

Study of economic conditions

MANY IN N.J. ONE FINANCIAL CRISIS AWAY FROM POVERTY

Research finds over one-third are struggling to afford basics

By Mark Spivey

@mark_spivey

FRANKLIN (Somerset) — Olivia Maxwell pauses, momentarily puzzled and maybe even a little taken aback by the question of whether she considers herself to be part of New Jersey's middle class.

Then it hits her — of the dozens of questions facing her every day, this one ranks pretty much at the bottom of the barrel in terms of importance.

How many meals she will be able to squeeze out of a carton of eggs and a handful of packages of ramen noodles — now that's a question. The same is true of whether the shot brakes and worn tires on her aging Honda Accord are going to hold up for a little longer; if not, there goes a week's worth of paid vacation, because her next paycheck will not arrive in time to cover repairs, forcing her to stay home. Then there is the question of whether she will be able to afford summer camp for her 12-year-old son, Quincy, next year; she sure hopes so, because things came up just short this year, and the look on his face ate her up inside.

"I don't really care where you place me," she finally answers, admitting casually and without a hint of resentment that she is entrenched in the lower class (the \$35,000 annual salary she earns working in Middlesex County College's financial aid office is less than half of New Jersey's median household income, so technically, she is right). "It's all about sur-

vival."

If there is any silver lining, it is that she is not alone.

More than a third of New Jersey households either meet the federal definition of living in poverty or are mired in situations similar to Maxwell's, according to the ALICE (Asset Limited, Income Constrained, Employed) Study of Financial Hardship in New Jersey, a groundbreaking report commissioned by the United Way of Northern New Jersey and released on Labor Day. That latter classification specifically means strug-

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gling to afford basic necessities of housing, child care, health care, food or transportation — or, more succinctly, living just one financial crisis away from the very real possibility of poverty.

The 110-page study used a complex data formula to determine that the number of financially at-risk households in New Jersey hovers around 770,000, or more than double the approximately 313,000 households that meet the federal definition of poverty.

The ALICE study started as a pilot research project examining economic conditions in Morris County in 2009. That study mostly used data from 2008. But

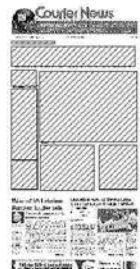
the new study not only covers the entire state, but also relies on data collected in 2007 and 2010, illustrating the impact recent years have had on families here.

The study was authored by Stephanie Hoopes Halpin, the director of the New Jersey DataBank at Rutgers University's School of Public Affairs and Administration. She managed to summarize its findings with one sentence, spoken in first person from the perspective of those whose lives it sought to frame.

"We're working really hard," Halpin said, "and it's still not working."

'Survival budget'

Past reports have focused closely on New Jersey's poor, but they do not always tell the whole story, Halpin explained — not when the federal poverty designation for a family is \$22,113, or less than 40 percent of what the ALICE study listed as the "survival budget" for a Garden State family of four (\$58,500). The federal designation is so low, and New Jersey's cost of living so high, that state Department of Human Services



agencies use 200 and even 250 percent of the level to determine eligibility for assistance programs.

Half of the state's 566 municipalities have more than 30 percent of their households collecting incomes below the ALICE "survival" threshold, and Central Jersey, despite considerable affluence in many areas, is not immune. A total of more than 175,000 households in Hunterdon, Middlesex, Somerset or Union counties alone do not exceed that income threshold, according to the study, and 17 towns in those counties — six in Hunterdon, five in Middlesex, four in Somerset and two in Union — have more than 40 percent of their households failing to earn that much.

The architects of the ALICE study described themselves as surprised by the findings.

"Just driving around New Jersey, and particularly northern New Jersey, people think things are pretty good here," said John B. Franklin, the CEO of the United Way of Northern New Jersey. "We think what we have done is framed a conversation that needs to happen. We can't push this under the table. We can't hide behind all the fancy cars in our communities."

Alternately, Halpin said reactions of those who were not involved in creating the study have been mixed.

"Some people (say), 'I can't believe there are this many people struggling in New Jersey,' and other people (say), 'Oh, yes, this totally supports what we've been seeing for a long time,'" she said.

What policies can help?

Halpin and others say they want to get the study into the hands of lawmakers, community leaders and nonprofit groups as quickly as possible. The goal, Halpin explained, is to raise awareness of the scope of the issue and simply start asking what can be done to address it.

"Raising the minimum wage a little bit or adding a few affordable housing units here and there will not solve the extent of this problem," she said. "There have to be big changes."

But conspicuously absent in the study or in any comments offered by its creators are specific policy recommendations. If anything, they hope the study will not be politicized by either side of the aisle — with unemployment inching toward 10 percent, they point out, the state no longer has the luxury of time to waste on squabbling.

"I hope that policymakers, Republicans, Democrats, independents, everybody will use this," Halpin said. "We really tried to present it in a way that was completely nonpartisan."

Emails seeking comment sent to two press representatives of Gov. Chris Christie early last week did not elicit a response by late Thursday, the final day of the Republican National Convention in Florida, where the governor had been the keynote speaker on Aug. 28.

Despite the urging of some not to turn the study into a partisan matter, its findings touch on something that has become a topic of fierce political debate in recent years: income inequality. The number of New Jersey households earning between \$10,000 and \$30,000 rose by more than 20 percent from

2007 to 2010, the study indicated, as did the number of households earning \$125,000 or more — but the number of households falling between those two income ranges declined by more than 30 percent.

