Fifty years ago this April, Dr. Martin Luther King, Jr. looked to Newark and other urban communities and explained that the country consisted of “Two Americas.” In one America, “children grow up in the sunlight of opportunity.” In the other America, people of color “find themselves perishing on a lonely island of poverty in the midst of a vast ocean of material prosperity.”

Perhaps no other city embodies both the reality of the Two Americas and the possibility of bridging these entrenched divides more than the city of Newark. Newark also embodies the persistent race and class divisions of the Two Americas, as local residents—predominantly people of color—are largely excluded from the burgeoning economic opportunities in their own city. Newark is in the midst of an economic expansion, with thriving business industries bolstered by its strategic location as one of the main transportation hubs in the United States, with one of the busiest airports and seaports in the world. The city is home to major Fortune 500 companies, world-class research universities and cultural institutions, a dense network of manufacturing companies, and a large array of hospitals and community health centers.

Yet, incredibly, Newark residents hold only 18 percent of all jobs in the city.

This makes Newark an outlier among similarly-situated cities. In Baltimore, local residents hold 33 percent of jobs; in Cleveland local residents hold 24 percent of jobs; in Detroit, local residents hold 25 percent of jobs; and in New Orleans, local residents hold 46 percent of jobs.

This lack of access to employment is at the root of why Newark has a poverty rate twice the national average. Newark’s average unemployment rate for 2015 — 8.8 percent — is approximately 70 percent higher than the 2015 average unemployment rate for the United States (5.3 percent), and approximately 60 percent greater than the 2015 average unemployment rate for the State of New Jersey (5.6 percent).

While the “sunlight of opportunity,” exists for some, about one-in-three local residents live below the federal poverty line. Ninety-five percent of these residents living in poverty did not have a full-time job during the past year.

While the majority of people working in Newark (56.4 percent) earn more than $40,000 annually, less than one-third of employed Newark residents—working in any city—earn that amount. Sixty-two percent of Newark households qualify as “ALICE,” meaning that they are asset-limited, income-constrained, and employed. These residents do not have enough income to meet their basic needs for housing, healthcare, food, transportation, and childcare.

Almost 70 percent of Newark residents earn less than $40,000, which means many of them are working and still living in poverty.
For those Newark residents who are employed in their city, they tend to be concentrated in lower-paying jobs. In comparison with non-Newark residents, Newark residents hold:

- 26 percent of jobs paying less than $15,000 annually in Newark (which are part-time jobs)
- 28 percent of jobs paying between $15,000 and $40,000 per year
- 10 percent of jobs paying more than $40,000 annually.

Race is an intrinsic piece of this story of inequality. People of color in Newark have the highest unemployment rates, with Black residents experiencing an unemployment rate double that of white residents.

While almost three-quarters of Newark residents are people of color, 60 percent of the people employed in Newark are white. Just 31 percent of the people employed in Newark are Black, and only 20 percent are Latino.

These racial disparities in employment cannot be explained by Newark residents not wanting to work or not being qualified for work.

“All too often when there is mass unemployment in the black community, it’s referred to as a social problem and when there is mass unemployment in the white community, it’s referred to as a depression. But there is no basic difference. The fact is, that the negro faces a literal depression all over the U.S.”
– Dr. Martin Luther King, Jr.

Local residents have the same labor force participation rate (63.2 percent) as the rest of the United States (63.7 percent), as well as higher unemployment. Since the labor force only includes people who are either (1) employed (full or part-time), or (2) unemployed, this means that the City of Newark has a greater proportion of people who are ready and willing to work, but who cannot find either full or part-time work.

Not only do Newark residents want to work, they are also willing to commute long distances for work at a great financial and time cost. Among employed Newark residents, 60 percent of them commute to other counties in New Jersey and New York for employment, and most of the employed Newark residents (61.9 percent) drive to work. About one-fourth (26.4 percent) of employed Newark residents rely on public transportation for work, with nearly half of them (48.3 percent) having a commute of at least 60 minutes.

Finally, the inability of Newark residents to obtain work locally cannot be explained by disparities in educational achievement.

Thirty-one percent of people employed in Newark have a B.A. or other advanced degree, in comparison to 19 percent of employed Newark residents. While this suggests that there is a greater demand among employers for college-educated workers than could be filled by Newark residents alone, it is too small of a difference to account for the extremely low percentage of Newark residents employed in the city.

