I realize we can't solve these problems with one bill, or with one Committee -- there are several key steps that we think need to be taken. One of them is in raising the minimum income levels. Two, is providing wage supports to fill in on the critical areas, because there is such a difference between even what we can raise the minimum wage to and what a family needs to survive. And third, to provide those emergency wrap-around services for working families so that when there is a crisis, and when there is a problem that arises, they have a place to turn, they have somewhere where they can get a car bill paid, they have somewhere

where they can get their rent taken care of, they have somewhere to pay those extraordinary utility or health-care bills that come through.

We've included, with our testimony, a copy of our 2002 Cost of Living study. That will be updated in February, and we will provide the Committee with updated copies at that point, if you'd like. What that shows is-- It's a comprehensive report that was done by Diana Pearce, who has done similar studies throughout the country. Many of them have been adopted by legislative policies around the country, in different states and municipalities.

It indicates that a family with two children needs an income that is two, three, four times the minimum -- the cost of living, the poverty level -- current poverty level in New Jersey. On an overall level, we see the cost of living in New Jersey, just to meet those basic needs, is more in line with 250 percent of the Federal poverty level. As Jon Shure spoke, earlier, the Federal poverty level is absolutely out of line with the cost of New Jersey and in no way reflects the true poverty costs that we see. We look more at a number that's 200, and now upwards of 250, because that's much more in line with what's basic needs for New Jersey's residents.

We also support any increases to the Earned Income Credit -- Earned Income Tax Credit, as Jon Shure spoke earlier. New Jersey does have a cliff. When a family reaches \$20,000 a year, that's it. They don't get anything. If you make \$1 over that, you lose the entire credit. That needs to be changed. It needs to be aligned with the Federal, as well. We also do support-- There has been legislation pending to impose a cost-of-living increase within the EITC, and we also support that, as well.

Kelly Magnus from our office is here to talk a little bit more about the minimum wage. She's been doing some research into that, as well. And we've provided you with some facts on that, as well.

But one other thing that I do want to talk about, before she does that, is this Committee has an opportunity with the transfer-- In July 2004, all to-work services from the Department of Education and from the Department of Human Services were transferred to the Department of Labor for administration within the One-Stop system. We think that there's real opportunity there, but there's also real concern, as the system tries to integrate families that they have not dealt with before and problems that they haven't had to deal with before. These families have significant barriers they face every day in their lives. They have poor-to-no work histories. They have very limited education. They have significant learning disabilities, mental health problems, domestic violence issues. All of that leads to a real concern that we have in meeting those needs.

Okay.

SENATOR SWEENEY: You got her five minutes.

MS. SANDERS: I'm sorry.

SENATOR SWEENEY: I'll give her a couple of minutes -- but if we could be brief, please.

KELLY MAGNUS, ESQ.: Good morning.

My name is Kelly Magnus. I'm with Legal Services of New Jersey, and I'm part of the Poverty Research Institute of Legal Services.

Today, we are releasing our minimum wage report that you'll find in your packets. I'm releasing that to the press and the public. This report is

entitled “New Jersey’s Shrinking Minimum Wage.” It shows the national longitudinal trends in minimum wage -- where New Jersey stands in relationship to the rest of the country, where the minimum wage stands in relation to the Federal poverty threshold.

One of our key findings is that next month, the purchasing power of New Jersey’s minimum wage is expected to fall to its lowest level ever since the inception nearly 40 years ago. It was last increased by just a dime, in 1999, to \$5.15 per hour. The value of the State minimum wage has declined to just \$4.51 per hour, and it continues to fall.

Looking at the one-page handout that accompanies our report, you will see that the current minimum wage would leave a three-person family with an earner working full-time, year round, over \$4,000 below the poverty level. This calculation is based on a 40-hour work week, for 52 weeks per year. Raising the minimum wage to \$8 per hour would increase the earnings of a single-wage working family to nearly \$6,000 per year. Maura touched on true poverty, and an increase to \$8 would still leave a family far below that level. We show, in our report, that to raise families up to the true poverty level, a single-wage earning family of three would need to make a minimum wage of \$14.25 per hour.

Thirteen states and the District of Columbia have enacted a state minimum wage that exceeds the Federal standard of \$5.15 per hour. Eight of these are some of the country’s wealthiest states. Three states have indexed their minimum wage to adjust annually for inflation.

