



MAKING THE TWO NEW JERSEYS ONE

CLOSING THE \$300,000 RACIAL WEALTH GAP IN THE GARDEN STATE

A REPORT BY THE NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE



THE NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE

Established in 1999 by Alan V. and Amy Lowenstein, the Institute's cutting-edge racial and social justice advocacy seeks to empower people of color by building reparative systems that create wealth, transform justice and harness democratic power – from the ground up – in New Jersey. Known for our dynamic and independent advocacy aimed at toppling load-bearing walls of structural inequality to create just, vibrant and healthy communities, we are committed to exposing and repairing the cracks of structural racism in our foundation that erupt into earthquakes in communities of color. The Institute advocates for systemic reform that is at once transformative, achievable in the state and replicable in communities across the nation.

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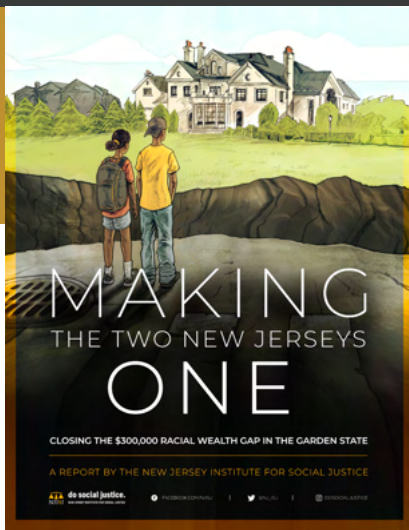
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EXECUTIVE SUMMARY

There are Two New Jerseys. Just as Dr. Martin Luther King, Jr., identified Two Americas over fifty years ago, today the Garden State is characterized by two economic extremes. In one New Jersey, made up disproportionately of Black and Brown households, families struggle to make ends meet. In the other, predominately white families have substantial wealth and financial reserves to weather the economic uncertainties of life and support mobility for their children.

Our report *Making the Two New Jerseys One: Closing the \$300,000 Racial Wealth Gap in the Garden State* reveals that New Jersey is one of the most prosperous states in the nation, but is, at the same time, characterized by some of the starkest racial and economic inequities. The median household wealth of white families in New Jersey is \$322,500, compared with just \$17,700 and \$26,100 for Black and Latina/o families, respectively. In one of the highest income and most expensive states in the country, one in five households have incomes of less than \$35,000.

The economic disparities and racial wealth gap in New Jersey were created by design – by our institutions, our public policies and through social exclusion and violence. Thus, policies that repair past and ongoing harms are needed to make the Two New Jerseys one and to close the racial wealth gap. This report examines the core building blocks of the racial wealth gap in New Jersey and proposes the following policy solutions to chart a way forward to close it:

Housing and Homeownership:

- Expand homeownership through first-generation programs
- Establish a Fair Appraisal Law

Work and Benefits:

- Improve quality of existing jobs through workplace benefits and protections
- Expand access to quality jobs
- Create a statewide guaranteed income program

Unequal Access to Intergenerational Wealth-Building Assets:

- Launch a robust New Jersey Baby Bonds program
- Enhance financial empowerment programs

Student Loans Weighing Down Black Borrowers:

- Cancel student loans to repair the harm of underfunded higher education
- Remove financial barriers to higher education through increased state investment
- Increase transparency & understanding of student loan disparities

Reparations

- Establish the New Jersey Reparations Task Force



Since our nation's inception, the immoral devaluation of Black lives has been ingrained in America's political economy, and manifested in a persistent, unjust, and enormous racial wealth gap.¹

Darrick Hamilton

The wealth gap is where historic injustice breeds present suffering.²



Mehrsa Baradaran



The wealth gap that we observe today is the cumulative intergenerational effect of racial injustice in the United States.³

William "Sandy" Darity



Prologue

The racial wealth gap was created by design.

Recently, we recognized the centennial anniversary of the 1921 Tulsa Massacre, which is finally getting widespread recognition 100 years later.⁴ During the massacre, white mobs destroyed lives and livelihoods in the thriving Black community of Greenwood in Tulsa, Oklahoma, which was known as Black Wall Street. Before being assaulted by racist violence, Greenwood was a flourishing and prosperous Black neighborhood. In the wake of the massacre, approximately 300 lives and 35 acres of residential and commercial property were destroyed.⁵ This tragic event was part of a larger campaign of violence that limited the opportunities of Black people to build wealth across the United States.⁶ Yet, critically, our nation's racial wealth gap was not just created and maintained by overt racist violence. It was perpetuated and reinforced by our own government.⁷

Across the country, from Oklahoma to New Jersey, racial disparities in wealth have been a persistent characteristic of the economy for generations, as our government's policies have time and again limited the full participation of Black people in the economy.⁸ These inequities originated before our nation's founding with the institution of slavery – spurred on by the arrival of enslaved Africans in Virginia in 1619.⁹ Then, after the Civil War, the failure to provide the promised land grants of forty acres to formerly enslaved Black people, followed by ongoing economic violence and wealth-stripping policies by our government, served to entrench the racial wealth gap into the fabric of our nation after slavery ended.¹⁰

Thus, the enormous racial divide in financial security and asset ownership today is the result of a long and enduring history of social policies that actively facilitated asset-building for white people, while excluding Black residents from the same benefits. For generations, our public policies have – by design – served to create and sustain the racial wealth gap. Proactive, intentional policies must be adopted to combat and ultimately eliminate it.

In the midst of an ongoing pandemic that has ravaged New Jersey's communities of color, now is the time to repair the harm of past policies and close the staggering racial wealth gap in our state.

Image Credit: LA Times

Introduction

The Two New Jerseys: Vast Inequities in the Garden State

Over fifty years ago, Dr. Martin Luther King, Jr., described the United States as two Americas, one where “children grow up in the sunlight of opportunity,” and another, primarily home to the nation’s people of color, where families “find themselves perishing on a lonely island of poverty in the midst of a vast ocean of material prosperity.”¹² Today, more than half a century later, New Jersey remains an extreme microcosm of Dr. King’s Two Americas that is unequal in regard to both income and wealth. While New Jersey was recently listed on a national survey as the state with the best quality of life in the nation,¹³ the factors that make New Jersey the best place to live in the United States for some are not equitably shared,¹⁴ leaving many excluded from the state’s immense resources. Instead of one thriving state, the Garden State is characterized by Two New Jerseys – one more prosperous than the nation overall and one struggling to make ends meet and build financial security in one of the most expensive states in the nation.¹⁵ Five years ago, in the 2017 report *Bridging the Two Americas: Employment and Economic Opportunity in Newark and Beyond*, the Institute first underscored that New Jersey exemplified the economic divides described by Dr. King.¹⁶ Unfortunately, in the second decade of the 21st century, this report affirms that two New Jerseys persist.

The Two New Jerseys are exemplified by the enormous racial wealth gap in the Garden State. While the racial wealth gap is a defining characteristic of racial disparities across the United States,¹⁷ closing it is even more urgent in New Jersey because we have one of the highest wealth gaps in the country. New Jersey’s Black and Latina/o families hold just a fraction of the wealth of white families in the state, and the gap in median wealth between Black and white families in the state is over \$300,000.¹⁸

As in the U.S. overall,¹⁹ the wealthiest people in New Jersey are overwhelmingly white.²⁰ In addition, however, New Jersey's white families hold substantially more wealth at the median than their white peers in other states,²¹ a reality that leads to an even more unequal distribution here in the Garden State than in the country overall. These disparities impact the daily realities and long-term security of Black families and other families of color who too often struggle to meet basic needs while living in one of the wealthiest states in the wealthiest nation in the world.

As our previous report *Erasing New Jersey's Red Lines: Reducing the Racial Wealth Gap through Homeownership and Investment in Communities of Color* detailed,²² the racial wealth gap in New Jersey is an insidious distinguishing feature of our state that has been embedded in the foundation of our society from our founding as a colony. This report urges policymakers to act with urgency to close this striking divide and charts a path forward by assessing the sources of our state's stark racial wealth gap and identifying state-level policy changes. With intention, the Garden State can ensure that its prosperity is accessible to all families, particularly families of color, who have for too long been excluded from the wealth of the state. The creation of the Wealth Disparity Task Force by Governor Murphy in 2021 was a step in the right direction for addressing New Jersey's racial wealth gap; however, we do not have to wait for the outcomes of the task force to reduce racial and economic inequities in the state. In fact, the analysis and recommendations set forth here can serve to inform the work of the task force and spur on their work to combat New Jersey's staggering wealth disparities.

It is time to make the Two New Jerseys one.

This report provides a roadmap for closing the racial wealth gap in New Jersey.

