



CLIMBING THE LADDER:

# How to Invest in New Jersey's Working Families



**RUTGERS**  
Center for Women and Work

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**RUTGERS**

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# The Project

**T**he Working Poor Families Project (WFPF) started in 2002. It is a national initiative aimed at assessing state policies and programs that are designed to help low-income working families achieve economic security. Supported by the Annie E. Casey, Ford, Joyce and Charles Stewart Mott Foundations, the WFPF engages in partnerships with state non-profit organizations to examine state workforce development policies that involve education and skills training for adults; economic development; and work and income supports. The WFPF provides support for state groups to engage in a two-part, phased process that begins with an in-depth assessment of state economic conditions and policies that affect working families. The second phase involves actions to strengthen those conditions and policies. For more information on the Working Poor Families Project, visit <http://www.workingpoorfamilies.org/>.

New Jersey Policy Perspective is a nonprofit, nonpartisan organization founded in 1997 to conduct research and analysis on important issues facing the state. NJPP's goal is a state where everyone has the chance to reach his or her full potential in a growing economy.

Center for Women and Work at Rutgers, The State University of New Jersey was founded in 1993 to conduct research, education, outreach and advocacy on issues affecting working women and their families, and to challenge the status quo in policies and organizations that educate, train, and employ them.

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# Executive Summary

**N**ew Jersey is by some measures among the nation's most affluent states. Yet one in five households is classified as a "low-income working family," which means it makes less than twice the federal poverty threshold. And the number of such families is rising: up 16 percent since 2000.

Upon closer examination, New Jersey turns out to be, in essence, two states. In one, people are well educated, highly skilled and prosperous. In the other, people work hard but find themselves under-equipped in terms of education, training and support in the struggle to make it in a state that has a cost of living a third above the national average.

For New Jersey to reach its full potential, prosperity must be widely shared. And for prosperity to be widely shared more must be done to help low-income working men and women—and their families—help themselves move up the economic and educational ladder. For that to happen, state leaders need to address a number of policy "blind spots" in order to provide greater opportunity. Too often, New Jersey pulls the rug out from under low-income working people and their families before they can advance far enough to make it on their own.

This report is about what needs to be done to enable these people—low-income working families—to make it. It is about public systems in New Jersey that need to do more to promote job growth and upward economic mobility. As part of the national Working Poor Families Project, our focus is on how those systems can be improved and better coordinated to more effectively meet the needs of low-income working families and, in so doing, help New Jersey reach its full potential as a state of opportunity and prosperity.

The following is a summary of key recommendations for changes that would help New Jersey develop a comprehensive, coherent set of policies to put the goal of economic self-sufficiency within reach of every working family in the state.

## Education and Training

- **Increase capacity for adult basic education in New Jersey.** While New Jersey has programs in place, they are reaching only a fraction of the adults who can benefit from improved literacy.
- **Increase the use of technology to deliver basic skills, work readiness and job skills training.** This will expand the reach of limited resources and provide learning that is flexible in time and space. New Jersey has taken significant steps in this direction, but must go beyond pilot programs to institutionalize distance learning options within the state's workforce investment system.
- **Establish economic self sufficiency, not just job placement, as a goal for welfare leavers.** WorkFirst New Jersey should be measured by its success in achieving this goal.
- **Expand the Smart STEPS program so it serves a significant share of those who are on welfare or have recently obtained employment.** This will improve the chances that people leaving welfare can achieve economic self sufficiency.
- **Increase the use of Career Advancement Vouchers.** This should be done by doing a better job of informing those leaving TANF of the program's availability and tailoring services to accommodate the work schedules of those who need training.
- **Encourage transitions from adult education to post-secondary education and increase the share of adults enrolled in county colleges.** Policy makers must increase investments in programs that will help move holders of high school diplomas or GEDs to post-secondary certificates and degrees. Doing so will advance a vision of life-long learning in New Jersey.

- **Develop a streamlined, statewide system of funding and an outreach campaign to insure full utilization of state and federal training dollars.** Money “left on the table” speaks loudly of too little commitment on the part of New Jersey to make sure low-income working families can move up.
- **Increase state resources so more low-income working adults can afford adult education and training.** High tuition, student fees and other costs associated with attending classes (including transportation, child care and lost work hours) are barriers to education opportunities for low-income working adults. Policymakers must address these barriers through increased state resources and reassessment of existing programs and resources available for low-income adult learners.
- **The state should expand current construction pre-apprenticeship programs and look for other occupations where similar training and mentoring programs would be effective.** These programs provide skills to workers without college degrees. Once trained, Project Labor Agreements provide access to women, minorities and apprentices for jobs that might not have been available to them otherwise.
- **State policy makers should invest in transitional employment programs to move the formerly incarcerated into productive work.** Current efforts should be expanded to include replicating successful programs run by nonprofits, such as the New Jersey Institute for Social Justice’s New Careers initiative.

## Better Jobs

- **All state business subsidy programs should require job quality standards.**
- **The state should give economic development subsidies only to companies locating in financially distressed municipalities.** The current practice of giving subsidies regardless of where a business locates works against helping low-income working families.
- **The state should annually or biennially evaluate its economic development subsidy policies and programs, including Urban Enterprise Zones.** This process should focus on determining whether good-quality job opportunities are being created for low-income working people.
- **The state should do more to promote the Literacy Basic Skills program to employers of low-income workers.** This will help them obtain tools to advance, including through pilot programs such as the Basic Skills Workforce Training Program, operated by the New Jersey Business and Industry Association and the state’s county colleges.
- **Restore purchasing power by raising the minimum wage.** This could be accomplished by bringing the state’s minimum wage to half of New Jersey average wages. In 2007, that would have meant a minimum wage of \$8.50 an hour.
- **Annually adjust the minimum wage to keep up with the cost of living.** A built-in requirement that the state’s minimum wage would never be allowed to fall below half of the state average wage would assure that low-income working families do not see their financial status constantly eroded. Having this done automatically would mean the wage is tied to economic factors and freed from political considerations that can lead to a time lag that prevents wages from ever catching up to costs.
- **Make sure all those eligible for the expanded state Earned Income Tax Credit receive it.** New Jersey needs to significantly expand its outreach efforts so that information about the program and how to sign up is more widely available to low-income working families.

## Working Their Way Up

- **Raise the state income tax threshold and move toward taxation based on ability to pay.** The state income tax threshold should be twice the federal poverty threshold. And, New Jersey should rely more on broad-based statewide taxes—such as progressive income taxes or sales taxes on services most used by higher-income households—and less on local property taxes.
- **Strengthen the Unemployment Insurance safety net.** Doing this should include making benefits available to those who leave a job to care for children or deal with a family emergency, providing benefits for part-time workers on an equal basis with full-time workers; and updating the trigger for extended benefits to keep pace with today’s labor market.
- **Fully restore eligibility for parents in FamilyCare.** New Jersey made the decision to allow parents making up to twice the federal poverty level into its children’s insurance program on grounds that it would increase the likelihood they would sign up their children. In 2003, the state stopped enrolling parents, and then eventually began to accept new parents, at first only up to 115 percent of the poverty level and now up to 133 percent. All parents at or below 200 percent of poverty should be allowed into FamilyCare.
- **Develop state policies to discourage employers from dropping health insurance and create incentives for those not providing coverage to do so.** This could include subsidies or incentives, especially for small businesses. Until such time as a national program of universal insurance comes into being, New Jersey must recognize that continued reduction in employer-provided coverage will jeopardize low-income working families and strain the public’s ability to pick up the slack.
- **Help working families with child care expenses by raising income eligibility standards, eliminating the waiting list and reducing or eliminating the co-payment.**
- **Provide paid sick time for all New Jersey employees.** Taking care of one’s health makes for more productive workers and stronger families. The benefits available to the most highly paid workers should be available to all.
- **Adopt family leave insurance.** The current state Temporary Disability Insurance program gives New Jersey an easily expandable vehicle to help working men and women balance the obligations of job and family, an especially difficult task for low-income working families.

# Introduction

From a distance, New Jersey appears to be an economic powerhouse.

On such indicators as median household income and educational attainment the state is a national leader. But upon closer examination, New Jersey turns out to be, in essence, two states. In one, people are well educated, highly skilled and prosperous. In the other New Jersey, people work hard but find themselves under-equipped in terms of education, training and support in the struggle to make it in a state that has a cost of living a third above the national average.

For New Jersey to reach its full potential, prosperity must be widely shared. And for prosperity to be widely shared more must be done to help low-income working men and women—and their families—help themselves move up the economic and educational ladder. For that to happen, state leaders need to address a number of policy “blind spots” in order to provide greater opportunity. Too often, New Jersey pulls the rug out from under low-income working people and their families before they can advance far enough to make it on their own.

The reason to change this goes beyond altruism. New Jersey’s workforce is an integral part of the economic future of the entire state. For New Jersey to compete in the 21st century, it must function well at every level. A partially trained, insufficiently skilled workforce is an inadequate foundation for a strong New Jersey. Today, too many families in New Jersey, despite their hard work, cannot earn enough to afford a place to live, health care, child care and other daily necessities.

This report is about what needs to be done for those people—

low-income working families—to make it. It is about public systems in New Jersey that need to do more to promote job growth and upward economic mobility. As part of the national Working Poor Families Project, our focus is on how those systems can be improved and better coordinated to more effectively meet the needs of low-income working families and, in so doing, help New Jersey to reach its full potential as a state of opportunity and prosperity.

Chapter 1 depicts the economic distress that so many low-income New Jersey families face in a high-cost state, and shows that these low-income working families come from a broader cross-section of the state’s population than might be thought at first glance. They are, in fact, our neighbors.

Chapter 2 explores the need for, and adequacy of, educational and training opportunities that often help people get entry-level work but offer little to help low-income working adults make it to the next career step.

Chapter 3 focuses on state economic development strategies, including subsidies and job training, and finds that they largely are not geared to providing quality jobs to low-income workers, though in some cases this might be changing.

Chapter 4 shows important areas where New Jersey’s work- and income-support systems fall short of what is needed for self-sufficiency. It points out that while much of what New Jersey does is exemplary, major gaps in state policy put barriers in front of low-income working families trying to move up the economic ladder.