Arguably more striking, the top 20 percent of households in terms of earnings currently take home nearly half of all income in the state, while the bottom 20 percent of households take home just 3 percent. If five New Jersey residents, each representing an equal-size income bracket, divided exactly \$100 in accordance with the state's current distribution of income, the first person would receive \$50, the second would get \$23, the third, \$15, the fourth \$9, and the last \$3.

All of which leaves the \$9 and \$3 earners with some huge questions.

"Do I ever get out of this hole? Or is this how life is gonna be forever? That's what worries me," Maxwell said. "The only thing that keeps me sane sometimes is that I know I get paid on the 30th."

Feelings of hopelessness

Encouraging data in the study are difficult to find. Such extensive financial strain on families here exists despite \$16.7 billion in annual spending by government, nonprofits and hospitals, according to one section — that is more than \$15,000 for each of the 1.1 million households earning below the ALICE "survival" threshold. That kind of spending is necessary due in part to the fact that more than a third of all New Jersey jobs pay less than \$15 an hour, and more than half pay less than \$20 an hour.

There is not much good news ahead, either. Growth

of low-skilled jobs — deemed “vital” to the state’s economy, but work that does “not pay enough to afford the basics,” the study notes — is projected to outpace medium- and high-skilled job growth into the next decade.

“In New Jersey we have a new definition of what it means to be poor and working,” Franklin said. “People are working, yet they’re still falling behind.”

An obvious empathy for those people led to the study’s acronym being used as a name.

“You probably saw five ALICEs before you got to work today,” Halpin said. “It’s not like, ‘Oh, yeah, I met one once.’”

“ALICE is someone you meet every day,” Franklin agreed. “(It’s) someone you depend on to care for your kids, fix your car and tend to your elderly relative.”

Franklin was the one who described the study as identifying families that are one financial crisis away from real trouble. The issue, he noted, is that such crises can emerge in any form, at any time — and when margins for error do not exist, hopelessness can set in fast.

For Maxwell, one crisis was a brain tumor that required surgery in 2006. Another tumor required surgery in 2008, and the family’s routine health care costs have skyrocketed since. After the surgeries, their Alex Place home was burglarized twice, prompting a \$275 bill, due every few months, for a security system and coverage.

It adds up.

“I’ve utilized every (charitable) service I could find, too,” said the 36-year-old, who noted that she only was able to afford a home thanks to Habitat for Humanity. “I don’t know how

other people (who don’t utilize such services) do it.”

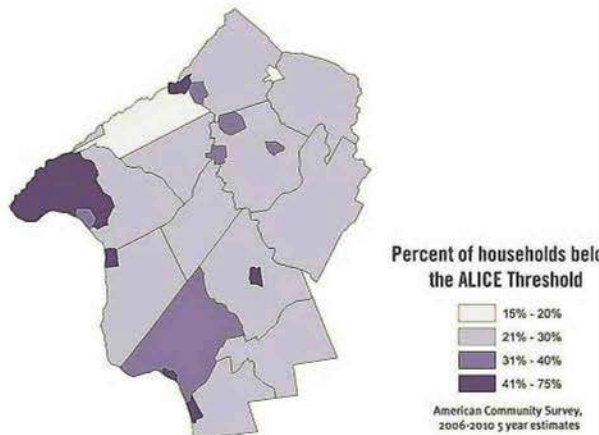
There is a light at the end of the tunnel, even if it is faint. Maxwell has a plan to pay off the nearly \$10,000 in debt she accumulated after being diagnosed with her brain tumors. She sticks to the plan with a vengeance, going so far as to chronicle every bill and every penny in a massive folder filled with neatly organized spreadsheets and documents.

If she can pay off the debt, she might be able to start saving. And one day, things might not seem so dire.

“It’s not even like I’m not working and not trying. It’s not like I’m going out and getting new clothes, getting my hair done, getting my nails done,” she said. “It shouldn’t be like this.”

Staff Writer Mark Spivey:
908-243-6607; mspivey@njpressmedia.com

Hunterdon County



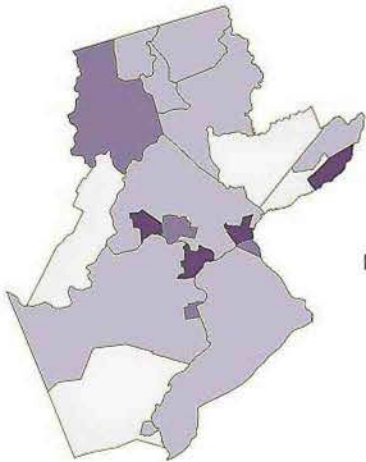
In Flemington, Frenchtown, Hampton, Holland Township, Lambertville and Stockton (all dark blue), more than 40 percent of the population is in or close to poverty.



Olivia Maxwell and her son Quincy sit on the front step of their home in the Somerset section of Franklin with the family dog.

MARK SPIVEY/STAFF PHOTO

Somerset County



Percent of households below the ALICE Threshold

- 15% - 20%
- 21% - 30%
- 31% - 40%
- 41% - 75%

American Community Survey, 2006-2010 5 year estimates

“We’re working really hard, and it’s still not working.”

STEPHANIE HOOPES HALPIN

author of study and director of the New Jersey DataBank at Rutgers’ School of Public Affairs and Administration

In Bound Brook, Manville, North Plainfield and Raritan Borough (all dark blue), more than 40 percent of the population is in or close to poverty.