- First, it provides an overview of financial inequities in our state, with a focus on the racial wealth gap, to elucidate the enormous existing economic and wealth disparities in the state.
- Second, the report highlights the key building blocks of the racial wealth gap in New Jersey, providing an analysis of key drivers of economic disparities in the Garden State and solutions to address these central sources of the gap.
- Finally, the report reinforces that to repair the harm from generations of historic divestment from New Jersey's Black communities and to close the state's racial wealth gap, New Jersey must finally say the word: Reparations.



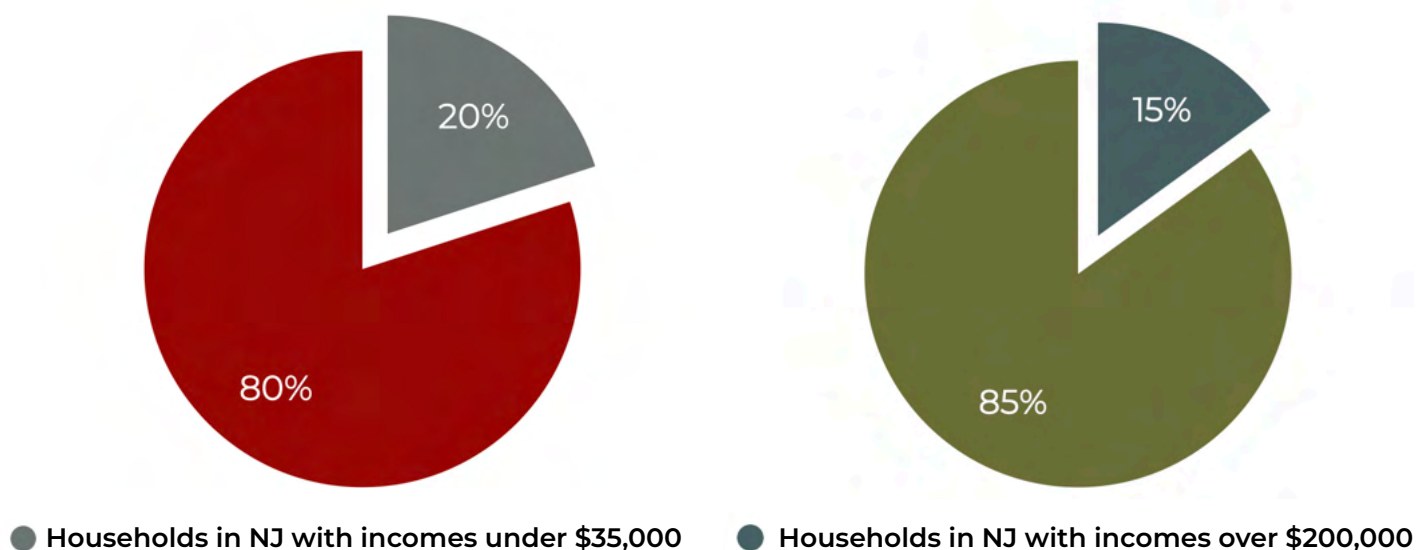
There is a stark racial wealth gap in New Jersey, not just in Newark (pictured), but throughout the state.

Economic Inequities & the Racial Wealth Gap in New Jersey

In a highly inequitable country, economic inequities are even more pervasive in the Garden State. While some families in New Jersey live in some of the most affluent communities in the nation, poverty limits the opportunities and resources for other families just a few miles away – particularly in our urban communities of color. In order for families to meet day-to-day needs, they must have access to secure incomes; in addition, and what was often overlooked in the past, is that in order for families to truly thrive and be economically secure in the long-term, they must have wealth to sustain their needs when incomes fluctuate and to support investments in their future. Unfortunately, New Jersey is one of the most economically and racially unequal states with some of the greatest economic and racial disparities in the nation.²³

The Two New Jerseys are evident throughout many of our state's communities, exposing the staggering inequalities in the state by both income and wealth. New Jersey consistently ranks as one of the highest income states,²⁴ with a median household income of \$85,751 and over 15% of households with incomes over \$200,000; yet, over one in five households (20.2%) have incomes of less than \$35,000²⁵ in one of the most expensive states in the nation.²⁶ In fact, the bare-minimum budget to meet needs for two-person and four-person households are \$45,252 and \$73,476 respectively,²⁷ substantially more than the budgets of over 20% of our most vulnerable families. The high cost of living puts growing numbers of working families in the Garden State at risk of having insufficient funds to meet basic needs.²⁸ Further, in New Jersey, the cost of living is about 11% higher than the national average²⁹ and the cost of rents are a staggering 41% higher,³⁰ making it difficult to make ends meet. With the ongoing economic volatility due to the pandemic, the financial realities that many New Jersey families, particularly families of color, are facing are even more precarious.³¹

Figure 1: One in Five New Jersey Households Have Incomes Less Than \$35,000 per Year



Source: U.S. Census Bureau American Community Survey (2019)



The enormous gaps in economic security in New Jersey are closely linked with enduring racial inequalities. While 17% of Black New Jerseyans have household incomes under the official poverty threshold (about \$22,000 for a family of three),³² only 6% of white New Jerseyans do.³³ The median income of white households in the state is \$91,764 – over 60% more than the median income of Black households at \$56,301.³⁴

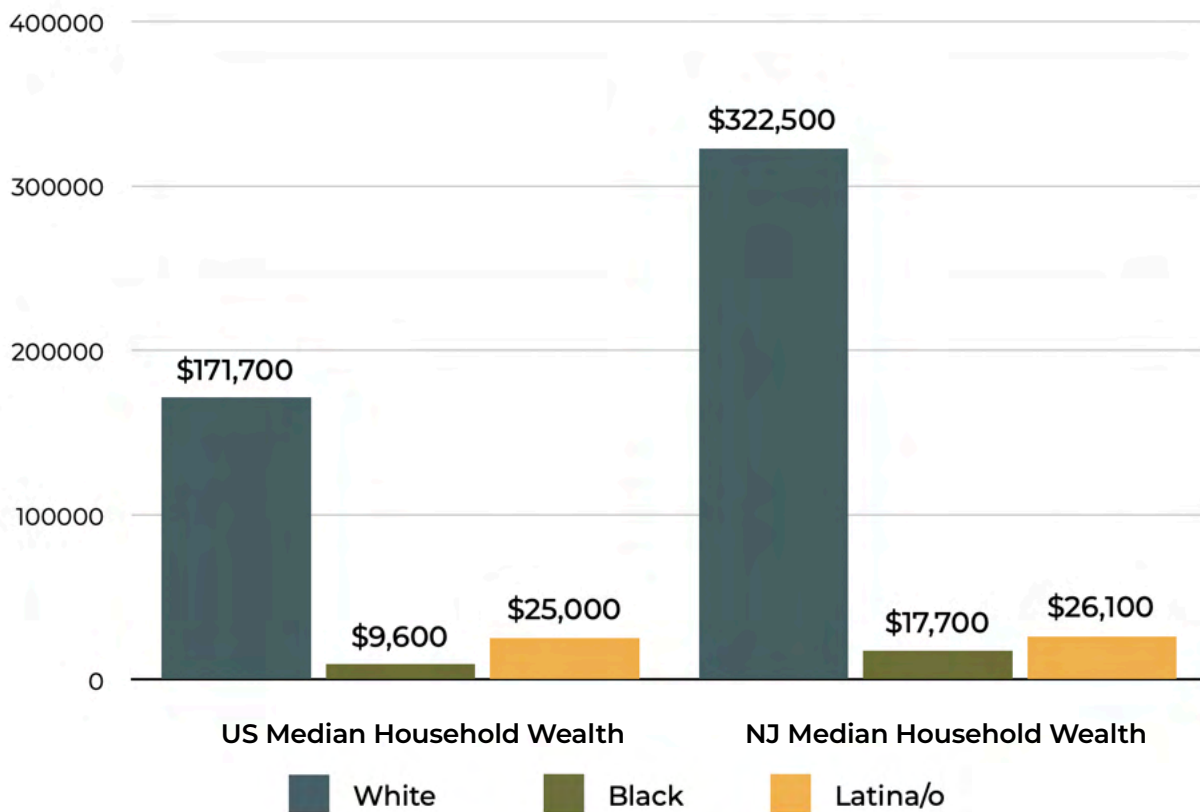
WHILE 17% OF BLACK NEW JERSEYANS HAVE HOUSEHOLD INCOMES UNDER THE OFFICIAL POVERTY THRESHOLD (ABOUT \$22,000 FOR A FAMILY OF THREE), ONLY 6% OF WHITE NEW JERSEYANS DO.

An analysis of income inequality alone, however, misses the astonishing and even more acute wealth inequality in New Jersey. Additionally, inequality in household wealth affects later life incomes of children because wealthier parents can invest in their kids' future in ways that low-wealth families cannot.³⁵ Thus, entrenched wealth inequality by race has long-term impacts on overall economic opportunity beyond the impacts of income alone and must be examined and combatted to achieve economic justice.

