
Committee Meeting

of

ASSEMBLY LABOR COMMITTEE

Assembly Bill No. 2111

(Enhances coverage of laborers and materialmen under payment bonds)

Assembly Bill No. 2743

(Establishes binding arbitration procedure for Port Authority police officers)

Assembly Bill No. 212

(The New Jersey Living Wage Act; requires businesses receiving certain public benefits to pay employees at least \$6.50 per hour)

Assembly Bill No. 1121

(The New Jersey Living Wage Act; sets minimum wage and benefit standards for businesses contracting with or assisted by public bodies)

LOCATION: Committee Room 9
State House Annex
Trenton, New Jersey

DATE: October 24, 2002
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblywoman Arline M. Friscia, Chairwoman
Assemblyman Paul A. Sarlo, Vice-Chair
Assemblyman Neil M. Cohen
Assemblyman Robert J. Smith II
Assemblyman Guy R. Gregg
Assemblyman George F. Geist



ALSO PRESENT:

Gregory L. Williams
Office of Legislative Services
Committee Aide

Victoria Bostic
Assembly Majority
Committee Aide

Victoria R. Brogan
Assembly Republican
Committee Aide

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ASSEMBLYWOMAN ARLINE M. FRISCIA (Chairwoman):

Good morning, everyone.

Roll call, please, Greg.

MR. WILLIAMS (Committee Aide): Assemblyman Gregg.

ASSEMBLYMAN GREGG: Here.

MR. WILLIAMS: Assemblyman Geist.

ASSEMBLYMAN GEIST: Here, good morning.

MR. WILLIAMS: Assemblyman Smith. (no response)

Assemblyman Egan. (no response)

Assemblyman Cohen.

ASSEMBLYMAN COHEN: Here.

MR. WILLIAMS: Vice President -- Vice Chairman Sarlo.

ASSEMBLYMAN SARLO: I got a promotion. All right.

(laughter)

MR. WILLIAMS: Vice Chairman Sarlo.

ASSEMBLYMAN SARLO: Yes, here.

MR. WILLIAMS: And Chairwoman Friscia.

ASSEMBLYWOMAN FRISCIA: Here.

Thank you, Greg.

We are holding one of the bills this morning, A-2111. Assemblyman Egan will not be here today, and he requested that I hold the bills. So if you're here for that bill, we will not be hearing it, probably, until the next Committee meeting.

The first bill we're going to hear today is A-2743, Assemblywoman Weinberg.

Greg, will you read the summary?

MR. WILLIAMS: This bill establishes a binding arbitration procedure for the police officers of the Port Authority of New York and New Jersey. Although New York and New Jersey both have statutory binding arbitration for law enforcement officers within each state, the Port Authority does not have statutory binding arbitration for its law enforcement officers. Binding arbitration is a mechanism that has been used both in the public and private sectors to resolve labor disputes, especially in situations where employees, like police officers, do not have the right to strike and, therefore, often find themselves at a disadvantage in negotiations.

Binding arbitration provides more balance, forcing both parties in a labor dispute to move in a timely manner towards a new resolution. If the two parties fail or refuse to resolve their differences, an impartial arbitration panel press a binding final settlement for them.

This bill provides that whenever the Port Authority and one of its police bargaining units are unable to agree to a new collective bargaining agreement, they would first be required to enter mediation. If the mediator is unable to effect an agreement, the parties would then go to binding arbitration.

The arbitration panel is to consist of three members: one appointed by the Port Authority, one by the Police Bargaining Unit, and one public member jointly appointed by the two parties. If the parties are unable to agree upon a public member, the Port Authority Employment Relations Panel is to present a list of seven qualified disinterested persons. If the parties fail to agree to one of those listed, then they are to take turns removing one of

the names from the list until only one remains and is designated as the Panel's public member. The parties are to draw lots to determine which goes first.

While the Panel is directed to encourage mediation, it is empowered to direct the two parties to submit their final positions on all economic and non-economic issues in dispute. Within 120 days of receiving those positions, the Panel is to render its findings and decision. In making its findings and decisions, the Panel is to consider comparable wages and employment conditions in other similar police -- of other similar police officers, the public interest and welfare, the employer's ability to pay, and other relative factors.

For your information, because this bill modifies the law enacted in both New York and New Jersey to establish the Port Authority of New York and New Jersey, it cannot go into effect unless both New York and New Jersey enacts substantially similar legislation. The substantially similar New York bill, S-6655 and A-10529, has been passed by both houses of the New York legislature, but has not been signed by the governor at this point. And a copy of that is attached to your comments here.

ASSEMBLYWOMAN FRISCIA: Thank you, Greg.

Assemblywoman.

ASSEMBLYWOMAN LORETTA WEINBERG: Well, that doesn't leave much left for me to say. (laughter) That was a long, very clear explanation of what is in this bill, which merely extends, to the police officers of the Port Authority, the same privileges that are generally extended to law enforcement in New Jersey.

I would say, particularly in the case of the Port Authority, whatever we can do to help the men and women of the Port Authority Police, we should. And with that, Madam Chairperson, I want to personally thank you for getting this bill posted in a very expeditious manner. Having sometimes waited six or seven years to get a hearing on a bill, I really appreciate that this was done in a couple of months.

Thank you very much.

ASSEMBLYWOMAN FRISCIA: It's an important issue, Assemblywoman, and I thought it necessary to get it on the agenda as soon as possible.

ASSEMBLYWOMAN WEINBERG: And I do have to leave, but I know that you do have other people who wish to testify.

ASSEMBLYWOMAN FRISCIA: Yes.

Assemblyman Gregg -- I'm sorry, Geist.

ASSEMBLYMAN GREGG: Ouch. (laughter)

ASSEMBLYWOMAN FRISCIA: Assemblyman Gregg, I expected Assemblyman Geist to say ouch.

ASSEMBLYWOMAN WEINBERG: Well, all those names begin with G, so--

ASSEMBLYMAN COHEN: Take that, Gregg. (laughter)

ASSEMBLYMAN GEIST: Chairwoman, I think that was a double.

Thank you, Assemblyman Cohen.

Good morning, everyone. This is a wake-up test, I guess, to make sure the Republicans were paying attention, and we are.

Good morning, Assemblywoman.

ASSEMBLYWOMAN WEINBERG: Good morning.

ASSEMBLYMAN GEIST: I am, as you know, from South Jersey, where we have the other Authority. Was there a problem in the negotiation process involving our police officers that inspired this legislation? Why are we doing this? I'm supportive of the bill, but I think it might be beneficial if we all understand why we're doing this.

ASSEMBLYWOMAN WEINBERG: I think those people who are here representing the Port Authority Police will be better able to answer any specific questions. But the fact remains, we are dealing with a group of people who are not allowed to strike. This is a protection that is given to law enforcement throughout New Jersey. And for whatever the reason, over the years, and probably because of the bi-state problems, there has not -- legislation has not moved to enable the Port Authority police-- But since it has moved in New York, and the governor, I would assume, is ready to sign it, or must be near ready to sign it, it is time for us to, kind of, catch up. But as far as a specific case is concerned, I can't answer that question.

ASSEMBLYMAN GEIST: Thank you.

ASSEMBLYWOMAN FRISCIA: Anyone else on the Panel? (no response)

ASSEMBLYWOMAN WEINBERG: Thank you very much.

ASSEMBLYWOMAN FRISCIA: Okay, Assemblywoman.

Rob Nixon, from the State PBA.

ROBERT NIXON: Thank you, Assemblywoman.

ASSEMBLYWOMAN FRISCIA: Good morning, and welcome.

MR. NIXON: Good morning. Thank you for posting this bill. I will be very brief as I'm going to defer to representatives of the other Port Authority unions. I represent the State PBA, as you know, and the Port Authority PBA is a member of that organization. It supports the bill.

Just quickly, to answer Assemblyman Geist's concerns-- I spoke with the PBA representative of the DRPA to discuss this issue, I believe, where you're going.

Because we're dealing with two different bi-state compacts, this law really doesn't, in any way, apply to that. If we were going to move to impact those officers, we'd have to do it in relation strictly to the compact between Pennsylvania and New Jersey. As we're dealing with the New York-New Jersey compact, we can't mix apples and oranges, unfortunately. But I haven't spoken to those representatives about their interest in this. I expect to bring this up at a later date.

ASSEMBLYMAN GEIST: Thank you.

MR. NIXON: Thank you.

ASSEMBLYWOMAN FRISCIA: You're welcome.

Mark O'Neill from the Port Authority.

SERGEANT MARK L. O'NEILL: Good morning.

ASSEMBLYWOMAN FRISCIA: Welcome, gentlemen.