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# Chapter 1: Working Families in Distress

## Struggling with the High Cost of Living in New Jersey

**B**y one measure, New Jersey is about as affluent as a state can be. Median family income in the state was \$75,311 in 2005, second only to Connecticut and far above the \$55,803 for the US.<sup>1</sup> But the statistic offers no comfort to thousands of working families struggling in jobs that do not pay enough to allow them to meet their basic needs.

The national Working Poor Families Project defines “low-income working family” as one whose yearly income is less than twice the federal poverty threshold. For a New Jersey family of four in 2005, that meant an income of no more than \$39,942. Nearly one in five New Jersey working families—193,905 in all—fell below that level.<sup>2</sup> That is a 16 percent increase since 2000. This comes out to more than three quarters of a million mothers, fathers and children; if they all lived in one county it would be New Jersey’s third largest.

### Key Definitions

**LOW-INCOME WORKING FAMILIES:** Income up to twice that of the federal poverty line. In 2005, that meant income for a family of four of \$39,942.

**WORKING POOR:** Income under the federal poverty line. In 2005, the federal poverty line for a family of four was \$19,971.

**LOW-WAGE:** Payment equaling less than the full-time, full-year wage required to put a family of four above the federal poverty line.

**FAMILY:** Married-couple or single parent family with at least one child under age 18.

SOURCE: Working Poor Families Project

In almost every other state, an income approaching \$40,000 a year buys much more than it does in New Jersey. Indeed, the most meaningful way to assess the plight of low-income working families in New Jersey is not to compare them to the rest of the nation, but to measure their circumstances against what it would take to become self-sufficient in the New Jersey county where they live.

Trying to raise a family on \$39,942 in New Jersey is a challenge, given the state’s high cost of living. Many families with incomes well above this level have trouble making ends meet. A dollar just does not go as far in New Jersey. Only Massachusetts, California and Hawaii are more expensive states in which to live.<sup>3</sup> An analysis by the Washington, DC-based Economic Policy Institute (EPI) found that the amount of income needed for a family of two adults and two children to afford the bare necessities ranges from \$49,572 in the Vineland-Millville-Bridgeton area of South Jersey to \$57,144 in the Middlesex-Somerset-Hunterdon area of central New Jersey.<sup>4</sup>

### LOW-INCOME WORKING FAMILIES DEFY STEREOTYPES

Part of the effort to improve the prospects of low-income working families involves shattering stereotypes. During the 1980s, the concept of who was poor took on racial and gender undertones that belie the reality. The then-governor of California, Ronald Reagan, referred to “welfare queens,” “lazy parasites” and “pigs at the trough.”<sup>5</sup> In countering this, it is crucial to point out that in New Jersey and the nation there are a great many people who do have jobs and do work hard, but are not paid enough to take care of their families or move up the economic ladder. Policy makers need to understand that increasing opportunity for these low-income working families must involve programs that reward and support work, as opposed to operating from misconceptions about who these families really are.

There is increasing awareness of the fact that just having a job is not in and of itself a guarantee of economic wellbeing. According to the Pew Charitable Trusts, over half of those surveyed in

## It Costs a Lot to Live in New Jersey

The federal poverty threshold takes into account what families are bringing in, but not what it costs to live in any particular state. A more accurate way to measure what is required for families to stay afloat in New Jersey is not to compare them to the rest of the nation, but to measure their circumstances against what it takes to become self-sufficient in the communities where they live. The Economic Policy Institute's "basic family budget" provides a useful breakdown of basic living costs by category and by region of the state.

### NEW JERSEY YEARLY LIVING COSTS

AREA	HOUSING	FOOD	CHILD CARE	TRANSPORTATION	HEALTH	OTHER	TAXES	TOTAL
Middlesex-Somerset-Hunterdon	\$15,084	\$7,512	\$9,840	\$4,584	\$7,776	\$6,212	\$6,132	\$57,144
Jersey City	\$13,848	\$7,512	\$9,840	\$4,956	\$7,776	\$5,832	\$5,676	\$55,440
Bergen-Passaic	\$13,956	\$7,512	\$9,840	\$4,584	\$7,776	\$5,940	\$5,724	\$55,344
Monmouth-Ocean	\$14,040	\$7,512	\$9,840	\$4,584	\$7,776	\$6,216	\$5,328	\$54,768
Newark	\$12,756	\$7,512	\$9,840	\$4,584	\$7,776	\$5,556	\$5,136	\$53,172
Trenton	\$13,008	\$7,512	\$9,840	\$4,152	\$7,776	\$5,400	\$4,764	\$52,464
Philadelphia (NJ portion)	\$11,076	\$7,512	\$9,840	\$4,116	\$7,776	\$5,184	\$4,428	\$49,944
Atlantic-Cape May	\$11,568	\$7,512	\$9,840	\$4,152	\$7,776	\$4,956	\$4,068	\$49,884
Vineland-Millville-Bridgeton	\$10,668	\$7,512	\$9,840	\$4,800	\$7,776	\$4,836	\$4,128	\$49,572

SOURCE: Economic Policy Institute. 2006/07 Family Budgets, for 2 adults and 2 children. (Note: The original figures were based on monthly totals and have been converted to reflect yearly totals.)

Using this measure, a two-parent, two-child family in New Jersey requires a yearly income of between \$49,572 and \$57,144 just to make ends meet, depending on where in the state it lives. That is more than double the national poverty threshold. The discrepancy is attributable to the fact that the poverty threshold was created in the 1960s and while it is updated to keep pace with inflation, fails to take into account the fact that such costs as housing and health care are larger shares of a family budget than they used to be. This measure of economic wellbeing needs to be revised to more accurately define the problem.

Due to the inadequacy of the current poverty threshold, many assistance programs have used a multiple of the poverty threshold to provide a more realistic representation of what it takes to live in the present economy.

a 2007 CNN poll thought the American Dream is no longer attainable for most people.<sup>6</sup> And a Pew Research Center poll found 73 percent of those surveyed agreed with the statement, "Today, it's really true that the rich just get richer while the poor just get poorer."<sup>7</sup> Those expressing that view represented an eight percentage point increase from five years earlier.

Pew offers data from the Congressional Budget Office to back up these public perceptions: "between 1979 and 2004, the real after-tax income of the poorest one-fifth of Americans rose by 9 percent, that of the richest one-fifth by 69 percent, and that of the top 1 percent by 176 percent."<sup>8</sup> Consistent with income inequality, Pew reports that economic mobility—the ability to get

ahead economically—is declining. “The last thirty years has seen a considerable drop-off in median household income growth compared to earlier generations.”<sup>9</sup> Pew finds economic mobility in the US to be lower than in many other countries, including Canada, France, Germany and most of Scandinavia.

All of this suggests that the task of policy makers lies beyond simply placing people in a job. Policies that do not also include resources to help low-income working adults improve their situation and build for the future are inadequate.

## THE MAKE-UP OF NEW JERSEY’S LOW-INCOME WORKING FAMILIES

Low-income working families live in every part of New Jersey, though, as detailed below, there are places of particularly high concentration. They reflect the full spectrum of race and ethnicity, married and single, native-born and immigrant. By definition, all the families described in this report have children—some 413,555, the 14th highest number of children living in low-income working families of all states in 2005.<sup>10</sup>

Of the nearly 200,000 low-income working families in New Jersey, 71 percent have at least one minority parent.<sup>11</sup> This contrasts with the overall state population, which, according to Census data for 2005, was 13.3 percent African-American and 15.3 percent Hispanic.<sup>12</sup> This racial disparity also shows up in earnings. The \$11.89 median hourly wages for Hispanic workers and the \$13.00 for African-American workers trail the \$19.52 for white New Jerseyans.<sup>13</sup>

New Jersey is one of the nation’s leading destinations for immigrants from other countries, with the third highest share of foreign born population after California and New York.<sup>14</sup> In 2006, just over 20 percent of New Jersey’s population was foreign-born—a steadily increasing share.<sup>15</sup> And nearly half—46 percent—of New Jersey’s low-income working families had at least one immigrant parent.<sup>16</sup> Immigrants often face a language barrier that prevents them from obtaining jobs that help support a family. In New Jersey, 36 percent of low-income working families have at least one parent who speaks English less than “very well.” The national average is 25 percent.<sup>17</sup>

Given the link between education and higher earnings, it fol-

lows that low-income working families in New Jersey have lower educational attainment than the working population as a whole. In the state, 14 percent of all families are headed by someone who did not graduate from high school. But among low-income working families, the rate more than doubles to 29 percent. Among low-income working families, 56 percent include a parent with no education past high school.<sup>18</sup> And if anyone thinks low-income working families are headed by teenagers, it is not the case: the vast majority—88 percent—include a parent between the ages of 25 and 54.<sup>19</sup>

The difficulty that low-income working families have in building for the future is clearly visible in home ownership statistics.

In 2006, the Brookings Institution wrote, “The high cost of housing is making it difficult for all households to grow and prosper in New Jersey.”<sup>20</sup> If even the well-to-do in New Jersey struggle with housing costs, the burden on low-income families can be expected to be especially severe—and it is. In 2005, New Jersey scored the worst in the nation on the percentage of low-income children—79 percent—whose families had to spend more than a third of their

income on housing (the commonly accepted threshold for housing affordability), according to the Annie E. Casey Foundation.<sup>21</sup> The national average was 58 percent.<sup>22</sup>

Indeed, only 31 percent of low-income working families own their own home in New Jersey, compared with 44 percent nationally placing New Jersey 48th.<sup>23</sup> By contrast, New Jersey’s overall home ownership rate is nearly 69 percent.<sup>24</sup>

Getting to and from work is an important consideration in New Jersey, a car-dependent state where residents have on average among the longest commutes in the nation. For many low-income working families, the costs to purchase, insure and maintain a car can be an obstacle to economic advancement and the educational opportunities that often are a prerequisite. While 50 percent of all working families in New Jersey have access to *two* cars, 21 percent of low-income working families have no car available to them.<sup>25</sup> Some of this is mitigated by New Jersey having the third most extensive bus and rail system in the country. But, mass transit schedules are not always convenient for the hours many low-income families have to work and the cost can be considerable. Fares have risen three times in the past five years and officials say yearly increases are likely for the foreseeable future.