While the racial wealth gap nationally is staggering³⁶ and has for years shown that Black households hold just a fraction of wealth of white households, in New Jersey, racial wealth inequity is even greater. The data are clear: Wealth inequality is deeply embedded in the foundation of the Garden State with a gaping Black-white wealth gap of over \$300,000 that is among the highest in the nation, while by comparison the U.S. Black-white wealth gap is just over half that size at about \$160,000 (see Figure 2).³⁷ The median net worth for white families is \$322,500, compared to Black and Latina/o families who hold just \$17,700 and \$26,100 at the median.

Figure 2: The US has a racial wealth gap problem. New Jersey has a disaster.

New Jersey's Staggering Household Racial Wealth Gap

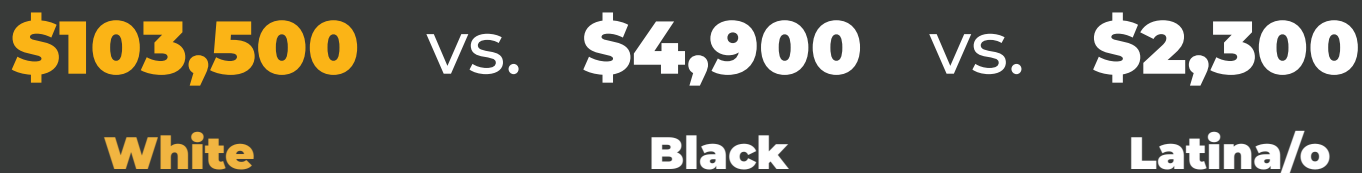


Source: U.S. Census Bureau 2018 Survey of Income and Program Participation³⁸ and authors' analysis of 2018 Survey of Income and Program Participation (SIPP).³⁹ Data represents December 2017. Analysis of median net worth at household level.

In addition, almost one in three (28%) Black New Jersey households have no wealth or have more debt than assets – meaning they have negative net worth – compared to just one in nine (11%) white households.⁴⁰

At the individual level,⁴¹ Black New Jerseyans again have just a small fraction in wealth compared to their white peers (see Figure 3).

Figure 3: New Jersey Median Net Worth for Individuals



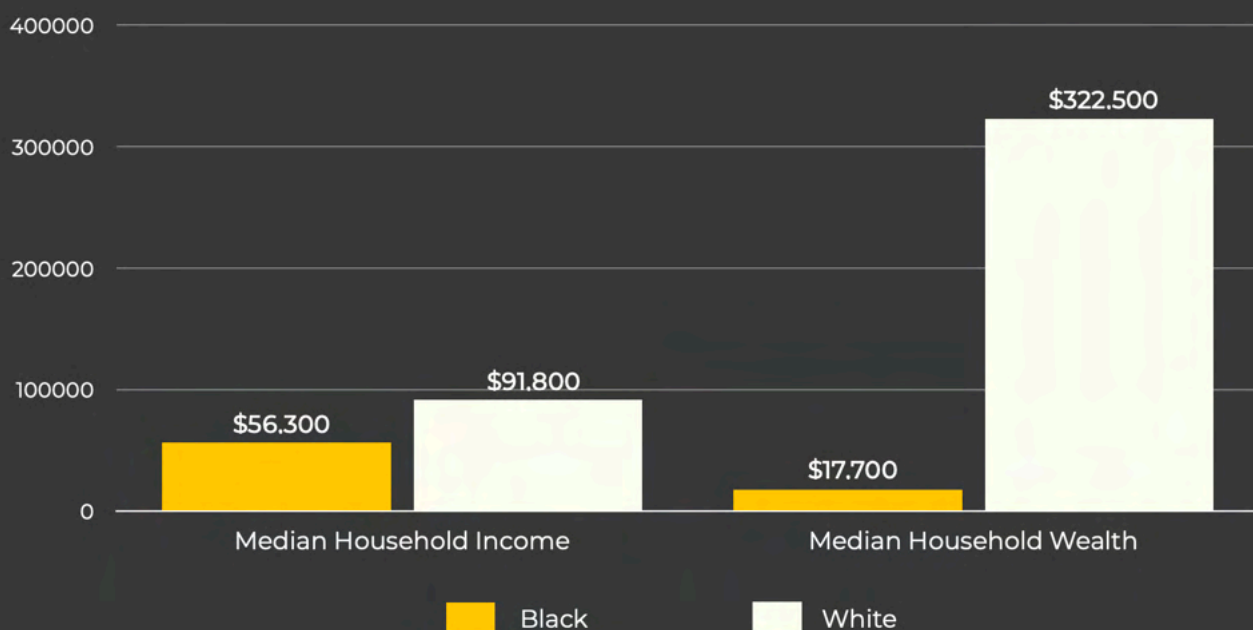
Source: NJISJ analysis of 2018 Survey of Income and Program Participation (SIPP). Analysis of median net worth at individual level.⁴²

These enormous racial gaps in wealth translate into huge differences in current and long-term security. Those with assets and savings can repair their car when it breaks down or pay out-of-pocket medical bills when they arise. By contrast, those without wealth often need to take an emergency and often high-interest loan to cover unexpected expenses. Families with wealth can buy a home in a safe neighborhood and see their investment grow over time, while families without wealth struggle to afford rising rents. Individuals with wealth can pass resources to their children by paying for higher education or giving an inheritance, while people without wealth are not able to provide intergenerational assets. In New Jersey, the racial wealth gap exemplifies the chasm in security and long-term prosperity between white families and families of color in the state. A deeper look at the data shows substantial disparities in the building blocks that make up the racial wealth gap in New Jersey.

Why a Focus on Wealth and Not Income?

Beyond the importance of income for meeting everyday needs, wealth – assets minus debts – is crucial for long-term economic well-being because it provides families a buffer for hard times as well as resources to invest in their futures. Yet, racial wealth inequality in New Jersey and the nation overall⁴³ is significantly greater than income inequality by race (see Figure 4).⁴⁴ This means that in addition to facing greater challenges in making ends meet, families of color have substantially fewer financial resources to weather a financial storm or to invest in higher education, a home or other long-term goals. Because wealth is so crucial for long-term family stability, in order to ensure racial equity in New Jersey and the United States, we must implement policies that serve to close the racial wealth gap alongside efforts to alleviate income disparities. While income helps families survive, wealth helps them thrive.⁴⁵

Figure 4: Black-White Wealth Inequality Exceeds Income Inequality: New Jersey



Source: U.S. Census Bureau American Community Survey (ACS) (2019) and authors' analysis of 2018 Survey of Income and Program Participation (SIPP). Figures rounded to nearest hundred.

Building Blocks of the Racial Wealth Gap in New Jersey



Research shows that policies and systemic inequities, not individual behaviors, are the key drivers of the racial wealth gap,⁴⁶ and therefore, reparative policy reform must be the solution.⁴⁷ In the past, policymaking that did not consider race not only failed to address the inequities embedded in our society, but perpetuated racial inequities.⁴⁸ Today, those disparities created by policy over generations stubbornly continue without sufficient reparative policy interventions. In fact, research reveals that adults in the 21st century are likely to have similar net worth levels and specific types of asset holdings as their grandparents at similar ages decades before.⁴⁹ Thus, racial inequality in assets of past generations that were shaped by entrenched racism endure today.

In the past two years, the COVID-19 pandemic has further deepened inequities in our state, as highlighted in our report *Repairing the Cracks: How New Jersey Can Restore Black & Brown Communities Ravaged by COVID-19 and Systemic Racism*.⁵⁰ Thus, as we consider solutions, we must recognize the roots of existing inequities – the key sources of the racial wealth gap – to generate effective solutions. The following sections outline some of the key building blocks that drive the racial wealth gap – housing, work and benefits, unequal access to family assets and student debt – and propose solutions to address these core sources of the gap.