SERGEANT O'NEILL: I would like to introduce Richard Masella, President of the Detectives Endowment Association on the left; Michael Murphy, Vice President of the Lieutenants Benevolent Association; and the person next to Mike is Bill Morrison, General Counsel for the police unions.

ASSEMBLYWOMAN FRISCIA: Thank you for coming. I guess you're the ones that can answer Assemblyman Geist's question.

SERGEANT O'NEILL: Yes, I can. I'd like to take this opportunity to thank everyone on the Committee for giving this bill what appears to be expedited treatment. We are in need of expedited treatment because of the labor relations situation within the Port Authority.

I thought it might be helpful if I just gave you a brief analysis of the historical perspective of the Port Authority and another brief analysis of the labor relations perspective of the Port Authority. My testimony is offered on behalf of all the police unions within the Port Authority.

The Port Authority was created as a result of legislation in New York and New Jersey adopted in April of 1921. Thereafter, the bi-state compact was approved by Congress on August 23 of that year. The Port Authority is really an instrumentality of both states, and as such, nothing that the Port Authority does can be done unilaterally by either one state or the other, so as to require concurrence by each state.

The labor relations situation in the Port Authority -- the history of it is one that dates back to 1970 when the Port Authority PBA attempted to gain a terminal procedure for resolving outstanding contract issues. In the early '70s, the state of New York had previously granted binding interest arbitration to members of the police departments within their state. New Jersey, however, did not.

At that point in time, the Port Authority took the position that in order to not provide greater benefits for Port Authority police officers than were enjoyed by police officers in New Jersey, they did not believe that it

would be appropriate for Port Authority police officers to have binding interest arbitration. That matter was remedied by the Employer-Employee Relations Act that was adopted and approved by the Legislature in New Jersey.

After that was adopted, the Port Authority changed its position in terms of why we should not have binding interest arbitration to resolve our contract disputes. The state of New York appointed a commission to make recommendations on how our labor relations lot could be improved. They recommended that we substantially adopt the procedure that was used in New York. The Port Authority objected to that, saying that New Jersey was somehow being shortchanged or getting short shrifted, and the Port Authority suggested that they have their own labor relations panel to administer the labor relations policy for the Port Authority.

That policy was adopted by the Port Authority, with the minutes of adopting the resolution creating the labor relations panel and the enabling legislation, if you will, of the labor relations instruction -- was -- dates back to 1976. Unfortunately, the situation that the -- as it relates to the labor relations instruction, is that it's really an unworkable proceeding that we have. There is no finality, whatsoever, in the labor relations process.

We, as police officers, are not protected, in the Port Authority, by civil service legislation, which provides for certain benefits. We don't have any of those protections. We do not have the right to strike, as our brothers and sisters in New York and New Jersey do. We are very much concerned that the manner that the Port Authority -- has systematically and continually -- treats the police labor unions requires interest arbitration be granted to us. As was previously stated, the bill has been passed in New York, and with the governor

now. We were in Albany yesterday. We expect the governor to sign that bill very shortly.

The Port Authority police only operate, currently, under whatever rules and regulations and benefits are provided by the labor relations instruction. As a result of that, we have to live and die by the language and the benefits that are contained in our memorandum of agreement, respectively, in as much as we have no way to end any outstanding contract disputes. The unfairness resonates when you will hear the details of the labor relations history between the parties.

The Port Authority PBA, prior to the agreement that they are in now, were without a contract for more than two years. In the contract before that, they were without a contract for more than three years. In the contract before that, they were without a contract for more than two years. Now that, by anyone's analysis, proves to be unyielding.

However, as it relates to the lieutenants, detectives, and the sergeants, the PBA has a great track record. The lieutenants, sergeants, and detectives were without an agreement, prior to the execution of our current agreement, for seven years. Prior to that, we were without an agreement for two years. And prior to that, we were without an agreement for three years. These are consecutive labor relation negotiations.

The DEA, the detectives' union, and the sergeants' union engaged in a -- in order to resolve its disputes -- engaged in a fact-finding process, which is a process that's available to us, pursuant to the labor relations instruction. Unfortunately, the labor relations instruction in the Port Authority does not permit having the fact-finding report made mandatory on the parties. We

spent in excess of two-and-a-half years in the fact-finding process. At the conclusion of the fact-finding process, the Port Authority outright rejected the fact-finding process and told us we had to start all over again.

Obviously, that brings the issue of bargaining in bad faith to light. We were not thrilled about having to go to fact-finding. As is the case with both fact-finding and binding-interest arbitration, you never know exactly where you're going to end up. But the issue for the Port Authority police unions is not so much we're concerned about where we're going to end up, but we're more concerned that we have a place to end up. As is currently constituted, we have absolutely no place to go when the fact-finding report is rejected.

As an aside, we have previously been to fact-finding on three separate occasions. On each of those three prior occasions, the unions always accepted the fact-finder's report. We were not looking to, in any way, modify any of the previous fact-finding reports. However, we came to believe that a situation was such, in the current status, that we could no longer continue to have a situation where we were without a contract for seven years.

Just as an aside, during this seven-year period when we did not have a contract, police officers who were promoted to police sergeant did not receive a raise for nearly three-and-a-half years. So if you could imagine getting a promotion at work and actually making less money, and having that situation continue for three-and-a-half years before you made the money that you made prior to your "promotion" obviously, that's an injustice.

When the Port Authority rejected the fact-finding report for the detectives and the sergeants, the Lieutenants Benevolent Association was just

entering the fact-finding process. The fact-finding process with the Lieutenants Benevolent Association commenced in as expeditious a fashion as possible. The Lieutenants Association completed the presentation of their case, at which time it was the Port Authority's turn to present its case. And when they did present its case, they presented 37 demands that, most of which, had never been even mentioned before, had never been negotiated with the LBA, and had never reached an impasse. You're not supposed to get to fact-finding until you reach an impasse on an issue. There were some 37 issues that were presented when the Port Authority put on its case in front of the fact-finder that had never, ever been discussed. The Port Authority has taken advantage of the Port Authority Police in very significant ways.

The lieutenants were also in a situation where, when approached by the Port Authority about negotiating and further discussions during the fact-finding process, they were told by the director of labor relations from the Port Authority that the proposals of the Authority had to be accepted 100 percent, or they, too, would have their fact-finder's report rejected, as they did to the sergeants and detectives.

Obviously, that type of behavior is unconscionable, it's inappropriate, and we believe, in fact, immoral. We represent very fine men and women throughout the New York and New Jersey area and have worked tirelessly over these oh-so-many years. And, unfortunately, the Port Authority Police were really just recognized for the great work that they do all the time since September 11. As I'm sure you know, the Port Authority Police lost 37 of its men and women in one day at the World Trade Center. It was the

largest loss of life sustained by any police department in the history of the United States.

We are asking that this Committee approve and put forth a bill that would relieve the injustice that clearly has manifested itself by the poor treatment that the police unions in the Port Authority have received.

It goes without saying that the men and women of the Port Authority Police deserve no greater, nor no less benefit than is conferred on the overwhelming majority of their colleagues in both New York and New Jersey. And we would be very appreciative of your support in trying to remedy this very, very serious problem.

I would be happy to answer any questions that the Committee may have.

ASSEMBLYWOMAN FRISCIA: Any questions.

Paul.

ASSEMBLYMAN SARLO: Thank you, Madam Chair.

It's probably not relevant to this bill, but the LRI, is that how other bargaining units in the Port Authority also -- are they still bound by that -- other maintenance workers or maintenance employees?

SERGEANT O'NEILL: Yes, sir. That's correct.

ASSEMBLYMAN SARLO: They're bound by LRI.

SERGEANT O'NEILL: Correct. And the bill that is before you would not provide any greater benefit under the Labor Relations Instruction, in terms of the finality that we're seeking in the interest arbitration.

ASSEMBLYMAN SARLO: Thank you.

ASSEMBLYWOMAN FRISCIA: Anyone else?

Mark, at the present time, what is the final step you go to? What is the last step you go to that's available to you?

SERGEANT O'NEILL: Madam Chair, the last step is the fact-finding step, which we -- the detectives and the sergeants in our last negotiations -- went to. It took in excess of two-and-a-half years for us to go through the fact-finding process. A fact-finding award -- a fact-finding report and recommendation was issued. We accepted that fact-finding report. That fact-finding report was not entirely our proposals. In fact, they were a good number of the Authority's proposals in the report and recommendation. And the Port Authority rejected that award.

We believe the reason they rejected it was that we, at that time, were out four years without an agreement. We had the situation that I described, where people were getting promoted and taking pay cuts to get promoted. They thought that our men and women of the police unions would ultimately succumb to that kind of political pressure from our membership when, in fact, quite the opposite occurred. They became more polished in their resolve to end up with a fair and equitable system.