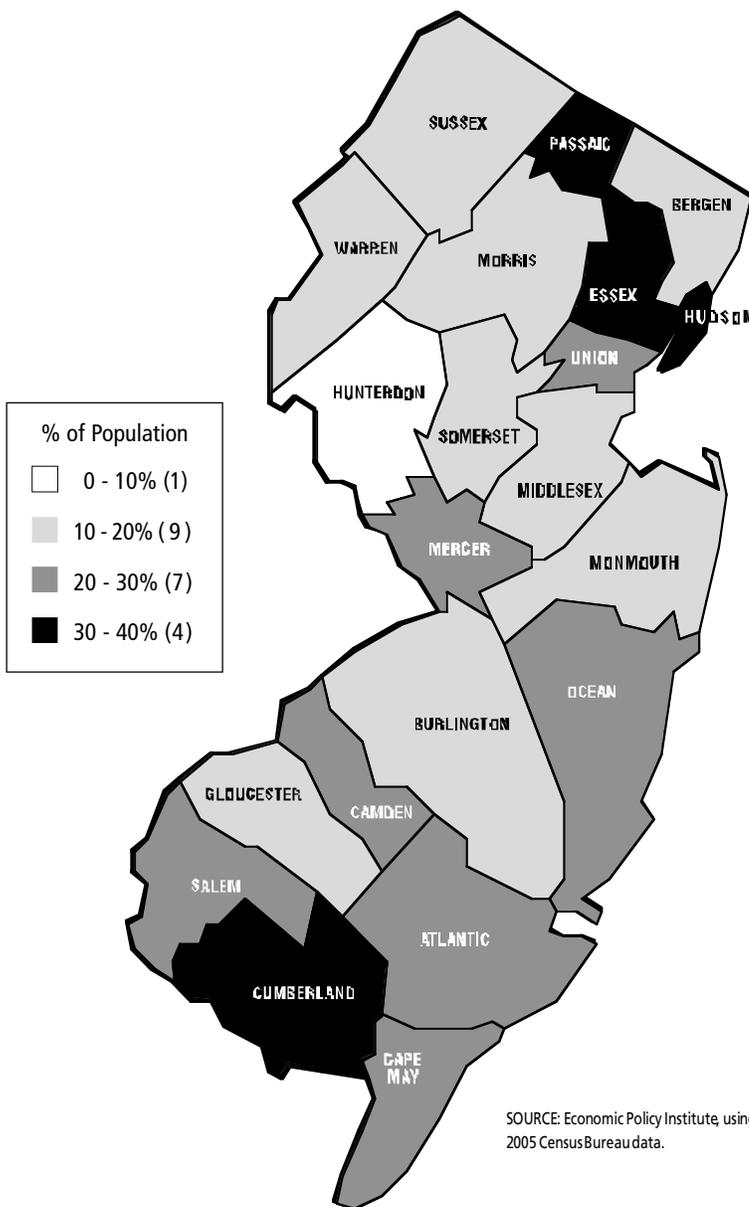
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## Percent of New Jersey's Population Living Below 200% Poverty by County

County	Below 200% poverty level
Hudson	39.1%
Passaic	32.3%
Cumberland	32.3%
Essex	32%
Camden	26.2%
Atlantic	26%
Cape May	25.3%
Salem	21.7%
Ocean	21.2%
Union	21%
Mercer	20.8%
Middlesex	17.1%
Warren	17%
Gloucester	16.9%
Bergen	15.6%
Monmouth	15.3%
Sussex	12.8%
Burlington	12.5%
Morris	11.3%
Somerset	11.2%
Hunterdon	7.1%



The distribution of low-income working families throughout New Jersey ranges from just over seven percent in Hunterdon County to nearly 40 percent in Hudson County. They live in cities, suburbs and rural areas. And while these families tend to be more highly concentrated in the more urbanized counties, largely rural Cumberland County has the state's third highest percentage.

There is no simple fix for the range of needs facing the nearly 200,000 low-income working families in New Jersey. The chapters that follow will examine existing opportunities and areas on which to improve with regard to education for adult learners, strategies for economic development that include boosting worker skills and supports to help make work become the ticket to a better life.

# Chapter 2: Education and Training

## Lifelines for Economic Advancement

**A**ccess to post-secondary education and skills training is critical for low-income working adults to achieve economic advancement. But many working adults in New Jersey, despite completing high school and sometimes even secondary education, remain low-income, with little hope of greater opportunity. While 71.5 percent of working adults 18 to 64 in New Jersey have completed high school and 60.3 percent have some post-secondary education, four of 10 still lack a post-secondary credential and the skills needed to attain economic security in today's economy.<sup>26</sup>

Additionally while 46 percent of working adults 25 to 54 have an associate's degree, only 5.6 percent of them are enrolled in a four-year program (44th in the nation). This means almost half of New Jersey's prime-earning age group neither has a post-secondary credential nor is working toward one.

Much of New Jersey's policy focus is on providing short-term job readiness training for unemployed or dislocated adult workers to get them into entry-level jobs. And considerable emphasis is placed on providing resources to the college-bound. But state education and skills training policies have a blind spot when it comes to meeting the needs of low-income working adults who need help to achieve economic self sufficiency. Evidence from surveys of employers and employees indicates that those entering the job market in professional, managerial or technical positions and those currently in jobs involving more expensive technology are most likely to receive company-sponsored training.<sup>27</sup> High school and college dropouts receive less training from employers than do graduates.<sup>28</sup>

In other words, those with the most training and best advantages are the ones most likely to get more. Compounding the problem, those who enter the workforce at the lowest levels and receive less skills training from employers often are not eligible for the state's traditional welfare and workforce development policies, though they are working, often full time, and still not getting by. Often, state policies are not even equipped to recognize working adults with low earnings as a group deserving significant governmental benefits.

More attention and focus need to be placed on adult workers at the bottom rungs of the ladder to success, where there are big obstacles preventing them from raising their families above their status as low-income working families. "New Jersey in Transition: the Crisis of the Workforce" observed in 2001 that the state, like the nation as a whole, had not made developing a skilled workforce a sufficient priority:

As a consequence, the skill development of major segments of the population is being neglected and is largely left to chance. We think the ramifications of this fact will have a detrimental effect on the future of New Jersey's economy. Simply put: Workforce Development is Economic Development. Therefore, to neglect workforce development is to neglect New Jersey's economic future.<sup>29</sup>

Part of the problem New Jersey faces in meeting the needs of adult workers employed in low-paying jobs is that national attention is lacking. Few federal workforce development policies offer support to working adults, and those that do tend to be limited in scope. Most of the money spent in this area is for former welfare recipients and dislocated workers, and excludes adult workers employed in low-paid jobs. Another problem is that working adults, especially women, find it difficult because of work and family responsibilities to attend adult basic education programs aimed at improving their prose, math and computer literacy skills.

### ADULT LITERACY AND EDUCATION

New Jersey is a comparatively well-educated state, with nearly 35 percent of heads of household having completed at least four years of college and more than 1.7 million college graduates.<sup>30</sup> Additional statistics show:

- More than 410,000 scientists and engineers call New Jersey home and the state ranks seventh in Ph.D. scientists and engineers per 1,000 workers.<sup>31</sup>

- 46 percent of adults have an associate's degree or higher (compared to 38 percent nationally).<sup>32</sup>
- 40 percent of young adults and 34 percent of minority young adults are enrolled in postsecondary education (compared to 35 percent of young adults and 30 percent of minority young adults nationally).<sup>33</sup>
- Only 11 percent of New Jerseyans neither were graduated from high school or earned a Graduate Equivalency Diploma (GED), (compared to 14 percent of all Americans).<sup>34</sup>

But such positive statistics mask a growing problem with serious ramifications for New Jersey's future. In this area, as with others dealt with in these pages, there are two New Jerseys: one very highly-educated adult workforce and the other suffering from low literacy and often lacking the basic skills to compete in today's—and tomorrow's—labor market.

One area of particular concern in New Jersey is low literacy and English proficiency rates. A 1992 survey (the most recent state data available) found that almost half the state's adult population lacks literacy skills needed to participate in employer-provided training or succeed in postsecondary education.<sup>35</sup> About half of these low literacy adults—a quarter of all adults—have Basic Level literacy skills and score in the Level 2 range on the National Assessment of Adult Learning (NAAL), meaning they can read and write but lack the skills to qualify for better paying jobs or obtain post-secondary education.<sup>36</sup>

"New Jersey in Transition: the Crisis of the Workforce" estimated that almost 40 percent of New Jersey adults—2.3 million by this measure—function at a level of literacy below that required by the labor market. The report found that in New Jersey's urban school districts, 40 to 60 percent of students drop out of school unable to read at a ninth grade level.<sup>37</sup>

Moreover, the state spends less on literacy per adult without a high school diploma or GED than the national average—\$48.37 compared to \$63.41 (18th in the nation).<sup>38</sup> And only seven percent of adults without a high school diploma or GED are enrolled in adult education in New Jersey, compared to 10.4 percent nationally.<sup>39</sup>

New Jersey does not adequately provide training and education for entry-level workers with a high school degree or less to help them develop the human capital skills to advance in the labor market and achieve economic self-sufficiency. For New Jersey

to reach its full economic potential, more emphasis needs to be placed on providing training and education to acquire technical skills or post-secondary credentials to low-income working adults. Yet, adult basic education classes serve just a small portion of those who could benefit from such courses. Both funding constraints and inflexible course options make it impossible to meet the need more fully. Research at the Rutgers University Center for Women and Work suggests that New Jersey will need to be creative by capitalizing on existing collaborations among agencies as well as by developing a strategy that utilizes information and communication technologies to extend the reach of adult education.<sup>40</sup>

### Recommendations:

- ✓ **Increase capacity for adult basic education in New Jersey.** While New Jersey has programs in place, they are reaching only a fraction of the adults who can benefit from improved literacy.
- ✓ **Increase the use of technology to deliver basic skills, work readiness and job skills training.** This will expand the reach of limited resources and provide learning that is flexible in time and space. New Jersey has taken significant steps in this direction, but must go beyond pilot programs to institutionalized distance learning options within the state's workforce investment system.