New Jersey is the wealthiest state in the country and has one of the highest costs of living, yet we have not increased our minimum wage. It was last increased by just a dime a decade ago.

According to the Census Bureau, in 2003, New Jersey had nearly 1.8 million people, over 20 percent of our state's population, living below true poverty. Eight of the country's wealthiest states have increased minimum wage well above the national standard. Our research findings show that an increase in New Jersey's minimum wage is crucial for the survival of the state's low-income workers, and long overdue.

Our recommendations include an increase to New Jersey's State minimum wage to at least \$8 per hour, and a permanent indexing of the wage to keep pace with inflation. That increase in minimum wage also needs to be accompanied by the crucial work supports needed for a family to make ends meet in this high-cost state.

Although we are far from alleviating poverty and its disastrous effects on New Jersey's most vulnerable citizens, raising the state minimum wage to \$8 per hour and indexing that wage to keep pace with inflation are necessary starting points.

SENATOR SWEENEY: Thank you.

MS. MAGNUS: Thank you.

SENATOR SWEENEY: Next, I'm going to have Mike Allen, Catholic Charities.

MICHAEL R. ALLEN: Good morning, Chairman Sweeney and Vice Chairman Doria.

My name is Mike Allen, and I am the Associate Executive Director of Catholic Charities, which serves the poor and vulnerable in Burlington, Mercer, Monmouth, and Ocean counties, and touches more than 100,000 people per year. I have been practicing social work since 1965, and have been employed by Catholic Charities since 1977.

We have been providing assistance to the community for more than a century. Catholic Charities is also a member of the following groups: the Catholic Coalition for a Just Budget, representing all of the Catholic Charities, five of us here in New Jersey, and all the state's 15 Catholic hospitals; the Anti-Poverty Network, consisting of hundreds of groups who have banded together to end poverty in New Jersey; the New Jersey Association of Mental Health Agencies, which represents 125 mental health agencies serving the mentally ill in New Jersey; the Cost of Providing Care Coalition, a coalition of more than 500 nonprofit and private organizations providing care for people with developmental disabilities, mental illness, and families and children at risk; and the Fairness Alliance, a coalition who proposed the Millionaires' Tax and seeks to increase the minimum wage.

On behalf of Catholic Charities and those we seek to serve and empower, I thank you for this opportunity to address the significant problems of New Jersey's working poor. At just \$5.15 an hour, New Jersey has one of the lowest minimum wages in the nation. New Jersey is also one of the most expensive places in which to live. This double whammy is literally forcing our working poor out of their homes and onto the streets. New Jersey has the largest gap in the nation between our minimum wage and our cost of housing.

We respectfully submit the following information to help guide your

deliberations in 2004 and beyond. The minimum wage has not kept up with the increase in cost of living since 1992 in New Jersey. A self-sufficiency study, conducted by Legal Services of New Jersey in 2002, found that the amount a family of four needs per year in New Jersey ranges from \$37,516 in Union County to \$56,670 in Hunterdon County. Working 40 hours a week, for 52 weeks, at the current minimum wage -- \$5.15 -- brings in \$10,712. Moreover, fiscal year 2004 Federal poverty guidelines says it takes at least \$9 per hour to support a family of four. That figure doesn't take into account the higher cost of living in New Jersey, the second most expensive place in the U.S. to rent an apartment. The average two-bedroom rental is \$1,026. So even raising the minimum wage to \$8 is far from providing a living wage, but it is a good start.

The average age of a homeless person in New Jersey is 9 years old, one of the most startling and significant consequences of New Jersey's lack of affordable housing and lack of a competitive minimum wage.

According to New Jersey Department of Labor projections for 2006, four out of every 10 jobs will pay less than \$25,000 a year.

Since more than 40 percent of New Jerseyans are raising families on salaries well below \$39,200, it is no wonder families with children represent the greatest increase in the homeless population. Earning the minimum wage, a person would have to work 153 hours a week to make the 30 percent cap for housing. In New Jersey, 73 percent of low-income families -- compared to the 59 percent nationally -- pay more than the recommended cap of 30 percent of their income to provide a home for their children.

It is also worth noting that the majority of homeless individuals our agency assists are working poor and a growing number are children. In August

2004, of the 935 persons in Mercer County homeless shelters, 463 were children, according to the Homeless Survey snapshot findings of the Mercer County Human Services Advisory Council.