It was not long after the conclusion of our last contract that we decided that we needed to pursue this matter in the Legislatures of New York and New Jersey so that we would never be subjected to that again.

ASSEMBLYWOMAN FRISCIA: Thank you.

Any other questions or comments? (no response)

I'll entertain a motion.

Oh, I'm sorry, Peter Guzzo, from the State FOP, doesn't wish to make a comment, but the Association--

PETER GUZZO: Wholeheartedly supports the bill.

ASSEMBLYWOMAN FRISCIA: --wholeheartedly supports the bill.

Thank you, Peter.

ASSEMBLYMAN GEIST: Chairwoman, I'll move the bill.

ASSEMBLYMAN SARLO: Second.

ASSEMBLYWOMAN FRISCIA: Roll call.

MR. WILLIAMS: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Yes.

MR. WILLIAMS: Assemblyman Geist.

ASSEMBLYMAN GEIST: Thank you for your explanation of the bill.

Yes.

MR. WILLIAMS: Assemblyman Smith.

ASSEMBLYMAN SMITH: Yes.

MR. WILLIAMS: Assemblyman Egan's not here.
Assemblyman Cohen.

ASSEMBLYMAN SARLO: He said yes.

MR. WILLIAMS: Vice Chairman Sarlo.

ASSEMBLYMAN SARLO: Yes.

MR. WILLIAMS: And Chairwoman Friscia.

ASSEMBLYWOMAN FRISCIA: Yes.

Thank you, gentlemen.

SERGEANT O'NEILL: Thank you very much.

MR. WILLIAMS: This is a description of the two bills for a living wage act. There are two bills being discussed in this hearing. One is Assembly Bill 212, which would provide that the minimum wage shall be \$6.50 per hour for each employee of any employer which is in receipt of a public benefit. This hourly rate would be adjusted annually by the Commissioner of Labor to reflect changes in the consumer price index, but would not be permitted to fall below \$6.50 an hour.

An employer would be deemed in receipt of a public benefit while it is performing under any contract awarded by a public entity, receiving any grant or any tax incentive or tax reduction granted by a public entity, or leasing any real property owned by a public entity, and, if a benefit is received for less than six months, for a period of six months beginning on the date the employer first receives the benefit.

A public entity is defined by the bill to mean the State or any instrumentality or agency of the State or any of its political subdivisions.

This bill, incidentally was introduced, actually, in 1996. It's been reintroduced since. And there's been no adjustment to the \$6.50 an hour amount.

UNIDENTIFIED SPEAKER FROM AUDIENCE: We can't hear you.

MR. WILLIAMS: The other bill, Assembly Bill 1121, requires any contract which is subject to public bidding, and under which an employer furnishes goods or services to a public body, to include a provision that all employees working under the contract receive pay and benefits which are not less than the standards set by the bill.

An employer who receives a grant, loan, subsidy, or other form of assistance from a public body is also required to agree to meet those pay and benefit standards for all employees during the period that the assistance is provided and for three years following that period.

The bill requires that each covered employee be paid at least \$8 an hour. The wage rate would be adjusted annually for changes in the cost of living commencing in 1999. Again, this is a reintroduction of a bill. If the employee works 25 or more hours per week, the employer is required to provide at least five days of paid vacation for the first six months of employment and at least \$2000 per year for health and major medical insurance coverage.

The bill directs the Commissioner of Labor, upon a final determination of a violation of the requirements of the bill, to: one, supervise the payment of any amount owed to an employee as a result of the violation; two, terminate any contract of the employer to furnish goods or services to a public body immediately, unless the State Treasurer determines that an immediate termination would have a significant adverse impact on the public body; three, terminate any grant, loan, subsidy, or other form of assistance provided to the public body -- by the public body to the employer immediately, and recoup the full value of any assistance already provided to the public body; and four, bar the employer from being awarded any subsequent contract with any public body or assistance from any public body for a period of five years.

The comments provided to you also give some general background of living wage initiatives, and you also have copies of the existing ordinances at the local and county level that have been adopted in Jersey City, New Jersey,

and Hudson and Gloucester counties. But there is another one in another South Jersey county, which isn't here.

ASSEMBLYWOMAN FRISCIA: Before we begin, this bill is simply for discussion today. And this is something I introduced. I prefiled this before this year. Obviously, I don't believe \$6.50 is a living wage, but it's a starting point.

With that, we have several people who want to testify, and the first person I would like to call is Jeff Stoller.

JEFFREY STOLLER: Thank you very much, Madam Chair. Good morning. Thank you for the opportunity to comment on both of these bills on living wages.

The New Jersey Business and Industry Association does have serious problems with both the scope and the content of these proposals. We're troubled that -- at the time when many companies are eager to see if doing some business for the State government is a way to supplement some of their economic activity, at a time when State and local governments are looking to get the most out of every dollar, in the widest range of places to go for services and products -- that we'd be looking at a bill that we think has a practical impact of, really, providing new reasons why we might be shutting out fully qualified suppliers, who are in compliance with all the existing wage laws at this time -- and would do so in a way that would, actually, end up limiting the number of qualified bidders and, of course, putting costs up for both the State and local governments under these bills.

I just wanted to highlight four areas that we think are the problem areas as we look at this legislation. The first point is that, in terms of

establishing a State living wage-- This is not a trend. This is not something that state governments have done. We noticed in the statement on Assembly 212, specifically, that alluded to Minnesota looking at similar legislation--

Well, the fact is, they have not enacted legislation that is, in any way, this kind of legislation, or, certainly, the fundamentals of their program have nothing that look like the requirements that have been set here with the specific wage requirements, with the specific benefit level requirements that have been set up, certainly, in the Quigley bill.

And the other thing that we could not find was any state that is not only talking about a living wage policy, but one that, as these bills do, requires all other instrumentalities of the state, all the political subdivisions to be involved, any local government or county government that may have economic incentives that have been put out there to try to generate economic development in their areas. We don't see that. So, again, this is definitely not something that reflects what's happening out in the rest of the country.

A second concern is the fact that the requirements of these bills, the wage requirements and the benefit requirements, apply to businesses that have received some kind of public incentive or grant that has nothing to do with trying to do business with the State. These are companies that are affected even if they are not trying to serve as contractors to the State or local government.

It effectively works as a new minimum wage. It sets benefit levels for companies who have been involved with things totally unrelated, companies that have been trying to lend a hand in the urban enterprise zones, hiring targeted groups, perhaps taking on people for the summer. It would affect

people who have been involved in the clean-up programs of EDA, people who are cleaning up contaminated brownfield sites, who have been working on cleaning up, as there is a program for the small companies who needed some assistance to clean up their underground storage tanks, all the training programs doing valuable things at the Department of Labor.

All those companies who have taken advantage and are taking up the State's invitation to really move forward and try to lend a hand with all these groups -- they are effectively penalized by this legislation, as well. And they are not, again, people who are seeking to get a public contract through the State or any of the local governments.

We think that that's going to have an impact that maybe hasn't been anticipated, especially in light of our third concern, which is: both the bills make it clear that this would apply -- the wage requirements, the health benefit requirements, which in the Quigley bill would be \$8 and five days vacation for six months of work and \$2,000 towards health benefits -- that would apply to all employees, each employee, in both situations. And that would be regardless of whether they're involved with providing the contract to the local government or State government, it would apply whether the amount of that aid or tax incentive is actually a small amount compared to what the impact of this new benefit requirement would be. It is a requirement that is at odds with even places like Gloucester County in the state, who have enacted living wage legislation that makes it clear that they are addressing company employees who are engaged in the work -- at issue with the contract.

We believe that there are a whole-- I believe there are other groups out there in the business community and the tourism community who can talk

to you about people who see this as affecting some of the people who are out there for summer work, for entry level opportunities, who, if we suddenly say, "I'm sorry, we can't justify giving you this summer opportunity for 25 hours-plus, because we are now going to have to give you not only \$8, but the vacation time, the health benefits, and all the other mandates that follow suit." And I think it ends up-- Whether intentionally or not, it is definitely going to have an impact on some of those entry-level people who would not have those opportunities, especially with the fourth point, which is the indexing.

It is at that threshold -- will continue to move year after year. And our concern is that there are people who will be affected in that gap between what people may be paid now and the new mandate, again, in companies that are not seeking to be contractors at all.