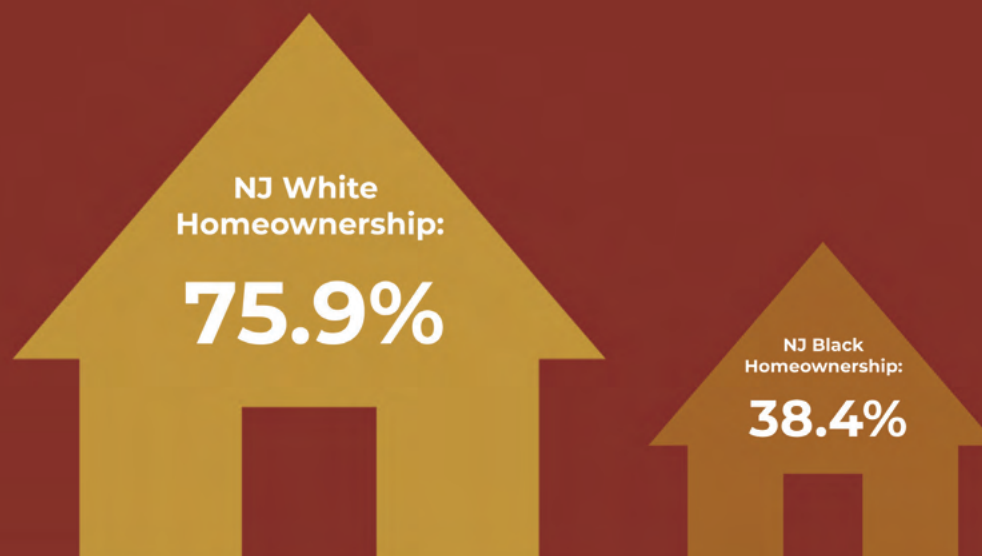
A. Housing & Homeownership

Homeownership is the primary way that most families in the U.S. build wealth; yet, this avenue for asset-building has consistently been filled with obstacles for Black families. The national Black-white homeownership gap is higher today than it was in 1960 when housing discrimination based on race was legal.⁵¹ In New Jersey, the overall homeownership rate for white families is 75.9%⁵² compared to just 38.4% for Black families (see Figure 5).⁵³ This means that over three quarters of New Jersey's white residents can take advantage of the asset-building opportunities and tax incentives of homeownership – particularly the mortgage interest deduction⁵⁴ – while fewer than half of Black people in the state can do the same.

As *Erasing New Jersey's Red Lines* details,⁵⁵ these patterns are the result of generations of policies which facilitated homeownership for white families while denying it to Black families and other families of color. Redlining, racially restrictive covenants, inequities in the GI Bill and discriminatory lending practices supported wealth-building through homeownership for white people over generations, while denying those same benefits to Black families.⁵⁶ In addition, current barriers and discrimination still play a role in limiting opportunities for homeownership among Black families. For example, nationally, ongoing disparities in loan approvals⁵⁷ make homebuying more challenging for Black and Brown families. In New Jersey, Black and Latina/o borrowers are 1.6 times more likely than their white counterparts to be denied mortgage loans.⁵⁸

Figure 5: Disparities in Homeownership in New Jersey Persist

In New Jersey, disparities in homeownership contribute substantially to the racial wealth gap. The homeownership rate for white households in New Jersey is 75.9%, nearly forty percentage points higher than the Black homeownership rate of 38.4%.



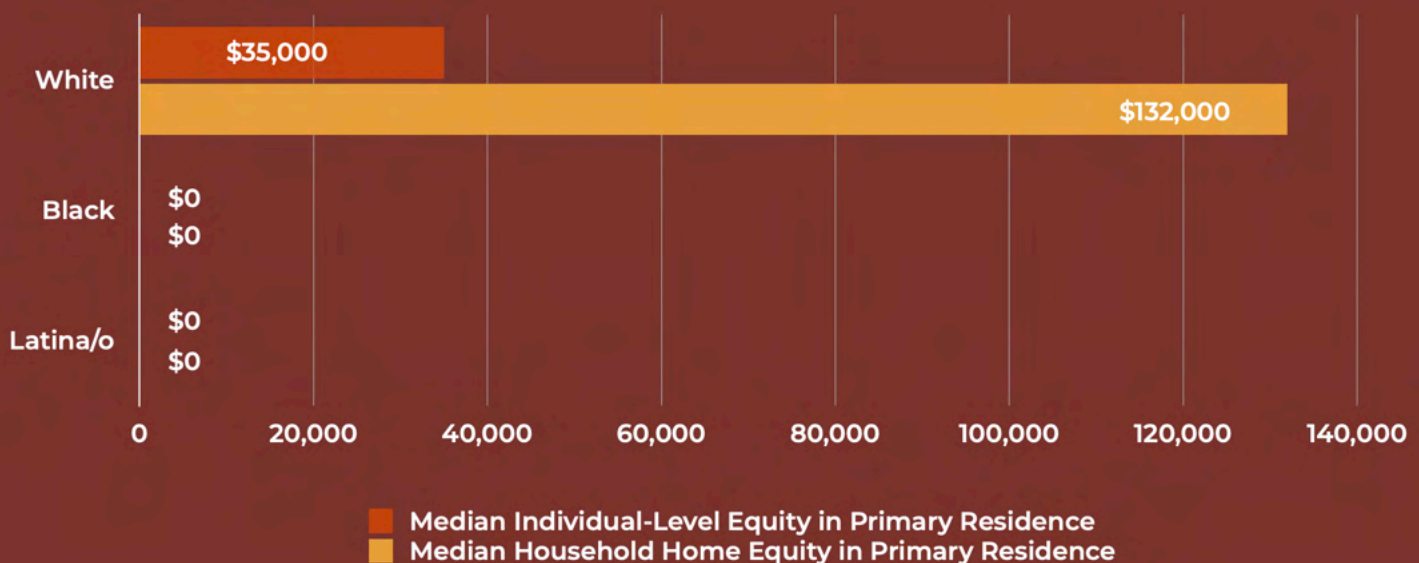
Source: U.S. Census Bureau, 2019: ACS 1-Year Estimates Detailed Tables

Even when Black families are able to access homeownership, they benefit less financially than white families – limiting wealth-building – due to several systemic obstacles. First, owning a home is often more expensive for Black families because of policies which lead to higher interest costs⁵⁹ and higher property taxes⁶⁰ for Black families. In addition, ongoing segregation and the devaluation of houses in Black communities lower the ability of Black families to build home equity wealth.⁶¹ This is particularly concerning in New Jersey, one of the most diverse, yet most segregated, states.⁶² Further, enduring discrimination in the housing market, including in appraisals, leads to lower home value assessments for homes in communities of color.⁶³

While home appraisers are required by the Fair Housing Act of 1968 to provide fair appraisals that do not discriminate by race, religion or national origin, the practice of valuing homes owned by Black families lower persists.⁶⁴ In fact, due to ongoing racial discrimination in appraisals, the Biden Administration has established a task force to address bias in home appraisals to address the problem nationally.⁶⁵ Therefore, several factors limit the asset-building opportunities available to Black families through homeownership even after they purchase a home and reveal that while increasing home ownership for Black families is important, broader efforts to address the failures of the housing market are needed, as well.

Today, for Black families, racial disparities in homeownership rates as well as in returns to homeownership translate into less wealth,⁶⁶ and thus greater economic insecurity in the long run. Since housing wealth is typically the largest asset for homeownership individuals and families in the U.S.,⁶⁷ persistent homeownership disparities have substantial impacts on financial security. As the Institute’s analysis shows, at both the individual and household level, typical⁶⁸ white New Jerseyans have a substantial financial cushion from homeownership that is not available to most Black and Latina/o residents. Among white households in the state, the median home equity (the home value minus any amount owed on the property) is \$132,000 (see Figure 6). By contrast, the typical Black and Latina/o household in the state does not own, so they have zero dollars in home equity at the median. At the individual-level, the median white New Jerseyan has \$35,000 in home equity compared to zero dollars for Black and Latina/o residents who are predominately renters.

Figure 6: Disparities in Home Equity are a Major Component of the Racial Wealth Gap in New Jersey



Source: Authors’ analysis of the Survey of Income and Program Participation (SIPP) 2018, Wave 1.

Given that the greatest source of household wealth in the U.S. is the primary home,⁶⁹ combatting the racial wealth gap in New Jersey requires expanding homeownership for Black and Latina/o families and making equitable the ability to enjoy the financial benefits of homeownership across race, ethnicity and zip codes. With homeownership a crucial wealth-building tool making up over a third of total net worth nationally,⁷⁰ New Jersey must enact policies that support families of color in accessing the wealth-building opportunities of homeownership in the neighborhoods of their choosing just as its policies have done for generations of white people.

Policy Recommendations

1. Expand Homeownership through a First-Generation Homebuyers Program

Without extended family wealth to turn to for a down payment and closing costs, Black families are more likely to face obstacles to homeownership. Thus, the racial wealth gap itself is a barrier to the wealth-building opportunities of homeownership. This is especially true in New Jersey, where the cost of a typical home was \$335,607 in 2019, the eighth highest of any state in the country,⁷¹ and prices have risen dramatically during the pandemic. To help expand homeownership for New Jersey's Black families and other families of color, the state should develop a first-generation homebuyer's program⁷² that offers down payment assistance and housing counseling to first-generation, first-time homebuyers, who are low and moderate income, to help purchase a home. By targeting first-generation homebuyers, the program will specifically combat generational wealth inequalities that exist due to a long history of racially exclusionary housing policies in ways that first-time homebuyers' down payment assistance programs do not. Similar initiatives are being considered nationally and a New Jersey first-generation homebuyers program can serve as an important step in combating inequities in wealth due to homeownership in the Garden State.

