Proponents of a higher wage in New Jersey argue that a $15 wage will pull families out of poverty while saving taxpayers money. For instance, Assembly Speaker Vincent Prieto argued that, “[a $15 minimum wage] will be an integral component in our efforts to stop the decline in the middle class and lift working families out of poverty.”

But mounting evidence, including a new analysis specific to New Jersey, indicates that a wage increase will not deliver these results.

In a 2014 study, the nonpartisan Congressional Budget Office (CBO) estimated that a half million jobs would be lost nationwide should a $10.10 minimum wage take effect. A survey of labor economists from the University of New Hampshire found that three-quarters (76 percent) of respondents said that a $15 minimum wage would have a negative effect on the number of jobs available.

In this analysis, Drs. David Macpherson of Trinity University and William Even of Miami University use Census Bureau data to replicate the CBO methodology to determine how many jobs would be lost should New Jersey raise its minimum wage to $15 an hour by 2024. They also examine the family composition and household income of affected employees, to determine if the wage increase would be well-targeted to families in poverty.

**AFFECTED INDUSTRIES**

According to the Bureau of Labor Statistics (BLS), approximately 50,000 people in the state earn at or below the federal minimum wage of $7.25. (The state’s minimum wage is currently more than a dollar above this, at $8.60.) BLS data show that the median hourly wage in New Jersey is $20.43, meaning a $15 minimum wage requirement would reach considerably higher in the wage distribution.

Roughly 721,000 employees in the state would be affected by a $15 minimum wage, almost half of whom are concentrated in two low-margin industry groups: retail and recreation, accommodation & food services.

**IMPACT ON EMPLOYMENT**

When employers are not able to offset additional labor costs in the form of higher prices, they often absorb the costs by cutting hours or laying off employees. Following the CBO methodology, economists Even and Macpherson estimate that 31,889 jobs would be lost in the state by 2024 as a consequence of the higher labor costs.

The two most affected low-margin industry groups listed above – retail and recreation, accommodation & food services – would also suffer from the most significant impact on employment, with just over half of the losses coming from these two industry groups alone.

**THE COST OF A HIGHER MINIMUM WAGE IN NEW JERSEY**

![Graph showing the number of jobs lost at $15]

The policy would disproportionately impact employees age 16-19, who make up just over one-third (10,473) of the jobs lost.
The policy would also have extremely negative implications for New Jersey’s least skilled workers, with 90 percent of job losses coming from those without a college degree.

The data suggests that a similar problem exists with a $15 minimum wage in New Jersey. The Employment Policies Institute used data from the 2013-2015 March supplements to the Current Population Survey to study the working age population (18 to 64-year-olds) living in poverty in each state. In 41 of the fifty states plus Washington D.C., more than 50 percent of the working age population living in poverty were not employed.

In New Jersey this percentage was even greater, with two-thirds (66.6 percent) of the working-age poor unemployed – which means they won’t be able to benefit from a “raise.”

Data from economists Even and Macpherson show that just nine percent of affected employees are single parents. By contrast, over 60 percent either live with family, or are secondary earners where both spouses work. Because so many minimum wage earners live in households where they’re either a second- or third earner, the average family income of a beneficiary in New Jersey is $79,727 per year.

### PERCENTAGE AFFECTED BY FAMILY STATUS

<table>
<thead>
<tr>
<th>Family Status</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Adult</td>
<td>20%</td>
</tr>
<tr>
<td>Single Parent</td>
<td>9%</td>
</tr>
<tr>
<td>Married Sole Earner</td>
<td>8%</td>
</tr>
<tr>
<td>Married Dual Earner</td>
<td>22%</td>
</tr>
<tr>
<td>Living with Family or Relative</td>
<td>41%</td>
</tr>
</tbody>
</table>
Despite proponent’s claims, a recent study also suggests that a higher wage would do little to save taxpayers money. A recent study conducted by Dr. Joseph Sabia and Thanh Tam Nguyen of San Diego State University examines 35 years of government data across a number of different data sets to explore the effects of minimum wage increases on government assistance. The results find that, on net, minimum wage increases have little to no net effect on spending on – or participation in - a range of social welfare programs.

**BETTER ALTERNATIVES**

A survey conducted by the University of New Hampshire found that only five percent of surveyed economists believe a $15.00 per hour minimum wage would be a very efficient way to address the income needs of poor families. In contrast, the majority of surveyed economists (71 percent) believe that the Earned Income Tax Credit (EITC) is a very efficient way to address the matter.

Evidence supporting the EITC as an effective anti-poverty program doesn’t stop there. A recent study from economists at San Diego State University and the University of Georgia found a one percent reduction in a state’s poverty rate for each one percent increase in its supplement to the EITC.

New Jersey currently offers a significant state supplement to the federal Earned Income Tax Credit (EITC) of 30 percent, raising the effective minimum wage above $12 an hour.


The Employment Policies Institute is a nonprofit research organization dedicated to studying public policy issues surrounding employment growth. In particular, EPI focuses on issues that affect entry-level employment. EPI receives support from businesses, foundations, and individuals.