It really -- I guess to sum up, Madam Chair, that's really the kind of concern we're hearing from all the people who have looked at these bills coming in today's hearing -- is that we're really forcing a lot of companies into a really painful choice. Do they either abandon those technical assistance programs in clean-up, in training, because that's the only way that they would not be held to this new minimum wage or new benefit requirement; or do they stay with those programs for the inner cities, for the cleanup, and so forth, but then have to say, "In order to preserve this and not trigger all these new requirements, we have to say to the summer kids, 'Sorry, not next summer.'"

And, so, those are the very real concerns that have come up, looking at this legislation. Knowing both the sponsors, I find it hard to believe that that is the true aim of the legislation and that you understand the full scope of what could be happening if we move ahead with this kind of thing,

which, I think, there is a clear ripple effect. It has the very strange effect of actually hitting at opportunities for some of the people who are looking for that first work experience or else are in those programs we have taken advantage of.

Again, thank you for the chance to highlight these concerns. Thank you very much.

ASSEMBLYWOMAN FRISCIA: Thank you. I appreciate your comments.

Assemblywoman Quigley, before we go on, would you like to make a comment?

ASSEMBLYWOMAN JOAN M. QUIGLEY: Thank you very much, Madam Chair, and members of the Committee -- member of the Committee -- for the opportunity to talk with you.

First of all, I would like to say that I was one of the people who gasped several years ago, when this was proposed by the Hudson County Board of Freeholders, and said, "The world will come to an end, the sky will fall, people will starve to death, companies will stop doing business with the county." And you know what? None of that happened.

So, let me go back now and give my official speech. But I just wanted to let you know, the world did not end, not in Hudson County -- at least not for that reason. (laughter)

What is a living wage law? Well, it's based on the principle that anybody who works full-time should be able to support a family, and that's not always the case when people are being paid our current minimum wage.

So the rationale behind the ordinance is that local governments, which are responsible for developing anti-poverty programs, should not contract with or subsidize employers who pay poverty-level wages. If anyone is going to set a good example, it should be us in government.

So a living wage ordinance requires publicly funded employers to pay wages that are above Federal or State minimum wage level. Only a specific set of workers are covered by living wage ordinances. Usually, workers employed by businesses that have a contract with the city or county government will receive economic development subsidies from the locality. They have already been enacted in over 70 localities around the country. I assume the sky has not fallen in those localities either.

So the living wage level is usually set between 100 and 130 percent of the wage a full-time worker would need to earn to support a family of three or four above the poverty line. The wage rate specified by living wage ordinances range from a low of \$6.25 in Milwaukee, Wisconsin, to a high of \$12 in Santa Cruz, California.

My bill would set income and benefit standards for employees working for an employer who has been awarded a contract or assistance by a public body.

Now, I would be more than willing to entertain suggestions to exempt trainees during their limited training period, but I don't want them to be getting trainee wages once they have full-time or part-time jobs.

It would provide that each covered employee be paid at least \$8 an hour, and the wage rate will be adjusted annually for changes in the cost of

living, commencing soon. Now, that happens to the rest of us, so why shouldn't it happen to these workers, as well?

The benefits for an employee who works 25 or more hours per week would include at least five days of paid vacation for the first six months of employment, and at least \$2000 a year for health and major medical insurance coverage. You know, because you've been listening to me, Madam Chair, for nine years, that that's my prime goal in this Legislature -- is to get people covered by health insurance so that they can do what's necessary to protect themselves and their family.

So these living wage ordinances will ensure that pay for contractual workers does not fall behind the pay of city workers. The trend toward privatization of services, formerly provided by public sector workers, is well documented. And these privatization efforts have often resulted in decreases in wages for the private sector workers in the same job categories. So we, in attempting to save money for the taxpayers, are inadvertently forcing more people into poverty, an unintended, but tragic, consequence.

A study by the Chicago Institute on Urban Poverty, which compared the wages and benefits of Chicago's city employees to contractual employees for low-skill jobs, found that privatization led to compensation losses for entry-level workers from 25 to 46 percent.

And since government agencies disproportionately hire and advance female and minority workers, these changes meant the loss of relatively high-quality jobs for these workers. So living wage ordinances have the potential to counteract the destructive race to the bottom, wherein cities

and counties try to attract businesses by offering larger subsidies than their neighbors.

So the more prevalent living wage ordinances are, the fewer firms will be able to shop around for the cheapest locality on the basis of cutting wages. They have had no negative effects on localities' contracting process. Even if the cost to contractors do increase, it is still very profitable for these firms to do business with the government. Most firms will choose to sacrifice some of their profit margin, which are estimated to range from 10 to 20 percent of production, since wage increases from the ordinance only amount to about 2 percent of production cost. So there has been no evidence of job losses as a result of living wage ordinances.

Employers interviewed for a study reported that although wages increased, these costs were absorbed by improvements in efficiency. By raising wages, they decreased employee turnover rates and decreased recruitment and training costs.

So this bill is good public policy and ensures that full-time workers employed by publicly funded projects are paid at a level which provides them adequate income to be self-sufficient. In short, it's the right thing to do.

ASSEMBLYWOMAN FRISCIA: Thank you. I appreciate your comments.

Jon Shure, New Jersey Policy Perspective.

Good morning and welcome, Jon.

JON SHURE: Good morning. Thank you.

Assemblyman Gregg, Assemblyman Sarlo--

Thank you for letting me come here today and talk about some findings and reports that we have done, some other research that has been done.

I'm the President of New Jersey Policy Perspective, which is an organization that conducts research on State issues.

If there is one thing we know now in hindsight, it is that in the 1990s, the market did not get the job done. The much-celebrated boom was not even a blip for an awful lot of people. So it is very good that we are here discussing measures that can improve the lot of hardworking people.

In a report that we put out earlier this year called *The State of Working New Jersey*, which I've given copies of to the members, the findings included the sobering fact that during the course of the 1990s, median wages in this state actually declined. And generally, those declines were not due to people changing from one type of work to another. Instead, people were doing the same thing as they had been doing, and they were getting paid less.

The income gap, which is a problem throughout the United States over the past couple of decades, continued to widen in New Jersey. New Jersey households at the bottom in the 1990s took in less than those at the bottom in the 1980s. And households at the top in the '90s took in more than they took in in the 1980s. The share of workers earning less than what you might consider to be a living wage in New Jersey in the 1990s rose to 30 percent.

There are a number of steps we need to take to deal with this. And before I talk about the living wage and minimum wage, let me just say a few words about another poverty-fighting tool. To its credit, New Jersey, in 2000, established a State Earned Income Tax Credit. It is modeled after the

Federal EITC, in that it is aimed at rewarding work and helping people to get out of poverty. But to its shame, only New Jersey, among the 17 states that have a State EITC, cuts off eligibility at an income level below that of the Federal program. A family of four can earn more than \$34,000 this year and still receive some Federal EITC benefits. But in New Jersey, they are cut off from the State program at \$20,000.

NJPP put out a report a few weeks ago called *Half a Leg Up*, that I've also submitted to the members, that called attention to this problem and recommended ways to fix it. I hope the findings will be part of a comprehensive package of actions that this State will take to get the working poor out of the shadows of economic life in New Jersey.

In regard to living wage: At last count, I believe there are about 85 such ordinances in effect around the United States, mostly at the municipal and county levels. It was mentioned before, they include, in New Jersey, the city of Camden, Gloucester County, Hudson County, and Jersey City. And the figures there range from \$7.50 an hour in Jersey City to \$8.50 an hour in Gloucester County if there are health benefits included, and \$10.87 if they are not.

A living wage acknowledges, as Assemblywoman Quigley mentioned, that it takes more to support a family than the minimum wage can pay. The self-sufficiency study released last summer by Legal Services of New Jersey, which you'll hear about more in a couple of minutes, found that the amount a family of four needs per year in New Jersey ranges from over \$37,000 in Union County to more than \$56,000 in Hunterdon County.

Working 40 hours a week for 52 weeks at the minimum wage brings in a grand total of \$10,712. As we stated in our EITC report, someone working at that wage in Mercer County would have to be on the job 19 hours a day, seven days a week, to afford a two-bedroom apartment.

Even \$7.50 an hour does not get you to the Federal poverty line, let alone to self-sufficiency. Indeed, in 2000, the Federal poverty guidelines said it takes \$8.20 an hour to support a family of four. And that is a national figure. It doesn't take into account the high cost of living in New Jersey, where, for example, fair market apartment rent ranks second in the U.S. at \$980 a month.

The living wage concept also recognizes the meaninglessness of the Federal poverty standard. This standard was developed decades ago, when food made up a third of a family's budget. Nor does it take into account geographical differences, again, especially hurting New Jersey as a state with a higher-than-average cost of living.

The first living wage ordinance was passed eight years ago in the city of Baltimore. Studies of that experience have shown no jobs lost as a result of the higher wages and no significant cost to taxpayers. In large measure, the companies hiring the workers were able to absorb the costs.