## JOB TRAINING AND ADULT EDUCATION

Workforce development in New Jersey was restructured following consolidation in 2004 of all employment-directed and other related activities in the newly expanded state Department of Labor and Workforce Development. Some of the programs had been in the Departments of Human Services and Education, including those aimed at assisting welfare recipients and those intended to improve adult literacy skills for non-native English speakers. Other programs, such as GED courses, were administered by the state Department of Education. Consolidation moved all "to work" service delivery programs and funding streams in New Jersey to the Department of Labor and Workforce Development.

One caveat, then, in reviewing data on New Jersey’s performance is that the restructured workforce development system has only recently begun to function under a unified approach. It is still too early to assess the effectiveness of this newly implemented approach to programs to improve literacy, upgrade skills and promote upward mobility.

The two main federal job training programs for low income adults in New Jersey are the Workforce Investment Act (WIA) and WorkFirst New Jersey (WFNJ)—New Jersey’s TANF program.

### Workforce Investment Act

WIA is the federal government’s main workforce development program and provides funding to New Jersey to provide services for adults, dislocated workers and youth. In its annual report on the Workforce Investment Act Program for 2005, the New Jersey Department of Labor and Workforce Development showed that these programs served 21,764 New Jersey residents—5,996 in the adult program, 7,591 dislocated workers, 651 older youth and 7,526 younger persons.<sup>41</sup> In the adult program, of the 2,863 participants who exited WIA and are counted in the measure, 77.9 percent, or 2,230 participants, were employed in the first quarter after exit.<sup>42</sup> In addition, 1,284 adult program participants were employed in the first quarter after exit and obtained a credential by the end of the third quarter after exit.<sup>43</sup>

WIA emphasizes a “work first” approach and offers three levels of service to participants. “Core” services focus on outreach, job search and placement assistance. “Intensive” services include individualized assessments, employment plans, counsel-

ing and career planning. “Training” services include occupational skills training, on-the-job training and entrepreneurial training. The number who received training services is reported only for participants in the adult program. In 2005, 1,974 participants in the adult program received training services; 76.1 percent of them—1,502 participants—were employed in the first quarter after exit.<sup>44</sup>

WIA also funds literacy and basic skills education programs to help adults become literate, get a secondary school education or learn English. These are important job skills. New Jersey literacy providers (community-based organizations as well as One-Stop Career Centers) enrolled approximately 33,000 state residents in these programs. There is no record of how many of them hold jobs or come from low-income working families.<sup>45</sup>

The consolidation of all “to work” services and funding streams under the New Jersey Department of Labor and Workforce Development is intended to assure that the training provided by WIA and other programs enables workers to move up the economic ladder and into jobs that can support a family and provide economic self sufficiency.

### Supplemental Workforce Fund for Basic Skills

In 2001, New Jersey instituted the Supplemental Workforce Fund for Basic Skills (SWFBS), which provides money to employers for basic skill programs that promote adult literacy in the workplace. The program is funded through redirecting a portion of employer and employee contributions to the Unemployment Insurance Trust Fund. In 2006, \$7.9 million was awarded in literacy/basic skills grants, providing funding for

## Participants Served by WIA in Program Year 2005

	Participants Served	Participants Exited	% of Participants	Participants Employed in the 1st Quarter after Exit	% Participants Employed in 1st Quarter
Adult	5,996	3,090	51.5%	2230	77.9%
Dislocated Workers	7,591	3,601	47.4%	3119	82.5%
Older Youth	651	332	51%	222	73.5%
Younger Youth	7,526	4,037	53.6%	—	—

SOURCE: State of New Jersey. Department of Labor and Workforce Development. “Workforce Investment Act, Program Year 2005 Annual Report.” October 2, 2006.

22,565 workers.<sup>46</sup> In addition, SWFBS resources have been used to establish over 50 Workforce Learning Links at the One-Stop Career Centers and partner organizations to make adult education and literacy training available locally. This program uses both self-paced, computer-based learning and staff-assisted instruction to raise the skills of participants to improve their employability and, for those who hold jobs, to raise their wages. This program offers training in GED preparation, math, reading, writing, financial literacy, life skills, workplace literacy, English as a Second Language and basic computer skills. A total of 6,150 participants received training through this program in 2006.

While this program was instituted in 2001, it was not implemented until 2006 and it is still too early to assess the effectiveness of this program in providing basic skill programs to low-income working adults.

### Temporary Assistance to Needy Families

Similar to its implementation of WIA, WorkFirst New Jersey, the state's welfare program, emphasizes work as the first step towards economic success. WFNJ provides money and other support services to families through Temporary Assistance for Needy Families (TANF). Services under WFNJ are limited to five years. WorkFirst New Jersey, like TANF programs in other states, has been deemed a success by the precarious measure of caseload reduction. Indeed, in just two and a half years after the implementation of WorkFirst New Jersey, the state saw a 40 percent decrease in caseload.<sup>47</sup> Yet, this reduction in TANF caseloads did not translate into a similar reduction in low-income or poor households.

Moreover, cycling on and off of welfare is very common in New Jersey. Two-thirds of those coming onto welfare at any given time have been on welfare before, and this number has remained steady since the implementation of welfare reform.<sup>48</sup>

A key reason why WFNJ did not translate into economic self sufficiency is related to welfare reform's focus on employment without regard for upgrading the skills of former welfare recipients. While New Jersey ranks fourth nationally in the share of TANF participants who are enrolled in education and training, it could be argued that this says more about the dismal state of training and education under TANF nationally than about the success of New Jersey.<sup>49</sup> Indeed, over 80 percent of WFNJ recipients in New Jersey do not receive any education or training.

This is largely due to the fact that, while postsecondary education and participation in job training programs are allowable activities to partially satisfy the work requirement for TANF, it is extremely difficult to juggle both activities. This is especially so because New Jersey mandates more hours of work (35 per week) than many other states.<sup>50</sup>

Overall, WFNJ has been able to meet its goal of placing clients in jobs. Unfortunately, this standard does not take into account whether the job offers the client a road to economic self sufficiency. In addition, most welfare leavers lack access to the education and training necessary to succeed in New Jersey.

### Recommendation:

- ✓ **Establish economic self sufficiency, not just job placement, as a goal for welfare leavers.** Evaluate WorkFirst New Jersey by its success in achieving this goal.

### Small Steps Toward Success in the Labor Market

New Jersey does have a small program, Smart STEPS, to help people on welfare improve their chances for success and economic self sufficiency in the labor market. Smart STEPS replaces WorkFirst New Jersey cash assistance, support services and benefits for welfare recipients and recent welfare leavers who are pursuing a two-year or four-year degree granting program from an accredited institution. It essentially uses non-TANF funds to extend welfare benefits to adults engaged in post-secondary courses of study who would otherwise be required to find employment. The program serves 672 participants, but only takes new ones as current enrollees graduate or drop out.<sup>51</sup>

Another training initiative available to low-income adult workers involves Career Advancement Vouchers for post-TANF welfare leavers who are employed. WorkFirst New Jersey will help pay for classes or training with vouchers worth up to \$4,000. Funds may also be used to purchase computers from participating manufacturers. For example, Monmouth County uses Career Advancement Vouchers to provide participants access to a distance learning program in Texas. The voucher program allows participants access to courses in adult basic skills,

GED preparation, computer skills and business skills.<sup>52</sup> Vouchers can be used to pay for education or training, or to make up the difference between federal financial aid and actual tuition.

A drawback, however, is that low-wage workers often are unable to find time for the education and skills training available through Career Advancement Vouchers. Nor has New Jersey adequately informed welfare leavers of the programs available to post-TANF recipients. As a result, the vouchers are significantly under-utilized. One study of administrative records from 2001 shows that in that year only 183 vouchers were used and that only \$148,088 of the \$5 million allocated for the program was spent.<sup>53</sup>

New Jersey also has a comprehensive distance learning initiative that builds on many previously established programs, projects and pilots. These include programs at One-Stop Career Centers supported through the Workforce Learning Links, through WIA, Title II, Adult Education and Family Literacy and through continuations of the Women of the 21st Century Demonstration Distance Learning Project of the Women's Bureau. New Jersey's distance learning programs are unique within each county and address local needs by utilizing information and Internet technologies to provide specialized training and support, often to workers employed in low-wage jobs. The common theme of these programs is the use of technology and a focus on improving workers' employment status so they can attain economic self-sufficiency and, ultimately, to enrich participants' lives through education and career advancement. No figures exist, however, on the number of workers served.<sup>54</sup>

### Recommendations:

- ✓ **Expand the Smart STEPS program so it serves significantly more of those on welfare or who recently have obtained employment.** This will improve the chances that persons leaving welfare can achieve economic self-sufficiency.
- ✓ **Increase the use of Career Advancement Vouchers.** This should be done by doing a better job of informing those leaving TANF of the program's availability and tailoring services to accommodate the work schedules of those who need training.

## COMMUNITY COLLEGES

The state's 21 counties are served by 19 community colleges or, as they are known in New Jersey, county colleges. These two-year schools generally serve two purposes: providing a relatively inexpensive springboard for students who plan to go on to a four-year degree; and offering courses that develop the skills adults need to advance in the workforce.

The county colleges are key partners in many of New Jersey's initiatives to help workers gain skills to improve the competitiveness of businesses in the state and to find higher paying jobs. Following consolidation of "to work" programs and services, county colleges have increasingly accessed WIA Title II funds to provide adult basic education programs to improve literacy, prepare adults to obtain the GED and teach English as a second language to recent immigrants. They have also accessed WIA Title I funds to provide such job development services as career advisement and placement. The State Employment and Training Commission (New Jersey's statewide Workforce Investment Board) now issues requests for proposals (RFP) for these funds, and encourages county colleges to partner with local One-Stop Career Centers or nonprofit organizations or apply on their own for these funds. Increasingly, the RFPs require county colleges and other providers to meet measurable and meaningful goals for their target populations.