Since nearly 7 out of 10 jobs in Newark do not require a four-year college degree and Newark residents are over-represented in the city’s low-paying, low-skill jobs, it appears that they are significantly under-represented in middle-skill jobs. These jobs typically require some training or education beyond high school, but not a four-year degree.

Instead, these disparities are systemic failures that require systemic solutions.
THE OPPORTUNITY

These striking disparities that deprive Newark residents – particularly people of color – from obtaining local employment and earning a living wage are the result of policies and practices. These statistics reflect the accumulation of decades of law and policy decisions at the federal, state, and city level, structural changes in the economy, and discrimination that limited economic opportunity and made it more difficult for people of color to connect to work. And behind each statistic is a person with a family struggling to make rent or buy medication as economic opportunity flourishes around them.

The policies and practices that created and sustained the Two Americas can – and must – be addressed.

To bridge the Two Americas there must be both legal and policy reforms, as well as jobs programs that connect people with employment that pays a living wage.

LAW AND POLICY REFORM

Recommendation for the City of Newark

- Reform Newark’s First Source Ordinance:

The City of Newark, like several other large cities around the country, has a “first source” ordinance, which requires companies doing business with the City to use local residents as their “first source” for hiring on these government contracts. This First Source ordinance, which requires contractors and other parties doing business with the City to “take affirmative steps to the greatest extent feasible to employ forty (40%) percent of qualified Newark residents,” was passed about fifteen years ago, but its effectiveness is unclear. As the ordinance is currently drafted, contractors’ “best efforts” to comply with this law primarily consist of communicating their hiring needs to the City, and tracking information about applicants and people actually hired, including their residency status. Based on the text of the law, it does not appear that there is any ongoing reporting requirement or consequence for contractors that fail to comply with this law—either for their current contract with the City or for their competitiveness in obtaining future government contracts.

Given the wide-ranging scope of economic development and activity in Newark and the very low percentage of residents who are employed in the city, the First Source ordinance should be revisited and amended.
Because any preference for local residents over the residents of other states impacts the Privileges and Immunities Clause of the U.S. Constitution, Newark—and other localities—must demonstrate that there is a “substantial reason” for the difference in treatment, and “a close relation” between the objective of the law and the differential treatment. Since other constitutional provisions may be implicated, there must be precise statutory drafting of the First Source ordinance, with a legislative record to support the statute and its objectives.

In weighing possible amendments to the Local Source ordinance, the City Council should consider bringing a broader array of city-financed or supported economic activity under the law. For instance, San Francisco’s First Source law covers “any activity that requires discretionary action by the City’s Planning Commission related to a commercial activity over 25,000 square feet including, but not limited to conditional use,” “any building permit applications for a residential project over 10 units,” “City issued public construction contracts in excess of $350,000,” “City contracts for goods and services in excess of $50,000,” “leases of City property,” and “grants and loans issued by City departments in excess of $50,000.”

The City should also consider establishing more direct pathways between employers covered by the First Source ordinance and the city’s workforce system, like the referral systems in San Francisco and New Orleans.

Finally, the City Council should consider establishing a more rigorous reporting and enforcement system for its First Source ordinance, like the requirements under Washington, D.C. or Baltimore’s First Source laws. In Washington, D.C., businesses bidding on city contracts must include an outline of their strategy to comply with the Local Source law in the bid solicitation, and the winning bidder or offeror must submit an employment plan for compliance for approval before beginning work associated with the contract or project. In Baltimore, businesses receiving certain city contracts or subsidies must submit detailed monthly reports on their compliance with the Local Source law.

**Recommendations for the State of New Jersey**

“Most of the poverty stricken people of America are persons who are working every day and they end up getting part-time wages for full-time work.” – Dr. Martin Luther King, Jr.

- **Raise the Minimum Wage in New Jersey:**

As one of the wealthiest states in the nation, with one of the highest costs of living, New Jersey should ultimately raise its minimum wage to a living wage. Currently, a living wage in the State of New Jersey for a single adult is $12.64 per hour, although it is even higher for a single adult in Essex County, where Newark is located ($13.04 per hour). Given the substantial economic research supporting raising the national minimum wage to $12 an hour, and the many competitive economic advantages that the State of New Jersey enjoys over other states, the State legislature should immediately raise the minimum wage to $12 per hour. The Legislature should also adopt an expeditious phase in of an increase of the minimum wage to $15 per hour, similar to California and New York’s adoption of a $15 per hour minimum wage. This increase will enable New Jersey employers to remain competitive with neighboring New York State employers in attracting employees, and it will increase the ability of many individuals and families in the state to support themselves, lifting hundreds of thousands of people out of poverty, and reducing the gender and race pay gaps in the state.

