

Amendment 2: Florida's \$15 Minimum Wage Initiative

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Florida
TaxWatch



SPECIAL REPORT
in collaboration with the
**REGIONAL ECONOMIC
CONSULTING GROUP**



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Dear Fellow Taxpayer,

With nearly every general election in Florida, there are a number of constitutional amendments facing voters, and this year is no different. Among this year's slate is one that would significantly change (over time) the minimum hourly wage that a worker can be paid, an issue that has been at the forefront of national politics for several years now.

Like many amendments, the increased minimum wage comes with both positive and negative impacts. While it would help lift many workers out of poverty and increase wages even for those not making minimum wage, it would also increase the cost of doing business in the state, and the cost of being a consumer in the state. Many jobs would pay more, but there are likely to be less of them as a result.

Florida is one of 28 states that has established a minimum hourly wage that differs from the federal minimum hourly wage. Florida's current minimum hourly wage (\$8.56) increases on January 1 of each year to match inflation. On November 3, 2020, Florida voters will have an opportunity to vote on a proposed constitutional amendment (Amendment 2) that, if approved by 60 percent of the voters, will increase the state's minimum hourly wage incrementally (by \$1 per year) to \$15.00 per hour by September 30th, 2026. From then on, the minimum hourly wage would be adjusted annually for inflation.

Florida TaxWatch has been resolute in our stance that issues that can be solved by the Legislature through the Florida Statutes should be, and that the state's constitution should be left as a foundational document, the baseplate upon which our state builds its laws and rules, its rights and responsibilities. Changing an item in the constitution means less flexibility for the Legislature, both in good times and bad, and it is incredibly hard to remove. Additionally, given what we have all experienced in the first half of 2020, we know that the business climate in any state can be upended without notice, and what was once a stable environment for local businesses can evaporate overnight. Is this the time to be saddling the state's small mom-and-pop businesses with increased costs, when simply staying in business is far from a certainty?

In this report, Florida TaxWatch examines the potential impacts of raising Florida's minimum hourly wage to \$15 on Florida businesses and taxpayers. Florida TaxWatch is pleased to present this report and its findings and looks forward to engaging policymakers in discussion during the next legislative session and beyond.

Sincerely,

Dominic M. Calabro
President & CEO

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Executive Summary

On November 3, 2020, Florida voters will have an opportunity to vote on a proposed constitutional amendment (Amendment 2) that, if approved by 60 percent of the voters, will increase the state's minimum hourly wage incrementally to \$15 per hour on September 30th, 2026. Beginning September 30th, 2027, the minimum hourly wage will be adjusted annually for inflation.

Economic research suggests that raising the minimum hourly wage to \$15 will help to stimulate the economy and business activity because employees will have more discretionary income. As wages increase, consumer spending will likely increase as well. A phased-in \$15 minimum hourly wage would lift thousands of Florida workers and their families above the federal poverty level. As wages increase and more full-time working Floridians earn enough money to live above the federal poverty level, fewer working Floridians will need safety net programs to help meet their basic needs and public expenditures on these programs will be reduced.

Larger companies are better positioned than small businesses to absorb the impacts of a \$15 hourly minimum wage without having to increase the prices paid by consumers. Forcing their small business competitors to match higher starting wages currently paid by companies like Amazon and Costco creates an unfair competitive advantage for these larger companies.

The economic impacts of a \$15 minimum hourly wage are not limited to businesses. Raising the minimum hourly wage to \$15 will increase the costs of providing government services, with school districts expected to face the greatest annual cost increases. Almost all of the options available to state and local government agencies to mitigate the impacts of these increased wage costs require some combination of reduced number of employees and/or reduced number of hours worked.

Economic research shows that employee morale and work ethic increase when employees believe they are being paid a fair wage. Higher wages are linked to better physical and mental health, which lead to higher productivity. Increasing the minimum hourly wage has also been shown to reduce employee turnover which, in turn, reduces the employer's cost to recruit and train low-wage employees. When employees are paid a higher wage, absenteeism (for reasons other than illness) is reduced, which also leads to higher productivity.

Studies also acknowledge that some of the observed boost in workers' earnings as a result of the higher wages would be offset by higher rates of joblessness. The Regional Economic Consulting Group estimated the costs of raising the minimum wage would reach an additional \$7.3 billion by Sept 30, 2026 and affect roughly 3.1 million jobs. Regardless of any potential economic benefit of an increased minimum wage, the price tag of employing the same workforce tomorrow that is employed today will be more expensive.

Economic research consistently finds that businesses pass minimum wage costs on to their customers through price increases, so consumers will likely bear a significant portion of the cost burden of a \$15 minimum hourly wage. Most minimum-wage employers are small businesses. Increasing the minimum hourly wage to \$15 may force many small business owners to lay off workers with the least experience and that generate the lowest value, typically younger workers and part-time employees. With fewer entry-level jobs, inexperienced workers will find it more difficult to find a job that provides them with much-needed experience. The unintended consequence is that increasing the minimum hourly wage to \$15 hurts the very population it was intended to help.

One fundamental problem with increasing the minimum hourly wage to \$15 is that, while intended to create winners, it also creates unintended losers. Winners get higher wages with no reduction in employment or hours worked. Many households with incomes currently below the federal poverty level will be lifted out of poverty. Because these employees will have more discretionary income, consumer spending will likely increase and money will be pumped back into local economies. Fewer full-time working Floridians will need safety net programs to help meet their basic needs, which should help to reduce the costs of operating these programs. Larger companies can better absorb the increased labor costs and force their small business competitors to match higher starting wages currently paid by these larger companies.

Losers include low-wage employees who lose their job and then find it more difficult to find a new job, or that have their work hours reduced. The higher minimum hourly wage may discourage businesses from employing the low-wage workers that the increased minimum hourly wage is intended to help. Small businesses will struggle to keep up with their larger competitors, who can more easily absorb the impacts of the increased minimum wage without raising prices. Consumers, especially older Floridians living on a fixed income, will be affected the most by inflation and higher prices. State and local governments will have to absorb not only increased labor costs of their own employees, but also the increased labor costs of private contractors and vendors who provide contracted services.

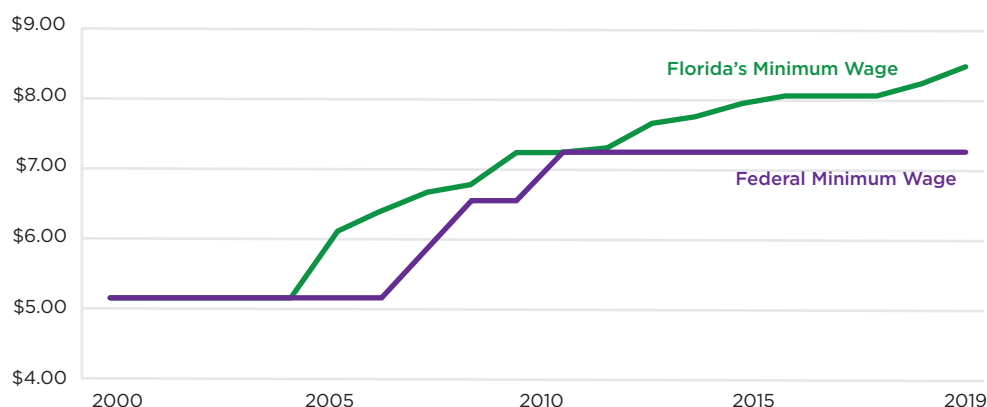
Another fundamental problem is the impact of the increased minimum hourly wage on Florida's economic recovery. The cost of the economic slowdown and disruption due to COVID-19 places a heavy burden on Florida businesses, especially small and medium-sized businesses that make up the backbone of Florida's economy. Increasing the minimum hourly wage before the economy is functioning at full capacity places a continued undue burden on Florida businesses and taxpayers. Until the state economy fully recovers and is operating at full capacity, the price tag associated with the \$15 minimum hourly wage is simply too expensive.

For Florida's economy to function well, all Floridians must share in the success and wealth that results from the hard work of Florida taxpayers. Because the proposed incremental increase in the minimum hourly wage the \$15 creates winners and (more importantly) losers, and because the timing of the minimum hourly wage increase could not be worse for businesses trying to recover from COVID-19, Florida TaxWatch encourages voters to reject Amendment 2 in November.

Introduction

In 2004, Florida voters approved a constitutional amendment establishing a minimum hourly wage of \$6.15 and requiring the state to adjust the minimum hourly wage each year to match inflation. Except for the period from 2009 to 2011 (economic recession), Florida's minimum wage has increased steadily each year, reaching \$8.56 in 2020. In contrast, the federal minimum wage, which was established in 1938 by the Fair Labor Standards Act, has remained at \$7.25 since 2010 (see Figure 1).