There are several sources of funds available to adults in New Jersey to cover the costs of vocational or occupational training. The main ones are the WIA Title I Individual Training Accounts (ITAs) and the Career Advancement Vouchers available to post-TANF workers, plus a patchwork of other state programs. Understanding all of these funding sources and the requirements of the agencies providing the funding has proven difficult for both the county colleges and the adults who could benefit from the funds. The lack of both a statewide approach to vocational and occupational training for adults via the county college system and a streamlined state system for helping these schools and potential students or clients access available sources of funds appears to limit the availability of such training in the state. This may, in part, account for the under-utilization of Career Advancement Vouchers documented above.

Despite the absence of a statewide system of occupational training and difficulties in accessing funds, some New Jersey county colleges do an excellent job meeting the needs of adult workers. In a recent book on policies that transform welfare, Robert Cherry highlights programs at Union County College which he

identifies as New Jersey's largest provider of welfare to work and vocational programs available to residents.<sup>55</sup> The college uses vacant space at a major shopping mall to provide training and credentials for employment in retail jobs.

New Jersey's county colleges also serve as an inexpensive way for students to complete the first two years of post-secondary college education. In the past, this has been something of a gamble for students, as the four-year colleges could choose which credits to accept and students who finished two years of study at a county college might find they still needed three more years to obtain a bachelor's degree. That changed with a law signed in October 2007 requiring the state's four-year public universities to accept all county college credits, promoting the seamless transfer of New Jersey community college associate's degree graduates into baccalaureate degree programs. This will eliminate the need for transfer students to re-take courses they already passed enabling them to obtain a four-year degree sooner. They will save money on college tuition and be able to enter the workforce earlier. Since minority students start their college careers more often at community colleges than at four-year schools, the enhanced transfer capability will foster their increased enrollment in New Jersey baccalaureate programs.

For working adults, county colleges offer comparatively low-cost educational opportunity. But accessibility is another matter. Many low-income working adults in New Jersey have jobs with irregular schedules. And the lack of availability or high cost of transportation and child care also are obstacles to even the most highly motivated. Additionally, New Jersey's emphasis on a work first approach for welfare recipients (Smart STEPS serves only a tiny fraction of workers who could benefit) pushes TANF finishers into low-wage jobs instead of education while at the same time not providing income supports that facilitate pursuing an education through county college courses. It also needs to be pointed out that even though county colleges cost less than four-year schools, tuition often still is out of reach for low-income working families already struggling to get by.

On the plus side, New Jersey ranks first nationally in state need-based financial aid for college students.<sup>56</sup> But even with that assistance, there are only 18 states where higher education ab-

sorbs a greater share of a low-income family's earnings at the lowest-priced colleges than in New Jersey.<sup>57</sup> As a result, New Jersey received a grade of "D" in postsecondary affordability in "Measuring up 2006: the National Report Card on Higher Education".<sup>58</sup> These findings indicate the importance of reassessing need-based financial aid for adult workers attending county colleges. Central to this is not only providing grant funding, tax credits and low-interest loans, but also recognizing the importance of directing these and other funding supports to adults who are enrolled less than full-time and are encumbered by costs associated with attending classes (transportation, child care and lost work hours).

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In 2005, only 3.3 percent of adults were enrolled in New Jersey's county colleges. The ratio of community college career certificates to associate's degrees was .08, almost the lowest in the United States—clearly demonstrating that the county college system has not adequately addressed the needs of low-income adults. One qualifier, however, is that the data do not reflect the increased involvement of county colleges in adult basic education since the recent

consolidation of all "to work" literacy and skills training programs in the Department of Labor and Workforce Development. County colleges in New Jersey are taking an increasing role in providing work readiness training, occupational skills training and transitions to postsecondary training and education. County colleges now partner with local One-Stop Career Centers to provide this training. In addition, many of the customized training grants to businesses are for training provided through county colleges. However, as discussed above, the lack of a statewide system of occupational training via county colleges and the confusing array and under-utilization of funding sources appears to limit the effectiveness of the county colleges in providing occupational skills training. Further study will be needed to determine the extent to which recent improvements in access to county colleges and to career training in these institutions are meeting the needs of low-income adults, and what further changes are needed.<sup>59</sup>

Finally, New Jersey has several new, innovative programs to help transition adults into county college programs. In 2006, the state and the New Jersey AFL-CIO developed NJ PLACE (Pathways Leading Apprentices to a College Education), which

awards college credit for participating in registered apprenticeships in the building and construction trades. The program combines vocational training with academic education, demonstrating the link between the two and providing opportunity for post-secondary education to previously excluded populations.

And in October 2007, New Jersey received a federal grant to provide transitions for high school dropouts 18 to 25 years old to community college programs. College Yes (C-Yes) will work with five Adult Secondary Education programs in Essex County on educational practices and procedures, as well as adjunct services, to enrich the secondary education experience of the students, recruit underrepresented groups of students, improve retention in the programs and increase the percentage of students who enter and successfully pursue post secondary education.<sup>60</sup>

### Recommendations:

- ✓ **Encourage transitions from adult education to post-secondary education and increase the share of adults enrolled in county colleges.** Policy makers must increase investments in programs that will help move holders of high school diplomas or GEDs to post-secondary certificates and degrees. Doing so will advance a vision of life-long learning in New Jersey.
- ✓ **Develop a streamlined, statewide system of funding and an outreach campaign to insure full utilization of state and federal training dollars.** Money “left on the table” speaks loudly of too little commitment on the part of New Jersey to make sure low-income working families can move up.
- ✓ **Increase state resources so more low-income working adults can afford adult education and training.** High tuition, student fees and other costs associated with attending classes (including transportation, child care and lost work hours) are barriers to education opportunities for low-income working adults. Policy makers must address these barriers through increased state resources and re-assessment of existing programs and resources available for low-income adult learners.

### PREPARING FOR THE FUTURE

State Department of Labor and Workforce Development projections for 2014 say that 66 percent of new jobs developed in New Jersey will be in professional or related services occupations.<sup>61</sup> The state’s job policies and programs must reflect the reality that these jobs often require a post-secondary degree or certificate. Existing programs that provide the flexibility needed for low-income adults to improve their skills at their own pace in their quest for career advancement need to be expanded. And there must be a retooling of programs that do not currently maximize the ability to help low-income working adults upgrade skills, raise educational attainment and increase earnings.

Overall, New Jersey should refocus its education and workforce policies around the needs of low-income working families. The goal of such programs and policies must be increasing income to the point of self sufficiency, not simply placement in what too often turns out to be a dead-end job. In particular, income eligibility requirements need to be adjusted so low-income working men and women, and not just the unemployed and the poor, can improve their prospects.

## Chapter 3: Better Jobs

### It Takes More than a Pay Check

**A** job should be an opportunity. It should be a way to build for the future and support a family. But too often for low-income working families in New Jersey it is neither. Better education and more training are keys to changing this. Working men and women are one of the state's biggest assets and New Jersey needs to figure out how to invest in these assets because a workforce that meets its potential in terms of skills and training is a magnet for business expansion and new jobs in a state that already has a tremendous locational advantage over many others. To reflect this, economic development policy must meet the twin goals of promoting job growth and equipping workers for better jobs.

In New Jersey, nearly 4.3 million people between the ages of 18 and 64 were in the labor force in 2006, but almost eight percent of them—322,654 men and women—were not fully employed.<sup>62</sup> Nearly 200,000 of this group had no job and were seeking work.<sup>63</sup> Another 92,000 worked part time but likely would have preferred full time work if it were available.<sup>64</sup> About five percent of New Jersey working adults—nearly 205,000—hold more than one job.<sup>65</sup>

The nature of its labor market reinforces the picture of New Jersey as two states. Though the state is a leader in median household income, approximately 60 percent of jobs in New Jersey paid less than two times the poverty threshold.<sup>66</sup>

#### WHERE WILL THE JOBS BE?

According to a recent National Commission on Adult Literacy report, 30 states will experience worker shortages by 2025 if they rely only on traditional college-age graduates and do not bring non-traditional-age students—older workers—back to the education system for college degrees.<sup>67</sup> New Jersey is pro-

jected to have the fourth largest shortage—320,720 vacant jobs—of those 30 states.<sup>68</sup>

Some shortages stem from a skill mismatch between workers and available jobs. A report from the State Employment and Training Commission found that New Jersey employers in many industries say workers' lack of basic academic skills—high-school level math, reading, writing and English—inhibits their ability to perform well in their current jobs or move up to better positions.<sup>69</sup>

Despite job losses during the recession of 2001 and 2002, the total number of private-sector jobs is returning to pre-recession levels. The New Jersey Department of Labor and Workforce Development estimates that through 2014 most employment growth will be in health care and social assistance;

professional and business services; and leisure and hospitality.<sup>70</sup> These three sectors will account for almost 70 percent of employment growth. Many of these jobs are expected to pay low wages, require little training and provide little room for advancement.

Jobs in health care-related fields will be in high demand and many will be for entry-level workers without college degrees. But while the jobs of home health and nursing aides, orderlies and attendants pay low wages, all have the potential for advancement and higher earnings with additional training. With the ongoing nursing shortage, adults currently working as home health aides or in other lower level health care jobs can build on their work experience with additional vocational training to become a Licensed Practical Nurse or by earning an Associate's Degree at one of the state's county colleges to become a Registered Nurse. Both RNs and LPNs earn annual salaries that meet or are above self-sufficiency wages for New Jersey discussed earlier.

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## New Jersey Employment Projections

Job Title	2004 Estimated Employment	Percent of Total State Employment	2014 Projected Employment	Projected Change	Percent Change
Health Care & Social Assistance	461,200	11.5%	575,000	113,800	24.7%
Professional & Business Services	584,500	14.6%	692,300	107,800	18.4%
Leisure & Hospitality	325,500	8.1%	379,800	54,300	16.7%
Wholesale Trade	231,900	5.8%	260,900	29,000	12.5%
Construction	165,900	4.1%	183,600	17,700	10.7%
Educational Services	85,200	2.1%	93,900	8,700	10.2%
Retail Trade	467,100	11.7%	510,000	42,900	9.2%
Financial Activities	276,900	6.9%	302,100	25,200	9.1%
Transportation & Warehousing	161,000	4.0%	174,000	13,000	8.1%
State & Local Government	571,200	14.3%	603,500	32,300	5.7%
Utilities	14,700	0.4%	14,000	-700	-4.8%
Natural Resources & Mining	1,600	0.0%	1,500	-100	-6.3%
Information	98,000	2.5%	91,600	-6,400	-6.5%
Federal Government	62,200	1.6%	57,600	-4,600	-7.4%
Manufacturing	338,200	8.5%	278,300	-59,900	-17.7%

SOURCE: Sheppard, Thomas and Robert Vaden. "Industry and Occupational Employment Projections for New Jersey: 2004-2014." State of New Jersey. Department of Labor and Workforce Development, Division of Labor Market and Demographic Research. July 2006.

