EMPLOYMENT POLICIES INSTITUTE

The Employment Impact of a Comprehensive Living Wage Law

Evidence from Florida

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A Study From The Employment Policies Institute

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Executive Summary

With financial support from trade unions, liberal foundations and social activist groups, the self-styled "living wage movement" has been pressing state and local governments to require employers to pay high entry-level wages regardless of skill or ability. The philosophy behind the living wage laws is that the government should require employers to pay workers according to their need, not according to their productivity. This is a radical departure from free market-based wages, which have been the norm in this country with a few exceptions. Currently, 82 local governments, including three in Florida, have passed such living wage laws. In addition, living wage campaigns are active in 125 jurisdictions, including five in Florida.

Initially, such laws were narrowly drawn to cover only employees of local governments or their contractors. However, increasingly, the living wage movement has been advocating high minimum wages that would apply to all private sector employers within a defined geographic area. An example is Santa Monica, which has passed a law requiring all employers in the "Coastal Zone" to pay at least $10.50 an hour if stipulated health benefits are provided, and at least $12.25 an hour if benefits are not provided. Another example is Berkeley, which covers all employers in the Berkeley Marina, city-owned public land. The movement is also pushing for a city-wide minimum wage in New Orleans that would be tied to the federal minimum wage.

The living wage movement has been active in Florida. In 1999, Miami-Dade County passed a living wage ordinance, which now requires the county and contractors to pay their employees $8.81 with benefits, or $10.09 without benefits. Other local governments in Florida have followed suit, including Gainesville (municipal employees) and Miami Beach. In addition, living wage campaigns are active in Broward County, Alachua County, Jacksonville, Orlando, and Tampa. Living wage advocate Bruce Nissen of Florida International University has recently urged the state to pass a $6.00 minimum wage applicable to all employers, and to require the state to pay even higher wages for state government employees and contractors.

In view of the startling successes and growing demands of the living wage movement, it is very timely and relevant to assess the likely economic effects of such laws on the Florida economy and its workers. This report examines the employment and income consequences of setting a minimum wage throughout Florida of $8.81 or $10.09, wage levels corresponding to the Miami-Dade County law for employers, with and without health benefits.

This study reaches three broad conclusions. First, such minimum wages would result in approximately 131,000 to 222,000 workers losing their jobs. Second, Florida employers would see their wage costs skyrocket in the range of $4.9 to $8.8 billion. Third, many of the projected wage gains would go to low-wage workers in higher income families rather than to those most in need. For example, about one-third of the wage gains would go to families with incomes over $40,000. Finally, compared with living wage mandates, targeted employment tax credits are a better policy to assist poor families because they reward work, do not cause workers to lose jobs, and also reduce costs by providing assistance only to those in need.

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The Employment Impact of a Comprehensive Living Wage Law | *Evidence from Florida*

Dr. David Macpherson

Table of Contents

The Employment Impact of a Comprehensive Living Wage Law | *Evidence from Florida*

Dr. David Macpherson

I. "Living Wage" Ordinances

Beginning with Baltimore, Maryland, in 1994, a growing number of cities and counties have enacted so-called "living wage" ordinances.[1] These laws generally require covered employers to pay a minimum wage much higher than the state or federal wage requirement. The laws may also require one wage standard for employers who provide health insurance and a higher wage standard for employers who do not provide such insurance.

The coverage of these ordinances varies. Initially, the laws were narrowly drawn to cover only employees of local governments and their service contractors.[2] However, as the number of jurisdictions adopting such laws grew, the living wage proponents drafted the laws to cover a greater number of private employers. Today, a typical living wage proposal covers not only contractors, but also private employers receiving financial assistance, such as tax abatements or subsidies, from the local government.[3] A few jurisdictions have gone further and considered or adopted a local minimum wage binding on employers who do business within a defined geographic area. For example, Santa Monica recently passed an ordinance that applies to employers in its "Coastal Zone" having over $5 million in annual sales. Berkeley also has a living wage ordinance that covers all employers holding municipal leases; this includes all property in the Berkeley Marina. In some jurisdictions, such as the City of New Orleans, the living wage movement has advocated local minimum wages tied to the national minimum wage with very broad employer coverage.[4]

Proponents of such ordinances contend they are necessary to alleviate poverty among workers who are unable to support their families, despite working full-time. The advocates commonly assert that public money should not be used to support "poverty wages."[5] However, increasingly, they also argue that the national minimum wage is insufficient to lift families out of poverty and that localities should pass higher, and in their view, more adequate minimum wages. In making their case for local living wage laws, the activists either ignore or trivialize potentially harmful economic effects, such as reductions in employment, business relocation, higher prices, and the displacement of low-skilled workers by more qualified workers.[6] They also contend that at the higher wages, employers experience increases in productivity and morale, and reductions in labor turnover that completely or largely offset any adverse economic effects.[7]

II. How Are Wage Levels Determined?

Although living wage mandates bear some similarity to the "prevailing wage" requirements in the federal Davis-Bacon Act and similar state statutes, they are fundamentally different. The Davis-Bacon Act requires that federal contractors pay wages prevailing in the locality where they do business. This means union scale or market wages. The philosophy behind the Davis-Bacon wage standards is that the federal government should not depress

wages through its contracting activity. Unlike the Davis-Bacon Act, living wage laws set a wage standard based on a family's needs. In this respect, the laws seek to make operational the socialist principle for wage determination: "to each according to his needs."

The starting place for living wage standards has frequently been the Census Bureau's poverty thresholds for a family of either three or four persons. The Census publishes these thresholds annually. For example, for the year 2000, the Census poverty threshold for a two-adult, two-child family was $17,463. The Association of Community Organizations for Reform Now (ACORN), one of the leaders in the living wage movement, has recommended a minimum hourly wage based on the annual poverty threshold divided by the total annual hours worked by a full-time, full-year employee (i.e., 2000-2040 hours). This would place the "living wage" in 2000 between $8.56 and $8.73 per hour. Typically, this would be the wage requirement for an employer who paid for a certain standard of health insurance coverage. For employers not meeting this health insurance standard, the wage mandate would be incrementally higher, usually by a maximum of $1 to $2. Thus, employers not providing paid health insurance could face a wage mandate of $10.00 or more. In fact, this closely tracks the actual experience with such ordinances. For example, the median hourly wage rates in living wage ordinances adopted in 2000 were $8.77 with benefits and $10.17 without.[8]

However, just as the coverage of the living wage proposals has expanded with the movement's success, so too has the wage standard in such proposals escalated. Increasingly, movement spokespersons are calling for national and state minimum wages to be replaced by a universal "living wage" mandate.[9] These expanded proposals usually cite budget studies showing how much it allegedly costs a family to live on a basic-needs budget in a given geographic area. For example, the Economic Policy Institute (EcPI), a think tank funded by liberal foundations and the union movement, has published a compilation of budget studies for major metropolitan areas.[10] According to the EcPI report, in 1999, a "basic-needs" budget for a family with two adults and two children was $38,780 in Los Angeles, $34,796 in Miami, $39,464 in Chicago, and $49,218 in Washington, D.C. For that same year, the published Census national poverty threshold for a family with two adults and two children was $16,895.