FIGURE 1. FLORIDA'S MINIMUM WAGE HAS INCREASED FASTER THAN THE FEDERAL MINIMUM WAGE



Source: Florida Minimum Wage History 2000-2019, Florida Department of Economic Opportunity

The minimum hourly wages for the 50 states are shown in Figure 2. Twenty-eight (28) states have established minimum hourly wages that differ from the federal minimum hourly wage. These minimum hourly wages range from \$8.25 (Nevada) to \$13.50 (Washington). Of these 28 states, only Nevada has a minimum hourly wage lower than Florida's.¹

In 2014, the City of Seattle, Washington, passed an ordinance increasing its minimum hourly wage incrementally from just over \$9 in 2014 to \$15 by 2021. Since then, numerous other jurisdictions and seven states have implemented laws that will incrementally increase the hourly minimum wage to \$15.

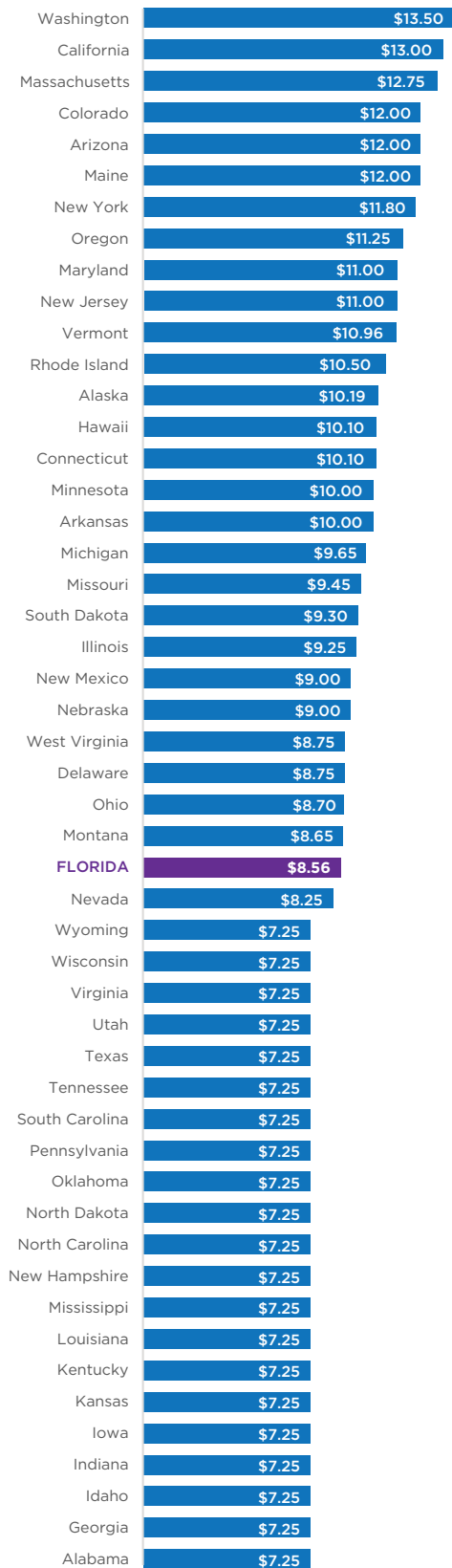
On November 3, 2020, Florida voters will have an opportunity to vote on a proposed constitutional amendment (Amendment 2) that, if approved by 60 percent of the voters, will increase the state's minimum hourly wage to \$10.00 per hour, effective September 30th, 2021.

Each September 30th thereafter, the minimum hourly wage will increase by \$1.00 until the minimum hourly wage reaches \$15.00 per hour on September 30th, 2026. Beginning September 30th, 2027, the minimum hourly wage will be adjusted annually for inflation.²

Supporters of Amendment 2 assert that the (incremental) increase to a \$15 minimum hourly wage will stimulate the economy, business activity, and job growth. By helping to ensure that all Floridians receive a "living wage," a \$15 minimum hourly wage will reduce dependence on safety net programs, such as Medicaid. By increasing the minimum hourly wage incrementally, Florida employers will be better able to absorb the increase, with only modest increases in business costs.

¹ Source: "Minimum Wage Facts & Analysis," retrieved from <https://www.minimumwage.com/in-your-state/>, June 26, 2020.

² Florida Division of Elections, "Raising Florida's Minimum Wage 18-01," retrieved from <https://dos.elections.myflorida.com/initiatives/initdetail.asp?account=70115&seqnum=1>, June 26, 2020.

FIGURE 2. STATE MINIMUM HOURLY WAGES

Opponents of Amendment 2 maintain that the higher labor costs associated with the incremental increase to a \$15 minimum hourly wage will likely force layoffs, reduced employee hours, and/or increased prices to consumers. These unintended consequences will harm many of those that the increased minimum hourly wage is designed to help, particularly young and minority workers.

Florida TaxWatch undertook this independent research project to examine the potential impacts of raising Florida's minimum hourly wage to \$15 on Florida businesses and taxpayers (including the employees intended to benefit from the increased minimum hourly wage) and to answer the following questions:

- Will a \$15 minimum hourly wage stimulate the economy, business activity, and job growth?
- Will a \$15 minimum hourly wage help ensure that all Floridians receive a living wage?
- Will a \$15 minimum hourly wage reduce employee dependence on 'safety net' programs?
- Will the incremental increase in the minimum hourly wage to \$15 be manageable for employers and raise business costs?
- Will increasing the minimum hourly wage to \$15 help businesses by increasing productivity and reducing turnover and absenteeism?
- Will increasing the minimum hourly wage force layoffs or reduced work hours?
- Will businesses be forced to raise prices in order to afford the higher labor costs?
- Is it appropriate to include a minimum wage in the Florida Constitution?
- Given the impacts of the COVID-19 pandemic on Florida's businesses and economy, is the timing right to impose a higher minimum hourly wage?

Will A \$15 Minimum Hourly Wage Stimulate the Economy, Business Activity, and Job Growth?

Raising the minimum hourly wage to \$15 is expected to help stimulate the economy and stimulate business activity and job growth because employees will have more discretionary income. Common sense dictates that as wages increase consumer spending will likely increase as well.

A February 2019 study published by the Economic Policy Institute³ found that gradually raising the federal minimum hourly wage to \$15 from 2019 to 2024 would increase the pay for nearly 40 million workers (26.6 percent of the U.S. wage-earning workforce).⁴ Similarly, another early 2019 study published by the University of California, Berkeley,⁵ found that a phased-in (from July 2017 to July 2024) \$15 nationwide minimum hourly wage “would generate a significant increase in living standards for about 41.5 million workers and their families in the U.S. while creating a minimal effect on employment and a small price increase borne by all consumers... A phased-in \$15 minimum wage will be absorbed partly by employee turnover reductions and productivity increases, and mainly by modest price increases in restaurants and by increases in consumer spending.”

A 2019 study by the Congressional Budget Office (CBO)⁶ found that an incremental increase of the federal minimum wage to \$15 per hour from January 2020 to January 2025⁷ would likely boost pay for 17 million U.S. workers, lifting 1.3 million U.S. households out of poverty. Another 10 million workers otherwise earning slightly more than \$15 per hour might see their wages rise as well. Among the CBO’s findings:

- The increase to \$10 per hour would raise wages for 1.5 million workers who would otherwise earn less than \$10 per hour. Another two million workers who would otherwise earn slightly more than \$10 per hour might see their wages rise as well. This option would have negligible effects on the number of people in poverty.
- The increase to \$12 per hour would increase wages for five million workers who would otherwise earn less than \$12 per hour. Another 6 million workers otherwise earning slightly more than \$12 per hour might see their wages rise as well. The number of people with annual income below the poverty threshold in 2025 would fall by 0.4 million.
- As many as 3.7 million employees (median value of 1.3 million employees) who would otherwise be employed would be jobless as a result.

Labor costs are one of the largest, if not the largest, expense for a business. One of the most common reasons businesses give for relocating is their desire to lower their operating costs, including the cost of labor. It is hard to imagine how increasing the minimum hourly wage to \$15 will attract new businesses to Florida or keep businesses from leaving Florida. Table 1 shows the minimum wages of the 12 states that make up the Southeastern United States. Only three states (Florida, Arkansas, and West Virginia) have established minimum hourly wages. The remaining nine states, including the two states that border Florida (Alabama and Georgia) rely on the federal minimum hourly wage of \$7.25.