A 2007 Rutgers University study demonstrates how crucial it will be to get older workers into nursing: New Jersey will need to replace a third of its nursing workforce over the next 10 years just to maintain current supply.<sup>71</sup> It is important for low-income workers striving to move up in the health care field that the nursing workforce will not be adequately replenished by new nursing graduates alone.

The professional and business services sector in New Jersey will see its largest job growth in administrative and waste management positions, including jobs in temporary agencies, call centers and the collection, transportation and disposal of waste. Call center jobs require only short-term on-the-job training, making them more accessible to low-income working people with less education. But the field does not offer the advancement potential of health care.

Jobs in computer systems design and management, and scientific and technical services are expected to grow, but they are

less accessible to low-income working people as they require a Bachelor's Degree or higher.

The leisure and hospitality sector is another area accessible to working people with less training. The state reports that most employment growth there will be in food service establishments, with hotel and casino employment remaining flat. Restaurant jobs require anywhere from basic to long-term on-the-job training, making some jobs more accessible to low-income workers. But these low-wage jobs offer little opportunity for advancement.

Two other high-demand occupations that require mid-level training, making them more accessible to many low-income working people, are carpenters and electricians. The state projects that construction employment will increase by 10.7 percent by 2014, an increase of 17,700 jobs.<sup>72</sup>

## Jobs in Projected High Employment Growth Sectors to 2014

Job	Projected Annual Job Openings	Training/Education Requirements	Average Hourly Wage, 2005	Annual Wage, 2005
<b>HIGH SKILL</b>				
Registered Nurse	3,740	Associate's Degree	\$30.30	\$63,024
<b>MID-LEVEL SKILLS</b>				
Nursing Aide, Orderly and Attendant	1,250	Post-secondary vocational training	\$11.75	\$24,440
Carpenter	900	Long-term on-the-job training	\$23.85	\$49,608
Licensed Practical Nurse	790	Post-secondary vocational training	\$22.10	\$45,968
Supervisor of Food Prep/Serving Workers	720	Work experience in related occupation	\$16.35	\$34,008
Restaurant Cook	670	Long-term on-the-job training	\$11.40	\$23,712
Electrician	650	Long-term on-the-job training	\$28.40	\$59,072
<b>BASIC SKILLS</b>				
Food Prep/Serving Worker	3,940	Short-term on-the-job training	\$8.15	\$16,952
Waiter and Waitress	3,700	Short-term on-the-job training	\$8.80	\$18,304
Child Care Worker	2,130	Short-term on-the-job training	\$9.10	\$18,928
Customer Service Rep	1,920	Short-term on-the-job training	\$15.70	\$32,656
Home Health Aide	1,340	Short-term on-the-job training	\$10.30	\$21,424

SOURCE: State of New Jersey Department of Labor and Workforce Development. "New Jersey's Hot 50 Demand Occupations." July 2007. <http://wd.dol.state.nj.us/labor/lpa/pub/jerseyhot50.pdf>

### STATE ASSISTANCE TO BUSINESSES

Like other states, New Jersey has a number of programs involving tax breaks and various subsidies for businesses. Their stated aim is to attract companies to move to the state or, if already in New Jersey, to stay. None of New Jersey's economic development programs has a significant worker training component.

The Business Employment Incentive Program (BEIP), the state's primary business subsidy tool, operates under the premise that creating new jobs will strengthen the state's economy through additional tax revenue as well as business and consumer spending that comes with employment. As of November 2007, the state had over 10 years spent \$489.2 million on BEIP payments to 345 companies.<sup>73</sup> The state says these companies have hired 68,360 workers under the program.<sup>74</sup>

In some ways, most of New Jersey's policies have been schizophrenic. They recognize the need to move jobs to where low-income people live by offering larger subsidies to companies that come to distressed urban areas. But, on the other hand, they will still award subsidies at some level if companies move to suburban or rural areas.

While BEIP is one of only two state subsidy programs that require businesses to offer workers health insurance, the program does not include any target that businesses hire or train low-income workers. So, a BEIP-subsidized business in an urban area may have only an indirect benefit to low-income workers—not hiring them, necessarily, but perhaps increasing local tax revenue or providing other general benefits for the municipality.

**Recommendations:**

- ✓ **All state subsidy programs should require job quality standards.**
- ✓ **The state should give economic development subsidies only to companies locating in financially distressed cities and towns.**
- ✓ **The state should annually or biennially evaluate its economic development subsidy policies and programs.** This process should focus on determining whether good quality job opportunities are being created for low-income working people.

**SUBSIDIES TO TARGETED AREAS**

The New Jersey Urban Enterprise Zone program is designed to encourage job growth in the state's most blighted areas. But the state does not require UEZ businesses to meet job creation goals, wage standards or offer health insurance. There are zones in 37 municipalities, where retail merchants are allowed to charge only half the state sales tax rate. State funds are used for projects such as street lighting, sidewalks, local mass transit and public safety employees.

Businesses benefiting from the UEZ program are required, in return for a \$1,500 per worker corporate business tax credit, to hire at least 25 percent of their full-time employees from among the following: residents of the UEZ where the business is located or another UEZ, New Jerseyans unemployed for at least six months or workers who have been on public assistance for six months before being hired.

The state tracks sales tax collected and returned to UEZ municipalities, but there is less definitive information available on jobs created and the economic impact of the program. A total of \$575 million in sales tax revenues have been distributed to 1,750 programs.<sup>75</sup> The New Jersey Commerce Commission claimed in the 2005 UEZ annual report that the program has created 157,000 full-time jobs and another 27,000 part-time jobs, but little is known about the quality of the jobs.

**Recommendation:**

- ✓ **The state should annually or biennially evaluate the Urban Enterprise Zone program.** The goal should be determining whether good quality job opportunities are being created for low-income working people.

The state has not systematically collected information on workers' wages in a centralized format that would allow an analysis of whether low-income workers benefit from state subsidy programs. This makes it difficult to determine the impact such programs have on either the economy or the workers. But this might be changing to a degree. In November 2007, Governor Corzine signed a law requiring subsidized companies to disclose the types of jobs they are providing (full-time, part-time or temporary); benefit rates associated with these jobs; the number of current workers who get health insurance; and the number of subsidized employees represented by a union.

**JOB TRAINING**

Competitive customized training grants are awarded to businesses to help them develop industry-specific solutions to workforce training challenges. Much of this training is provided by the state's 19 county colleges.

State officials have described the Literacy Basic Skills training policy and program as providing low-income workers with a ladder to economic advancement. The state Commissioner of Labor and Workforce Development in an announcement of 60 new Basic Skills grants said, "In order to have a world class workforce, New Jersey is investing, not only in high-skill employment, but also to assist lower-wage workers to build strong foundations of basic skills so that they can continue to expand their capabilities and earning power."<sup>76</sup> The program, funded by employer and worker pay roll contributions, offers training in reading comprehension, basic math, basic computer literacy, English proficiency and work-readiness skills. The competitively awarded grants are mainly to help employers train their current workers. However those with a written commitment from an employer for a future job also can participate.

Businesses can get special consideration for training people with disabilities and those who were welfare recipients or incarcerated. Included in the grant application is a timeline that businesses fill out to show how they will increase wages for successful workers. Starting in 2007, workers in the Literacy Basic Skills program undergo skills assessment before and after the training to determine how their skills have improved.<sup>77</sup> The state has started receiving outcome data, but it is not yet complete.

In 2006 and 2007, the state spent \$13.7 million and trained 39,112 workers at a cost of \$350 per person. In 2007 budget hearings, the Commissioner of the Department of Labor and Workforce Development told legislators that much more needs to be done to effectively promote the program.<sup>78</sup>

To address these low levels of utilization for the Literacy Basic Skills grants, the state has made them more accessible to smaller businesses with limited training budgets. The state, the New Jersey Business and Industry Association and the New Jersey Community College Consortium for Workforce and Economic Development joined together to target entry-level workers at smaller businesses. This new partnership, called the Basic Skills Workforce Training Program, has received \$1.9 million from the state to train 5,000 workers in English as a Second Language, basic math, computers and communications.<sup>79</sup> To encourage its use, the program does not require a financial match from employers.

### Recommendations:

- ✓ **The state should do more to promote the Literacy Basic Skills program to employers of low-income workers.** This will help them obtain tools to advance, including through pilot programs such as the Basic Skills Workforce Training Program, being operated by the New Jersey Business and Industry Association and the state's county colleges.

## CONSTRUCTION TRAINING PROGRAMS

The Construction Trades Training Program for Women and Minorities (CTTP-WM) and Youth Transitions To Work (YTTW) are state pre-apprenticeship vehicles to train adults in the construction trades. These programs offer workers without a college degree an opportunity to train for high-demand, well-paid jobs.

Modeled on a pre-apprenticeship program developed by the nonprofit New Jersey Institute for Social Justice to expose low-income workers to well-paid construction jobs, CTTP-WM provides classroom instruction, tuition subsidies and financial assistance to re-establish a valid New Jersey driver's license if it was revoked, as well as counseling to help in the pre-apprenticeship process. In 2005, CTTP-WM placed 287 adults in construction jobs.<sup>80</sup>

YTTW provides on-the-job training and classroom instruction, mainly to high school students who are not planning to attend college. YTTW sponsors include the carpenters and electricians unions. In 2006, YTTW placed 308 students in apprenticeships and the trades.<sup>81</sup>

## PROJECT LABOR AGREEMENTS

Project Labor Agreements (PLAs) are collective bargaining contracts that cover working conditions and standards on large building projects. Since all parties agree to specific terms before the project begins, potential labor disputes can be addressed before they happen. In 2002, New Jersey enacted a law to encourage state and local public agencies to use PLAs on public construction projects costing over \$5 million. Where PLAs are in place, public agencies must hire a particular percentage of women, minorities and apprentices, who are largely local residents.