- **Tax Credits and Additional Funding for Apprenticeship Programs:**

The New Jersey Legislature should allocate additional funding for apprenticeship programs in the state, which help directly bridge the middle skills gap between unemployed or under-employed people and employers. The U.S. Department of Labor estimates that every federal dollar of investment in apprenticeship programs yields more than $50 in federal revenue. If the State of New...
Jersey realizes a similar return on investment, these programs will more than pay for themselves over time, as well as enabling thousands of residents to enter career paths that pay a living wage and provide the opportunity for career advancement.

- **Amend the Opportunity to Compete Act:**

While the Opportunity to Compete Act (also known as the Ban the Box law) was an important first step in improving access to employment for people with convictions in New Jersey, it needs to be strengthened.

Past convictions still present a major barrier to employment for thousands of residents because under the Opportunity to Compete Act, employers are only prohibited from asking about an individual’s criminal record during the “initial employment application process,” which ends when the employer has conducted a first interview of the job applicant. The law should be amended to only permit employers to inquire about an applicant’s criminal history and complete a background check after a conditional offer of employment is extended.

Then, in order for the employer to rescind the conditional offer of employment, it should be required to provide a written explanation to the applicant of why the criminal history makes him or her ineligible for the position, and provide the applicant an opportunity to respond, before the employer extends the offer to another applicant. Employers should also be prohibited from rescinding job offers based on non-violent offenses, and they should be required to report any rescinded job offers and the justifications to the Equal Employment Opportunity Commission. New Jersey should also examine and publicly report on the denial of employment based on criminal convictions on different racial and ethnic groups in the state. In addition to government enforcement of this law, there should also be a private right of action to facilitate enforcement.

- **Collateral Consequences:**

The New Jersey State Legislature should conduct a holistic analysis of the over 1,000 collateral consequences under state law, including the over 600 employment-related restrictions, in order to assess whether each restriction is necessary for public safety. To the extent that a collateral consequence is viewed as necessary, legislators should also amend the law to place a time limitation, since research indicates that after a period of time following a conviction, that person is no more likely to commit a crime than a person without a conviction. Unnecessary restrictions should be repealed, and other employment-related restrictions should be reformed so we do not subject people to what amounts to lifetime punishment. The legislature should also examine and publicly report on the impacts of these restrictions on different racial and ethnic groups in New Jersey.

**HIRING STRATEGIES**

Targeted jobs programs are integral to bridging the Two Americas. Below are overviews of three effective strategies:

- **Targeted Government Jobs Programs**
- **Anchor Institution Hiring and Procurement Strategy**
- **Entrepreneurship Strategy**

For a step-by-step guide on implementation of these strategies, please refer to our report, “Bridging the Two Americas: Employment and Economic Opportunity in Newark and Beyond.”

**TARGETED GOVERNMENT JOBS PROGRAMS**

There is precedent for effective government initiatives to address widespread unemployment and poverty while meeting public needs. During the Great Depression, the federal government established the Works Progress Administration (WPA), which provided employment for unemployed youth and adults in a range of fields, including construction, forestry, food preparation, research, and the arts, and the Civilian Conservation Corp (CCC), which provided employment for young men to work on environmental conservation.

The success of these programs was due to the fact that they provided employment that paid a living wage, and that the jobs were structured around serving the public and building infrastructure that would enable future economic development. The skills that participants developed in these jobs programs were portable—they could be used in other jobs and career fields when the programs concluded.

While these programs were federal, the same principles can be applied at the state and local levels to create jobs programs for the unemployed. However, state and local governments cannot run
budget deficits like the federal government, so their jobs programs may require using already-allocated budget resources or identifying opportunities for jobs programs that fulfill existing budget priorities.