The push for living wage mandates based on budget studies such as EcPI's could easily lead to living wage demands as high as $18 to $25 an hour.[11]

III. Who Is Behind the Living Wage Movement?

ACORN, the New Party, and the trade unions all have been active in supporting and funding living wage campaigns. Other national organizations participating in the campaigns have included the Economic Policy Institute, the Political Economy Research Institute (PERI), the Center for Community Change, and the National Campaign for Jobs and Income Support.[12]

ACORN has established a Living Wage Resource Center to assist activists in organizing living wage campaigns all across the country. It has also published an activist's guide to organizing such campaigns.[13]

PERI, under the leadership of the University of Massachusetts' radical political economist Robert Pollin, frequently provides technical assistance to local campaigns in the form of reports and testimony before local governmental bodies. In 1996, Pollin and sociologist Stephanie Luce published a book advocating living wage laws and laying out a framework for promoting the laws to local govern-

ments.[14] A number of other academics, usually sociologists or liberal economists, have joined the movement. These include David Reynolds of Wayne State University,[15] Michael Reich of the University of California at Berkeley,[16] and Bruce Nissen of Florida International University.[17]

The Economic Policy Institute produces statistical analysis in support of living wage campaigns and generally advocates higher minimum wages and living wage ordinances.

ACORN, the Center for Community Change, and the National Campaign for Jobs and Income Support are all national organizations heavily involved in community organizing. They use living wage campaigns to build broad, community-based coalitions in support of government regulation of the economy at the local, state, and national level.

IV. Where Has the Movement Had Its Recent Successes?

In the year 2001, the jurisdictions listed in Table A enacted living wage ordinances with the indicated wage requirements. Also during 2001, some campaigns advocated wage levels that would have been unthinkable a few years ago. For example, in Santa Rosa, CA, the activists wanted $15.00 with benefits and $16.75 without; in Providence, RI, they sought $12.30 with benefits and $16.23 without.

V. Florida Living Wage Campaigns

Miami-Dade County passed the first Florida living wage ordinance in 1999. The law applied to city contractors and municipal employees. Initial wage levels were $8.56 with benefits and $9.81 without. However, wages were indexed to inflation and the wage levels since August 2001 have been $8.81 with benefits and $10.09 without.

During 2001, Gainesville and Miami Beach also passed living wage ordinances. The Gainesville ordinance set a minimum wage of $8.56 for municipal employees. The Miami Beach ordinance set a dual scale of $8.56 with benefits and $9.81 without, for both municipal employees and city contractors. Living wage campaigns have also been active in Broward County, Alachua County, Jacksonville, Orlando, and Tampa. In Broward County, one of the Commissioners sponsored a living wage proposal that would have applied to private sector employers receiving financial aid from the county. This would have expanded coverage from the more limited contractor-employee model adopted by Miami-Dade County.

The living wage movement appears to be spreading in Florida, driven by a combination of the state's dependence on industries that employ a large number of low-skill, entry-level workers, and the recession economy. For example, in his Labor Day report on Florida's workers, living wage advocate Bruce Nissen concluded that Florida was overly reliant on industries that pay below-average wages. His solution: a state living wage law that would apply to state employees and contractors, and a state-wide minimum wage of $6.00 an hour with universal coverage.[18]

VI. Some Problems with Living Wage Mandates

There is evidence that living wage laws adversely affect local economies and harm those workers with limited skills and experience. They also cost far more than alternative subsidies that target only low-income families, which means that the living wage ordinances lead to higher taxes or cuts in government services compared to targeted subsidies. Finally, to the extent that living wage laws affect private sector employers, they cause price hikes that are paid by many low-income families who receive no benefits from the laws.

Because living wage laws are relatively new, most of the evidence of employment losses

from wage mandates comes from studies of the minimum wage. This research confirms that for every 10 percent increase in employees' pay from a wage mandate, at least two percent of the affected employees will lose their jobs as a result of that mandate. Thus, with living wage ordinances that seek to raise worker's pay by huge multiples of the minimum wage, the employment losses could be quite large.[19]

In addition to creating job losses, it is generally thought that higher minimum wage levels shift the distribution of employment toward those with higher skills, who can better compete at the higher wage, at the expense of the least-skilled, who cannot.[20] Even the living wage activists acknowledge that such effects are likely. As Bruce Nissen wrote in his report on the possible effects of the Miami-Dade County Living Wage Ordinance:

> *One can somewhat confidently predict that the wage increases and the newly offered health care benefits will result in a higher caliber of worker and measurable increases in efficiency* (emphasis supplied).

Employers are likely to raise their hiring standards, leaving those job applicants with marginal skills no opportunity to work at "living wages," and possibly no opportunity to work at all. Also, while, as Nissen notes, some employers may experience efficiency gains, from the employer perspective, this does little more than partially offset the increases in labor costs. Furthermore, if such efficiency gains do occur, employers will need fewer workers and therefore less hiring or more layoffs are likely to occur.

To the extent that living wage ordinances succeed in raising wages of employees subject to the law, those benefiting are primarily not from low-income families. For example, two Johns Hopkins University economists have reported that living wage ordinances reach relatively few poor or low-income families. For example, only 15 percent or less of those families benefiting from living wage ordinances are in poor families and 35 percent or less are in families in the bottom fifth of the wage distribution.[21] Living wage laws also do little to raise the disposable income of poor families, who face payroll taxes and the phase-out of government benefits as their income rises. For example, living wage advocate Robert Pollin has claimed that the proposed New Orleans minimum wage (set $1 above the federal minimum) would raise the average before-tax income of affected families by 12 percent.[22] However, he has conceded that after taxes and benefit losses are considered, family income would rise by only 2.9 to 4.4 percent. By contrast, a refundable credit such as the Earned Income Tax Credit raises disposable income by the full amount of the credit.[23]

Living wage ordinances that affect private sector employers also raise prices for consumers as those employers pass the costs to their customers. Again, most of what we know about this process comes from studies of minimum wage laws. A recent study by two Stanford University economists shows who would gain and who would pay if employers were to pass all of the costs of a minimum wage hike to consumers in higher prices.[24] They conclude that, while only one out of four poor households would see any benefit from the law, the remaining three out of four poor households would end up paying higher prices. They compare a minimum wage hike to a public program that benefits mostly non-poor families yet is financed through a regressive sales tax on consumption that falls disproportionately on poor families.

VII. Impact Of A Florida Living Wage

A. Introduction

As noted earlier, Miami-Dade County has instituted a living wage ordinance that would apply to municipal government employees and its service contractors. Covered entities are now required to pay their employees no less than $8.81 per hour if stipulated health insurance benefits ($1.28 per hour value) were provided, and no less than $10.09 in wages plus health benefits, if stipulated health care benefits are not provided. The Miami-Dade ordinance has served as a model for other Florida localities, such as Gainesville (municipal employees) and Miami Beach.

This analysis assesses the potential impact of a wage mandate of $8.81 to $10.09 on all Florida employers. We assume that all employers are covered because this assumption provides a reasonable baseline to assess the potential impact of a broad living wage law in Florida. As noted, the living wage movement has been pressing for comprehensive living wage laws in Florida and elsewhere in the United States.

B. The Data

To analyze the effects of a potential Florida minimum wage increase, data are drawn from the December 1998 through November 2001 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The CPS ORG has the important advantage of being a large and representative sample of the population.