The fact that low-wage earners' salaries have not kept pace with the skyrocketing cost of living in New Jersey has made it even more difficult for a greater number of families to put a roof over their heads. And this has spurred an increase in the demand for services Catholic Charities provides. We are seeing an unprecedented demand for help meeting basic needs. Our Emergency Services Division, providing food, clothing, and help with rent and utility bills, has taken requests for help from 12,385 people during the first half of this year. In Mercer and Burlington counties, we saw requests for food increase by 33 and 26 percent. Of those seeking our assistance, 69 percent are families with children.

Raising the minimum wage would increase, to some degree, the purchasing power and economic security of approximately 181,000 people relying on it in New Jersey. The majority of minimum wage earners in New Jersey are women, African Americans, and Latinos. And approximately 80 percent of minimum wage workers are over the age of 20. Minimum wage workers are not just teenagers working part-time.

Studies have shown -- one such study was conducted by the Economic Policy Institute -- that increasing the minimum wage produces no measurable job loss. This was true even during the '91-'92 recession, and vitiates the argument that we shouldn't raise the minimum wage because it would harm an already fragile economy. According to a 1998 Economic Policy Institute study, no significant job loss was associated with the '96-'97 minimum

wage increase. In fact, following this most recent increase, the low-wage labor market performed better than it had in decades. For example, lower unemployment rates, increased hourly wages, increased family income, decreased poverty rates--

Arguments against raising the minimum wage, claiming it would harm the economy and cause massive job cuts, have no legitimate foundation. The first such argument was made when the Federal minimum wage was enacted in 1938, when one congressman rose during the debate to warn of the destruction of our whole constitutional system and the setting up of a red-labor, communistic despotism upon the ruins of our Christian civilization.

In taking a comprehensive approach to improving the sustainability of our State's economy, I would offer the following suggestions: Vigorously support a \$50 million line item in the 2006 budget for rental assistance patterned along the Federal Section 8 model, which says that no one should pay more than 30 percent of their income for housing; vigorously support an increased minimum wage to \$8 per hour, indexed to the Northeast urban worker's CPI; vigorously support a New Jersey Earned Income Tax Credit program that is equivalent to the national Earned Income Tax Credit.

Thank you.

SENATOR SWEENEY: Thank you, Mr. Allen.

Next, we're going to have Sheldon Presser, Association for Children of New Jersey.

Mr. Presser, just for time reasons, we don't-- I've had everyone read their testimony into the record. But submitting it is just as good as reading it.

S H E L D O N P R E S S E R: Do you want me not to speak at all?

SENATOR SWEENEY: No, you're more than welcome to. But in the interest of time, I was just hoping we could condense. Do you know what I mean?

MR. PRESSER: I'll only address issues that haven't been previously addressed.

SENATOR SWEENEY: Thank you, sir.

MR. PRESSER: Thank you, Chairman Sweeney and members of the Committee, for the opportunity to provide testimony regarding the condition of the working poor in New Jersey.

I'm Sheldon Presser. I represent the Association for Children of New Jersey, known as ACNJ. And we are a statewide, nonpartisan, child advocacy organization dedicated to improving programs and policies for children and working-poor families.

We've heard about the latest poverty statistics. I'm not going to get into it. But I do want to point out that, attached to the testimony, there is an ACNJ policy and budget brief which does provide some data, and some tables, and comparisons. It's only four pages. Please look at that, because that will compare to other states. And, actually, according to the way that-- When we average the statistics, actually, we are higher cost than Hawaii -- not by much, but we are up there.

And I just think it's really important that we just realize that roughly \$50,000 is needed, based on 2002 data, just to meet the basic needs for a family of four, with two working adults, a preschool child, and a child in school.

And to assist the working-poor families in reaching levels of self-sufficiency, ACNJ is basically recommending four areas. One is the increase in the State Income Earned Tax Credit, which Jon Shure spoke very well about, and I won't go into.

The next, which wasn't mentioned today, is to promote and fund Individual Development Accounts, commonly known as IDAs. IDAs are matched savings accounts that enable low-income families to accumulate their earnings specifically for high return investments in home ownership, education, or small-business ownership. IDAs enable low-income families to succeed by promoting the benefits of building long-term productive assets.