Between July 2002 and September 2005, 121 construction projects in New Jersey included PLAs.<sup>82</sup> During that period, 25.8 percent of workers under these PLAs were minorities; 1.3

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**PLAs give working people  
without college degrees  
opportunities for well-paid  
construction jobs.**

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percent were women; and 11.5 percent apprentices.<sup>83</sup> The figure for minorities was slightly above the goal of 25.3 percent and the figure for women was well below the goal of 6.9 percent.

While the number of jobs put aside for women, minorities and apprentices varies among projects at the discretion of the agency and union working on a project, it is clear that PLAs give working people without college degrees—both construction apprentices starting out and experienced women and minority construction workers—opportunities for well-paid construction jobs. The state’s pre-apprenticeship CTP-WM and YTTW programs help train many of the necessary skilled women, minorities and apprentices and in doing so help to fulfill PLA recruiting goals.

### Recommendation:

- ✓ **The state should expand the current CTP-WM and YTTW pre-apprenticeship programs and look for other occupations where similar training and mentoring programs would be effective.** These programs provide skills to workers without college degrees. Once trained, PLAs provide access to women, minorities and apprentices for jobs that might not have been available to them otherwise.

## TRANSITIONAL EMPLOYMENT PROGRAMS

Transitional employment programs help disadvantaged populations such as formerly incarcerated men and women get and keep jobs. The programs open up career paths for those work-

ing toward unsubsidized employment. State government has not invested in these programs, but in an effort to demonstrate their value, the New Jersey Institute for Social Justice launched its New Careers Project in 2006 for the formerly incarcerated returning to Essex County. NJISJ explains, “The New Careers method combines immediate transitional employment with comprehensive case management, employment readiness and life skills training, job placement, and post-placement retention support.”<sup>84</sup> Partnering with NJISJ are the state Department of Corrections, county and local workforce investment boards, Essex County College and other Newark- and Essex County-based nonprofits.

The program offers eight to 12 weeks in transitional job placements with four days of work per week and one day working with case managers. A first-year evaluation showed that of 132 former prisoners first interviewed for the program, 38 enrolled and 15 of them were placed in jobs between February 2006 and November 2006.

### Recommendation:

- ✓ **State policymakers should invest in transitional employment programs to move the formerly incarcerated into productive work.** Current efforts should be expanded to include replicating successful programs run by nonprofits, such as the New Jersey Institute for Social Justice’s New Careers initiative.

# Chapter 4: Working Their Way Up

## A Support System to Help Families Build a Future

**W**ithout a job, no one can move up the economic ladder. But the frustrating reality for New Jersey's low-income working families is that often a job is simply not enough. Many low-wage jobs do not include income and other supports at a level that allows a family anything beyond day-to-day existence. As we have seen, many service jobs, like health care and child care workers, janitors and restaurant work, are important to the state's economy, but do not pay enough to provide income security and help a family build a future. In a number of areas, New Jersey can create a work-support system strong enough to help the hardworking men and women performing essential jobs to use those jobs to propel them toward self-sufficiency and greater economic wellbeing.

### MINIMUM WAGE

New Jersey's minimum wage rose to \$6.15 an hour in 2005 and \$7.15 in 2006. But those increases followed a period of 13 years where the wage had gone up only 10 cents. The result is that New Jersey's minimum wage has not kept up with the increased cost of living. If New Jersey's minimum wage had matched inflation since its peak purchasing power in the 1960s, today it would be \$9 an hour.

#### Recommendations:

- ✓ **Restore purchasing power by raising the minimum wage.** This could be accomplished by bringing the state's minimum wage to half of New Jersey average wages. In 2007, that would have meant a minimum wage of \$8.50 an hour.
- ✓ **Annually adjust the minimum wage to keep up with the cost of living.** A built-in requirement that the state's minimum wage would never be allowed to fall below half of the state average wage would assure that low-income working families do not see

their financial status constantly eroded. Having this done automatically would mean the wage is tied to economic factors and freed from political considerations that can lead to a time lag that prevents wages from ever catching up to costs.

### EARNED INCOME TAX CREDIT

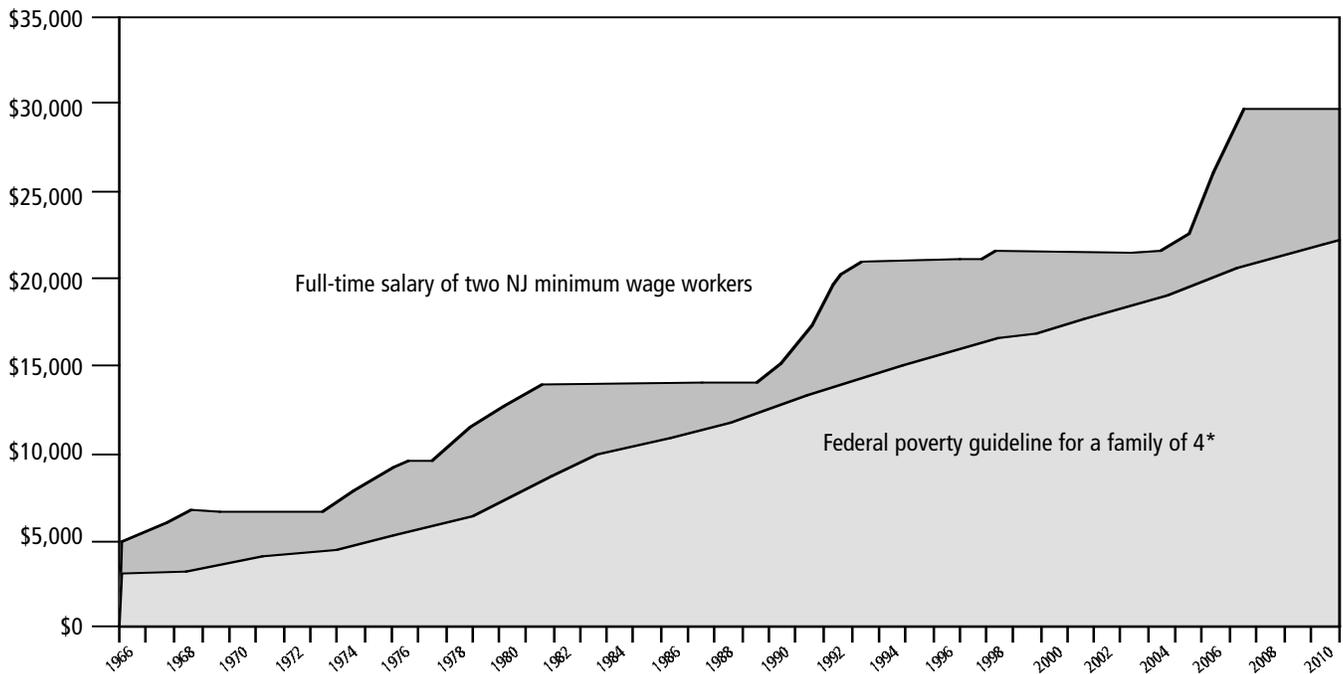
New Jersey created a state Earned Income Tax Credit (EITC) in 2000, but until 2007 it had some highly burdensome differences from other states. Most important among them, New Jersey's EITC cut off from eligibility any family, regardless of size, whose income reached \$20,000 a year. All other states with EITCs used the federal EITC eligibility standard, which reduces benefits gradually as income rises and allows larger families to make over \$33,000 before losing eligibility. As a result of New Jersey's rules, in 2005 over 485,000 families received the federal EITC but only 203,440 got New Jersey's.

A major step forward comes in 2008 when New Jersey's EITC will switch to the federal eligibility standard and the state EITC will rise to 25 percent of the federal benefit, phased in over two years. The current state benefit is 20 percent of the federal EITC.

#### Recommendation:

- ✓ **Make sure all those eligible for the expanded state EITC receive it.** New Jersey needs to significantly expand its outreach efforts so that information about the program and how to sign up is more widely available to low-income working families.

## Minimum Wage and Poverty



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

### STATE AND LOCAL TAXES

New Jersey is one of 19 states where some working poor people making less than the federal poverty level owe state income tax, according to data released in 2007 by the Center on Budget and Policy Priorities.<sup>85</sup> This is because New Jersey has not adjusted its state income tax brackets to reflect inflation. As a result, New Jersey is one of 14 states where the state income tax burden on a family of four at the federal poverty line was higher in 2006 than in 2005. And, it is one of 10 states—and the only one in the northeast—where a family of four at the federal poverty line owes at least \$200 in state income tax.