Now, of course, as you've heard before, and will hear some more, living wages only affect a relatively small number of workers, those hired by private firms to contract with the government or those receiving particular incentives from the government. So while governments should enact living wage legislation, there also is a need to deal with the current inadequacy of the minimum wage. The terms are not interchangeable. The minimum wage will

never be mistaken for a living wage, especially by the people who are making it.

New Jersey's minimum wage today is \$5.15 an hour, the same as the Federal minimum wage. Eleven states have a higher wage than that, ranging from \$5.65 an hour in Alaska to \$6.90 in the state of Washington. And in five of those states, another increase is scheduled to take effect in 2003. Many of the states with a higher minimum wage are New Jersey's neighbors: Connecticut, Delaware, Massachusetts, and Rhode Island.

There are some important things to know about the minimum wage. If that minimum wage had kept pace with the increased cost of living, today it would be \$8.30 an hour. The real value of the minimum wage today is 30 percent below what it was at its peak in purchasing power in 1968, and is 24 percent below what it was in 1979. In 1978, making the minimum wage put a family at 120 percent of the Federal poverty line. By 1997, it was 84 percent. About 80 percent of minimum wage workers are over 20 years old, so it is not just a level earned by teenagers for doing part-time work. In fact, there are just over 181,000 people in New Jersey making minimum wage today, and they are disproportionately women, African-Americans, and Latinos.

Now, as is the case with the living wage, studies have shown that increasing the minimum wage produces no measurable loss of jobs. This was true even during the 1990-91 recession, giving lie to the argument that we shouldn't raise it today because it would harm an already fragile economy.

What it would do, besides increasing the purchasing power and economic security of thousands of families, is contribute to saving employers

money -- because as workers get above the minimum wage, productivity increases, turnover decreases, and it reduces the costs of absenteeism, recruitment, and training.

But whether we are talking about living wage or the minimum wage, studies will never convince some people that these policies make sense, and that shouldn't be surprising. Consider that when the Federal minimum wage was first enacted in 1938, during the congressional debate on the issue, one congressman rose up and warned of "the destruction of our whole constitutional system and the setting up of a red-labor communistic despotism upon the ruins of our Christian civilization."

So while statistics and studies go a long way toward making the case, ultimately, matters rest also on just what we hold as our values and ideals. If we believe that no one who gets up every morning and puts in a full day's work, quite oftentimes performing labor that you and I would not want to do, should have to live in poverty; if we believe in taking the high road to prosperity; if we believe that we as a society, and our government as a reflection of that society, must do everything possible to commute the sentence of poverty inflicted on thousands of hard-working people in New Jersey, then we need to change our way of thinking.

Instead of defining poverty out of existence with irrelevant standards of measurement or just pretending it isn't out there, we need to face the fact that in today's economy, a full-time job simply does not guarantee that you can support your family.

So we need to reshape the nature of discussion and the terms of debate, and embrace ideas like a living wage, recognizing that the high road is the right road, and the only way to get there is to make work pay.

ASSEMBLYWOMAN FRISCIA: Thank you, John.

Any questions from the Committee? (no response)

Thank you.

Jon Moran from the League of Municipalities.

J O N R. M O R A N: Thank you, Madam Chair.

The League of Municipalities opposes these bills. As to public contracts, we believe the bills will limit the pool of potential bidders; increase, in many instances, the value of those bids; increase local costs; and impose an increased burden on our property taxpayers.

As to the grants, loans, and subsidies, we believe that this section would extend itself to libraries, colleges, and places of worship, which are granted tax exemptions under our statutes. It would impose costs on those and, potentially, prevent the employment, as has been alluded to, of student interns.

As to the fact that some local jurisdictions have adopted provisions modeled on this-- Public officials are elected to act as custodians of, and to decide how to spend the tax dollars that are collected by, their jurisdictions. Local officials are elected to act as custodians of, and to decide how to spend, locally collected property tax dollars.

This bill would mandate these requirements on the vast majority of municipalities and counties in New Jersey that have not, to date, adopted provisions similar to those in the Act.

That concludes my testimony. I'd be happy to try to answer any questions.

ASSEMBLYWOMAN FRISCIA: Any questions? (no response)

Thank you.

MR. MORAN: Thank you.

ASSEMBLYWOMAN FRISCIA: Connie Pascale from Legal Services of New Jersey.

C O N N I E M. P A S C A L E, E S Q.: I have some things to give out. I'm sorry, I was a little late. I couldn't make it earlier. One is the self-sufficiency study that Jon referred to, and I have two other things, as well.

ASSEMBLYWOMAN FRISCIA: Welcome back to the Labor Committee.

MR. PASCALE: Thank you.

Madam Chairwoman, thank you, and members of the Committee, I want to thank you for the opportunity to speak to you today about these very important topics on living wages.

I'm a Senior Attorney at Legal Services of New Jersey. Legal Services of New Jersey is a statewide support center for the State's legal service's programs. And, of course, the legal services programs deal every day with thousands of people who are lacking a living wage, many of them lacking any wage. They're still trying to make it in our society.

The statements that have been made so far are -- very eloquently by Assemblywoman Quigley and Jon Shure -- about what we're talking about here, and I just want to emphasize some parts of what we would talk about when we talk about what a real living wage is.

And the yellow-covered booklet I've handed out here, called *The Real Cost of Living in 2002, The Self-Sufficiency Standard* is based on a methodology developed by Dr. Diana Pearce at the University of Washington. Forty states now have this study using the same methodology. It attempts and does show the real cost of living, which we would say is, essentially, what the living wage should represent. I think Assemblywoman Quigley said it very well when she said that people that are working shouldn't be poor.

Just as an aside, last night I was volunteering at our Interfaith Hospitality Network in one of our churches. There were three women there, one of whom -- all of whom had children, who were working every day and homeless, because the incomes that they earned doing very valuable work weren't enough to live on.

The last time I was there, a woman who worked in a nursing home had told me how hard her job was at \$8.50 an hour, having to change people every day who couldn't take care of themselves anymore. And she was there with her two daughters, living in the church six months, because she couldn't find a place to live. She finally got a rent subsidy which, of course, allowed her to find a place to live. But on her wages, she wasn't able to find a place to live. And that's wrong, that's intolerable in a society as wealthy as ours.

I refer to one of the handouts I gave you, which is a chart, a little graph. When we talk about the minimum wage and the living wage, that graph really depicts, I think very well, what we're talking about here. Back in 1969 or so, the living wage -- minimum wage and the poverty level were roughly the same. The poverty level actually reflected what it might really cost to live then.

Now, those lines have grown apart. And if you take the real cost-of-living that gap is even wider.

I said this to some people here. I call that alligator economics. People are caught in the jaws of that alligator now. They're not thriving. They're suffering greatly. We need to be able to lift them above that top line.

I just want to talk briefly about what's in this report, because I think it will inform a lot of your deliberations here. If you go to Page 49 of it, there begins a series of tables that show what the real cost of living is in various counties in our state. If you look at Atlantic County for instance, a person with an adult and an infant and a preschooler would need an income of \$40,000 a year just to pay for the basics: housing, child care, food, transportation. What this reflects is what it takes if you had to pay cash for everything without any subsidy. Cost is extremely high in every part of New Jersey. And you can find your own county in here and see what the cost is there. They're all roughly similar.

If you go to Page 14 -- I'm going to jump around a little -- there's a chart, a graph that shows how that self-sufficiency wage, which here the county we're talking about is Middlesex County, compares to the Welfare and Food Stamp allotment, poverty line -- a full-time minimum wage job. You can see that it's far higher than any of those and, roughly, approaches -- it's two-thirds of the way to the median income.

If you go to Page 23 -- and I'm sorry to jump around. I think it's important to emphasize these. This is really the crux of what I'm going to talk about. This is the impact -- Dr. Pearce has modeled the impact of various work supports on the wages that people need, so that for the family here in Camden

County, the three-person family, that needs -- in the first column -- a self-sufficiency wage of \$34,000 a year, close to \$35,000-- The right column shows how much they need if they can get a housing subsidy, some sort of child care assistance, Food Stamps, and health assistance like FamilyCare in our state. They can go from having to earn \$16.50 an hour to \$5.29. The point is, those work supports are really an important thing that we have to think of.

I just want to refer back to one of the prior speakers. I think government is also elected, primarily elected, to provide for the general welfare of its citizens. And what we're talking about here is the general welfare of thousands of people in our state.

And the last thing in this report I will refer to is on Page 27, which shows the gap between various wage levels and the self-sufficiency standard. There are two tables on Page 27, 28, and 29 that talk about that gap so that a person making \$8 a hour, without any subsidies, is \$2,000 a month below what they really need to live on.