Current statutes permit only earned income to be deposited into these accounts. This can make it very difficult for a low-income family to achieve their goal of home or business ownership. While recognizing that a regular savings habit is necessary to achieve an IDA goal, ACNJ would like to see the IDA legislation amended to permit the deposit of EITC refunds into these accounts. Especially the Federal refunds, as well.

It is also our understanding that IDA funding is limited to current levels. That is, once the funds run out, there will be no on-going funding for more families to open accounts. ACNJ strongly recommends that this program, which provides an excellent way for working-poor families to become self-sufficient, be funded appropriately.

The next issue I'd like to talk about is, specifically, family care. And we were talking about health care earlier. Health care is really an issue, as stated here, that's real important for working-poor families. Health insurance is not offered or just too expensive for these folks. And this issue was

recognized when the Family Care program was established. However, the State stopped Family Care enrollment for parents in June of 2002.

Studies have shown that when parents lack health insurance, their children are more likely to also be uninsured and less likely to get the preventative medical care they need to stay healthy. Despite similar fiscal constraints, many other states continue to cover low-income parents, recognizing both the health and fiscal long-term benefits. The number of low-income, uninsured New Jersey children increased 14.1 percent, according to the Census Bureau's current population survey. An average of 129,000 low-income children were uninsured during the years 2001 to 2003, compared to 113,000 for the period of 2000 to 2002. That translates to 16,000 more uninsured children. Enrolling eligible children and parents in Family Care is necessary to ensure that health outcomes for infants and young children in New Jersey will improve.

Thank you for the opportunity to testify.

SENATOR SWEENEY: Thank you, sir.

Is there someone from the New Jersey Chamber of Commerce here to speak? (no response)

Crystal Thompson, friend and HomeFront.

CRYSTOL THOMPSON: Good afternoon.

I'm really nervous, so you'll have to excuse me. I'm glad my back is turned.

SENATOR SWEENEY: Relax.

MS. THOMPSON: My name is Crystal Thompson. I'm a single mother of three. I've been on my own since I was 15 years old, not by choice at all.

This is my-- Oh, my God, I'm nervous. All right.

Can you imagine working four jobs, having three children, and still struggling? Well, it's become a part of my life. My first job: I work at a preschool. And that pays for my child care. My second job: I work at another preschool. And that pays for my monthly expenses and food. My third job: I work at a car wash on the weekends, which pays for my transportation, and emergencies, and etc. And my fourth job -- doing home health aide, which pays for rent. One job couldn't pay the bills, at all, and rent. And if any emergencies or unexpected things came up, then I was in trouble.

Living in a decent two-bedroom is usually around \$800 a month. Then I had to pay electric, phone, cable, grooming, babysitter, transportation, housekeeping and personal products, so forth and so on, every month. And none of these bills included bills from my past that I couldn't or didn't pay due to the loss of employment, no child care, or just working one job -- not being able to meet all my needs and pay all my bills.

Further my education -- I want to. But a full-time job, or two, and going to school -- my children are neglected, and everybody else raises them. I never see them, and they never see me.

This year was the first year that I was able to work just one job. In February -- on my birthday, actually -- I just managed to just work one job, because I was neglecting a lot of my family duties. But then it was impossible for me to just do that and pay all my bills. I was able to buy a house working all those jobs, trying to save a little money. And to be honest, things got a little bit harder. I've always lived in apartments that the landlords never did what they were supposed to do.

Now that I own my own house, I make just enough money to pay my rent, to pay all my other bills, child care, so forth and so on, but don't make enough money for home repairs. My refrigerator went out about two weeks ago, and it was out for about a month, because everybody was charging me a ridiculous amount to come out and fix it, and I couldn't afford it. I have problems with my heating system. Just a little bit of everything was going wrong. But just working one job couldn't do it. So I had to work another full-time job, which I'm doing now. So I work every night from twelve to eight in the morning, and then I have to go to work from 8:30 to 4:30 just to make it. Mind you, I don't make minimum wage anymore. But even when I was, I couldn't make it. And now that I don't make minimum wage, it's still very hard to make it.

My children's insurance was dropped recently, so I have to pay for all of that now. I'm in the process of trying to get insurance, because my jobs weren't full-time. So I'm in the process of trying to get insurance now. But I have to pay for all their medical expenses. My daughter has a condition that she needs medication on a regular-- And I have to pay for everything myself. So I know, not making minimum wage anymore and working a full-time job, making decent money-- You really can't-- It's really hard. It's not possible. I don't see how people manage off of minimum wage. But then again, I can -- if you work 50 million jobs like I did, because I had no other choice.