³ David Cooper, “Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Pay for Nearly 40 Million Workers,” Economic Policy Institute, February 2019, retrieved from <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>, May 22, 2020.

⁴ Ibid.

⁵ Michael Reich, Sylvia Allegretto and Claire Montialoux, “The Employment Effects of a \$15 Minimum Wage in the U.S. and in Mississippi: A Simulation Approach,” University of California, Berkeley, March 2019.

⁶ Congressional Budget Office, “The Effects on Employment and Family Income of Increasing the Federal Minimum Wage,” July 2019.

⁷ Ibid.

TABLE 1. MINIMUM WAGES IN THE SOUTHEASTERN U.S.

State	Minimum Wage	Tipped Wage
Alabama	\$7.25	\$2.13
Arkansas	\$10.00	\$2.63
Florida	\$8.56	\$5.54
Georgia	\$7.25	\$2.13
Kentucky	\$7.25	\$2.13
Louisiana	\$7.25	\$2.13
Mississippi	\$7.25	\$2.13
North Carolina	\$7.25	\$2.13
South Carolina	\$7.25	\$2.13
Tennessee	\$7.25	\$2.13
Virginia	\$7.25	\$2.13
West Virginia	\$8.75	\$2.62

Source: Minimum Wage – In Your State, retrieved from <https://www.minimumwage.com/in-your-state/>, June 25, 2020

Further, as shown in Table 2, each of the 12 Southeastern U.S. states has a “toolkit” of economic development incentives⁸ to be used to attract new business to the state or to keep existing businesses from leaving the state. Competition among states to attract or retain businesses is cut-throat. States compete against each other by offering generous incentives to companies that have expressed interest in relocating or expanding their business operations. This often creates a “buyer’s market” where a company can play one state against another to secure the best deal possible. The widely accepted use of economic development incentives by other states makes it more difficult for Florida to compete successfully with other states to attract new businesses to Florida and to keep existing businesses from leaving the state.

TABLE 2. ECONOMIC DEVELOPMENT INCENTIVES (SOUTHEASTERN UNITED STATES)

	TAX CREDITS	TAX ABATEMENTS	TAX REFUND	TAX EXEMPTIONS	SPECIAL ZONING	JOB TRAINING	GRANTS & LOANS	CASH REBATES
Alabama	✓	✓			✓	✓		
Arkansas	✓		✓	✓			✓	
Florida	✓		✓	✓		✓	✓	
Georgia	✓			✓		✓		
Kentucky	✓		✓	✓		✓		
Louisiana	✓			✓	✓	✓		✓
Mississippi	✓			✓			✓	✓
N. Carolina				✓		✓		✓
S. Carolina	✓	✓		✓		✓	✓	
Tennessee	✓			✓			✓	
Virginia	✓			✓	✓	✓	✓	
W. Virginia	✓			✓		✓	✓	

Sources: Biggins Lacy Shapiro & Company, LLC, retrieved from blsstrategies.com, and Enterprise Florida, retrieved from <https://www.enterpriseflorida.com/why-florida/business-climate/incentives/>, August 29, 2020.

⁸ States offer incentives to businesses in the form of reductions in taxes, grants and loans from the state, or job training programs to make their state the best option for specific companies or industries looking to relocate.

In 2017, the Florida Legislature eliminated many of its publicly funded economic development incentives, placing the state at a competitive disadvantage when trying to bring companies to the state that have other locational opportunities. Florida had relied on these incentives to help reduce the costs of business relocation but, absent these economic development incentives, Florida must rely on its favorable business tax structure, multi-modal transportation systems, talented and diverse workforce, and overall quality of life, to attract and retain new business. It is unclear whether these are, by themselves, sufficient to attract new jobs to Florida. The increased labor costs associated with a \$15 minimum hourly wage will likely discourage companies looking to locate in the Southeastern U.S. from locating in Florida.

Will a \$15 Minimum Hourly Wage Help Ensure That All Floridians Receive a “Living Wage?”

It is important to distinguish between “minimum wage,” “living wage,” and “poverty level.”

- Minimum wage --- is the minimum wage level established by law.
- Living wage --- refers to a theoretical income level that allows an individual or household to afford adequate shelter, food, and other basic necessities in their community.
- Poverty level --- is an income measure used by government agencies to determine eligibility for different programs and subsidies.

The purpose of a minimum wage and a living wage is to make sure that full-time workers earn enough money to live above the federal poverty level. For 2020, the U.S. Department of Health and Human Services has set the federal poverty level for a family of four at \$26,200.⁹ This is equivalent to a minimum hourly wage of \$12.60.¹⁰

There is no guarantee that those who would be earning the \$15 minimum hourly wage and living above the federal poverty level are making a living wage. Because the cost of living varies from one location to another, so too does the living wage. Common sense dictates that the cost of living would be higher for a household in the Florida Keys than for a household in Tallahassee. The Massachusetts Institute of Technology (MIT) has developed a living wage calculator that shows the minimum wage, poverty wage, and living wage for all 50 states and the counties within each state.

Table 3 shows the minimum hourly wages that an individual in a Florida household must earn to support himself/herself and their household.¹¹ As shown in Table 3, even if the minimum hourly wage in Florida was \$15 today, the only minimum hourly wage-earning household scenarios that would enjoy a living wage would be: (1) a household with a single adult earning a \$15 minimum hourly wage, with no children; or (2) a household with two adults, both of whom work and earn a \$15 minimum hourly wage, with one or no children. In every scenario, an increase to a \$15 minimum hourly wage would raise household income above the established poverty level; however, there is no other household scenario where adults earning a \$15 minimum hourly wage today would be able to make a living wage.

9 U.S. Department of Health and Human Services, “Poverty Guidelines,” retrieved from <https://aspe.hhs.gov/poverty-guidelines>, June 25, 2020.

10 \$26,200 annual income divided by 2,080 hours in a standard work year = \$12.60 per hour.

11 Calculations assume that the working adults are working full-time (2,080 hours per year). Where both adults are working, the wage values shown in Table 3 are for each working adult.

TABLE 3. LIVING WAGE CALCULATION IN FLORIDA

Household	Poverty Wage	Living Wage
1 Adult		
0 Children	\$6.00	\$12.39
1 Child	\$8.13	\$25.47
2 Children	\$10.25	\$29.80
3 Children	\$12.38	\$36.89
2 Adults (1 Working)		
0 Children	\$8.13	\$19.65
1 Child	\$10.25	\$24.18
2 Children	\$12.38	\$26.55
3 Children	\$14.50	\$30.56
2 Adults (Both Working)		
0 Children	\$4.06	\$9.83
1 Child	\$5.13	\$13.99
2 Children	\$6.19	\$16.14
3 Children	\$7.25	\$19.10

Source: MIT Living Wage Calculator, accessed June 25, 2020.

An employee's total compensation includes wage (e.g., salary) and non-wage (e.g., health care coverage, retirement contributions, etc.) components. Faced with increasing wages of low-wage employees to \$15 per hour, many employers may choose to reduce the non-wage component to offset the increased wage component to avoid laying off or reducing the hours of their low-wage employees.

It is important to remember that wages are taxed. The non-wage components of an employee's total compensation are not taxed. In those instances where an employer reduces the non-wage portion of an employee's total compensation to offset increasing the wage portion brought about by the increase in minimum hourly wage, low-wage employees would pay higher taxes on the same amount of total compensation, making them worse off.¹²

¹² Ryan Young, "Minimum Wages Have Tradeoffs, Unintended Consequences of the Fight for 15," October 2, 2019, retrieved from <https://cei.org/content/minimum-wages-have-tradeoffs>, July 9, 2020.

Will a \$15 Minimum Hourly Wage Reduce Employee Dependence on ‘Safety Net’ Programs?

When jobs do not pay well enough, workers enroll in ‘safety net’ (public assistance) programs to help meet their basic needs. As earnings increase, however, the benefits received from these programs decrease, as do government expenditures on these programs. Common sense dictates that, as wages increase and more full-time working Floridians earn enough money to live above the federal poverty level, fewer full-time working Floridians will need safety net programs to help meet their basic needs and public expenditures on these programs will be reduced.