The main sub-sample of the CPS ORG data employed here includes wage and salary workers who are residents of Florida, 16 years of age or older, and whose hourly wage is between $5.15 and $8.81 ($10.09) in January 2002 dollars.[25] Observations missing data necessary to compute the hourly wage, family income or other relevant variables are deleted from the sample. The Data Appendix describes the calculation of the hourly wage variable and other data issues.

C. Who Will Be Affected by the Minimum Wage Increase?

A vivid statistical portrait of the workers affected by the minimum wage increase (i.e., earning $5.15-$8.81 ($10.09) in January 2002 dollars) emerges from Table 1 which presents the means of demographic variables for such workers. For comparison purposes, means for all Florida residents and workers who are 16 years of age and older are also included. The results reveal that a large fraction of workers affected by the higher minimum wage are young. In fact, 12.5% to 15.0% of affected workers are between 16 and 19 years of age, and an additional 17.6% to 17.8% are between 20 and 24 years of age. Thus, 30.1% to 32.8% of affected workers are 24 or younger.

The affected workers differ from the average Florida resident on several other demographic characteristics. The affected workers are less educated than the average Floridian as 26.4% to 29.4% have not graduated from high school. Also, they are more likely to have never married (41.0% to 43.3%) and be Hispanic (25.4% to 26.4%) than the population as a whole.

Workers impacted by the minimum wage increase are less likely to be supporting a family than the typical Florida worker. For example, 18.0% to 20.3% of the workers are living with their parent or parents, while only 9.9% of all Florida workers are in this category. Also, they are much less likely to be a dual earner in a married couple (28.6% to 30.6% versus 40.3%) than the typical Florida worker. Lastly, less than a one-fifth are a single head or a single earner in a married couple supporting a family with children.

The family income of the affected worker

is somewhat lower than the average Florida resident ($39,593 to $39,876 versus $49,826). However, only about 15% of the minimum wage workers are in families with an income of less than $12,500. In fact, about one-third are in families with an income of $40,000 or more.

The affected workers are less involved in the labor market than the average Florida worker. Over one-quarter of the affected workers are employed part-time, while only 14.3% of all Florida employees work part-time. In addition, the affected workers are employed about one fewer week per year than the typical worker.

The location of the affected workers differs from the typical Florida resident and worker. The affected workers are more likely to live in the Ft. Lauderdale PMSA (17.0% to 17.7%) than the average Florida resident (14.4%). On the other hand, they are less likely to live in the Miami PMSA (9.6% to 9.9%) than the average Florida resident (10.8%).

D. What Will Be the Impact on the Distribution of Family Income?

Table 2 provides calculations of the annual income increases for families affected by the minimum wage increase as well as the resulting impact on before tax family income. The top row shows the mean increase in annual income is $3,749 to $5,500. Since the average family income of the affected workers is $39,067 to $39,335 per year, the resulting increase in average family income would be 9.5% to 14.1%.[26]

Column 5 of Table 2 presents the percentage share of the total income gains resulting from the minimum wage increase that accrue to affected families in various family income groupings. The gains are roughly proportional to the percentages of affected workers in each grouping. For example, 14.7% to 16.0% of the affected families have incomes of less than $12,500, a rough approximation of the poverty threshold.[27] The share of total income gains going to these families is only 16.3% to 17.2%. In other words, over four-fifths of the total income gains will go to workers in families living above the poverty level.

To provide a broader view of the impact on income distribution, Table 3 presents calculations of the impact of the minimum wage increase on before-tax family income across all families. The mean increase in family income across persons 16 and over is $941 to $1,732. Since the average income of all families is $44,545 per year, the resulting increase in average family income would be 2.1% to 3.9%.

A problem with minimum wage increases is that many low-income persons are not affected by them since they do not work. The impact of this problem is shown when the results are broken out by income. For persons in families below the poverty level, the increase in income would be $1,168 to $1,937. These numbers are substantially less than the corresponding figures presented in Table 2.

E. How Many Workers Will Be Laid Off?

An important effect of the minimum wage increase is that some workers will lose their jobs because it will be no longer profitable for firms to employ them. In order to estimate the job loss, the following procedure was used. First, the fractional wage gain due to the minimum wage increase is computed for the each affected worker and then averaged across the sample. Second, estimated fractional wage gain is used in the following formula to calculate the employment loss:

Formula

Employment Loss = Fractional Wage Gain X Affected Worker Employment X Labor Demand Elasticity

This study uses an estimate of labor demand elasticity (-0.22) for minimum wage workers reported by Neumark and Wascher (1998).[28] An elasticity of –0.22 implies that a 10% increase in wages results in a 2.2% decrease in employment of the affected group.

Table 4 presents the results of these calculations for all of the affected workers as well as subgroups of workers. Overall, the analysis indicates that 131,207 to 222,354 workers are projected to lose their job due to the minimum wage increase. The breakdowns by age, family income and location are not surprising. Roughly one-third of the layoffs would occur among workers under age 25. About two-fifths of the layoffs would occur for those with family incomes below $25,000. Slightly more than a quarter of the job losses (37,213 to 62,187) would occur in the Miami-Ft. Lauderdale area and 15.3% in the Tampa-St. Petersburg-Clearwater region.

The results by industry indicate that over one-third of the job losses are projected to occur in the retail trade industry (49,085 to 79,848 jobs). This is not surprising since over one-half of the workers in retail trade will be affected by this increase. Another 53,978 to 92,842 jobs or about two-fifths of the losses are projected to occur for workers in the service industries.[29]

The findings by occupation show that about one-half of the losses are predicted to be for those in sales and service occupations. Slightly more than a quarter of the losses would occur for those in blue-collar jobs.[30]

F. What Will Be the Cost to Employers and the Income Loss to Laid-Off Workers?

Another critical issue is the cost to employers of the minimum wage increase. Either these higher costs will be passed on to consumers through higher prices or profits will be reduced for firms. Also, an important cost to workers is the loss in income due to the layoffs caused by the minimum wage increase.

These costs are calculated in the following manner. First, the increase in labor cost that would occur if no workers are laid off is calculated.[31] This figure is estimated by multiplying the annual increase in wages due to the minimum wage increase, times the number of affected workers. Second, the lost income to workers (and thus reduction in labor cost) due to the layoffs is estimated.[32] This number is calculated by multiplying the number of workers who are projected to lose their jobs, times their average wage before the minimum wage increase. Third, the net increase in labor cost to employers is calculated by taking the difference between the cost to employers if no layoffs occur and the reduction in costs due to the laying off of employees.

Table 5 presents the results of these calculations. The first row of the table indicates that, if no layoffs occurred, the cost of labor to employers would rise by $6.6 to $12.0 billion. The projected worker layoffs of 131,207 to 222,354 would cause $1.7 to $3.2 billion in worker income to be lost. The net rise in the cost of labor to employers is estimated to be $4.9 to $8.8 billion.

The results indicate these costs are clearly concentrated in certain industries and locations. In the retail trade industry, net labor costs will rise by $1.7 to $2.9 billion and the income of laidoff workers will be reduced by $0.6 to $1.0 billion. For the service industry, the net employer cost will rise by $2.0 to $3.7 billion and the income loss to displaced workers will be $0.7 to $1.3 billion. The net labor cost to employers in the Miami-Ft. Lauderdale area will rise by $1.4 billion, while fired workers will suffer an income loss of $490 million. For the Tampa-St. Petersburg-Clearwater region, the employer costs will rise by $0.8 to $1.4 billion and laid-off workers are projected to have a $0.3 to $0.5 billion reduction in income.