2. Establish a Fair Appraisal Law

In addition to crucial assistance for first-generation homebuyers, more must be done to address the broader inequities and barriers in the housing market that continue to create obstacles to Black homeownership. One important step that is needed is the elimination of discrimination in appraisals which artificially lowers the value of Black-owned homes. In addition to federal efforts to combat discrimination in appraisals, California recently passed a law to address discrimination in home appraisals.⁷³ In New Jersey, legislation has been introduced (A1519/S777) to combat discrimination in appraisals and supplement existing statute; the bill will ensure that home sellers seeking an appraisal will have information on how to report discriminatory actions and that those appraisers found to be engaging in discrimination face consequences such as having their license or certification revoked.⁷⁴ This legislation should be made as strong as possible and passed by the legislature.



Black families continue to face substantial obstacles to homeownership in New Jersey.

B. Work and Benefits

Jobs play a crucial role in providing the income that allows families to meet their everyday needs and are an important source of wealth-building opportunities. However, when wages are too low,⁷⁵ and hours too irregular,⁷⁶ employees struggle to make ends meet, let alone build long-term assets. By contrast, quality jobs with good incomes and adequate benefits provide long-term security and vital opportunities to build wealth and to protect against the financial burdens of common life events, such as illness or increased care-taking needs.⁷⁷ Such protections are ever more critical as the pandemic and increasing extreme weather due to climate change have led to greater uncertainties and disruptions in the labor market.⁷⁸

Importantly, employment-based benefits outside of salaries help employees with quality jobs to build and protect wealth, providing long-term security that income alone cannot.⁷⁹ For example, retirement benefits help employees save directly, while health insurance helps maintain the health of workers and their families while protecting their finances. Notably, other benefits, such as paid sick and vacation leave, tuition benefits, job flexibility – particularly for caregiving needs – and consistent pay are also key job characteristics that help build assets over time.⁸⁰ If you cannot take time off when you are sick, juggle work and family needs or depend on a regular paycheck in a predictable amount, saving for the future is a constant struggle.



Secure incomes over sustained periods that support and protect wealth are crucial for meeting daily needs as well as for helping families to build assets that maintain long-term security. It is clear that the characteristics of quality jobs are much more than a paycheck and include job security, health and safety, benefits, stable and predictable schedules and career advancement opportunities.⁸¹ Yet, we are currently facing a job quality crisis – with just 40% of workers nationally holding a quality job.⁸² In addition to the broader job quality crisis, we see widespread racial inequities in access to secure employment, and, particularly, quality jobs. Nationally, job quality for employees of color, and Black employees in particular, is lower than that for the broader workforce.⁸³ Black employees face systemic barriers to quality jobs, including discrimination in hiring as well as occupational segregation, wherein they are more likely to be concentrated in lower-paid jobs.⁸⁴

Black employees also experience higher unemployment rates at every educational level.⁸⁵ Black and Latina/o workers have faced the greatest loss of jobs and income during the pandemic, with 37% and 42% experiencing layoffs respectively and about half of both groups experiencing loss of income.⁸⁶

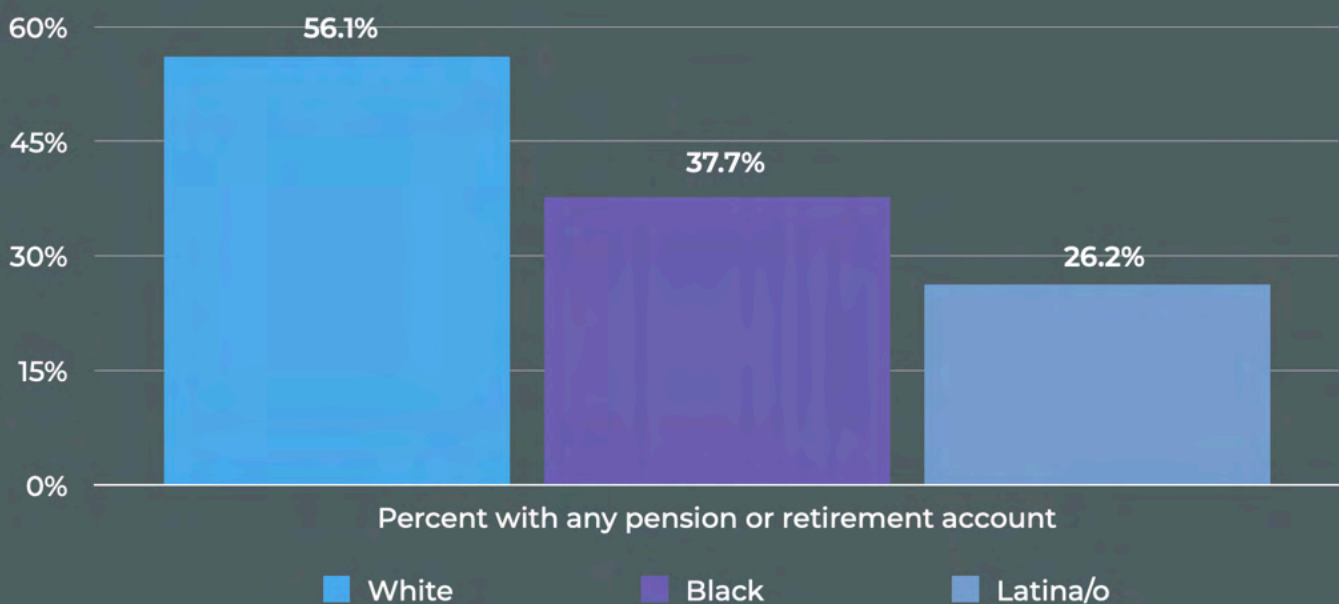
Like the nation more broadly, in New Jersey, inadequate employment quality and insufficient benefits lead to a lack of long-term security and opportunities to build and maintain wealth, particularly for Black workers and other workers of color. More than 1 million full-time, full-year New Jersey workers in the private sector do not have access to retirement benefits through their employer.⁸⁷ New Jersey is among the worst performing states (42 out of 50) in terms of access to retirement benefits for full-time employees, with just 53% having access and just 47% of employees actually participating in their work place retirement plans.⁸⁸

**NEW JERSEY IS
AMONG THE WORST
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THEIR WORK PLACE
RETIREMENT PLANS.**

In New Jersey, Black and Latina/o residents are substantially less likely to have any type of retirement account compared to their white peers (see Figure 7) and Latina/o full-time employees, in particular, have particularly low access to retirement accounts, with just 33% having access and just 28% participating.⁸⁹ This is particularly important because retirement accounts make up the second largest portion of household net worth⁹⁰ – yet, access to these vital wealth-building tools remains out of reach for many New Jerseyans of color.

The state has recently enacted some positive reforms that will help working families maintain and build financial security, but more is needed to expand access to the state’s prosperity. New Jersey’s passage of legislation that will raise the minimum wage to \$15 per hour by 2024 as well as the passage of paid sick leave⁹² are important steps,⁹³ but \$15 does not constitute a living wage. In New Jersey today, a living wage for one adult with one child is \$35.93 per hour,⁹⁴ well-beyond the 2022 minimum wage of \$13.00 per hour.⁹⁵ Another constructive step was the recent passage of a Secure Choice program that makes tax-deferred retirement savings more accessible to employees who previously did not have a retirement savings program at work, which is currently being implemented.⁹⁶ Yet, employers cannot match employee contributions in the program,⁹⁷ limiting the benefit to employees. Though these new initiatives move New Jersey in the right direction, more must be done to ensure that all jobs in New Jersey are quality jobs and that employees can grow their wealth – particularly those of color who are much less likely to have a financial cushion.

Figure 7: Increased Retirement Savings Are Urgently Needed For New Jersey Black and Latina/o Residents



Source: Authors’ analysis of the Survey of Income and Program Participation (SIPP) 2018, Wave 1.⁹¹ Retirement savings included in this analysis include any work-based retirement benefits including traditional pensions and 401ks, 403bs, etc. as well as IRAs and Keogh accounts.

Making sure that more jobs in New Jersey are quality jobs and helping more low-income families of color access those quality jobs must be a priority. As the pandemic continues to impact family finances, ensuring steady income streams and enhancing connections between work and wealth-building will be imperative for closing the racial wealth gap in New Jersey. Too many families, particularly families of color, depend on jobs and incomes that do not provide stability, security or mobility. There is no question that our current workplace systems are not doing enough to expand access to quality jobs that support daily well-being as well as long-term wealth-building.

Policy Recommendations

1. Improve Quality of Existing Jobs in New Jersey through Workplace Benefits & Protections

Inequities in the labor market have become even more clear as the pandemic forced many essential workers, who are more likely to be people of color, to risk their health for substandard employment.⁹⁸ But the collective power to change current labor market conditions is within reach.⁹⁹ New Jersey should build on recent initiatives by making improvement of job quality in the state a priority by expanding living wages and workplace benefits and protections to help employees maintain stable, quality employment. One important effort is the Fair Workweek Act (A807/S362),¹⁰⁰ which is currently pending in the New Jersey legislature and will require employers to provide adequate notice regarding employee schedules, sufficient rest between shifts and guaranteed pay for cancelled shifts.¹⁰¹ This bill is an important step in ensuring that jobs in New Jersey meet basic standards for quality and will be an important part of a comprehensive effort to enhance job quality in New Jersey. The New Jersey legislature should pass this bill and the Governor should sign it as a part of a broader effort to improve the quality of jobs in New Jersey.