I'd just like to emphasize that what we're really talking about here is the poverty level in our state. That's what poverty is. Poverty, in my definition, is not having enough to live, struggling every day to survive.

And it's important to note that 40 percent of all the jobs in our state, our Department of Labor says, pay less than -- pay low wages, less than \$25,000 a year. And 50 percent pay less than \$30,000 a year. And the standard of need here, the self-sufficiency standard, is above \$30,000 a year. So, in a sense, half the people in our state, if they had that as their sole income, are going to struggle to survive in New Jersey.

I think it's important to emphasize what it means for those people who are struggling. There's more and more research to indicate that people in poverty, people struggling to make it economically, have tremendous problems. Children fail in school more than four times more if they're poor than if they're not.

There are great health problems. Harvard did a study that showed that the stress of poverty alone was the one predictor for the negative health outcomes of people that were poverty-stricken -- not smoking, not diet. The stress of poverty, in itself, caused such negative health consequences that it was the sole determinant that tracked across all of these problems.

There are family breakups, our census bureau has said. There are seven times-- I think it's 13 percent of low income families break up, as opposed to the 7 percent that are not low income. So twice as many people are divorced. There are twice as many single-parent families due to the stress of poverty.

So when we talk about raising people above poverty, giving them a living wage, we're talking about tremendous social consequences that go far beyond that incremental dollar cost.

And there's one other thing I just want to emphasize, that I've come across very recently. People who live with incomes below what they need are, what I call, playing New Jersey roulette. They want to keep the ball, however, from falling into the wheel below, which is labeled *homelessness* or a *health problem*, or some other major problem -- the utilities shut off-- And their whole job is to juggle that situation. And people in that category are juggling every day. And the way they do it, and I've talked to many people, is they

don't pay their bills every month. They have to pay them every other month. They try and catch up every other month, to keep going with an income that's less than what they need. And do you know what comes out at the end of that? They have what's called *bad credit*. Even though people in this category are probably the best money managers in our society, they're making due with less than they actually need-- They end up with bad credit.

I've been at public meetings where, when they try to apply for a mortgage, they can't get it. Their credit's bad, because they couldn't make payments in the past. When they try to get -- even some people with a rental assistance voucher, who want to use it in an apartment, can't get it. They're called bad credit risks, because, in fact, they were trying to juggle their expenses with less than what they had.

So that's an unintended consequence, which follows people forever, even when they are able to approach self-sufficiency. And we need to understand that addressing this problem right away could alleviate that.

I want to invite all of you to attend the Anti-Poverty Network's 3rd annual conference, which will be at the War Memorial on December 3. About 400 people have come each year. And at that conference, there are going to be numerous people living with this problem, struggling with low wages, struggling below the living wage, who are going to be able to speak to you. They can't speak to you today. They're working. They don't have time off, they don't have benefits, they can't come out, they can't get here. But a lot of them will be there that day. And we invite you to come. There's a hearing panel in the morning from 10:00 to 12:00, where they're going to make presentations about what it's like to struggle here. They're the experts

on this issue. They're the real experts. They're the ones that you need to hear from. They can tell you exactly what needs to be done.

And I'll conclude by suggesting that what needs to be done here is to create a mix of higher wages and work supports that will enable people to work and survive on a daily basis without having to face homelessness and living in a church.

One of the things I handed to you was the Anti-Poverty Network's Blueprint for 2002. The Anti-Poverty Network is an organization of about 140 groups now. It's very concerned about poverty issues. And there's a list of them in there. And it proposes changes that the State can make to help. Higher -- more rent subsidies for people, fully funding family care. You know, FamilyCare-- A vote for FamilyCare is a vote for a living wage. A vote for housing subsidies is a vote for a living wage. And those kinds of things are suggested by the Anti-Poverty Network as necessary for our state. I think if you look at that, that will-- And that blueprint is going to be updated, because we have had some improvement. But it's something to look at in this direction.

And, finally, I'll say that the first step towards achieving this is to set our minimum wage -- and I think Jon suggested this -- back to what it was, at least in relation to the poverty level, in 1969. The minimum wage should be raised so that a family of four would be at that Federal poverty level. And that would make it \$8.70 an hour. It would be where it was, at least, in 1969. And then we should go on from there to create living wages, which reflect the self-sufficiency standard reduced by the number of available work supports -- so that if FamilyCare is there, you can take a chunk out of that self-sufficiency

standard. If you look at the list of items that are included -- health care, child care -- for each one of those that's taken care of by a State work support, the wage goes down, as I mentioned in that chart.

So if we do those things, and mix up higher wages with work supports, we can get people to a place where they can, with State help, with the assistance of the employer, reach a living wage. And it's critical, because those problems that those families struggle with, as I mentioned earlier, cause long-term consequences for their children, for our society, and for our community. And we really need to address the living wage issue now.

And I'm-- Greg knows about a bill that I would propose as an interesting substitute, the Work Support and Family Stability Act -- is something that STEPS, Solutions to End Poverty Soon, in conjunction with people in the community, drafted a while back. And it calls for, essentially, the system that I just mentioned -- establish the self-sufficiency standard, provide work supports, and help people with the difference.

Thank you. I know that was a lengthy presentation. I appreciate your taking the time to hear it.

ASSEMBLYWOMAN FRISCIA: And a lot of work went into it. Thank you very much, Connie. We appreciate it.

Rob Tartaglia, from the NFIB.

ROB TARTAGLIA: Good morning, everyone.

Thank you for allowing me to testify here today, Madam Chairwoman.

On behalf of the National Federation of Independent Business and our 11,000 members in New Jersey, I am here to oppose A-1121 and A-212.

NFIB members believe that the last thing New Jersey needs at this time is a living wage enacted, forcing employers to pay higher wages in very troubling economic times and on the heels of a \$1 billion business tax hike.

The phenomenon of living wage is relatively new in our country and spreading rapidly at the local level, but where it has been adopted, studies have immediately shown the adverse effects of this mandate. Congressman Al Wynn from Maryland, who is a strong supporter of a higher Federal minimum wage, sees serious consequences to living wage, citing, “The concept behind the legislation is bad, and it would force certain companies to bear out-of-line permanent costs to do business.” Also, a mandated wage increase will create displacement in the labor market by creating a higher caliber of worker who will undoubtedly force lower-skilled workers out of jobs and unintentionally hurt the working poor.

Other unintended consequences are: employers may hire more skilled employees, rather than taking a chance on someone with a spotty work record or no work record at all; employers may cut the hours of their entry-level work force and ask management to pick up the slack; employers may automate numerous functions in the workplace; employers may reduce customer service; and there could potentially be job loss.

While the sponsor’s intentions are true, I do believe this is the wrong direction to go, considering how it will hurt low-income, low-skilled employees. I have included, for your perusal, a summary of research done from the living wage enacted in Santa Monica, California. The study gives a good overview of how that mandate has affected workers, job loss, and wage costs.

Thank you for your consideration.

ASSEMBLYWOMAN FRISCIA: Thank you.

Any questions? (no response)

Thank you.

MR. TARTAGLIA: Thank you.

ASSEMBLYWOMAN FRISCIA: Arnold Cohen from Housing and Community Development Network.

Good morning, Arnold.

ARNOLD COHEN: Good morning. My name is Arnold Cohen. I'm the Policy Coordinator for the Housing Community Development Network of New Jersey. Thank you for giving me the opportunity to testify.

I wanted to share a report, and I'll give this out afterwards, by the National Low-Income Housing Coalition that talks about the cost of housing nationally. And what the report shows is that New Jersey is the fourth highest state in the nation for a family to be able to afford a two-bedroom apartment at the fair market rent. Fair market rent is really for a modest apartment. It's not high-end at all. It's taking a look at what -- take a look at all the rents, and cutting off at 40 percent of the median -- is what the fair market rent is.

What we see is that for a minimum wage worker, New Jersey is the most expensive state in the nation to be able to afford that same two-bedroom apartment. What that means is that the other states that are more expensive than New Jersey -- California, Massachusetts, and the District of Columbia, although it's not a state -- all have higher minimum wage than New Jersey. They recognize that their costs are higher, and so they have a higher minimum wage.

What this report talks about is the housing wage, the wage that is needed to afford that two-bedroom apartment. In New Jersey, the housing wage for that average two-bedroom apartment, statewide, is \$18.25 an hour. So we see that even a two-wage-earner family falls short of being able to afford the average two-bedroom apartment within the state. A person, as was said before, who is working full-time should be able to afford the minimum in order to have a roof over their head, a modest roof over their head.

We think this bill is an important first step towards achieving this and applaud the sponsors and hope that it moves forward.