A 2016 study by the Economic Policy Institute¹³ found that raising the federal minimum hourly wage from \$7.25 to \$12 per hour by 2020 would reduce public assistance expenditures¹⁴ nationally by \$17 billion annually. Increasing the wage for workers earning less than \$12.16 per hour by \$1 would reduce the percentage of workers receiving public assistance in this wage group by 3.1 percent (more than 845,000 workers). The average worker in this income group would see a wage increase of \$3.16 per hour if the federal minimum hourly wage was increased to \$12, and the number of these workers receiving public assistance would decrease by 2.7 million people.¹⁵

A 2015 study¹⁶ found that a ten percent increase in the minimum hourly wage reduced enrollment in the Supplemental Nutrition Assistance Program (SNAP) between 2.4 and 3.2 percent and reduced overall program expenditure by almost two percent. Using data from all 50 states from 1998 to 2014, a researcher at Gettysburg College found that an increase in the minimum hourly wage in prior years resulted in an average decrease of SNAP participation by almost four percent.¹⁷ A 2014 study by the Center for American Progress found that a 10 percent increase in the minimum wage reduces SNAP enrollment by between 2.4 percent and 3.2 percent and reduces program expenditures by an estimated 1.9 percent.¹⁸

A 2014 study by the Urban Institute¹⁹ examined the impact of increasing the minimum hourly wage in Washington, D.C., from \$8.25 an hour to \$11.50 an hour by 2016, and found that:

- The number of people receiving federal Unemployment Compensation after losing their jobs would increase by 3.4 percent;
- The number of D.C. residents receiving the federal Earned Income Tax Credit (EITC) and D.C. EITC would decline by about three percent and 2.5 percent, respectively;
- Caseloads for SNAP, TANF, and Supplemental Security Income (SSI) would fall by nearly two percent;
- The number of families receiving Low Income Home Energy Assistance Program (LIHEAP) assistance would fall by about 3.5 percent; and
- Benefits from other programs would decline slightly.

¹³ David Cooper, “Balancing Paychecks and Public Assistance: How Higher Wages Would Strengthen What Government Can Do,” Economic Policy Institute, February 3, 2016.

¹⁴ The eight federal and state means-tested assistance programs included in this analysis are: the Earned Income Tax Credit; the refundable portion of the Child Tax Credit; Supplemental Nutrition Assistance Program; the Low Income Home Energy Assistance Program; the Supplemental Nutrition Program for Women, Infants, and Children; the Housing Choice Voucher program; Medicaid; and Temporary Assistance for Needy Families.

¹⁵ Supra, footnote 13.

¹⁶ Michael Reich and Rachel West, “The Effects of Minimum Wage on Food Stamps Enrollment and Expenditures,” *Industrial Relations*, 54(4), 668-694, 2015.

¹⁷ Victoria Perez-Zetune, “Impact of a Higher Minimum Wage on Enrollment of SNAP,” *Gettysburg Economic Review*: Vol. 9, Article 3, 2016.

¹⁸ Rachel West and Michael Reich, “The Effects of Minimum Wages on SNAP Enrollment and Expenditures,” Center for American Progress, March 2014.

¹⁹ Gregory Acs, Laura Wheaton, Maria Enchautequi, and Austin Nichols, “Understanding the Implications of Raising the Minimum Wage in the District of Columbia,” the Urban Institute, July 2014.

Will the Incremental Increase in the Minimum Hourly Wage to \$15 be Manageable for Employers and Raise Business Costs?

Increasing the hourly minimum wage to \$15 may affect small businesses differently than large businesses. A study by the National Federation of Independent Businesses (NFIB) Research Center found that the negative impact of a \$15 minimum wage would disproportionately fall on small employers, which are less likely to have the cash reserves or profit margins to absorb the increase in labor costs than larger businesses. NFIB found that the retail, food service, and administrative support industries would lose the most jobs.²⁰

This is important because Florida is home to 2.5 million small businesses. These small businesses employ 41.6 percent of all private sector employees and represent nearly 44 percent of Florida's Gross Domestic Product (GDP).²¹ Further, nearly three of every four new jobs in Florida are created by these small businesses.

Larger companies are better positioned to absorb the impacts of a \$15 hourly minimum wage without having to increase the prices paid by consumers. Larger companies use the higher minimum wage to attract, train, and retain a more highly skilled and diverse workforce to better serve their customers, and can absorb these costs through economies of scale, such as centralized back office functions (e.g., information technology, legal, and human resources). Larger companies are more likely to consolidate and reduce the number of lower-wage jobs in favor of higher-wage jobs. Larger companies have more capital to invest in things like automation. McDonalds, for example, has implemented self-service ordering kiosks at all U.S. locations, which permits them to increase productivity and profits while reducing labor costs.

"A larger company can absorb costs in a way that a smaller business can't, and also make technology investments in a way that not all small businesses can."

— JON KURRLE, VICE PRESIDENT OF FEDERAL GOVERNMENT RELATIONS
NATIONAL FEDERATION OF INDEPENDENT BUSINESSES

Further, larger companies can use increased minimum hourly wages to "tip the scale" against their smaller competitors. Increasing the minimum hourly wage to \$15 would force smaller "mom-and-pop" businesses to match higher starting wages currently paid by companies like Amazon and Costco. This places the smaller businesses at an unfair competitive disadvantage.

Consequently, many companies with a large business presence in Florida have either raised their minimum hourly wage to \$15 or are in the process of raising the minimum hourly wage to \$15, including Amazon, Costco, Walmart, Charter Communications, Bank of America, Wells Fargo, Disney, and JM Family Enterprises (the first Florida company to increase its minimum hourly wage to \$15).

The fact that so many large companies are increasing their minimum hourly wage to \$15 suggests two things: (1) the \$15 minimum hourly wage does not hurt large businesses like it does small businesses; and (2) a constitutional amendment to increase the minimum hourly wage to \$15 is unnecessary.

²⁰ National Federation of Independent Businesses, "Small Business Calls Minimum Wage Mandate Bad Economics," February 17, 2020, retrieved from <https://www.nfib.com/content/news/wisconsin/small-business-calls-minimum-wage-mandate-bad-economics/>, May 22, 2020.

²¹ U.S. Small Business Administration Office of Advocacy. (2019). Florida small business economic profile. Retrieved from: <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142644/2019-Small-BusinessProfiles-FL.pdf>

Increasing the minimum hourly wage to \$15 will also adversely impact Florida's agricultural industry. As farm wages increase, options available to farmers are limited. Farmers can increase the productivity of their fields and work crews, raise the prices of what they produce, or switch to more automated processes. Increasing productivity is hard because the fields have a limited carrying capacity and the crews can only harvest so much produce in any given day. Farm machinery is expensive, and many small farms lack the capital necessary to automate agricultural processes. Those farms that can afford to automate will likely experience higher productivity; however, many agricultural workers will likely lose their jobs as a result. As farm labor costs increase, so too will the prices paid by consumers. It is important to remember that Florida farmers are competing not only with states that have lower minimum hourly wages, but with other countries that have little or no regulations governing farm labor. Raising the price of farm products is likely to invite the importation of more farm products from other countries which, in turn, will likely reduce the number of agricultural workers in Florida.²²

The economic impacts of a \$15 minimum hourly wage are not limited to businesses. Raising the minimum hourly wage to \$15 will increase the costs of providing government services. A recent Florida TaxWatch Briefing²³ found that a single governmental entity (most often the public-school district) is the largest employer in 61 of Florida's 67 counties. Although public sector employment is generally not as low-wage as certain segments of the private sector (e.g., retail food service, etc.), the wages paid to a considerable number of state and local government employees will increase as the minimum hourly wage increases to \$10 in September 2021 and incrementally to \$15 thereafter. For example, positions within the state's career service pay grades 004 through 010 offer starting salaries with hourly wages below \$10. Positions in pay grades 011 through 019 offer starting salaries with hourly wages below \$15.²⁴

In addition to employee wage increases, the Florida Financial Impact Estimating Conference²⁵ determined that increasing the minimum hourly wage to \$15 will raise the costs of government contracts. State and local government agencies often use private contractors and vendors to perform government services that would otherwise be performed by government employees. The private sector's cost to provide these contracted services depends in large part on what it costs to pay its employees. As private sector labor costs increase, the costs that government agencies pay contractors and vendors will likely increase as well.

It is reasonable to expect that the costs of some needs-based programs such as the Supplemental Nutritional Assistance Program (food stamps) and Medicaid may go down because some employees near the upper income threshold may lose their eligibility as a result of their wage increase to the minimum hourly wage. It is possible that these cost reductions may be offset by the increased number of employees who lose their jobs and apply to participate in these needs-based programs.

Another possible but unknown impact of the incremental minimum wage increase on government is the effect on sales tax collections. On one hand, new minimum wage employees will have more discretionary money to spend, which will likely drive up sales tax collections. The state of Pennsylvania estimated that raising its minimum hourly wage from \$7.25 to \$10.10 would generate an estimated \$121.5 million more

22 Riley Graham, "Increasing Farm Wages: A Labor Crisis and the Effects on Agriculture," Vegetable Grower Manager, retrieved from <https://adaksoftware.com/increasing-farm-wages-a-labor-crisis-and-the-effects-on-agriculture/>, September 2, 2020.