2. Expand Access to Quality Jobs



Apprenticeships can provide workers of color with training for jobs that pay a living wage and create career pathways.

With racial disparities in employment a long-standing concern that has been exacerbated by the pandemic, more must be done to help ensure that all New Jersey residents who are able to work have access to a quality job. As the Institute's report *Becoming the United States of Opportunity: the Economic Equity and Growth Case for Apprenticeships* demonstrates, apprenticeships provide an important pathway for quality, middle-skill jobs, but have often excluded women and people of color. Over three years ago, a package of ten bills was introduced in the state Senate to expand and diversify apprenticeships in the state of New Jersey based on the Institute's research;¹⁰² since then, six of those bills have passed, including legislation to create an apprenticeship diversification task force,¹⁰³ a transportation and childcare subsidy

pilot program,¹⁰⁴ and a peer-to-peer mentoring program for women, people of color and people with disabilities.¹⁰⁵ These programs represent important initiatives in the state to expand access to quality, middle skill jobs and must be fully implemented, evaluated and renewed as appropriate to ensure long-term impact. Building on these initiatives, the state should continue to support apprenticeship expansion and other opportunities that expand access to quality jobs, particularly for employees of color who have traditionally faced barriers to quality employment and are facing the greatest financial obstacles during the pandemic.

3. Create a Statewide Guaranteed Income Program

New Jersey policymakers should join the many leaders around the country that recognize that a guaranteed income should be available to all families to ensure that no family in the wealthiest country in the world struggles to meet basic needs and that families have greater protections when facing income volatility. Recent guaranteed income programs in cities across the country,¹⁰⁶ including recently initiated pilot programs in Newark¹⁰⁷ and Paterson,¹⁰⁸ as well as the federal expansion of the Child Tax Credit (CTC) for 2021,¹⁰⁹ highlight the growing momentum for guaranteed income programs. While attention to guaranteed income policies has grown in recent years, the underpinnings of today's efforts started much earlier with support from FDR's 1934 Commission on Economic Security¹¹⁰ and Martin Luther King, Jr.¹¹¹ New Jersey should expand security in the state by building on mounting efforts for guaranteed income and creating a statewide guaranteed income program. California's recent unanimous, bipartisan passage of a guaranteed income program for young adults who have aged out of foster care and for qualifying pregnant people will be the first statewide guaranteed income program.¹¹² New Jersey should take the lead in this area by passing an even more comprehensive program. As the Institute has testified,¹¹³ the state has an opportunity to use federal dollars from the American Rescue Plan (ARP) to launch a guaranteed income program,¹¹⁴ as several other jurisdictions,¹¹⁵ including Newark,¹¹⁶ are already doing.

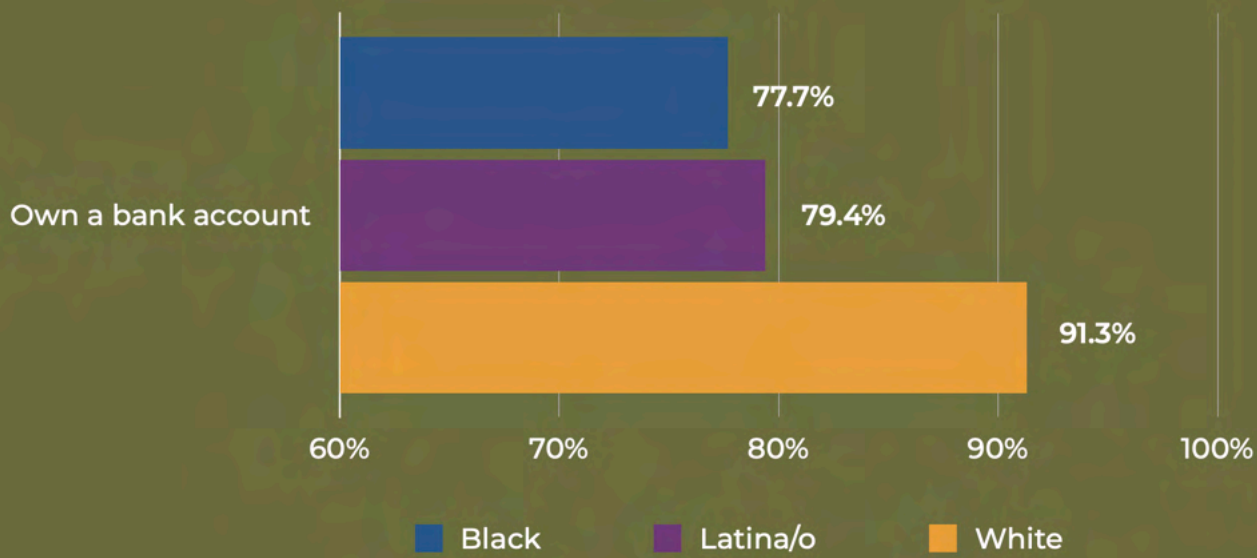
C. Unequal Access to Intergenerational Wealth-Building Assets



NATIONALLY, LESS THAN ONE IN TEN (8%) BLACK FAMILIES GET AN INHERITANCE COMPARED TO OVER ONE-QUARTER OF WHITE FAMILIES (26%).

Having wealth and assets helps individuals and families grow their wealth; thus, the racial wealth gap – created by design over generations – can reinforce itself without policy interventions that promote equity and repair. A key reason for this is that families with wealth are able to give their kids a financial head start from day one.¹¹⁷ By helping their kids with the costs of college or a down payment on a house, families with wealth are much more likely to be able to give their kids financial endowments that help them invest and grow their wealth.¹¹⁸ Due to our social foundation of inequities and the existing racial wealth gap that is rooted in discrimination and exclusion, white families are much more likely to have wealth to pass on to their children. Nationally, less than one in ten (8%) Black families get an inheritance compared to over one-quarter of white families (26%).¹¹⁹

Figure 8: Disparities in Access to Banking among New Jersey Residents



Source: Authors' analysis of the Survey of Income and Program Participation (SIPP) 2018, Wave 1 among residents 15+.

Among the small fraction of Black families who do receive inheritances, the average value of that inheritance is just over one-third of the average for white families.¹²⁰

After generations of financial insecurity perpetuated by legal and social obstacles, even when Black people are able to accumulate wealth despite ongoing barriers, they are often more cautious and conservative in their investments than their white peers, which can lead to lower long-term returns.¹²¹ Nationally, only about a third of Black families hold any stocks (33.5%) compared to over 60% of white families.¹²² Here in New Jersey, additional disparities are seen in key financial assets. For example, Black and Latina/o New Jerseyans are much less likely than their white peers to have a bank account (see Figure 8). Though the data reveal that while the majority of New Jersey residents hold some form of banking account, racial disparities in bank account ownership persist.

Preexisting family wealth and assets help individuals and families grow and maintain their long-term economic security and wealth. To overcome these patterns, policy needs to directly combat these inequities in access to resources to equalize the playing field for people not born with financial endowments. That means ensuring that banks meet the needs of Black and Latina/o families and do not charge them higher rates for banking and lending services than their white counterparts. New Jersey has a number of consumer protections for basic banking accounts relating to initial deposit and minimum balance requirements and service charges,¹²³ but given the ongoing disparities in banking access, more should be done to help families access banking services. Overall, New Jersey needs comprehensive action to combat the racial wealth gap so that New Jerseyans of color can build financial-security and assets, even if they are not born into families with wealth. Policy reforms must ensure that the racial wealth gap is not self-reinforcing across generations to ensure our state's prosperity is truly shared by all; the following two proposals should be part of a comprehensive effort to equalize wealth-building opportunities for the next generation.

Policy Recommendations

1. Launch a Robust New Jersey Baby Bonds Program

Because ongoing impacts of past policies are seen in current racial disparities in intergenerational wealth, we must equalize the playing field from birth. Because of the existing racial wealth gap, young people of color are much less likely to have extended family wealth to support education or other mobility opportunities as they enter into adulthood. Baby bonds are an important initiative to provide low-income or low-wealth newborns a financial endowment – already available to so many of their higher wealth peers – that grows over time and which they can use as young adults to help pay for college, buy a home or start a business. Support from Governor Murphy in 2020 created momentum for the creation of a New Jersey Baby Bonds program, and corresponding legislation has been introduced.¹²⁴ Connecticut recently passed its own baby bonds program that will provide newborns with a \$3,200 initial investment that is expected to grow to over \$10,000 when they reach 18 years old.¹²⁵ New Jersey should pass a strong, progressive baby bonds program that incorporates sustainable funding sources and automatic enrollment to close the racial wealth gap for the next generation.

