



CAN YOU AFFORD N.J.?

For a growing number, wages not keeping up with costs

By Sergio Bichao @sbichao

A growing number of people are finding themselves unable to afford life in New Jersey. While federal figures place the number of New Jersey households in poverty at 10.5 percent, a report out this week from the United Way of Northern New Jersey pegs the actual number of struggling households much higher: 1.2 million, or 38 percent, in 2012 — up from 32 percent in 2007.

The United Way report comes two weeks after the Legal Services of New Jersey Poverty Research Institute released a study declaring that one in three people in the state is struggling to make ends meet.

The reports paint a dire picture of New Jersey's economy, despite glowing jobs and financial figures released recently by federal agencies and the White House. In a separate report released Sunday, the Legal Services of New Jersey predicts that the U.S. Census Bureau will announce a leveling off or slight decline in the state's

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poverty rate for 2013.

"Such news, while welcome, is not a cause for joy," the nonprofit Legal Services says, because the total number in poverty remains at a record high.

Despite a general sense of economic improvement among top earners, more people on the other side of the economic scale are finding that they cannot pay their bills, cannot save for their future, and need to rely more on welfare programs, the United Way study shows.

While the rate of inflation between 2007 and 2012 was 7 percent, the

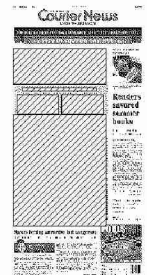
minimum amount that the United Way calculates a family of four or a single adult needs in order to survive in New Jersey increased by 19 percent.

A family of four in New Jersey needs an average of \$61,200 a year in order to survive. That means both parents need to earn at least \$15.30 an hour. An adult with no children must earn at least \$13.78 an hour.

This is a challenge in a state with a minimum wage of \$8.25, where 53 percent of jobs pay less than \$20 per hour and where nearly three quarters of projected job openings until 2020 also will pay less than \$20 an hour.

Meanwhile, housing costs increased by 17 percent during the same time period, a byproduct of the foreclosure crisis, which glutted the market with renters.

Families who earn more than the poverty level but who may be a crisis away from losing it all sometimes are referred to as "the working poor." But the United Way several years ago developed a new name — ALICE, an acronym for Asset Limited, Income Constricted, Employed — which the Northern New



Jersey chapter CEO John Franklin says is more "dignified."

"People really need to understand that we are not just talking about some number of people who are poor and not working," Franklin said Wednesday. "This is a huge portion of our population — folks we work with every day and are very much part of our lives. If we don't begin to address this systemic problem as a society it will affect us all in a major way."

People in ALICE are in every community in the state. They include people like Nora Abdul-Rahin, a mother of a daughter in college and two school-age sons, who works at least 40 hours a week as a caretaker in a group home for disabled adults.

"It's not easy. The job doesn't pay too much," said Abdul-Rahin, 42, who shares a home in the Somerset section of Franklin in order to save on rent and utilities, which in Middlesex County can cost more than \$1,300 a month for a two-bedroom apartment.

Abdul-Rahin said the United Way's tax preparation service discovered she had overpaid her income taxes in previous years and helped her get a refund. She used the money to open her first savings account.

"The doesn't mean I have much, after I pay all the bills, gas, food, insurance for the car," she said.

The United Way study finds that people in the ALICE category are less likely to have savings or checking accounts. Among ALICE, income from interest, dividends

and rent decreased by 18 percent from 2007 to 2012. During the same time, reliance on welfare programs increased by 59 percent, food stamp usage increased by 127 percent, and Supplemental Social Security income increased by 43 percent.

Wages not enough

The United Way's survival budget includes a 10 percent provision for clothes, cleaning supplies and telephone bills — but not enough to afford cable TV, going to the movies or eating at restaurants.

"There is no room in the budget for a financial indulgence such as holiday gifts, a new television, a bedspread — something that many households take for granted," the study's authors write.

In order to have enough to save for the future, the United Way study says a family of four needs to earn \$108,623 a year, or each parent must earn \$27.16 an hour or one parent earn \$54.31 an hour.

A single adult needs to earn \$39,469 per year, or \$19.73, in order to attain such financial stability, the study says.

A majority of the jobs with the most openings projected until 2020, such as home health aides, retail and food workers, and nursing aides, pay between \$10 and \$15 an hour.

About 11 percent of these projected jobs, such as truck drivers and registered nurses, pay \$20 to \$30 an hour. About 16 percent of the most abundant jobs, including computer analysts and

software developers, pay more than \$30 an hour, but these jobs have fewer openings.

"There's been a hollowing out in the middle. The job that pays \$30 an hour has disappeared," said Stephanie Hoopes Halpin, a Rutgers University professor and an author of the United Way report.

Insufficient affordable housing

Experts say that a financially secure household should not pay more than a third of its income on rent or mortgage expenses. But that's impossible for tens of thousands of households in New Jersey, where the most affordable housing is in counties where there are fewer good-paying jobs or in municipalities with high crime rates.

The United Way's ALICE study says there are 680,000 renters with income below the ALICE threshold but just 470,000 rental units that ALICE and poverty households can afford. The state would need at least 210,000 more lower-cost apartments to meet the demand.

A lack of public transportation also adds to a family's expenses.

The greatest expense for a family is the cost of child care, accounting for 26 percent of an annual budget. The cost of child care in New Jersey rose 11 percent between 2007 and 2010 and by another 2 percent in 2012.

Local and federal taxes also take a toll. Between 2007 and 2012, the average tax bill for a single adult increased by 14 percent, and by 12 percent for a family. The

state's regressive sales and property taxes hit lower income residents more than the wealthy.

While ALICE and poverty-level households in the state received \$1.2 billion from the Earned Income Tax Credit to reduce their taxes, many ALICE households earn too much to be able to qualify.

Among the ALICE population, taxes eat up about 24 percent of a single adult's budget and 9 percent of a family's budget. An adult earning \$27,000 a year pays \$6,648 in taxes while a family earning \$61,000 pays \$5,472.

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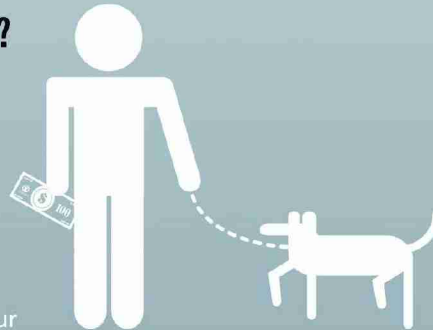
MORE ONLINE

Visit MyCentralJersey.com for an interactive map showing how many families in your neighborhood are in poverty or ALICE.

WHAT DOES IT COST TO AFFORD THE BASIC NECESSITIES?

Compares the cost of housing, taxes, food, child care and transportation for singles and families living in New Jersey

Single adult Family of four



Hunterdon County

\$30,924 a year or \$15.46 an hour

\$73,120 a year or \$36.56 an hour

Middlesex County

\$26,513 a year or \$13.26 an hour

\$56,194 a year or \$28.10 an hour

Morris County

\$27,599 a year or \$13.80 an hour

\$67,871 a year or \$33.94 an hour

Somerset County

\$30,924 a year or \$15.46 an hour

\$69,943 a year or \$34.97 an hour

Union County

\$23,209 a year or \$11.60 an hour

\$51,789 a year or \$25.89 an hour



SOURCE: UNITED WAY

JAMES WARREN/ GANNETT GRAPHIC