23 Florida TaxWatch, "Florida's Top Public Employers by County," April 8, 2020.

24 Department of Management Services, "Career Service July 1, 2020 Paygrades."

25 Florida Financial Impact Estimating Conference, "Raising Florida's Minimum Wage Financial Impact Statement," Serial Number 18-01, April 22, 2019.

in state income and sales tax revenue.²⁶ On the other hand, increased prices on some goods and services will likely drive down some sales, possibly offsetting the increase in sales tax collections.

The Financial Impact Estimating Conference estimates increased wage costs to government agencies in the first full year of impact at approximately \$16 million, growing to about \$540 million in 2027 upon full implementation.²⁷ School districts are expected to face the greatest annual cost increases, absorbing approximately 50 percent of the total impact each year (from \$8.8 million in 2022 to \$267.4 million in 2027).²⁸

Almost all of the options available to state and local government agencies to mitigate the impacts of these increased wage costs require some combination of reduced number of employees and/or reduced number of hours worked. The shift toward increased expenditures on wages will likely mean that other budget items (e.g., expenses, operating capital outlay, etc.) will likely have to be reduced unless additional revenue streams, such as increased fees and taxes, are made available.

Will Increasing the Minimum Hourly Wage to \$15 Help Businesses by Increasing Productivity and Reducing Turnover and Absenteeism?

A 2014 report by the President's Council of Economic Advisors concluded that paying below-market wages is associated with higher turnover, lower morale, and higher training costs.²⁹ The report references a number of academic studies showing that employee morale and work ethic increase when employees believe they are being paid a fair wage. Higher wages are linked to better physical and mental health, which lead to higher productivity.

Increasing the minimum hourly wage has also been shown to reduce employee turnover which, in turn, reduces the employer's cost to recruit and train low-wage employees. When employees are paid a higher wage, absenteeism (for reasons other than illness) is reduced, which also leads to higher productivity.

A 2019 study compared employees in retail stores which have experienced minimum hourly wage increases with employees in nearby retail stores which have not to better understand how individual worker productivity is affected by increasing the hourly minimum wage. The study found that a \$1 increase in the minimum hourly wage increases individual productivity (measured in sales per hour) by 4.5 percent.³⁰ Further, the demonstrated productivity gains are larger for the least-productive employees.

These results confirm those of a previous study³¹ that measures the change in productivity for temporary workers (tomato pickers) hired on a day-to-day basis on a large Florida farm, before and after the January 2009 minimum wage increase. This study found that after the minimum hourly wage increased from \$6.69 to \$7.21 on January 1, 2009, worker productivity (i.e., output per hour) of the least-productive

26 Stephen Herzenberg, "The Impact of Raising the Minimum Wage to \$10.10 on the State Budget," Keystone Research Center, February 8, 2016, retrieved from https://www.keystoneresearch.org/Budget1617_wages, September 3, 2020.

27 Florida Financial Impact Estimating Conference, "Raising Florida's Minimum Wage Financial Impact Statement," Serial Number 18-01 April 22, 2019.

28 Florida Financial Impact Estimating Conference, "Raising Florida's Minimum Wage Financial Impact Statement," Serial Number 18-01, April 22, 2019.

29 Council of Economic Advisors, "Economic Report of the President, Transmitted to the Congress March 2014 Together with the Annual Report of the Council of Economic Advisors," Government Printing Office, March 11, 2014.

30 Decio Coviello, Erika Deserrano, and Nicola Persico, "Minimum Wage and Individual Worker Productivity: Evidence from a Large US Retailer," February 1, 2019.

31 Hyejin Ku, "Does Minimum Wage Increase Labor Productivity? Evidence from Piece Rate Workers," IZA Institute of Labor Economics, June 2020.

(bottom 40th percentile) increased by about 4.6 percent relative to that in the higher percentiles. The researchers concluded that lower-productivity workers may increase their efforts (and hence productivity) to avoid being released.

Will Increasing the Minimum Hourly Wage Force Layoffs or Reduced Work Hours?

The same Congressional Budget Office (CBO) study that found that increasing the minimum hourly wage to \$15 would lift an estimated 1.3 million households out of poverty also acknowledged that as many as 3.7 million employees (median value of 1.3 million employees) who would otherwise be employed would be jobless as a result.³² The CBO also acknowledged that some of the observed boost in workers' earnings as a result of the higher wages would be offset by higher rates of joblessness.

- The increase to \$10 per hour would have little effect on employment in an average week in 2025. There is a two-thirds chance that the change in employment would be between about zero and a decrease of 0.1 million workers.
- The increase to \$12 option would cause 0.3 million other workers to be jobless. There is a two-thirds chance that the change in employment would be between about zero and a decrease of 0.8 million workers.³³

Studies by the University of Washington suggest that the effects on employment become more pronounced beginning with the second wage increase. Increasing the minimum hourly wage creates an incentive for businesses to reduce the number of employment hours assigned to low-productivity workers. A study by the University of Washington's Seattle Minimum Wage Study Team³⁴ found that during the period of increasing minimum wage, including the second wage increase (to \$13 an hour), the number of hours worked by low-wage workers in Seattle fell by 3.5 million per quarter. Thousands of jobs were lost and the hours worked by those who retained their jobs were reduced. The total payroll accruing to low-wage workers in Seattle fell by about \$120 million per year, with workers losing \$125 per month on average.

A working paper by economists at the University of Washington³⁵ concluded that the second wage increase (to \$13) reduced hours worked by low-wage employees in Seattle by six to seven percent, while hourly wages in such jobs increased by three percent. Total payroll for low-wage jobs also decreased, implying that the minimum wage increase lowered the amount paid to workers in low-wage jobs by an average of \$74 per month per job in 2016.

A December 2018 study³⁶ found that more than half of Seattle childcare businesses were affected by increased labor costs as the minimum hourly wage increased to \$13 per hour, and that the majority will be impacted as the minimum hourly wage increases to \$15 per hour between 2019 and 2021. Most of

32 Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," July 2019.

33 Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," July 2019.

34 Seattle Minimum Wage Study Team, "Report on the Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015," University of Washington, July 2016.

35 Jardim E., Long M.C., Plotnick R., Van Inwegen E., Vigdor J., & Wething H., 2017 Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle," National Bureau of Economic Research, June 2017, Revised May 2018.

36 Jennifer Otten, et. al., "Responding to an Increased Minimum Wage: A Mixed Methods Study of Child Care Businesses during the Implementation of Seattle's Minimum Wage Ordinance," Social Work and Society International Online Journal, Vol.6, No. 1, 2018.

the businesses reported using some combination of raising prices, raising fees or child tuition, or reducing hours of or number of staff.

An analysis conducted by Regional Economic Consulting Group (RECG) for Florida TaxWatch uses the latest Bureau of Labor Statistics' data and their Occupational Employment Statistics, along with published employment forecasts by Florida's Economic Estimating Conference, to estimate the costs of maintaining the pre-pandemic levels of employment in compliance with the proposed increased minimum hourly wage.

To estimate the maximum potential cost to Florida's economy and the number of jobs that would be affected by the policy change, RECG divided groups of workers in each sector into six cohorts by an average hourly wage. For example, cohort 1 would represent workers earning less than \$10 an hour today. All cohorts are then tracked over time as the minimum hourly wage gradually increases to \$15. The two drivers of an increased labor costs for all employers are natural employment growth provided by the Florida Economic Estimating Conference, and the dollar increase per year in wage.

As shown in Figure 3, the initial cost impact of increasing the minimum hourly wage from the current \$8.56 to \$10 by September 30, 2021 is estimated at \$724.8 million. As the minimum hourly wage increases and new cohorts become subject to the increased minimum hourly wage, the costs increase exponentially as many workers throughout the state are currently above the minimum wage but are still below the \$15 minimum hourly rate. By September 30, 2026 when the \$15 rate becomes effective, the additional cost to employ the same number of workers today, at a \$15 minimum hourly wage, is estimated at \$7.3 billion annually.