2. Enhance Financial Empowerment Programs in New Jersey

While a lack of financial literacy did not create the racial wealth gap,¹²⁶ teaching personal finance and financial skills can help reduce financial inequities given existing racial disparities in financial knowledge.¹²⁷ Racial disparities in access to financial education also exist that must be remedied to empower families of color to have the tools they need to build wealth.

While 11.9% of all students across all schools are required to take a financial education course to graduate high school, just 7.4% of schools that are predominately Black and Brown students have a financial literacy requirement.¹²⁸

Currently, students in New Jersey are required to take 2.5 credits in “financial, economic, business, and entrepreneurial literacy,”¹²⁹ an important start toward increasing the financial knowledge of students. In addition, the recent passage of A3062,¹³⁰ which creates three-year financial empowerment pilot programs for economically vulnerable New Jerseyans through competitive grant programs,¹³¹ will provide important insights into successful financial empowerment programs that can be carried out long-term across the state for adults. Along with these existing efforts, a promising bill has been introduced that will help young people financially plan for the future, particularly in regard to higher education. A1296 would require that the high school graduation requirement on financial literacy include curricula on tuition assistance and student loans and that students meet with a guidance counselor to discuss higher education financing and loans before their senior year.¹³² New Jersey should pass this legislation and continue to work to enhance its financial education programs to ensure that they meet the needs of students of color.



Connecticut recently passed its own baby bonds program that will provide newborns with a \$3,200 initial investment that is expected to grow to over \$10,000 when they reach 18 years old.

D. Student Loans Weighing Down Black Borrowers

The student loan crisis disproportionately burdens Black students and borrowers. Today, over \$1.75 trillion dollars in outstanding student loans¹³³ are a burden to a generation of borrowers. Still, the overall figures mask the heavy toll paid by Black students, who often have greater financial need and are less likely to have intergenerational financial wealth to help pay off their loans.¹³⁴ With fewer family assets to turn to for crucial investments in higher education, Black individuals and families must borrow more often than their white peers for college and typically must take on more debt.¹³⁵ Then, after leaving school with fewer extended family resources to help pay off higher education debt and more likely to face discrimination in the labor market, Black borrowers often have more difficulty paying off their student loans.¹³⁶



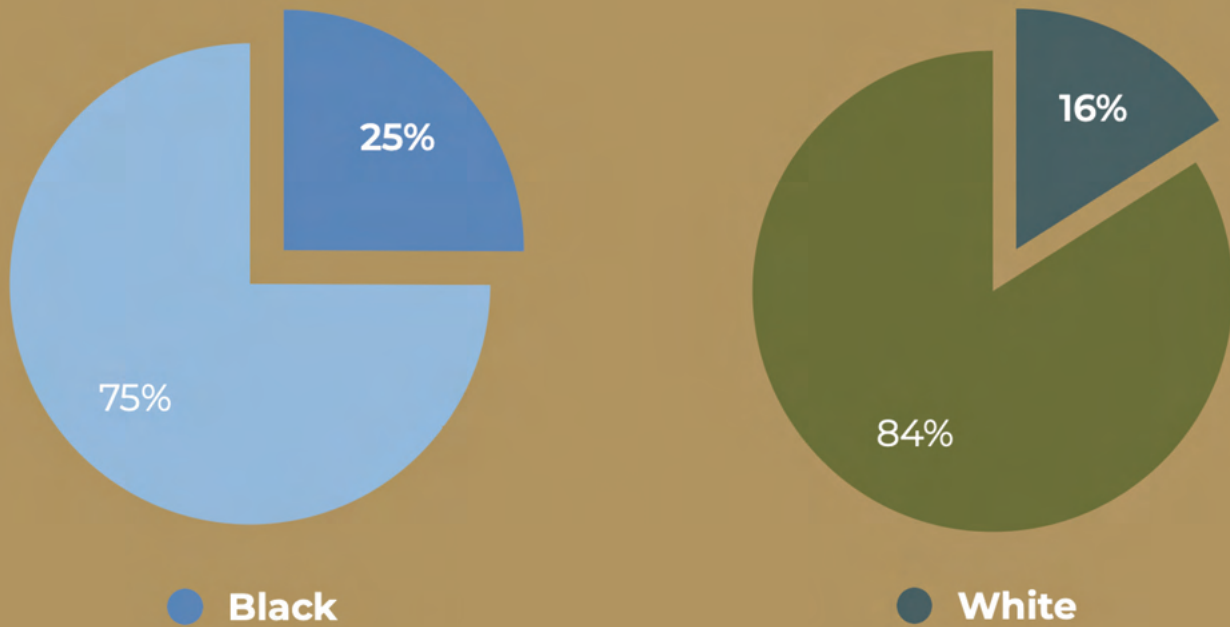
The Institute's report *Freed from Debt: A Racial Justice Approach to Student Loan Reform in New Jersey* underscores that the national student loan crisis, which has been growing in recent decades as public higher education investments have declined, has particularly hurt Black students across the country and in New Jersey.¹³⁷ It is clear that the growing toll of student loans on New Jersey's borrowers, where the average graduate leaves college with \$33,566 in debt,¹³⁸ places an undue burden on

IT IS CLEAR THAT THE GROWING TOLL OF STUDENT LOANS ON NEW JERSEY'S BORROWERS, WHERE THE AVERAGE GRADUATE LEAVES COLLEGE WITH \$33,566 IN DEBT, PLACES AN UNDUDE BURDEN ON BLACK BORROWERS.

Black borrowers. Among New Jerseyans, one quarter of Black residents (25.3%) of the state hold some kind of educational loan, compared to about one in six of the state's white residents (16.0%) and the state population overall (16.5%) (see Figure 9).¹³⁹

Ballooning student debt levels have led to a growing national movement¹⁴⁰ to cancel student debt, along with a growing recognition that the mounting burden of student debt on people of color is a racial equity issue.¹⁴¹ Recent research has shown that the gains in wealth for Black borrowers from student debt cancellation would be substantial and could be transformative for Black families.¹⁴² The movement to #CancelStudentDebt continues to push President Biden to use executive action to immediately provide relief to the millions of federal student loan borrowers who are approaching an end to the pause in repayment of federal loans that was initiated during the pandemic.¹⁴³

Figure 9: One in Four Black New Jerseyans Holds Student Loans



Source: Authors' analysis of the Survey of Income and Program Participation (SIPP) 2018, Wave 1.

New Jersey, like many states, failed in recent decades to make the necessary investments in higher education to avoid a student loan crisis. As a result, declining state support shifted the costs of college onto students.¹⁴⁴ Instead of the system we see today, higher education should be available to all and not require a decades-long debt burden that limits opportunities for young people as they transition into adulthood. Ensuring this accessibility, particularly for Black students and other students of color here in New Jersey, will require investments in our public colleges and universities to avoid future burdens, while simultaneously providing crucially needed relief to today's borrowers. In addition to federal cancellation, we need action in the states – where the foundation of our public higher education system exists. In higher education and across our public policies, to close the racial wealth gap we must move boldly to construct clear pathways to financial security that do not shift costs onto those who are least able to pay.

Policy Recommendations

1. Cancel Student Loans to Repair the Harm of Underfunded Higher Education

It is imperative that we ensure that higher education in New Jersey is accessible and affordable to families without extended family wealth. In New Jersey, as is true across the country, those who have greater financial need for college are more likely to be Black students and other students of color. Our state and our economy will be stronger when access to higher education does not come with a debilitating, decades-long debt burden. Today's borrowers must be made whole after decades of declining investment in higher education, while the next generation of students should never have to take on the onerous debts we have seen in recent years. Thus, in order to ensure that higher education truly serves to expand economic opportunity and provide mobility, we must address the needs of both current borrowers and future students.

It is imperative that we provide student loan cancellation relief for current borrowers, while we simultaneously increase investments in higher education in the state to expand access to a four-year, tuition-free public higher education.

2. Remove Financial Barriers to Higher Education through Increased State Investment

The Community College Opportunity Grant (CCOG) and the Garden State Guarantee are important initiatives that are helping the state expand college access; we must build on these and ensure that tuition-free college opportunities are both permanent and sustained.¹⁴⁵ The implementation of the Garden State Guarantee¹⁴⁶ in combination with the CCOG will bring us closer to ensuring that low-income students will have access to four years of tuition-free higher education in New Jersey. A successful implementation of the Garden State Guarantee, which received funding in the 2022 budget to get the program started,¹⁴⁷ and enlarging awareness of the options for tuition-free college will be crucial for expansion of access to college in New Jersey for low-income families of color. Increased scholarship funding in the Tuition Aid Grant (TAG) program – New Jersey’s primary grant program¹⁴⁸ – is also a positive step.¹⁴⁹ The state must ensure increased financial support for students is sustained and not outweighed by future tuition increases by expanding investments in higher education. With the Biden Administration decision to restart student loan payments on May 1 and delays in providing broad student cancellation at the federal level,¹⁵⁰ it is imperative that New Jersey makes robust investments in higher education to meet the needs of students so that we end the cycle of student loan debt in our state that is weighing down so many students today.