VIII. Targeted Wage Subsidies

A targeted wage subsidy is a better method of raising the income of those in need. The wage subsidy approach increases the income of those in need without the adverse affects of raising the minimum wage. Wage subsidies are typically provided as a tax credit to employers or families. For example, the Work Opportunity Tax Credit (WOTC) provides a tax credit to employers who hire certain types of low-skilled workers. The Earned Income Tax Credit (EITC) provides funds to families with low earnings with the amount dependent on the amount of earnings and family size.

There are three main advantages of targeted subsidies. First, wage mandates cause low-skilled workers to be laid off, while wage subsidies do not. A higher minimum wage raises the cost of low-skilled workers for employers. As a result, employers will tend to substitute more skilled labor and capital for now, relatively more expensive low-skilled labor. In addition, to the degree that firms raise prices due to the wage increases, they will lose customers and further reduce the number of workers employed.

"...a minimum wage increase affecting all employers could cause from 131,207 to 222,354 workers to lose their jobs."

Wage subsidies either raise or have no effect on the employment of low-skilled workers. Employer-based subsidies like the WOTC increase the demand for low-skilled workers by lowering cost of hiring such workers. Employee-based subsidies, such as the EITC, provide funds to families without raising employer's labor costs.

Second, wage subsidies are more clearly targeted at low-income families. Many of those who gain from minimum wage increases are secondary workers in higher income families. As demonstrated in Table 2, over four-fifths of the families in Florida who would be affected by the increase in the minimum wage are above the poverty level. On the other hand, wage subsidies, by increasing the incentive to work, impact more poor families. They are also more cost-efficient because funds only go to those in need.

Third, wage subsidies are more efficient than wage mandates in increasing the disposable income of workers in poor families. Many poor families receive aid from the government such as food stamps and the EITC, which is reduced as their income levels rise. As a result, much of the earnings gain from minimum wage increases is lost through taxes or benefit reductions. Wage subsidies such as the EITC are either not taxed or taxed at a lower effective rate than wage income. Furthermore, benefit reductions are currently smaller for wage subsidies than wage increases.

A potential problem with a living wage subsidy in the state of Florida is that there is no state income tax and thus no mechanism to issue a state income tax credit. However, the state of Florida or local governments could piggyback on the federal EITC program and issue checks for the wage subsidy. This approach is done in 10 states.[33] These governments use the federal eligibility rules and express their credit as a percentage of the federal tax credit (between 5 and 50 percent).

IX. Summary and Conclusions

This report examines in a variety of dimensions the effects of a potential rise in the Florida minimum wage from $5.15 to $8.81, with health benefits, or $10.09, without health benefits. Four main conclusions can be drawn from this report. First, a minimum wage increase affecting all employers could cause from 131,207 to 222,354 workers to lose their jobs. This would

cause an annual income loss to all affected workers of from $1.7 to $3.2 billion. Second, the cost to employers of such a universal mandate would be quite substantial. The wage requirement would increase labor costs in the range of $4.9 billion to $8.8 billion per year (even after adjusting for reduced employment). Third, many of the wage gains would go to low-wage workers in higher-income families, rather than those most in need. For example, about one-third of the wage gains would go to workers in families with incomes of $40,000 or greater. Fourth, targeted tax credits are a better policy to assist poor families because they reward work, do not cause workers to lose jobs, and also reduce costs by providing assistance based on need.

Data Appendix

Hourly Wage

This study uses data from the December 1998 through November 2001 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The main sub-sample of the CPS data employed here includes wage and salary workers who are residents of Florida, 16 years of age or older, and whose hourly wage is between $5.15 and $8.81 ($10.09) in January 2002 dollars.

The hourly wage is constructed to account for problems caused by workers with variable hours, "top coded" or "capped" earnings, tips, commissions, overtime, inflation and changes in the minimum wage.

The first step is to assign a wage for workers who don't have these difficulties. Non-top coded workers who are paid by the hour and receive tips, commissions or overtime are assigned their reported hourly earnings. For all non-hourly workers, the hourly wage is constructed by dividing usual weekly earnings (which includes tips, commissions and overtime pay) by usual hours worked per week.

The second step is to estimate usual weekly earnings for workers whose weekly earnings are top coded or capped at a maximum value. The CPS ORG files have a topcode of $2,885 per week or about $150,000 per year for year-round workers. If the earnings of top coded workers were not adjusted, average earnings would be understated. To estimate the mean earnings of top coded workers it is assumed that the upper tail of weekly earnings distribution follows a Pareto distribution. These estimated mean values for the CPS ORG files using this approach are presented in Hirsch and Macpherson (2001) by gender and year and are used in this study.

The third step is to estimate usual weekly hours for workers who indicate their weekly hours are variable. This is calculated by using the results of a regression model based on a sample of workers that have non-missing data on usual hours worked. The model is estimated by gender and year and includes controls for hours worked in the prior week, full-time status, marital status, years of schooling, age, race and ethnic status, broad occupation, and broad occupation interacted with full-time status. The parameters from this regression model are then used to estimate the usual hours for those whose weekly hours are variable.

The next step is to assign a wage for hourly workers who receive tips, commissions or overtime pay or are topcoded workers. In this case, their hourly wage is constructed by dividing usual weekly earnings (adjusted for top codes) by usual hours worked (or estimated usual hours if usual hours is missing).

The last step is to adjust the wages of workers for inflation and changes in the minimum wage. Wages of workers are adjusted for inflation to January 2002 using the CPI-U (a 3% percent annual inflation rate is assumed for the period between November 2001 and January 2002. Workers whose wage at the time of the survey was less than the legal minimum wage were deleted from the sample. The minimum wage for Florida workers was $5.15 for the entire sample period.

Family Income

Family income is reported as a categorical variable in the CPS ORG and includes all sources of money income received in the prior 12 months. The income ranges are: less than $5,000; $5,000-$7,499; $7,500-$9,999; $10,000-$12,499; $12,500-14,999; $15,000-$17,499; $17,500-$19,999; $20,000-$24,999; $25,000-$29,999; $30,000-$34,999; $35,000-$39,999; $40,000-$49,999; $50,000-$74,999; and $75,000 and up. To assign a dollar value to these categories, mean values of family

income for persons in each income range was calculated from a sample of Florida residents in the March 2000 and 2001 CPS (which reports family income received in the prior year as a continuous variable). Very similar results occurred when a national, rather than a Florida-based, sample was employed to generate the mean income values. The CPS ORG observations where matched to appropriate March CPS sample (i.e., 2000 values are used for the 1998 and 1999 observations, while 2001 values were used for the 2000 and 2001 observations).

Annual Income

Though the CPS ORG provides measures of hourly earnings and hours worked, it does not indicate the number of weeks worked per year. Thus, to generate annual income estimates for workers affected by the higher minimum wage, an alternative data source must be used and merged with the CPS ORG. Fortunately, the April 1993 CPS provides such a measure and the mean usual weeks worked was calculated for all Florida workers earning $5.15-$8.81 ($10.09) per hour in January 2002 dollars.

Endnotes

1 At this writing, 82 local governments have enacted living wage ordinances, and living wage campaigns are active in 125 jurisdictions. See Employment Policies Institute, *Living Wage Proposal*; Available from http://epionline.org/livingwage/lw_proposals.cfm?state=AllStates; accessed 5 June 2002.