ANCHOR INSTITUTION HIRING AND PROCUREMENT STRATEGY

While the government must play a central role in addressing employment and wage issues, the private sector should also be a key partner. The large employers best suited to partner with their cities are anchor institutions, which are large public and private organizations that “anchor” local economies and cities by providing economic stability and support for the community.49

An anchor institution hiring strategy involves a commitment to hire local residents for jobs that the anchor institution must regularly fill, typically entry-level positions.

These anchor institution hiring strategies50 have already been successfully implemented in cities across the country, including Baltimore, Cleveland, Minneapolis, New Orleans, and Philadelphia.51 Many of these cities have a great deal in common with the City of Newark, including that they are all post-industrial cities that lost hundreds of thousands of manufacturing jobs over the last generation, but are now epicenters for new, knowledge-based industries, home to some of the nation’s best hospitals and research centers, colleges and universities, and arts and cultural institutions. Like Newark, these cities also embody the Two Americas, with huge gulfs between the opportunities in their downtown and the lives of many residents, particularly residents of color.52

ENTREPRENEURSHIP STRATEGY

Finally, a critical component of connecting unemployed people in the local community to work is empowering them to self-employ by starting their own business, and increasing the capacity of small businesses in the community. In the first quarter of 2016, jobs created by new establishments dropped to 1 percent, the lowest rate on record since the Labor Department began tracking this data in 1992, and half what it was at its peak in the 1990s.53

An effective entrepreneurship strategy addresses the major obstacles facing entrepreneurs: (1) navigating the legal and tax filings necessary to create their business entity, (2) obtaining financing for their start-up costs, and (3) learning how to successfully run their business by marketing, building a customer base, and establishing relationships and partnerships with other businesses.
About the New Jersey Institute for Social Justice

The Institute’s mission is to empower urban residents to realize and achieve their full potential. Established in 1999 by Alan V. and Amy Lowenstein, the Institute’s dynamic and independent advocacy is aimed at toppling load-bearing walls of structural inequality to create just, vibrant, and healthy urban communities. We employ a broad range of advocacy tools to advance our ambitious urban agenda, including research, analysis and writing, public education, grassroots organizing, the development of pilot programs, legislative strategies, and litigation.

Using a holistic approach to address the unique and critical issues facing New Jersey’s urban communities, the Institute advocates for systemic reform that is at once transformative, achievable in the state, and replicable in communities across the nation.

do social justice.
This speech was first made at Stanford University on April 14, 1967, https://vimeo.com/117362753; see also Dr. Martin Luther King, Jr., The Other America, (Mar. 14, 1968), in GROSSE POINTE HISTORICAL SOCIETY, http://www.gphistorical.org/mlk/mlkspeech.

2 Dr. Martin Luther King, Jr., The Other America, (Mar. 14, 1968), in GROSSE POINTE HISTORICAL SOCIETY, http://www.gphistorical.org/mlk/mlkspeech.

3 Id.


5 U.S. Census Bureau, Center for Econ. Studies, On The Map, Inflow/Outflow Analysis, 2014 (data retrieved for Newark, New Jersey; Baltimore, Maryland; Cleveland, Ohio; Detroit, Michigan; and New Orleans, Louisiana), https://onthemap.ces.census.gov/.


8 U.S. Census Bureau, supra note 4.


11 Id.

12 U.S. Census Bureau, supra note 9.


15 Id.

16 Id.


20 Id. (Note that these percentages do not add up to 100 percent, because race and ethnicity are separate measures. For instance, a Latino/a could identify as white, Black, bi-racial, or multi-racial.)

21 King, supra note 2.


25 E-mail from Chester Chinsky, Dir. of Econ. & Demographic Res., Office of Research & Information at N.J. Dep’t of Labor & Workforce Dev., to Demelza Baer, Policy Counsel at New Jersey Institute for Social Justice (on file with authors).

26 Id.

27 U.S. Census Bureau, supra note 9; U.S. Census Bureau, supra note 19.

28 Id.


32 U.S. CONST. art. IV, § 2. (“The citizens of each state shall be entitled to all privileges and immunities of citizens in the several states.”).


34 See, e.g., White v. Massachusetts Council of Const. Employers, Inc., 460 U.S. 204, 209–10 (1983) (discussing Commerce Clause application to a local hire law, and distinguishing when the local government is acting as a market participant).


39 King, supra note 2.


45 See, e.g., the N.Y. Fair Chance Act, Local Law 63 of 2015.