On a per capita basis, no state relies more than New Jersey on local property taxes to pay for government services and education. This affects not only homeowners, landlords pass their property taxes along to tenants as part of the rent. As income rises, property taxes tend to command a smaller share of a family's income. This contributes to the overall regressivity of New Jersey's state and local tax system. According to the most recent data from the Institute on Taxation and Economic Policy, households in the bottom 20 percent of income in New Jersey pay 12.4 percent of their income in state and local taxes, compared to 9.3 percent for the middle quintile and 5.7 for the top

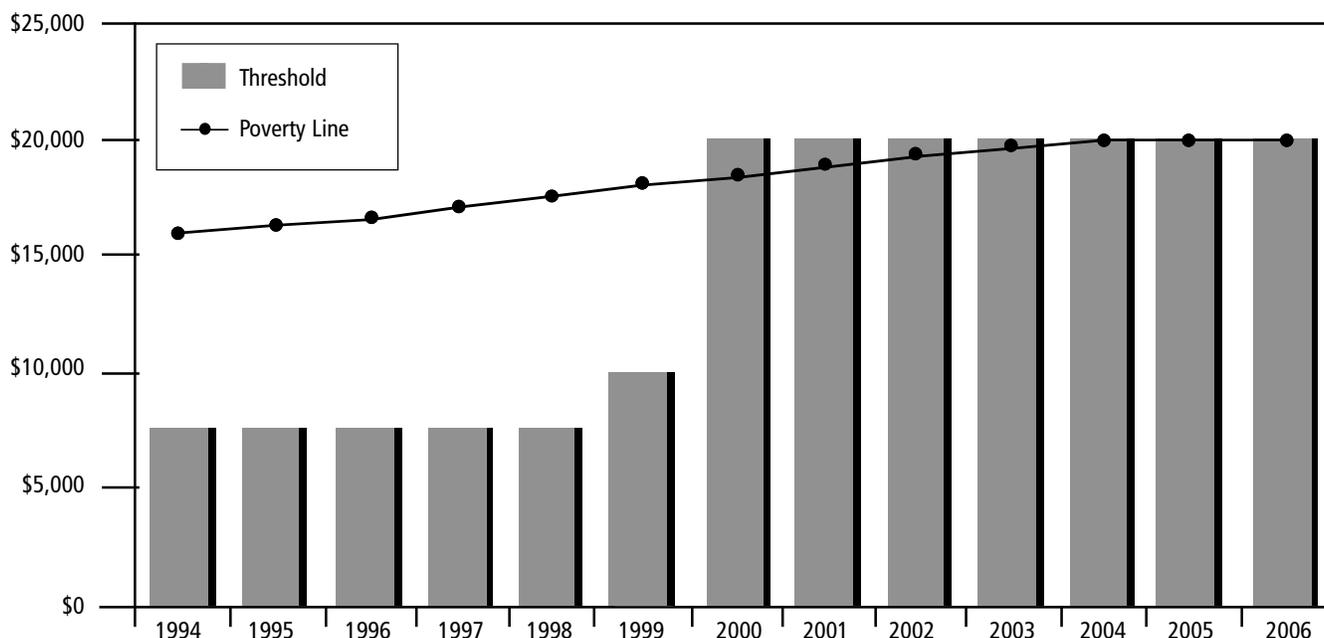
five percent. In only six states was the state and local tax burden on poor people higher.<sup>86</sup>

The expansion of the state Earned Income Tax Credit in 2008 will provide a measure of relief, but more needs to be done.

#### Recommendations:

- ✓ **Raise the state income tax threshold.** New Jersey should increase the state income tax threshold to twice the federal poverty threshold. Had that been the case in 2005, a New Jersey family of four would have paid no state income tax if their income was less than \$39,942.
- ✓ **Move toward taxation based on ability to pay.** The state should rely more on broad-based statewide taxes—taxes such as progressive income taxes or sales taxes on services most used by higher-income households—and less on local property taxes. The state should pass a law requiring that all legislation which would raise or reduce taxes include an analysis of how the proposed changes would affect people at various income levels.

## Income Tax Threshold for a Family of Four



Source: Center on Budget and Policy Priorities. *The Impact of State Income Taxes on Low-Income Families in 2006*. Available online at <<http://www.cbpp.org/3-27-07stp.htm>>

## UNEMPLOYMENT INSURANCE

By some measures, New Jersey's system is among the nation's most generous. The state uses alternative base periods to determine eligibility for Unemployment Insurance; it treats part-time workers more favorably than elsewhere; and it protects temporary workers from being excluded.

But here, again, the crucial consideration is how it meets the needs of New Jerseyans; and there are some troublesome issues. For example, while the \$490 per week maximum UI benefit is the nation's third highest, it also is the case that benefit exhaustion rates in New Jersey are well above the national average: in 2006, 44.7 percent of New Jersey workers exhausted their 26 weeks of UI benefits compared to 35.3 percent for the nation.<sup>87</sup> And, the state does not provide UI for those forced to leave a job because of family hardships like having to care for a sick relative or being unable to find child care. Under current law, benefits must be triggered by an employer's action. This has a disproportionately severe impact on women workers.

### Recommendations:

- ✓ **Make Unemployment Insurance available to those with family hardships.** Leaving a job to care for children or deal with a family emergency should not disqualify someone from collecting, as long as he or she is seeking suitable replacement work.
- ✓ **Do more for part-time workers.** New Jersey treats part-time workers more favorably than many states; more is needed to recognize that many part-timers would work full-time if a job were available. They should receive UI benefits on an equal basis with full-time workers, as is done in nine states.<sup>88</sup>
- ✓ **Update the trigger for extended benefits.** Like other states, New Jersey provides additional weeks of UI in times of recession. But the trigger for paying extended benefits has not kept pace with today's labor market. New Jersey should update the trigger mechanism by joining the 10 states that use an average total unemployment rate of 6.5 percent or more for any 13-week period.<sup>89</sup>

## HEALTH INSURANCE

New Jersey ranks high nationally in employer-provided health insurance. But the rate is dropping and, in any case, this is another example of where New Jersey's relatively strong national standing is of no help to low-income working families who lack coverage.

Health insurance is a major cost, and a rising one, for low-income working families—if they can afford coverage at all. According to 2005-06 Census data, there were about 382,000 uninsured non-elderly adults in New Jersey with incomes below 200 percent of poverty. They accounted for 43 percent of low-income adults. By comparison, 15 percent of all New Jerseyans lacked coverage. The price of health insurance premiums has almost doubled since 2000 for New Jersey private sector workers. Among low-income working families in New Jersey, 42 percent have at least one parent without health insurance—37th in the nation.<sup>90</sup> About 40 percent of all low-income female adults were uninsured in New Jersey in 2005-2006.

Only about 31 percent of non-elderly low-income adults had employer-provided health insurance in 2005-2006 compared to about 68 percent for the entire New Jersey population. For those without employer-provided insurance, purchasing insurance in the private market is not a viable option for most low-income adults. The lowest annual cost for a family in New Jersey for comprehensive health insurance is about \$11,000, which is about what a full-time worker makes in a year in a minimum wage job. Furthermore, such a policy requires a \$5,000 deductible and the family must pay for half of its medical bills. Even for a family at twice the federal poverty level, the cost is prohibitive.

Options for publicly subsidized health coverage also are limited. Parents with a child below age 19 are eligible for the state's Family Care program up to 133 percent of the poverty level (\$27,465 for a family of four). But many more parents need coverage.

## Recommendations:

- ✓ **Fully restore eligibility for parents in Family Care.** New Jersey made the decision to allow parents making up to twice the federal poverty level into its health insurance program for children on grounds that it would increase the likelihood they would sign up their children. In 2003, the state stopped enrolling parents, and then eventually began to accept new parents, at first only up to 115 percent of the poverty level and now up to 133 percent. All parents at or below 200 percent of poverty should be allowed into Family Care.
- ✓ **Develop state policies to discourage employers from dropping health insurance and create incentives for those not providing coverage to do so.** This could include subsidies or incentives, especially for small businesses. Until such time as a national program of universal insurance comes into being, New Jersey must recognize that continued reduction in employer-provided coverage will jeopardize low-income working families and strain the public's ability to pick up the slack.

## CHILD CARE

Taking care of a family while also working at a job and pursuing more education or training would be a tough balancing act for anyone. In low-income working families, the difficulty is compounded by the lack of financial support. This is especially so with regard to caring for a child. Across all states, the average annual cost of child care for a four-year-old child ranges from \$3,016 to \$9,628; the average cost of care for an infant is even higher, ranging from \$3,803 to \$13,480 annually.

Although nearly \$162 million in child care vouchers and subsidies in New Jersey were made available to working parents in fiscal year 2007, various indicators suggest that the state's funding structure falls short of meeting the needs of working families. For example, while the federal government allows states to assist families that make up to 85 percent of state median household income, New Jersey limits eligibility to those making only up to 45 percent.<sup>91</sup> In 39 states, the rules are less restrictive.<sup>92</sup>

Nor does New Jersey cover all the costs for those families that are eligible. A family whose income is below the poverty level still must pay toward child care. New Jersey's \$71 co-payment is higher than what 32 other states require of low-income working families.<sup>93</sup>

And, at the same time that New Jersey's eligibility rules keep out many low-income working families for whom assistance would be crucial, lack of funding means that even many who are eligible cannot get help. There were 14,668 eligible children on the waiting list for child care assistance—seventh highest in the nation.<sup>94</sup>

### Recommendations:

- ✓ **Make more low-income families eligible for child care assistance.** New Jersey's level should be closer to the 85 percent of state median income that federal rules allow.
- ✓ **Eliminate the waiting list.** Whatever eligibility standard is used, all families that meet it should be helped. As of early 2006, 33 states had no waiting list.<sup>95</sup>
- ✓ **Reduce or eliminate the co-payment.** With its high cost of living, New Jersey should be a leader in reducing the burden for families trying to work toward self-sufficiency.

## FAMILY AND MEDICAL LEAVE

As with health insurance, paid sick days and leave time are workplace benefits that many high-skilled, high-earning New Jersey workers take for granted. But for low-income working families they often are unavailable—forcing the work versus family choice that can lead to reduced earnings or more domestic hardship.

A majority of US workers making less than \$15 an hour did not have access to paid sick days. By contrast, 73 percent of those making more than \$15 an hour did. No state requires that all employers offer paid sick time. Legislation to require sick days was introduced in the New Jersey General Assembly, but at the end of 2007 it had not advanced.

Federal law requires that employers give workers unpaid leave time to deal with the serious illness of a spouse, child or parent or for childbirth or adoption. But employers of fewer than 50 employees are exempt, leaving a vacuum for many low-income working families. Research shows that many workers who are eligible for unpaid leave do not take it because they cannot afford to lose that income.

New Jersey is one of five states with a Temporary Disability Insurance program, to which workers and employers contribute in order to build a fund that allows working people to receive two-thirds of their salary if they are forced to stay home because they have an illness or injury unrelated to their job. California has extended its TDI program by calling on workers, but not employers, to pay a little more per week to create a fund that provides paid leave to care for a sick child, parent or spouse or to bond with a newborn or newly adopted child.

### Recommendations:

- ✓ **Provide paid sick time for all New Jersey employees.**
- ✓ **Adopt family leave insurance.** The current state TDI program gives New Jersey an easily expandable vehicle to help working men and women balance the obligations of job and family, an especially difficult task for low-income working families.

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