FIGURE 3. INCREASE IN TOTAL WAGE COSTS BY IMPLEMENTATION YEAR FOR ALL JOBS

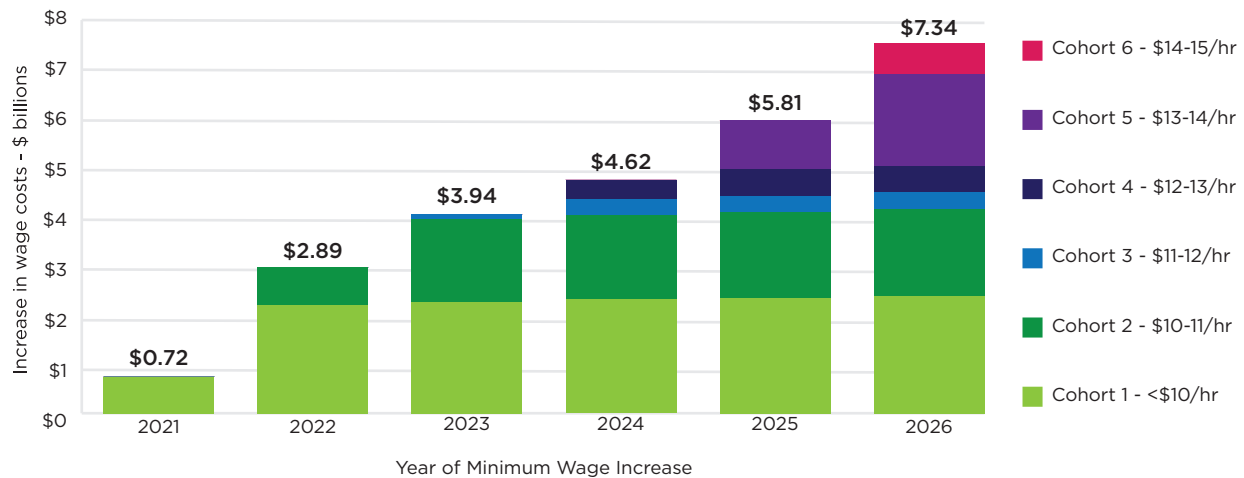


FIGURE 3 DETAIL BY COHORT BY YEAR

	2021	2022	2023	2024	2025	2026
Cohort 1 - <\$10/hr	\$0.72	\$2.15	\$2.21	\$2.26	\$2.29	\$2.33
Cohort 2 - \$10-11/hr	\$-	\$0.74	\$1.63	\$1.67	\$1.69	\$1.72
Cohort 3 - \$11-12/hr	\$-	\$-	\$0.10	\$0.32	\$0.33	\$0.33
Cohort 4 - \$12-13/hr	\$-	\$-	\$-	\$0.38	\$0.52	\$0.53
Cohort 5 - \$13-14/hr	\$-	\$-	\$-	\$-	\$0.98	\$1.81
Cohort 6 - \$14-15/hr	\$-	\$-	\$-	\$-	\$-	\$0.62

Source: Regional Economic Consulting Group

As shown in Figure 4, the two largest cohorts of workers are cohort 2, (those earning \$10 and \$11 hourly) and cohort 5 (those earning between \$13 and \$14 hourly). Initially, the effects will not be felt by as many employers because most workers currently make above the \$8.56 minimum hourly wage in Florida. On September 30, 2022, however, the impact of cohort 2 will more than double the number of jobs affected and increase the number of employers affected by the increased minimum hourly wage. Cohort 5, the largest cohort, will realize the impact of the law change in 2025, when the total number of affected jobs will increase by more than 50 percent. Combining cohorts 2 and 5 represents 1.7 million jobs affected, and a total annual additional cost of \$3.5 billion to the Florida economy each year.

FIGURE 4. MAXIMUM NUMBER OF POTENTIAL JOBS AFFECTED

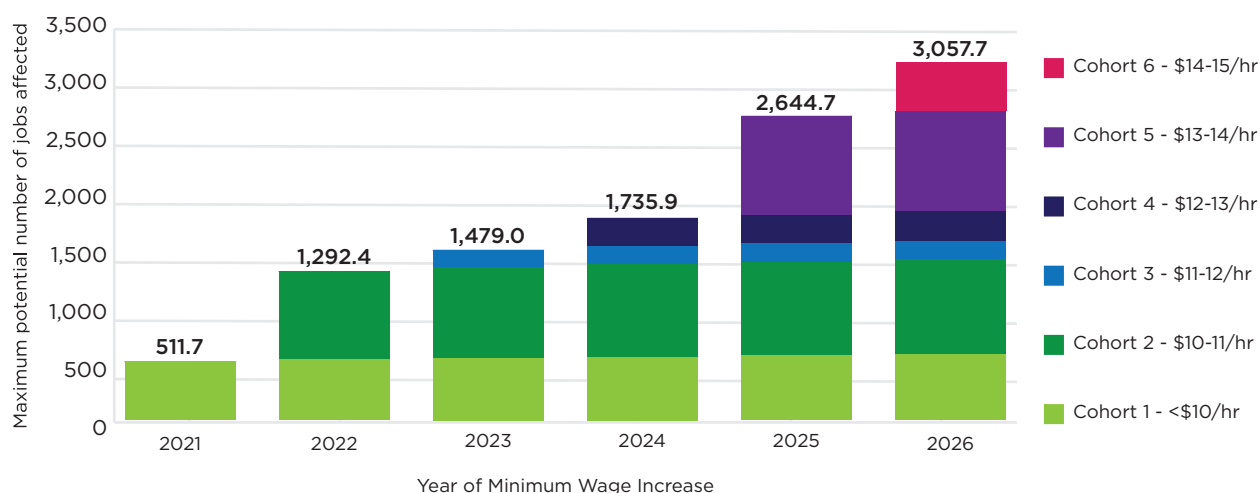


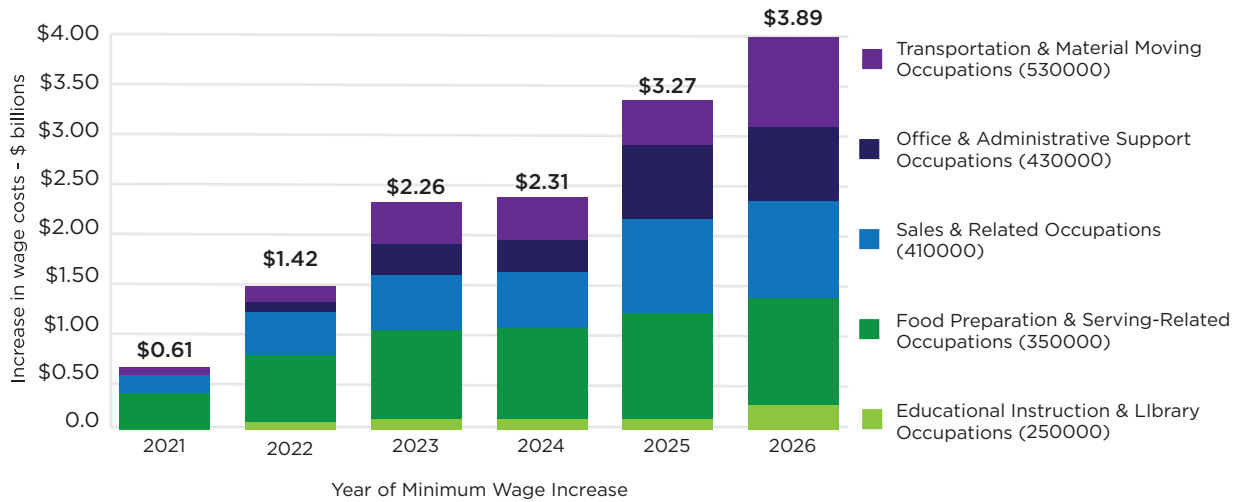
FIGURE 4 DETAIL BY COHORT BY YEAR

	2021	2022	2023	2024	2025	2026
Cohort 1 - <\$10/hr	511.7	528.0	542.1	553.3	562.6	571.2
Cohort 2 - \$10-11/hr	0	764.4	784.9	801.1	814.6	827.0
Cohort 3 - \$11-12/hr	0	0	152.0	155.2	157.8	160.2
Cohort 4 - \$12-13/hr	0	0	0	246.3	250.4	254.2
Cohort 5 - \$13-14/hr	0	0	0	0	859.4	872.5
Cohort 6 - \$14-15/hr	0	0	0	0	0	417.6

Source: Regional Economic Consulting Group

The impacts on the five largest employment sectors (Transportation, Office Administration and Support, Sales, Food Preparation and Services, and Education Instruction) are shown in Figure 5. The largest impact will be on employers in food preparation and serving industries. Not only do they make up the largest annual cost on September 30, 2026, but they experience an impact of potentially hundreds of millions of dollars each year during the six-year period as the minimum hourly wage incrementally increases to \$15.