2 For example, such contractor ordinances were enacted in Baltimore (1994), Milwaukee (1995), Portland (1996), and Miami-Dade County (1999).

3 Examples of local governments adopting ordinances covering private sector employers who received government financial assistance include Los Angeles (1997), St. Paul (1997), Hartford (1999), San Francisco (2000), and Suffolk County (NY). In all, a total of 27 jurisdictions extend coverage to for-profit employers receiving governmental financial assistance.

4 The New Orleans local minimum wage proposal is to peg the city minimum at $1 above the national minimum wage, currently $5.15 an hour. This will appear as a ballot initiative in February 2002. If it passes, a legal challenge is expected. Local minimum wages have been defeated in ballot initiatives in Houston ($6.50, defeated January 1997), Denver ($6.50, $7.15 in 1999, defeated November 1996) and Tucson ($7.00, defeated November 1997). Also, a local minimum wage of $7.00 was defeated in Albuquerque in a legal challenge to the petitions.

5 See, e.g., Association of Community Organizations for Reform Now (ACORN), *Living Wage Resource Center*; available from www.livingwagecampaign.org; accessed 5 June 2002. ACORN is a prominent national organization that organizes living wage campaigns.

6 See, e.g., the website of the Employment Policies Institute (www.LivingWage.org) for a discussion of the undesirable effects of such wage mandates.

7 For a summary of these arguments, see Chapter 4 of the book by Robert Pollin and Stephanie Luce, *The Living Wage: Building A Fair Economy* (New York: The New Press, 1998).

8 These data come from the Employment Policies Institute's analysis of living wage ordinances. See Employment Policies Institute, *Living Wage Proposals.*

9 See Pollin and Luce, *The Living Wage*, Chapter 6.

10 See Heather Boushey et al., *Hardships in America: The Real Story of Working Families* (Washington, D.C. Economic Policy Institute, 2001).

11 A recent book, Holly Sklar et al., *Raise the Floor: Wages and Policies that Work for All of Us* (New York: Ms. Foundation For Women, 2001), proposes a national minimum wage of $8.00 an hour based on a national minimum needs budget for single adults without health insurance. However, the authors advise that even this "would not be sufficient to meet the minimum needs of single parent families with children," or of "working families of four without health insurance ... even if both adults work full-time, full-year." See Sklar et al., *Raise The Floor* 114.

12 See Employment Policies Institute, *Living Wage Policy: The Basics* (Washington, D.C.: Employment Policies Institute, 2000).

13 See David Reynolds and ACORN National Living Wage Resource Center, *Living Wage Campaigns: An Activist's Guide to Building the Movement for Social Justice* (Washington D.C.: Association of Community Organizations for Reform Now; Detroit: Wayne State University, 2000).

14 See Pollin and Luce, *The Living Wage.*

15 David Reynolds, on the faculty of the Labor Studies Center at Wayne State University, is author of ACORN's activist guide. He has also published a report in support of the Detroit living wage ordinance. See Reynolds, *The Impact of the Detroit Living Wage Ordinance* (Detroit: Wayne State University, 1999). Dr. Reynolds was a consultant to the Detroit Living Wage Campaign and is on the Steering Committee of the Washtenaw Coalition for a Living Wage.

16 Michael Reich is on the faculty of the Labor and Industrial Relations Institute, University of California at Berkeley. Dr. Reich was a founding member of the Union for Radical Political Economics (URPE), which describes itself as a group that "presents constructive critical analyses of the capitalist system and supports debate and discussion on alternative left visions of a socialist society." He is the author or co-author of several pro-living wage reports, including: Michael Reich, Peter Hall and Fiona Hsu, *Living Wages and the San Francisco Economy: The Benefits and the Costs* (Berkeley: University of California-Berkeley, June 1999); Michael Reich, Peter Hall and Fiona Hsu, *Living Wages at the Airport and Port of San Francisco: The Benefits and the Costs* (Berkeley: University of California-Berkeley, October 1999); and Carol Zabin, Michael Reich and Peter Hall, *Living Wages at the Port of Oakland* (Berkeley: University of California-Berkeley, December 1999).

17 Bruce Nissen is on the faculty of the Center for Labor Research and Studies at Florida International University. Dr. Nissen, a sociologist and labor theorist, is the author of the pro-living wage report, Bruce Nissen, *The Impact of a Living Wage Ordinance on Miami-Dade County* (Miami: Florida International University, October 1998). He was also a member of the Miami-Dade County Coalition for a Living Wage.

18 See Bruce Nissen, *Labor Report on the State of Florida: September 2, 2001 (Labor Day),* (Miami: Florida International University: 2001).

19 Decades of time series studies of the employment effects of minimum wage hikes on teenagers had produced a consensus among economists that a 10 percent hike in the minimum wage produces a one to three percent short-term reduction in teenage employment. See, e.g., Charles Brown, "Minimum Wages, Employment and the Distribution of Income," *Handbook of Labor Economics, Vol.* 3B, ed. Orley Ashenfelter and David Card (Amsterdam: North-Holland, 1999), 2115. When the decade of the 1980s is considered, the estimates have been around one percent or less (Brown, *Minimum Wages* 2154.) However, because the vast majority of teenagers in the economists' time series studies are not working at the minimum wage, this job loss estimate is considered low for minimum wage workers. The impact for a worker at the minimum is likely to be about five times as great as the teenage estimates. For example, if the teenage estimate is a one percent job loss for a 10 percent increase in pay, the effect for workers at the minimum wage is at least a five percent reduction in employment (Brown, *Minimum Wages* 2155).

More recent research confirms that a 10 percent wage hike leads to at least a two percent decrease in employment for the workers affected by the hike. See, e.g., David Neumark, et al. *The Effects of Minimum Wages Throughout the Wage Distribution,* NBER Working Paper 7519 (Cambridge, MA, February 2000) (for workers at the minimum wage, a 10 percent increase in the minimum wage reduces employment by about two percent and reduces hours of work by about six percent). Some studies using microdata on individuals, or panel data using year and state and the unit of observation, have documented much higher negative employment effects. See Neumark et al., *Effects of Minimum Wages*; Richard V. Burkhauser, et al., "Who Minimum Wage Increases Bite: An Analysis Using Data from the SIPP and CPS," *Southern Economic Journal* 67(1), (2000) 16-40. Longer-term effects are likely to be larger because there is more time for employers to make adjustments.

In May 2001, based on a review of several economists' research, the Congressional Budget Office estimated that raising the national minimum wage to $6.65 from $5.15 (about a 30 percent increase) would cost the national economy from 200 to 600 thousand jobs. See Ralph Smith, S. 277 (*Fair Minimum Wage Act*

of 2001, Private Sector Mandate Statement for the Bill as Introduced on February 7, 2001 (Washington D.C.: Congressional Budget Office) 9 May 2001. Because about seven million workers would be affected by the hike to $6.65, (see estimates by the Economic Policy Institute, Jared Bernstein and Jeff Chapman, *Time to Repair the Wage Floor*, Washington, D.C.: Economic Policy Institute, 2002)), the CBO estimates imply a range of about one to three percent job loss for every 10 percent increase in the minimum wage. The CBO estimates were prepared before it was generally acknowledged that the economy had slipped into recession.