Thank you very much.

ASSEMBLYWOMAN FRISCIA: Thank you very much.

Richard Sullivan from-- Oh, he's not here. He has another committee meeting. There's no testimony, but the School Boards Association opposes the bill.

John Abeigon from the New Jersey State Federation of Teachers.

JOHN ABEIGON: Chairwoman, the New Jersey State Federation of Teachers fully supports both bills.

HEARING REPORTER: Madam Chair, we won't be able--

ASSEMBLYWOMAN FRISCIA: Could you speak into the microphone?

MR. ABEIGON: We fully support both bills. We've been long-time supporters of the idea of both a living, and raising the minimum, wage standard. But we have a group of people who are from our Cinnaminson unit, so I would like to yield my time to them. And I believe that they've registered to speak, with Seth Goldstein and Marie Frank.

ASSEMBLYWOMAN FRISCIA: Yes.

See, we're on the Internet, John. That's why your voice couldn't be recorded.

Good morning.

M A R I E F R A N K: Good morning, Madam Chair.

I am here on behalf of the members of the Cinnaminson Employees Federation, Local 3599, American Federation of Teachers, AFL-CIO union in support of passage and enactment of A-212 and A-1121, the New Jersey Living Wage Act. I also would like to thank you and the members of the Labor Committee for permitting me an opportunity to testify today for my members in support of these important bills.

Local 3599 bargaining unit members provide food services to the students, kindergarten to 12th grade, who attend the Cinnaminson Public Schools. We work long hours daily to prepare, cook, and then provide quality nutritious meals to our school children.

Our union members work for Sodexo Marriott Services, Inc., a profitable multinational corporation with approximately 4,800 clients and a reported \$4.7 billion in sales in 2000. Through privatization, the Cinnaminson School District has contracted out their food services obligations to Sodexo, who, in turn, receives public moneys to provide daily breakfasts and lunches.

Notwithstanding Sodexo's assertion that we are an invaluable asset to their operations, they fail to treat us with proper dignity and respect. Despite the fact we work and live in an expensive suburban community outside of Philadelphia, the company pays us wages that are barely above the current Federal minimum wage of \$5.15 per hour. Many Sodexo employees make

under \$6.00 per hour and I, as a personal note, have worked in my job position for over 10 years, and I am paid \$7.83 per hour. We do not receive a pension, and we do not have health benefits.

It is very difficult for my union members to meet their expenses on these low wages. As you can imagine, we face daily struggles to pay our rent or mortgage, buy groceries, and then decide whether to pay for prescription drugs or the utility bill. Prices of these necessary life items have and will always continue to increase, but our low pay rate remains stagnant.

We believe that immediate government intervention is necessary to force corporations who receive public moneys, such as Sodexo, to provide its employees with a livable wage.

Thank you.

ASSEMBLYWOMAN FRISCIA: Thank you, Marie.

Seth, would you like to make some remarks?

SETH L. GOLDSTEIN: Yes.

As John stated before, the New Jersey State Federation of Teachers supports the passage-enactment of the New Jersey Living Wage Act.

And I also would like to thank you and the members of the Labor Committee for giving us an opportunity to testify today in support of these bills.

AFT's position on the proposed legislation is well-reflected by the statement of support submitted by Marie Frank, President of Local 3599, today to the Assembly Labor Committee.

The current Federal minimum wage rate of \$5.15 per hour adds up to only \$10,742 per year, not enough to pay for affordable housing, food,

day care, or transportation. Neither does the current minimum wage permit New Jersey workers to save for retirement or as reserve in the case of an emergency.

Present political realities make it unlikely that a higher Federal minimum wage will be enacted any time soon, and therefore immediate State intervention is necessary to force corporations, such as Sodexo, who benefit from public funds, to pay its employees a living wage. Accordingly, the AFT urges speedy passage and enactment of A-212 and A-1121 into law.

Thank you.

ASSEMBLYWOMAN FRISCIA: Thank you.

Any questions? (no response)

I thank you for coming and for your remarks.

MR. GOLDSTEIN: Thank you.

MS. FRANK: Thank you.

ASSEMBLYWOMAN FRISCIA: Lowell Arye from the Alliance for the Betterment of Citizens with Disabilities.

LOWELL ARYE: Good morning.

My name is Lowell Arye. I'm the Executive Director of the Alliance for the Betterment of Citizens with Disabilities. We are a statewide advocacy organization comprised of 15 member agencies who serve more than 7,000 individuals with developmental disabilities. Our member agencies provide services through contracts and grants through the State government in the Departments of Human Services, Labor, Health and Senior Services, Education, and several other departments.

We do support your bill, and we do support the living wage act, and we would like to suggest that, unfortunately, there's not any additional funds for this when you -- for contracts for State government.

Currently, in the Department of Human Services -- and I'll just focus in on that, even though there are many other programs -- in the Department of Human Services and my member agencies -- provide services to people with direct -- with developmental disabilities, specifically very medically complex individuals who have cerebral palsy, spina bifida. They may also have cognitive disabilities.

The individuals who provide those services and provide, actually, the direct care, ie. ambulation, feeding, etc., activities of daily living, currently receive only \$7 to \$8 an hour. There was a dollar-an-hour increase last year for these individuals, which brings them up to that \$7 to \$8 an hour. But, unfortunately, the contracts that the State provides for these provider agencies doesn't give us anything higher than that.

Similarly, people within developmental centers, State institutions, have similar kinds of service needs. And the direct support professionals who provide the services for those individuals receive \$12 to \$14 an hour, plus State health benefits and all of the State health -- all the State programs available to them as employees of the State.

Unfortunately, there is, clearly, a wage disparity between these individuals. If this bill were to go through, there needs to be an additional appropriation added to this to deal with these issues. And it's not just within the Department of Human Services which, unfortunately, would cost some significant funds. However, if you're going to do this, which we believe you

should, you need to add some additional appropriation dollars for the State contracts so that provider agencies, and agencies that provide services to our most vulnerable citizens, can provide the needed services. They support providing good living wages, they support providing health insurance. Unfortunately, many of them, through State contracts, cannot do that.

Thank you.

ASSEMBLYWOMAN FRISCIA: Do you have a number?

MR. ARYE: I do not, and that's been an issue all along. It's very difficult to determine this. And when I started to talk with the folks from the Department of Human Services, they understand this will impact all of their providers, and not just for DDD, we're talking about DYFS, mental health, disability services. That's just for the Department of Human Services. There's also the Department of Labor, such as supportive employment programs. There's also Department of Health and Senior Services, including early intervention programs.

Unfortunately -- but specifically for direct support professionals, currently in DDD, who receive \$7 to \$8 dollars an hour, increasing their benefits up, increasing contract dollars up to a dollar amount which would include a true living wage, either \$8 an hour, \$10 an hour, whatever it is finally determined to be what is a living wage, with COLAs attached to it, and adding, also, health insurance costs and all of that -- we are, unfortunately, talking about a significant amount of money. And that is a problem, given the State's financial issues.

But that doesn't mean that we don't support that, and we do support it. We believe that it's imperative for our organizations who provide

these services to pay their individuals, their direct support professionals, a true wage that is reasonable and is a living wage.

ASSEMBLYWOMAN FRISCIA: Thank you very much.

MR. ARYE: Thank you.

ASSEMBLYWOMAN FRISCIA: Any questions? (no response)

Mary Ellen Marino.

MARY ELLEN MARINO: Thank you very much--

ASSEMBLYWOMAN FRISCIA: Good morning.

MS. MARINO: --for giving me the opportunity to testify.

My name is Mary Ellen Marino, and I work--

ASSEMBLYWOMAN FRISCIA: Would you turn your microphone on? Red means on.

MS. MARINO: Red means on. I'm just not close enough to it, I guess. Is that better?

ASSEMBLYWOMAN FRISCIA: Yes.

MS. MARINO: Okay, I'm Mary Ellen Marino from Home Front in Mercer County.

Home Front works with homeless families -- so many families at this time -- that not only are the Route 1 motels filled with homeless families, but Mercer County Social Services has had to place many families in the Route 130 motels in Bordentown, very far away from their schools and friends. Most of these children come to school late -- far too late for the school breakfast program, definitely too late for school.

At any given time, there are about 225 people, homeless people, in the motels. Most of them are children. There are about 75 families on

average. Those are our local statistics. The September 2002 census report indicated that the number of children living in extreme poverty had increased just between 2001 and 2002 from 1.8 million to 5.1 million children living in extreme poverty.

Extreme poverty-- I asked what is that? Extreme poverty is defined as half of the Federal minimum wage. The Federal minimum wage for a family of four is about \$18,000, so that's \$9,000. That's around where the minimum wage is here in New Jersey.