Two groups that would not otherwise be necessarily thought of in a minimum wage discussion are office and administrative personnel, and education instruction sectors. Both sectors would also experience delayed effects as the wage increases year-over-year and they are currently averaging above a \$10 hourly rate. Altogether, there is an exponential increase in the cost on these five sectors, which accounts for more than half of the total potential maximum cost to employers throughout the state of Florida.

FIGURE 5. MAXIMUM POTENTIAL ANNUAL IMPACT IN THE FIVE LARGEST OCCUPATIONAL SECTORS**FIGURE 5 DETAIL BY COHORT BY YEAR**

	2021	2022	2023	2024	2025	2026
Ed. Instruction & Library	\$-	\$0.07	\$0.10	\$0.10	\$0.10	\$0.24
Food Prep. & Serving-Related	\$0.36	\$0.66	\$0.88	\$0.90	\$1.05	\$1.06
Sales & Related	\$0.17	\$0.43	\$0.55	\$0.56	\$0.94	\$0.96
Office & Admin. Support	\$-	\$0.10	\$0.30	\$0.31	\$0.73	\$0.74
Trans. & Material Moving	\$0.08	\$0.16	\$0.42	\$0.43	\$0.44	\$0.89

Source: Regional Economic Consulting Group

The maximum potential number of jobs affected in these five largest occupation groups is shown in Figure 6. These sectors make up more than half of the increased costs from a wage hike and represent nearly 75 percent of all jobs affected. The food preparation and services sector will have the largest number of jobs affected, and they will be affected throughout the incremental increase in the minimum hourly wage to \$15. Sales and related occupations make up nearly as many jobs affected as the food industry does, and the office administration sector accounts for more than 445,000 positions.

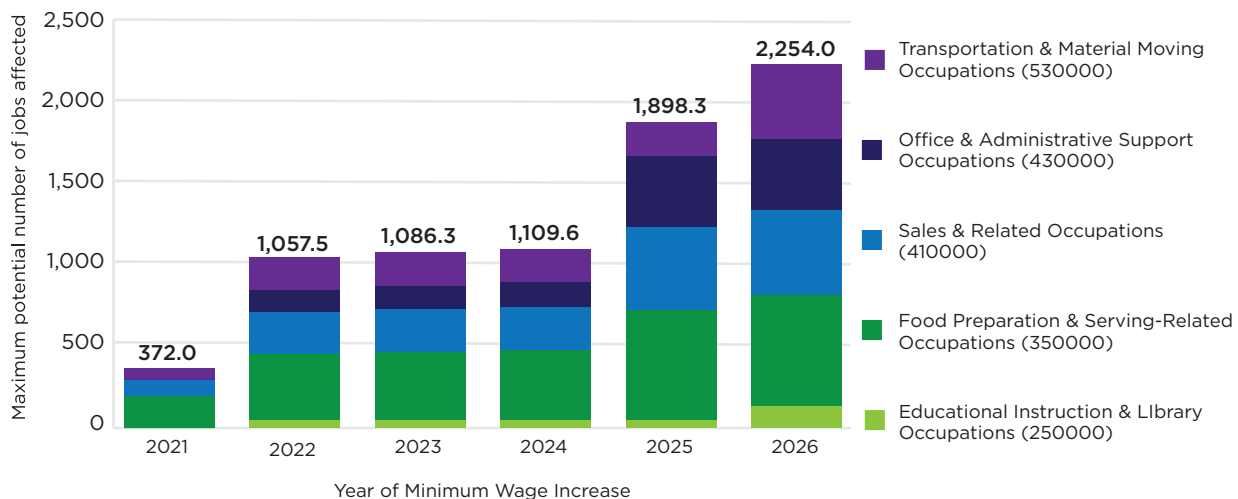
FIGURE 6. MAXIMUM POTENTIAL NUMBER OF JOBS AFFECTED IN THE FIVE LARGEST OCCUPATIONAL SECTORS

FIGURE 6 DETAIL BY COHORT BY YEAR

	2021	2022	2023	2024	2025	2026
Ed. Instruction & Library	0	45.7	46.9	47.9	48.7	132.9
Food Prep. & Serving-Related	195.8	413.5	424.5	433.4	683.7	694.1
Sales & Related	102.5	257.2	264.0	269.5	513.7	521.5
Office & Admin. Support	0	142.3	146.1	149.1	438.5	445.1
Trans. & Material Moving	0	198.8	204.7	209.8	213.8	460.4

Source: Regional Economic Consulting Group

The RECG analysis shows that maintaining the same number of employees that exists today with a minimum hourly wage of \$15 will cost Florida businesses more than \$7.3 billion annually. Absorbing this \$7.3 billion impact will force Florida employers to consider some combination of employee layoffs, reduced number of hours worked, raising prices paid by consumers, or reduced operating profits.

Will Businesses be Forced to Raise Prices in Order to Afford the Higher Labor Costs?

Economic research consistently finds that businesses pass minimum wage costs on to their customers through price increases,³⁷ so consumers will likely bear a significant portion of the cost burden of a \$15 minimum hourly wage. This includes those who receive the increased minimum hourly wage, which will reduce the net benefits of their higher pay.

A 2018 study by University of California, Berkeley, economists analyzed almost more than 800 Internet-based restaurant menus from inside and outside San Jose, California, which they collected before and after a 25 percent minimum hourly wage increase was implemented (2013). Prices rose by an average of 1.45 percent, suggesting that nearly all of the cost increase was passed through to consumers.

Consider a typical Florida neighborhood mom-and-pop retail store that employs five full-time, minimum wage employees and operates at an annual profit margin of 3.6 percent.³⁸ At the current minimum wage of \$8.56 per hour, the annual cost to employ these employees is about \$115,731.³⁹ At \$15 per hour, the cost of employing these five employees year-round increases to \$202,800.⁴⁰ To offset the increased labor costs and maintain a profit margin of 3.6 percent, this small business must generate more than \$210,100 in additional annual income by the fifth year of implementation. This represents an increase of more than \$94,369 in additional revenue, or about \$363 in additional sales each week for each of the five employees. That may not be achievable.

One option would be to pass along the higher labor costs to customers in the form of higher prices, knowing that this could result in the loss of some customers. Another option would be to cut back on the hours worked by these minimum wage employees or to lay off one or more minimum wage employees. At a minimum hourly wage of \$15 (plus benefits), each of these minimum wage employees costs this retail store owner more than \$40,000 a year.

³⁷ See, e.g., Thomas MacCurdy, "How Effective Is the Minimum Wage at Supporting the Poor? How Effective Is the Minimum Wage at Supporting the Poor?," 123 J. POLIT. ECON. 497, 498-99 (2015); James Sherk, "\$15 Minimum Wages Will Substantially Raise Prices," The Heritage Foundation, January 19, 2017.

³⁸ For illustration purposes, Florida TaxWatch selected the profit margin of retailers representing 1,033 independent home improvement stores that participated in the North American Retail Hardware Association's 2018 Cost of Doing Business Study.

³⁹ 5 employees X \$8.56 per hour X 2,080 hours = \$89,024. When fringe benefits of 30 percent are included, the cost increases to \$115,731.

⁴⁰ 5 employees X \$15 per hour X 2,080 hours = \$156,000. When fringe benefits of 30 percent are included, the cost increases to \$202,800.

Most minimum-wage employers are small businesses. Approximately 50 percent of the minimum wage workforce is employed at businesses with fewer than 100 employees and 40 percent is employed at very small (fewer than 50 employees) businesses.⁴¹ Losing customers means losing income, which could mean reducing the number of employees. In addition, minimum wage jobs are almost exclusively entry-level positions, designed to provide opportunities to learn new skills and advance professionally down the road, and not to support a family. Many minimum wage employees are young and lack sufficient experience and skills to produce \$40,000 in value to the business. In this case, the retail store owner is more likely to cut back hours or lay off minimum wage employees. The unintended consequence in this instance is that increasing the minimum hourly wage to \$15 hurts the very population it was intended to help.

Increasing the minimum hourly wage to \$15 may force many small business owners to lay off workers with the least experience and skills and those that generate the lowest value, typically workers under 20 years of age and part-time employees. Those full-time employees with more skills and experience are usually the last to go if an employer needs to cut hours or lay off employees. With fewer entry-level jobs, lower-skilled and inexperienced workers will find it more difficult to find a job that provides them with much-needed experience. Again, the unintended consequence is that increasing the minimum hourly wage to \$15 hurts the very population it was intended to help.