3. Increase Transparency & Understanding of Student Loan Disparities

As we continue to address the student loan crisis in the Garden State through a multi-pronged approach, we need more and better data on state-level impacts of student loans by race and ethnicity. With the recent passage of A5380/S3683,¹⁵¹ which requires institutions of higher education to provide detailed information on the indebtedness of their students by race, ethnicity, family income, first-generation status and other demographics, we have an opportunity to improve our understanding of disparities in student loans in New Jersey. Full implementation of this legislation will promote greater transparency for students and improve our understanding of student loan disparities in New Jersey in order to create policy that will address existing inequities in higher education.

Why New Jersey Must Say the Word: Reparations to Close the Racial Wealth Gap

From birth to retirement, our policies shape the economic lives of families. For too long, those policies have supported wealth-building activities for predominantly white people, while erecting obstacles to building assets for Black people and other people of color. The result is the inequities that we see today: the Two New Jerseys. To create an inclusive economy in New Jersey, we must be proactive in our approach to redressing the exclusionary policies of the past and building shared prosperity. To do this, we must repair the harm. We must say the word: Reparations.¹⁵²

In the wake of the 2020 racial justice activism sparked by the murder of George Floyd, and as the pandemic disproportionately impacts Black and Brown New Jerseyans,¹⁵³ the urgency of ensuring racial equity and economic justice has come into greater focus; however, the need to act has remained consistent. We must commit as a state to investing in a more equitable future. Several opportunities lie before us to do so, as outlined in the comprehensive set of policy proposals above. However, to fully address the harms of the past and close the racial wealth gap, we must repair the harm of systemic racism that started with the institution of slavery. This requires reparative policies. This requires reparations.



Policy Recommendation

New Jersey Must Establish the New Jersey Reparations Task Force

Reparations must be a part of any conversation about closing the racial wealth gap. To advance the movement for repair here in the state of New Jersey, policymakers must swiftly enact A938/S386 to establish the New Jersey Reparations Task Force,¹⁵⁴ which will research and develop proposals for repairing the harm of slavery and the legacy of systemic racism left in its wake. The urgently needed task force will ensure that the state finally reckons with its past as the “slave state of the North”¹⁵⁵ and takes proactive measures to repair the cracks in our state’s foundation that began with slavery and are maintained by ongoing structural racism built into our institutions.

California recently became the first state to create a task force to study state reparations¹⁵⁶ and other localities, such as Evanston, Illinois,¹⁵⁷ and Asheville, North Carolina,¹⁵⁸ have passed reparations programs. With momentum growing for reparations programs and a growing consensus that racial equity has been denied for too long after the racial justice protests, now is the time for New Jersey to be a leader in establishing a Reparations Task Force and meet the challenge head on by meeting the moment with reparative policies – that is, with reparations.¹⁵⁹ The task force should present strategic and targeted proposals to repair the harms of generations of structural racism and to ensure that moving forward our public policies, including our financial and taxation systems in the state, do not continue to exacerbate racial wealth disparities.

CONCLUSION

There are Two New Jerseys.

In one New Jersey, too many Black families and other families of color are struggling to make ends meet. In the other New Jersey, in predominantly white communities, families have wealth to weather financial emergencies and invest in the future. We can and we must chart a new path forward that expands economic security in all zip codes in New Jersey, particularly among Black families and other families of color who do not have intergenerational wealth to rely on. The policy recommendations outlined in this report provide a road map for building a stronger and more equitable New Jersey, one New Jersey in which we repair the harms of the past and ensure that the prosperity of the state is truly inclusive.

The time to repair the harm is now.

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³⁸U.S. Census Bureau, *Wealth, Asset Ownership & Debt of Households Detailed Tables: 2017*, <https://www.census.gov/data/tables/2017/demo/wealth/wealth-asset-ownership.html> (last visited Jan. 6, 2021) (download file “Wealth and Asset Ownership for Households, by Type of Asset and Selected Characteristics: 2017” and view first worksheet in file).

³⁹NJISJ analysis of 2018 Survey of Income and Program Participation (SIPP) data, Wave 1 representing December 2017. In this and all NJISJ analysis of SIPP data in this report, Black and white people do not include people who identify as Hispanic or Latina/o. Latina/o people include all people who identify in the SIPP survey as “Spanish, Hispanic, or Latino.” Also, for the purposes of this analysis, the race of a household is determined by the race of the person defined by the SIPP as the householder. The SIPP provides the only available data for state-level analysis of wealth and is thus used in this report for state-level analyses and for national comparisons. The Survey of Consumer Finances (SCF) is the most commonly cited survey on the U.S. racial wealth gap and often considered the ‘gold standard’ of wealth estimates in the U.S. nationally (see endnote 36). The SCF wealth estimates tend to be a bit higher than SIPP estimates in part because the SCF survey is better able to calculate the wealth of high wealth individuals due to oversampling of wealthy households. Because of this, the high value of median wealth for New Jersey white families, as seen in the SIPP analysis in this report, is likely a conservative estimate. While the estimates for Black and Latino median wealth in New Jersey in Figure 2 appear slightly higher than the national medians, the national estimates are within the range of uncertainty (i.e. confidence intervals) for the New Jersey median wealth estimates. Thus, the New Jersey median wealth estimates are not meaningfully different from the national estimates. While SIPP analysis of median wealth by race/ethnicity in the U.S. produces somewhat lower estimates than the SCF, the SIPP is overall a comparable source of wealth information and remains an important source of wealth data in the U.S., particularly at the state-level. For comparisons of the SCF and SIPP data, see Eggleston & Hays, *Evaluating Wealth Data in Wave 4 of the Redesigned 2014 Survey of Income and Program Participation*, U.S. CENSUS BUREAU (April 24, 2021), <https://www.census.gov/content/dam/Census/library/working-papers/2021/demo/sehsd-wp2021-05.pdf>; John L. Czajka et al., *Survey Estimates of Wealth: A Comparative Analysis and Review of the Survey of Income and Program Participation*, SOCIAL SECURITY BULLETIN, 65: 63-69, <https://www.ssa.gov/policy/docs/ssb/v65n1/v65n1p63.html>.

⁴⁰NJISJ analysis of 2018 SIPP data, Wave 1.

⁴¹For analysis of individual-level wealth in the SIPP, jointly held assets are split evenly across two partners when households include more than one adult with jointly held assets. So, for example, if two partners in a household jointly owned \$1,000 in wealth, their individual wealth in these calculations would be \$500 each.

⁴²The estimates for individual-level net worth for white New Jerseyans and Black and Latinas/os New Jerseyans represent an update of the results published in the Institute’s 2020 data brief, “Black and Brown in New Jersey.” That earlier publication utilized SIPP data from December 2016 (from Wave 4 of the 2014 panel), while this report utilizes SIPP data from December 2017 (Wave 1 of the 2018 panel). The previous estimate for median individual-level net worth for white residents in New Jersey was \$106,210 and the median individual-level wealth for Black and Latina/o residents of the state was estimated at \$179. Using the updated data, our best estimate for median individual-level wealth for Black residents is now \$4,900. This estimate has a range of uncertainty from -\$872 to \$10,672, indicating that we are 95% confident that the true value in the population is within this range. Thus, while our current best estimate has increased, we do not have sufficient evidence to confirm that median wealth has truly changed among Black New Jerseyans. For Latinas/os, the individual-level median net worth estimate of \$2,310 has a smaller range of uncertainty with our results suggesting that the true median individual-level wealth among Latinas/os in New Jersey is between \$301 and \$4,319.

⁴³Bhutta et al., *supra* note 36.

⁴⁴Valerie Wilson, *Racial Disparities in Income and Poverty Remain Largely Unchanged Amid Strong Income Growth in 2019*, ECONOMIC POLICY INST.: *Working Economics Blog* (Sept. 16, 2020), <https://www.epi.org/blog/racial-disparities-in-income-and-poverty-remain-largely-unchanged-amid-strong-income-growth-in-2019/>.

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⁵⁴The mortgage interest deduction allows interest payments on the first \$750,000 in debt to be included as itemized deductions from federal taxes for those who itemize, providing a substantial tax deduction for homeowners that is not available to renters. The larger the interest payments – up to the cap – the greater the benefit to households. Thus, those with larger homes and greater interest payments are able to deduct more up to the limit. With the increased standard deduction on federal income taxes in recent years, the number of people who itemize and take advantage of the mortgage interest deduction has decreased and the households who do so today are likely to be among the highest earning households.

⁵⁵JOHNSON ET AL., *supra* note 11.

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