20 A number of studies show such job displacement of low-skilled workers. See, e.g., Kevin Lang, *Minimum Wage Laws and the Distribution of Employment* (Washington, D.C.: Employment Policies Institute, January 1995); David Neumark, *The Effects of Minimum Wages on Employment, Enrollment and Idleness* (Washington, D.C.: Employment Policies Institute, August 1995); Mark Turner and Berna Demiralp, *Higher Minimum Wages Harm Minority and Inner-City Teens* (Baltimore MD: Johns Hopkins University, 2000) (abstract available at www.epionline.org).

21 Unpublished results by Mark Turner and Burt Barnow "Living Wage Earned Income Tax Credit: A Comparitive Analysis," (paper presented at Employment Policies Institute Living Wage Symposium, 13 July 2001),(Washington, D.C.: Employment Policies Institute, June 2001.) Presentation available through EPI's website at www.epionline.org.

22 Robert Pollin, et al., *Economic Analysis of the New Orleans Minimum Wage Proposal* (Amherst, MA: Political Economy Research Institute, July 1999), 70-72. See also Daniel N. Shaviro, *Effective Marginal Tax Rates on Low-Income Households* (Washington, D.C.: Employment Policies Institute, February 1999), showing that low-income families lose much of any wage gains through payroll taxes and government benefit reductions.

23 See Employment Policies Institute, *The Case for a Targeted Wage Subsidy* (Washington, D.C.: Employment Policies Institute, June 2001).

24 See Thomas MaCurdy and Frank McIntyre, *Winners and Losers of Federal and State Minimum Wages* (Washington, D.C.: Employment Policies Institute, June 2001).

25 Hourly wages are adjusted for changes in the minimum wage and inflation and other data issues. See the Data Appendix for a more detailed explanation.

26 These calculations are based on the assumption that all affected workers increase their wage to the new minimum wage of $8.81 (10.09) per hour. Hence, we are not allowing for noncompliance or exemptions from the law.

27 The Earned Income Tax Credit (EITC) would bring a single worker supporting two children slightly above the poverty level for such a family.

28 See David Neumark and William Wascher, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania: Comment," *American Economic Review*, December 2000, 1362-1396. The average elasticity reported by a survey of labor economists at leading universities is –0.21. See Victor R. Fuchs, Alan B. Krueger and James M. Poterba, "Economists' Views About Parameters, Values, and Policies: Survey Results in Labor and Public Economics," *Journal of Economic Literature,* September 1998, 1387-1425.

29 Service industries include finance, insurance and real estate; business and repair services; personal services; entertainment and recreation services; other professional services; and public administration.

30 Blue-collar jobs include farming, forestry and fishing occupations; precision production, craft and repair occupations; machine operators, assemblers and inspectors; transportation and material moving occupations; and handlers, equipment cleaners and laborers.

31 This calculation ignores the cost of payroll taxes. If they were included, the cost to employers would be at least 7.65% higher (the employer portion of the Social Security tax).

32 Workers may reduce this income loss is they are able to obtain employment in a job not covered by the minimum wage.

33 See Employment Policies Institute *supra*, note 23.

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Table A Living Wage Laws Passed in 2001

Richmond, CA	city contractors, municipal employees, non-profits, and municipal lease-holders **$11.42** with benefits, **$12.92** without
Santa Monica, CA	all employers with over 50 employees and $5 million of revenue in Coastal Zone **$10.50** with benefits, **$12.25** without
Ventura County, CA	county contractors, businesses receiving financial aid **$8.00** with benefits; **$10.00** without
Gainesville, FL	municipal employees **$8.56**
Miami Beach, FL	city contractors, municipal employees **$8.56** with benefits, **$9.81** without
Ann Arbor, MI	city contractors, businesses receiving financial aid **$8.70** with benefits, **$10.20** without
Eastpoint, MI	city contractors **$8.23** with benefits, **$10.00** without
Ferndale, MI	city contractors **$8.50** with benefits, **$9.75** without
Pittsfield Township, MI	city contractors, businesses receiving aid, non-profits **$8.70** with benefits, **$10.20** without
St. Louis, MO	city contractors, businesses receiving aid **$8.84** with benefits, **$10.23** without
Missoula, MT	businesses receiving aid **$7.95**
Gloucester County, NJ	county contractors **$8.50** with benefits, **$10.77** without
Oyster Bay, NY	city contractors **$9.00** with benefits, **$10.25** without
Suffolk County, NY	city contractors, businesses receiving aid, non-profits, municipal lease holders **$9.00** with benefits, **$10.25** without
Toledo, OH	city contractors, businesses receiving aid **$9.35** with benefits, **$10.75** without
Ashland, OR	municipal employees, city contractors, businesses receiving aid **$9.75** with benefits, **$10.75** without
Pittsburgh, PA	city contractors, municipal employees, businesses receiving financial aid, municipal lease holders, non-profits; **$9.12** with benefits, **$10.62** without
Charlottesville, VA	city contractors **$8.00**
James City County, VA	municipal employees **$8.25**
Burlington, VT	municipal employees, city contractors **$9.90** with benefits, **$11.68** without

Table 1 Means for Selected Variables

Variable	Affected Workers				All Workers	All 16 +
	$8.81		$10.09			
	Percent	Population	Percent	Population	Percent	Percent
Age:						
16 to 19	15.0%	299,407	12.5%	319,421	5.6%	7.0%
20 to 24	17.8%	355,833	17.6%	449,145	10.6%	7.8%
25 to 29	10.3%	204,686	10.8%	277,114	10.9%	7.6%
30 to 39	20.7%	412,257	21.6%	552,254	26.1%	18.8%
40 to 64	31.3%	624,885	32.9%	841,383	43.7%	38.2%
65 to 99	4.8%	96,663	4.6%	118,649	3.1%	20.5%
Average Age	35.4		36.0		39.0	46.2
Years of Schooling:						
0 to 8	7.5%	3,947	7.0%	178,540	3.5%	6.1%
9 to 11	21.9%	28,731	19.4%	495,330	10.5%	13.5%
12	37.4%	64,271	37.8%	967,914	32.3%	32.5%
13 to 15	25.1%	37,938	26.7%	682,990	29.7%	26.5%
16 or more	6.4%	19,685	7.2%	233,192	24.1%	21.4%
Average Years of Schooling	11.9		12.1		13.2	12.9
Race:						
White	77.2%	123,092	77.5%	1,983,543	82.7%	84.8%
Black	20.6%	29,848	20.3%	518,193	15.1%	13.0%
Asian	1.7%	723	1.8%	10,865	1.8%	1.8%
Other Race	0.5%	909	0.4%	45,365	0.4%	0.4%
Ethnic Status:						
Hispanic	26.4%	28.6%	25.4%	1,909,463	18.6%	17.6%
Non-Hispanic	73.6%	71.4%	74.6%	648,503	81.4%	82.4%
Gender:						
Male	42.6%	61,018	43.7%	1,118,783	51.8%	47.9%
Female	57.4%	93,554	56.3%	1,439,183	48.2%	52.1%
Marital Status:						
Married, Spouse Present	38.4%	60,928	40.5%	1,034,910	52.6%	53.4%
Divorced, Separated, Widowed	18.3%	28,874	18.5%	474,227	19.0%	22.4%
Never Married	43.3%	64,770	41.0%	1,048,829	28.4%	24.1%
Family Status:						
Single Individual	22.3%	444,118	23.2%	594,424	23.6%	NA
Single Head	13.5%	268,572	13.0%	333,282	10.7%	NA
Single head with no children	2.8%	54,852	2.7%	69,134	2.0%	NA
Single head with 1 child	5.9%	117,083	5.7%	145,531	5.1%	NA
Single head with 2 children	2.8%	55,784	2.8%	72,294	2.4%	NA
Single head with 3+ children	2.0%	40,853	1.8%	46,323	1.2%	NA