The poor and middle class spend a larger portion of their income on goods produced by minimum-wage workers than do wealthy Floridians. Consequently, minimum wages raise prices disproportionately more on the poor and older Floridians living on a fixed income. Accounting for higher prices shows that minimum wage increases transfer few resources to low-income families. Consequently, minimum-wage increases do little to redistribute wealth. Some low-income families benefit from higher wages, but many more low-income families and older Floridians living on fixed incomes are hurt by higher prices. Overall minimum wage effects are more regressive than sales tax increases.

Is it Appropriate to Include a Minimum Wage in the Florida Constitution?

In deciding whether to approve Amendment 2, voters must be guided by a sense of perspective and an overall view as to the nature and purpose of a state constitution. The Florida Constitution should, above all else, clearly define the relationship between government and those that are governed. In so doing, there are certain principles that should be clearly articulated in our constitution, including:

- A description of the branches of government, their powers, and how they work;
- A description of the limitations on the powers of government; and
- A description of the basic inalienable rights of citizens.

A state's constitution is, by definition, its fundamental law. The purpose of a constitution as historically conceived is to establish the basic order of government. If all citizen rights were to be enumerated in the constitution, the distinction between the constitution as fundamental law (defining the framework of government and the relation of the government to the citizen) and the general laws of the state (defining rights and obligations) would be lost.

41 Michael Saltzman, "Who Really Employs Minimum Wage Workers?," Employment Policies Institute, published in the Wall Street Journal, October 2013.

Voters should also keep in mind that, once incorporated, it is extremely difficult to remove what is essentially a statutory provision (i.e., the \$15 minimum wage) from the constitution. The legislature is essentially powerless to act when changing circumstances or unintended consequences warrants immediate corrective actions. The only option is to amend the constitution, which requires a 60 percent supermajority approval by Florida voters.

The enumeration of detailed powers in the constitution to deal with specific situations is unnecessary and should be avoided. An enumeration of detailed rights and powers is unnecessary and may also have the unexpected result of being an implied limitation and denial of powers not enumerated.⁴²

The contents of the Florida Constitution should be limited to matters that are essential or fundamental. Matters that are ordinarily handled through the legislative process, such as establishing a minimum wage for Florida's workforce, should be excluded from the constitution.

Given the Impacts of COVID-19 on Florida's Economy, is the Timing Right to Raise the Minimum Hourly Wage?

In 2018, Florida's economy achieved a historic milestone when the state's Gross Domestic Product (GDP) exceeded \$1 trillion, ranking Florida's economy fourth largest among the 50 states. With 900 new residents each day and a projected 2030 population of 26 million, Florida was well-positioned for continued economic growth and development.

That changed in March 2020 with the first reported case of COVID-19. Since then, the COVID-19 pandemic has had a disastrous effect on Florida's economy. According to the July 2020 Florida Economic Estimating Conference, Florida's Real Gross Domestic Product declined 4.6 percent during the first quarter and dropped 36.9 percent during the second quarter (annualized rates). For the entire fiscal year, Florida's GDP declined by 1.3 percent in fiscal year 2020 and is expected to fall by 4.3 percent further in fiscal year 2021.⁴³

A recent survey of 5,800 small businesses nationwide⁴⁴ found that the COVID-19 pandemic had caused "massive dislocation" among small businesses just weeks after its onset. Across the full sample, 43 percent of businesses had temporarily closed, nearly all of which were closed because of COVID-19, and active employment in these businesses had been reduced by 39 percent since January.

A new Florida State University survey shows that 15.2 percent of small businesses in the nation permanently closed while 14.5 percent temporarily closed. Another 31 percent of participants are operating below 40 percent capacity, while close to 40 percent are operating at 40 percent or higher during this pandemic. Almost one-half (46.7 percent) of respondents reported that they had laid off an average of 10.5 employees as a result of COVID-19.⁴⁵

42 Paul G. Kauper, J.D., "The State Constitution: Its Nature and Purpose," Citizens Research Council of Michigan, October 1961.

43 Florida Economic Estimating Conference, July 17, 2020.

44 Alexander W. Bartik, Marianne Bertrand, Zoe Cullen, Edward L. Glaeser, Michel Luca, and Christopher Stanton, "The Impact of COVID-19 on Small Business outcomes and Expectations", PNAS: Proceedings of the National Academy of Sciences of the United States of America, July 28, 2020.

45 Samantha Paustian-Underdahl, Florida State University College of Business, "Jim Moran Institute for Global Entrepreneurship", June 11, 2020.

Moody's Analytics and CNN Business have partnered to create a proprietary "Back-to-Normal" Index, which assesses the extent to which state economies have returned to pre-pandemic levels in March 2020. Overall, the U.S. economy is operating at 78 percent of its pre-pandemic level, whereas Florida's economy is operating at 79 percent of its pre-pandemic level.⁴⁶ Although Florida's economy is starting to show signs of recovery, an increase in the minimum hourly wage of \$1.44 (17 percent) in year one and \$6.44 (75 percent) in year five will pose an extraordinary challenge for Florida businesses, especially small businesses, as they struggle to return to pre-pandemic levels.

Conclusion

Research has focused primarily on employment effects; less attention has been paid to the long-term effects on wages, earnings, and income. Consequently, researchers know relatively little about the dynamic, long-run effects of the \$15 minimum hourly wage. Using data from the U.S. Bureau of Labor Statistics and the Florida Economic Estimating Conference, the Regional Economic Consulting Group estimated the static costs of raising the minimum wage would reach an additional \$7.3 billion by Sept 30, 2026 and affect roughly 3.1 million jobs. Regardless of any potential economic benefit, the price tag of employing the same workforce tomorrow that is employed today will be more expensive.

One fundamental problem with increasing the minimum hourly wage to \$15 is that, while intended to create winners, it also creates unintended losers. The winners get higher wages with no concurrent reduction in employment or hours worked. Some households with incomes currently below the federal poverty level will be lifted out of poverty. Because these employees will have more discretionary income, consumer spending will likely increase and money will be pumped back into local economies. Fewer full-time working Floridians will need safety net programs to help meet their basic needs, which should help to reduce the costs of operating these programs.

Larger companies benefit from being better positioned than small businesses to absorb the impacts of a \$15 hourly minimum wage without having to increase the prices paid by consumers. Forcing their small business competitors to match higher starting wages currently paid by companies like Amazon and Costco creates an unfair competitive advantage for these larger companies. It is no surprise then that so many large companies in Florida have either raised their minimum hourly wage to \$15 or are in the process of raising the minimum hourly wage to \$15.

The losers include those low-wage, low-skilled employees who lose their job and then find it more difficult to find a new job, or that have their work hours reduced. The higher minimum hourly wage may discourage businesses from employing the low-wage, low-skilled workers that the increased minimum hourly wage is intended to help. Small businesses will struggle to keep up with their larger competitors, who can more easily absorb the impacts of the increased minimum wage without raising prices. Consumers, especially older Floridians living on a fixed income, will be affected the most by inflation and higher prices. Other losers include state and local governments, which will have to absorb not only increased labor costs of their own employees, but also the increased labor costs of private contractors and vendors who provide contracted services.

⁴⁶ Moody's Analytics and CNN Business, "Tracking America's Recovery," retrieved from <https://www.cnn.com/business/us-economic-recovery-coronavirus>, August 27, 2020.

Another fundamental problem is the impact of the increased minimum hourly wage on Florida's economic recovery. The cost of the economic slowdown and disruption due to COVID-19 places a heavy burden on Florida businesses, especially small and medium-sized businesses that make up the backbone of Florida's economy. The economy has a long row to hoe to get back to pre-pandemic levels. Increasing the minimum hourly wage before the economy is functioning at full capacity places a continued undue burden on Florida businesses and taxpayers. Until the state economy fully recovers and is operating at full capacity, the price tag associated with increasing the minimum hourly wage to \$15 is simply too expensive.

For Florida's economy to function well, all Floridians must share in the success and wealth that results from the hard work of Florida taxpayers. This is unlikely to happen if the minimum hourly wage increases to \$15. Because the proposed incremental increase in the minimum hourly wage the \$15 creates winners and (more importantly) losers, and because the timing of the minimum hourly wage increase could not be worse for businesses trying to recover from COVID-19, Florida TaxWatch encourages voters to reject Amendment 2 in November.

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The Regional Economic Consulting Group is an analytical think tank with expertise in general state and tax policy, Constitutional Amendments, state trust funds, and other state and local projects. REC Group covers a wide ranging field spanning economic outlooks to demographic and labor market studies, and uses the latest techniques in econometric modelling and methodologies to produce fiscal impacts that are then applied to pending legislation and government projects.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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