According to New Jersey's Department of Labor, there are about 1.3 million workers earning between \$15,000 a year and \$24,000 a year in a variety of jobs. I have a chart for you. I'm having someone work out a chart that will show you who these workers are. That isn't with me yet, but you know who these workers are that are making these incomes that are not adequate enough to afford housing in New Jersey. They are your cashiers, your receptionists, your tellers, your security guards, your home health aides, your child-care workers, your food service workers, your gardeners, your house cleaners, and so on. That does -- 1.3 million wage earners is a large amount for a state of this size. And as Connie Pascale indicated, I believe, 40 percent of New Jersey's wages are below \$25,000 a year. So that gap is huge.

Our organization definitely supports the increase in the minimum wage and to try to find a living wage so that people are not struggling to -- with homelessness. Eighty-five percent of the families that come through the door of Home Front are working families. There's one full-time worker in that family, and yet they still cannot maintain housing.

As both Arnold and Connie Pascale indicated, there's a need for a filling of this gap. With the budget gap that the Governor has had to face, it is difficult for us to immediately figure out how we're going to fill these gaps. But some of them should be filled by the employers, who are benefiting from the low wages of the workers. But we do need child support, health care, transportation, and rental assistance to fill that gap, in addition to increasing the minimum wage.

But what I want to show you is a visual picture of what some of the various people testifying have indicated. And I promise to bring you color copies of your very own. I just ran out of the office without trying to think of that.

I apologize for advertising Home Front so largely on this. This chart was made up for an open house at our organization. But what it shows here is the minimum wage. Oh, no it doesn't. This shows the welfare families. The welfare families may get \$5,000 at the most a year from their benefits. It requires 203 percent of the welfare benefit to afford the average wage in New Jersey. The red line across this chart is the average two-bedroom wage in Mercer County, actually. But Mercer County is the microcosm of the state.

This next line is the minimum wage workers. And it would take 111 percent of their total income, annual income, to afford the average two-bedroom apartment. These are the people that are making most -- these \$8-an-hour jobs. The \$8-an-hour jobs don't cut it either, because it will take 72 percent of their income to pay for housing, and there's no way that they can provide the health care, the child care, the transportation, and all those other necessities of life, not to speak of food. I think I may have left that out.

These are-- All of these colors are related to the median income of New Jersey. The gray line here is what the National Low Income Housing Coalition calls a housing wage, the one that Arnold spoke about. And that represents people that are making 65 percent of the median income. And that housing wage is just -- it doesn't include all the costs that families need in order to make that housing wage. It doesn't include child care, because child care, in Mercer County -- it's not subsidized. And nationally, only 20 percent of the people eligible for child-care subsidies get those subsidies. Child care is more than rent.

The fair market rent for last year in Mercer County was \$993 for a two-bedroom apartment a month. Child care was over \$1100 a month if it was not subsidized. Many, many, many people are waiting on those child subsidy lists.

So I promise you, for all those in the back, copies of this chart for your own looking at, later. And I thank you very much for your attention.

ASSEMBLYWOMAN FRISCIA: Any questions? (no response)

Thank you very much for coming.

Mai-Tai McDonald from STEPS. Is she here?

MAI - TAI McDONALD: I'm wearing two hats, maybe three. I'll try to be brief.

First of all, I mean no disrespect to any one behind me or in front of me of how things may come out today. I'm a little awed at having to come here alone to represent so many people in my community, in my neighborhood, and statewide. But on the other hand, I'm very proud to be a part of it.

We get no complementary tickets to what we call the *circus comes to town*. And I'm going to talk to you on the bottom line. I don't have anything written up in all those small words, because we didn't have time to do that. But we thought you would like to hear from the bottom line to give you a better picture. Hopefully, you will take into consideration the many yeses and support for your bill -- to raise it up to the \$8.50 an hour. Although we think that it's still low.

We're finding out that the prisoners in South Carolina make more than what low-income people do here in New Jersey. Now, if you don't believe me, check it out around Bingham, South Carolina. Check the prison system down there, and see how much those fellows make when they go out to work. No wonder it's full and they're happy. They have no desire to come out and do otherwise.

The rationale -- the hold -- for low-income people in bondage is an insult. It's an injustice to all of us. Those of you who have been afforded the opportunity to make the kind of income that you make, to do what you do, and live the way that you live, financially and otherwise -- is just fine. But then when you look down the street and around the corner, and here we are, it's not so fine. And to be able, and I've heard it, to be low-income, female, black, Hispanic, and otherwise-- I'm not in any of those categories except for one. I am not a two-for-- I'm a 20. And in our street language, all of those things for the low-income identity allows the female to feel like a two-for, and I am not a two-for. Never have been, and never will be. I'm a 20. Sometimes I'm a 50, because I have an eight-year-old daughter who makes me feel that way.

We look at what we're not getting. And in order for you to have a real good picture of what you're doing here today, I beg you to have a community meeting at another convenient time. The room downstairs is big enough -- when we go to the right, when you come in downstairs. Let the people who you're talking about making these changes-- Let them look you in the face, and let them tell you how it is with everything that we're trying to tell you today.

It's a reality, and we're tired of getting the crumbs from the crackers. That's out now. No more crumbs. It's coming in for Thanksgiving, and people are hungry, they're screaming. The big businesses are coming in, taking over, promising this, and promising that, and staying maybe six months, then closing up and doing what they do. We want to know what does the State owes these little businesses that are coming in, saying they're going to do A, B, C, and D; and do X, Y, and Z and exit. They go. You're looking at a homeless rate that's going to be very sad. It's not just in the inner city. The suburbs are feeling the crunch also. And it's really sad.

I just want to urge you to consider lifting the wage up to a dignified acceptance. You're asking for the businesses to give vacations and all that sort of stuff. They're not going to do it. And if you think we're kidding, you check with Hills on West Ingham Avenue, and you will see the different kinds of people that are being hired for way under what they would get a minority person for. And that's sad. You can just park right across the street and see the exodus of the lower of the low-income, and that's sad, too. And nobody's hearing from them. But we have to work and protect all of them.

I thank you. If you have any questions or anything, I'd do the best I can to help to answer them, but the bottom line is we need the \$8.50, but we also need more. And maybe you might want to check the system out, in Bingham, South Carolina, with the prison system, to see how they do it. We don't know. But we know that's a fact.

Thank you.

ASSEMBLYWOMAN FRISCIA: Thank you very much for coming.

Any questions? (no response)

Last, but certainly not least, Alan Kaufman, from the CWA.

A L A N K A U F M A N: It's real late, so I'm-- There's been a lot of testimony. I think people are probably getting anxious to get out of here, so I'm going to cut my comments very, very short.

First of all, I really want to thank you for putting this issue on the agenda. We've heard a lot of different comments being made from different points, a lot of it on the actual statistics on poverty and wages. But I think that, really, this is a policy question, the issue of a living wage. I don't think there is anything more central to everything that society does than the issue of whether or not people have, when they work, a living wage, because it impacts on every other aspect of the lives and the society.

And, of course, representing a union, this is what we do. We try to get a living wage. And unfortunately, I have to say I'm ashamed that there are contracts where people do not have a living wage. And some of those contracts are with agencies that the State or local governments have contracts with. And people are getting barely above the minimum wage. So I think that

Assemblywoman Quigley, in her comments, really made a telling comment from the policy perspective. It's really an abomination that a public entity, as a matter of policy, can do anything other, in this day and age, than pay somebody in the form of wages; time off, because you need time off to deal with illness or deal with your kids; health care; and retirement -- anything other than a living wage in 2002, when we're talking about going to war in other places of the world -- that here in our own backyard, there are people that don't have just the basic things that are necessary. So I'm really very glad that you put this on the agenda. And if we took care of our backyard here, and made sure everyone had a living wage, and that people had a living wage around the world, the vast majority of the problems that we face, over which we're going to war, would no longer be there.

So we really support this, and we hope this gets beyond the question of policy, and we can get into a point where this is -- we're going to move. And so that, at least as a public entities, that the public entities make it a policy for everybody in the country to see that this is what we support -- that people who put in a day's work can take care of themselves and their families and their parents.

Thank you.

ASSEMBLYWOMAN FRISCIA: Thank you, Alan. We appreciate your coming.

I thank everyone for being here today and for their input.

And with that, I will entertain -- if there are no other comments, I will entertain a motion to adjourn.

ASSEMBLYMAN GEIST: So moved, Chairwoman.

ASSEMBLYMAN SARLO: Second.

ASSEMBLYWOMAN FRISCIA: Thank you, again, for coming.

(MEETING CONCLUDED)