So, basically, I just wanted to come and let you know that it's really not possible to make minimum wage and make it. Even making a decent amount is really hard and is a struggle.

SENATOR SWEENEY: Thank you for coming.

MS. THOMPSON: Thank you.

SENATOR SWEENEY: Thank you.

Next, Cathy Chin, Mental Health Association.

CATHY CHIN: Good morning, Chairperson Sweeney, Vice Chairperson Doria, and staff members.

My name is Cathy Chin. I'm the Legislative Advocate for the Mental Health Association in New Jersey.

Thank you for this opportunity.

The Mental Health Association in New Jersey operates under the new paradigm of wellness and recovery for mental health consumers. Our vision is for consumers to live meaningful and productive lives, and to be as independent from the system as possible. This means designing services and supports that, ultimately, get people with mental illness back to work.

We also train consumers to provide specialized support in the field of mental health and the development of their own careers. We not only believe, we see employment as one of the most important factors in people's wellness and recovery efforts.

While developmental disabilities and mental illness are very different conditions, they share some of the same problems and misunderstandings. In both instances, it is easy for society to believe that people with these conditions cannot or do not wish to work. We know that people with disabilities, just like everyone else, want to work. The ability to work and contribute to society is an integral part of recovery for people with disabilities.

For many people with mental illness, their symptoms often present in late teens and 20s, and it typically takes years before they are able to manage their illness. By the time they are in recovery and ready to work, many have not finished school, been trained for a career, or have any work history.

New Jersey consumers in the mental health community held forums all summer long to look at three areas, one of which was employment. All consumers, even those in hospitals, said that they want to work. The problems they identified were fear of losing health-care entitlements, lack of transportation, discrimination in the job market, and having no way to learn skills and to garner experience so that they can go beyond the minimum wage.

Currently, if you are disabled and entitled to SSI and SSDI, and start working, you can sign on to the Medicaid Buy-In Program, a very helpful program that few people are aware of, though awareness is improving over time. There are also helpful incentives within SSA for consumers who are working, but it can be both an administrative nightmare to try to get a clear understanding of them, and a personal nightmare to have to actually navigate the system. So, in reality, the problem is almost as much about information as it is in having a real safety net.

There are also many people who have mental illness or mental health related issues who are working but have no benefits, either because their employers do not provide health-care insurance, they're not sick enough to be qualified as disabled under the statutes, or are waiting for the SSA application to be complete, which can take as long as three years.

The precarious situation of the working poor may contribute to their poor mental health and the over-representation of mental health problems

-- where we are seeing depression rates of 25 to 35 percent, as compared to the general population rate of 13 percent; general anxiety disorders of 7 to 10 percent, as compared with the general population rate of 3.4 percent.

Solutions for consumers who want to enter the work force: One, create a productive employment training program to teach marketable skills, beginning while in the hospital and continue out into the community. Two, expand and extend supportive employment programs. Three, educate and provide incentives for mental health providers to hire consumers. And four, create a transportation system for people with disabilities.

For the working poor who have mental illness and are entitled to benefits such as the Medicaid Buy-In: One, educate consumers, providers, bureaucrats, employers, and the public at large about this important benefit. And two, streamline the application process.

And, finally, for the working poor who have mental illness or mental health related issues and do not receive entitlements: One, increase the minimum wage so that they can afford stable housing and health care. Two, provide access to affordable housing -- health care, excuse me. And three, require mental health insurance parity by all who insure residents in the State of New Jersey. A great deal of pain and emotional distress that the working poor feel -- disempowerment, insecurity, shame, anxiety, loneliness, mourning, depression, and anger caused by stress and material disadvantage, which leads to absenteeism and lost productivity -- could be eradicated if we, as a society, take more seriously and try to change the damage done by the lack of a minimum wage which you can live on, affordable housing, and health care.

Thank you.

SENATOR SWEENEY: Thank you.

Next, Alan Kaufman with the CWA.

A L A N K A U F M A N: Thank you for the opportunity.

I'll be extremely brief.