Table 1 Continued Means for Selected Variables

Variable	Affected Workers $8.81 Percent	Affected Workers $8.81 Population	Affected Workers $10.09 Percent	Affected Workers $10.09 Population	All Workers Percent	All 16 + Percent
Single Earner in Married Couple	9.8%	194,567	9.9%	253,046	12.3%	NA
Single earner with no children	4.6%	92,389	4.8%	122,641	5.2%	NA
Single earner with 1 child	2.3%	45,307	2.3%	57,953	2.8%	NA
Single earner with 2 children	1.8%	34,934	1.8%	45,630	2.8%	NA
Single earner with 3+ children	1.1%	21,937	1.0%	26,822	1.5%	NA
Dual Earner in Married Couple	28.6%	571,059	30.6%	781,864	40.3%	NA
Dual earner with no children	10.3%	206,045	11.2%	287,410	15.3%	NA
Dual earner with 1 child	7.7%	154,066	8.1%	207,302	10.4%	NA
Dual earner with 2 children	6.8%	136,464	7.2%	184,965	10.2%	NA
Dual earner with 3+ children	3.7%	74,484	4.0%	102,187	4.4%	NA
Living with Parents	20.3%	404,678	18.0%	460,479	9.9%	NA
Living with Other Relative	5.6%	110,737	5.3%	134,871	3.2%	NA
Family Income:						
< $12,500	14.9%	296,881	13.8%	352,703	7.1%	11.5%
$12,500-$24,999	25.1%	499,749	25.3%	647,820	16.0%	18.7%
$25,000-$39,999	25.4%	505,900	26.3%	672,030	23.6%	23.4%
$40,000-$49,999	9.3%	184,785	10.0%	254,931	11.7%	10.5%
$50,000-$50,999	7.9%	157,340	8.1%	206,643	10.9%	9.1%
$60,000-$74,999	7.1%	140,741	6.7%	172,088	10.6%	8.3%
$75,000 or more	10.4%	208,335	9.8%	251,751	20.1%	18.4%
Mean	$39,876		$39,593		$54,268	$49,826
Median	$31,704		$31,704		$44,358	$36,981
Location:						
Non-Metro/Small Metro Areas	14.8%	294,828	14.4%	369,446	13.4%	14.2%
Miami-Ft. Lauderdale CMSA						
Miami PMSA	9.6%	190,530	9.9%	252,471	11.9%	10.8%
Ft. Lauderdale PMSA	17.7%	353,810	17.0%	434,414	13.9%	14.4%
Tampa-St. Petersburg-Clearwater, MSA	15.5%	308,235	15.4%	393,580	15.7%	16.0%
Orlando, MSA	10.8%	215,915	11.3%	289,203	12.6%	11.2%
Jacksonsville, MSA	6.2%	122,664	6.5%	167,023	7.7%	6.9%
West Palm Beach-Boca Raton, MSA	6.3%	126,168	6.4%	163,970	6.7%	7.0%
Lakeland-Winter Haven, MSA	4.0%	80,076	3.8%	96,370	3.1%	3.3%
Pensacola, MSA	3.2%	63,546	3.1%	80,038	2.4%	2.3%
Melbourne-Titusville-Palm Bay, MSA	2.5%	50,837	2.5%	64,355	3.1%	3.0%
Daytona Beach, MSA	2.0%	39,439	1.8%	47,035	1.9%	2.6%
Sarasota-Bradenton, MSA	2.3%	44,915	2.4%	61,308	2.7%	3.3%
Fort Meyers-Cape Coral, MSA	3.4%	68,672	3.7%	93,950	3.0%	3.0%
Naples, MSA	1.7%	34,096	1.8%	44,803	1.8%	1.9%
Hours Per Week	35.5		36.2		39.4	NA
Full-time	71.4%		74.6%		85.7%	NA
Weeks Worked Per Year	49		49.5		50.3	NA
Population	1,993,731		2,557,966		6,374,493	11,948,156
Sample Size	6,771		8,685		21,973	41,741

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 2a Income Increases for Families of Workers Affected by Minimum Wage Increase to $8.81

Group	% in Class Before Increase	Annual Income Increase	% Increase In Family Income	% Share of Total Income Increase
All	100.0%	$ 3,749	9.5%	100.0%
Family Income:				
< $12,500	16.0%	$ 4,038	55.1%	17.2%
$12,500-$24,999	25.4%	$ 3,758	20.3%	25.4%
$25,000-$39,999	24.9%	$ 3,774	12.0%	25.0%
$40,000-$49,999	9.0%	$ 3,539	8.0%	8.5%
$50,000-$50,999	7.7%	$ 3,532	6.5%	7.3%
$60,000-$74,999	6.5%	$ 3,884	5.9%	6.8%
$75,000 or more	10.5%	$ 3,490	2.8%	9.8%
Average Family Income: $39,335				

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 2b Income Increases for Families of Workers Affected by Minimum Wage Increase to $10.09

Group	% in Class Before Increase	Annual Income Increase	% Increase In Family Income	% Share of Total Income Increase
All	100.0%	$ 5,500	14.1%	100.0%
Family Income:				
< $12,500	14.7%	$ 6,080	82.8%	16.3%
$12,500-$24,999	25.8%	$ 5,602	30.2%	26.2%
$25,000-$39,999	25.5%	$ 5,620	17.8%	26.1%
$40,000-$49,999	9.8%	$ 5,011	11.3%	8.9%
$50,000-$50,999	8.1%	$ 4,867	9.0%	7.1%
$60,000-$74,999	6.3%	$ 5,498	8.3%	6.3%
$75,000 or more	9.8%	$ 5,064	4.1%	9.0%
Average Family Income: $39,067				

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 3a Income Distribution Impact of Minimum Wage Increase to $8.81 Across All Families

Group	% in Income Class Before Increase	Annual Income Increase	% Increase In Family Income	% Share of Total Income Increase
All	100.0%	$ 941	2.1%	100.0%
Family Income:				
< $12,500	14.6%	$ 1,168	15.9%	18.0%
$12,500-$24,999	21.5%	$ 1,131	6.0%	25.8%
$25,000-$39,999	23.7%	$ 1,003	3.2%	25.3%
$40,000-$49,999	10.1%	$ 800	1.8%	8.6%
$50,000-$50,999	8.3%	$ 774	1.4%	6.8%
$60,000-$74,999	7.3%	$ 810	1.2%	6.3%
$75,000 or more	14.6%	$ 594	0.5%	9.2%
Average Family Income: $44,545				

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 3b Income Distribution Impact of Minimum Wage Increase to $10.09 Across All Families