I just want to make one comment. I think some people felt compelled to say something about the moral values of what we're talking about here, to couch what they were saying in moral values based upon a ridiculous exit poll question, which gave people a multiple choice question saying, "What was the most important thing to you?" And they gave you moral values, which was not an issue. Eighty percent of those people -- 22 percent of the people said moral values was the number one issue for them. Eighty percent of those voted for George Bush. And I think, for the people in this room, none of the -- most of the people who answered the moral values were not talking about the issues addressed in this room. So people in this room shouldn't feel defensive that, somehow, people talking about moral values were talking about something else: the people in this room aren't moral. They were talking about intolerance, in terms of anti-gay stuff and replacing Supreme Court Justices who support *Roe v. Wade*. The support for these types of issues goes back, in the religious community in my lifetime, to Martin Luther King, who was leading -- the head of a strike in Memphis of garbage workers.

So that aside, I just have one issue. And everybody has talked about a lot of things here, which we support. The AFL gave a position.

The State of New Jersey, through the Department of Human Services, contracts with thousands -- it has thousands of contracts that employ people to deliver services -- that are unorganized -- that are paid in the

neighborhood of \$7 or \$8 dollars an hour, which is above minimum wage, but is poverty. They have inadequate health care, inadequate pensions, if any pensions, inadequate working conditions. So the State of New Jersey itself, in terms of its social policy, is a purveyor of creating a group of workers who are living in poverty. They are the working poor. So the State of New Jersey should set an example itself in terms of contracting -- these contracts where people are paid \$8 an hour with no health benefits; these contracts -- about 95 to, sometimes, 100 percent of the contracts are State funded. That's the only source of the money for these contractors, is the State. So the State is, in effect, creating a large group of people, who deliver services to poor people or disabled people, who themselves are living in poverty. And that is something that should be corrected. It's been a long-standing problem. They should be workers who are making the same as other unionized workers, which is the one way of getting people out of poverty.

Thank you.

SENATOR SWEENEY: Thank you.

Next Don Dileo, from AFSCME, is not testifying, but in support.

Steve -- you say this name?

MS. FRAYTAK: Jakubowycz.

SENATOR SWEENEY: Jakubowycz. Excellent. I didn't even attempt it.

STEVE JAKUBOWYCZ: I give lessons on how to pronounce my name. Four classes, you'll have it -- get down pat.

SENATOR SWEENEY: He's with the Coalition of Mental Health Consumers.

MR. JAKUBOWYCZ: Yes.

Thank you, Chairman and Vice Chairman and other members of the Committee, for allowing me to speak.

I'm a mental health consumer myself, that's a politically correct way for saying mentally ill, but I'm mentally well, because I accessed treatment to success. Everybody gave the nuts and bolts of that and this -- the liveable wage and more houses and stuff. I'm just going to give a slant from my point of view. Now, I've always said, to make it you have to either be very, very poor or very, very rich. Well, I'm very, very poor on the way to becoming very, very rich. Okay. I guess I'm the only poor person in the state who's making it. Not to go against -- I'm not trying, because I've got to live with my constituents over here. But the safety net caught me. I have New Jersey Workability. I get SSD. I got a Mt. Laurel unit, like I might have said. I'm in credit repair. I'm trying to pay off financial difficulties. I'm not buying Nike sneakers, I shop at Payless. I access the food pantry. I wear hand-me-downs.

And I want to say, and this is probably an unpopular stance, but is it that health care is increasing, or is it that America is getting less healthy -- with 50 percent obesity, diabetes, which are both in epidemic-- Am I smoking three packs of cigarettes a day at \$5 a pack? And do I have a \$200-, \$300-a-day heroin habit that I'm robbing innocent people for to support, and other drugs on top of that? Am I drinking excessively and have a alcohol problem -- which the data backs up is credit cards? It costs nothing to do sit-ups. It costs nothing to do jumping jacks. It costs nothing to do push-ups. Even our county park has a thing where you go to exercise.

I didn't write this; I just kind of made notes. The Self-Help Centers have helped me. I intend to be off Social Security. I intend to pay or contribute to a health-care plan or have a health-care plan. I'm not looking for a free ride. I want a fair shake and-- Yes, Self-Help Centers has helped me tremendously. Continue funding everything that everyone had said. And thank you for letting me speak to you.

SENATOR SWEENEY: Thank you, Steve. Thanks for coming.

Our last speaker is Mary Ellen Marino.

I apologize. I think I bunched you with someone else earlier. I apologize.

MARY ELLEN MARINO: No apology necessary. I thought I was taking Bruce's place, and I was very glad he was here.

I definitely agree with a very large number of our speakers today, and I'm going to try, since I do have a written statement that you have a copy of, to show a picture instead. This is an old picture (indicating).

SENATOR SWEENEY: You have to speak into the microphone.

MS. MARINO: I'll try to do it both.

This one and this one?

Okay. What I'm doing is showing you a chart which compares--

My name is Mary Ellen Marino. I'm the Director of the Mercer Alliance To End Homelessness, here in Mercer County.

This is a chart that attempts to illustrate--

Ah, I have a chart holder. He does for me, I do for him. It's wonderful. (laughter)

The green here is the minimum wage. The red line that goes through these wage columns is the average rent for a two-bedroom apartment two years ago. So if you were earning the minimum wage two years ago, you'd have to spend 111 percent of your income to afford an average rental. Not possible.

The green over here represents the Cost of Living study that the folks from the Legal Services and the APN described. That's what it costs to actually have enough money to afford child care so that you can work, health care, etc. A lot of people have been calling for a minimum wage of \$8 an hour -- point out that this fuchsia column represents the \$8 an hour minimum wage, which two years ago would make you have to spend 72 percent of your income to afford that housing, making it just considerably difficult to do anything else. Interestingly, matching that fuchsia column is the median income in New Jersey, which is high enough so that people earning the median income in New Jersey -- and you know that the rich are not on this chart, right? The rich are somewhere over Reverend Davidson's head. (laughter)

REVEREND DAVIDSON: In oh so many ways. (laughter)

MS. MARINO: Anyway, the median-income folks only have to spend 17 percent of their income on housing. Now, that's why I wanted to show you the picture. And I certainly want to reiterate what a lot of other people said, and I don't want to kill you with statistics. But just keep in mind that this year, which is two years later than this chart was corrected, the minimum -- I mean, the two bedroom rent is \$126 (*sic*) a month. If you do the math, that's \$135 dollars more, that rent, than the total gross pay of a minimum wage worker, similar to the chart. That's today's number.

And again, that hourly thing -- how many hours a week you would have to work at the minimum wage. The thing they don't tell you is there are only 168 hours in a week. All right. There are only 168 hours in the week. So if you have to work 153 of them, or in other words almost four full-time jobs, as my cohort, Crystal Thompson from Homefront mentioned, you only have 15 hours left.

I'd like to say, on behalf of the Mercer Alliance and several of our other coalition partners here, that I agree that for the past 26 years the minimum wage has dropped from 46 percent of the average wage in New Jersey to 24 percent. There's no public decency in a society that allows fellow human beings to work full-time on one or several jobs without being able to afford housing, food, health care. This gap must be reversed. New Jersey should demonstrate its sense of moral values by setting a path to close this gap and make work pay for more than poverty. New Jersey can -- and I suspect because of the presence of Senator Sweeney and Senator Doria -- that it will take the lead in, again-- Now that so little can be expected from the Federal Government, that we must not allow hard-working people to be consigned to worse than poverty wages.

I want to point out that the jobs we're talking about here are local. These are local jobs. They are vital to our economy, and they are for the most part not subject to outsourcing. We're talking about the people who wait on our tables, take care of our children, take care of our elderly, cut our grass, clean our houses, provide the janitorial services in our public buildings and our private buildings. That's who we're talking about. Those jobs are not going away. We need to do something about it, and I am delighted that the Senate Labor Committee is taking the lead. And I hope you will, together, be taking a lead

with our coalition partners and Acting Governor Richard Codey to reverse the serfdom of the working poor in New Jersey.

Thank you.

SENATOR SWEENEY: Thank you.

I want to thank everyone who came out today to testify on an issue, unfortunately, that is becoming more apparent in how far we're falling behind, and how important it is for New Jersey to catch up and to catch up quickly. So we're going to be focusing on these issues as we more forward into the next year. And again, I want to thank everybody for testifying.

Senator Doria, you have anything?

SENATOR DORIA: No. I just want to thank our Chairman for having this hearing. I think you've addressed a number of very important issues. I think that the issues are those that concern all of us in the State of New Jersey. So I'm going to thank Chairman Sweeney for holding this hearing and for everyone who came to testify. We thank you for coming here and giving us your input.

SENATOR SWEENEY: Thank you, Senator.

The hearing is now adjourned.

Thank you. (applause)

(HEARING CONCLUDED)