Group	% in Income Class Before Increase	Annual Income Increase	% Increase In Family Income	% Share of Total Income Increase
All	100.0%	$ 1,732	3.9%	100.0%
Family Income:				
< $12,500	14.6%	$ 1,937	26.4%	16.3%
$12,500-$24,999	21.5%	$ 2,114	11.3%	26.2%
$25,000-$39,999	23.7%	$ 1,902	6.0%	26.1%
$40,000-$49,999	10.1%	$ 1,537	3.5%	8.9%
$50,000-$50,999	8.3%	$ 1,491	2.8%	7.1%
$60,000-$74,999	7.3%	$ 1,497	2.3%	6.3%
$75,000 or more	14.6%	$ 1,074	0.9%	9.0%
Average Family Income: $44,545				

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 4a Employment Levels and Job Losses by Sector for Minimum Wage of $8.81

Group	Employment: All Workers	Employment: Affected Workers	Employment: Projected Job Loss	Percent of All Job Loss
All	6,374,493	1,993,731	131,207	100.0%
Age:				
16-19	355,949	299,407	25,597	19.5%
20-24	675,776	355,833	22,151	16.9%
25-29	697,369	204,686	12,171	9.3%
30-39	1,663,897	412,257	24,848	18.9%
40-64	2,783,682	624,885	39,017	29.7%
65-99	197,820	96,663	7,424	5.7%
Family Income:				
< $12,500	454,743	296,881	23,311	17.8%
$12,500-$24,999	1,018,706	499,749	31,218	23.8%
$25,000-$39,999	1,504,001	505,900	31,589	24.1%
$40,000-$49,999	747,306	184,785	11,305	8.6%
$50,000-$50,999	693,788	157,340	9,772	7.4%
$60,000-$74,999	673,209	140,741	9,392	7.2%
$75,000 or more	1,282,741	208,335	14,622	11.1%
Gender:				
Male	3,299,105	848,615	54,024	41.2%
Female	3,075,388	1,145,116	77,183	58.8%
Race:				
White	5,273,174	1,539,239	101,221	77.1%
Black	959,482	411,140	27,366	20.9%
Asian	25,247	9,547	780	0.6%
Other Race	116,590	33,805	1,840	1.4%
Ethnic Status:				
Hispanic	5,187,729	1,468,382	95,559	72.8%
Non-Hispanic	1,186,764	525,349	35,648	27.2%
Years of Schooling:				
0 to 8	221,997	149,885	11,691	8.9%
9 to 11	667,174	435,909	33,808	25.8%
12	2,058,837	745,189	45,993	35.1%
13 to 15	1,892,570	500,255	29,515	22.5%
16 or more	1,533,915	162,493	10,199	7.8%

Table 4a Continued Employment Levels and Job Losses by Sector for Minimum Wage of $8.81

Group	Employment: All Workers	Employment: Affected Workers	Employment: Projected Job Loss	Percent of All Job Loss
Location:				
Non-Metro/Small Metro Areas	855,087	294,828	19,371	14.8%
Miami-Ft. Lauderdale CMSA				
Miami PMSA	761,599	190,530	11,999	9.1%
Ft. Lauderdale PMSA	888,185	353,810	25,214	19.2%
Tampa-St. Petersburg-Clearwater, MSA	1,002,448	308,235	20,091	15.3%
Orlando, MSA	803,891	215,915	12,768	9.7%
Jacksonsville, MSA	493,564	122,664	7,976	6.1%
West Palm Beach-Boca Raton, MSA	424,508	126,168	8,401	6.4%
Lakeland-Winter Haven, MSA	195,279	80,076	6,052	4.6%
Pensacola, MSA	151,341	63,546	3,952	3.0%
Melbourne-Titusville-Palm Bay, MSA	196,276	50,837	3,549	2.7%
Daytona Beach, MSA	122,613	39,439	2,866	2.2%
Sarasota-Bradenton, MSA	175,035	44,915	2,740	2.1%
Fort Meyers-Cape Coral, MSA	189,901	68,672	4,322	3.3%
Naples, MSA	114,766	34,096	1,908	1.5%
Industry:				
Agriculture	124,755	82,179	6,603	5.0%
Mining	6,445	969	5	0.0%
Construction	453,033	96,753	4,855	3.7%
Durable Manufacturing	356,965	76,900	4,074	3.1%
Nondurable Manufacturing	209,493	57,339	4,133	3.1%
Transportation, Communication, and Utilities	526,416	95,111	5,099	3.9%
Wholesale Trade	263,664	55,910	3,376	2.6%
Retail Trade	1,290,396	682,069	49,085	37.4%
Finance, Insurance, and Real Estate	464,684	94,595	5,391	4.1%
Business and Repair Services	496,557	144,167	8,572	6.5%
Personal Services	274,665	150,015	11,615	8.9%
Entertainment and Recreation Services	184,593	73,370	4,804	3.7%
Other Professional Services	1,387,743	346,967	21,688	16.5%
Public Administration	335,084	37,387	1,908	1.5%
Occupation:				
Executives, Administrators, and Managers	827,516	76,218	3,916	3.0%
Professionals	868,256	93,453	6,789	5.2%
Technicians	238,851	31,650	1,653	1.3%
Sales Occupations	892,666	357,617	25,785	19.7%
Administrative Support Occupations	967,537	292,185	14,226	10.8%
Service Occupations	1,043,081	603,712	44,396	33.8%
Farming, Forestry, and Fishing Occupations	135,077	88,572	6,860	5.2%
Precision Production, Craft, and Repair Occupations	670,247	130,722	6,432	4.9%
Machine Operators, Assemblers, and Inspectors	201,089	88,491	5,984	4.6%
Transportation and Material Moving Occupations	255,786	67,003	4,039	3.1%
Handlers, Equipment Cleaners, Laborers	274,387	164,108	11,125	8.5%

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 4b Employment Levels and Job Losses by Sector for Minimum Wage of $10.09

Group	Employment: All Workers	Employment: Affected Workers	Employment: Projected Job Loss	Percent of All Job Loss
All	6,374,493	2,557,966	222,354	100.0%
Age:				
16-19	355,949	319,421	39,229	17.6%
20-24	675,776	449,145	38,096	17.1%
25-29	697,369	277,114	21,501	9.7%
30-39	1,663,897	552,254	43,636	19.6%
40-64	2,783,682	841,383	67,906	30.5%
65-99	197,820	118,649	11,986	5.4%
Family Income:				
< $12,500	454,743	352,703	38,573	17.3%
$12,500-$24,999	1,018,706	647,820	54,614	24.6%
$25,000-$39,999	1,504,001	672,030	55,567	25.0%
$40,000-$49,999	747,306	254,931	19,844	8.9%
$50,000-$50,999	693,788	206,643	16,143	7.3%
$60,000-$74,999	673,209	172,088	14,796	6.7%
$75,000 or more	1,282,741	251,751	22,819	10.3%
Gender:				
Male	3,299,105	1,118,783	93,041	41.8%
Female	3,075,388	1,439,183	129,313	58.2%
Race:				
White	5,273,174	1,983,543	171,706	77.2%
Black	959,482	518,193	46,100	20.7%
Asian	25,247	10,865	1,215	0.5%
Other Race	116,590	45,365	3,334	1.5%
Ethnic Status:				
Hispanic	5,187,729	1,909,463	162,791	73.2%
Non-Hispanic	1,186,764	648,503	59,563	26.8%
Years of Schooling:				
0 to 8	221,997	178,540	18,668	8.4%
9 to 11	667,174	495,330	53,529	24.1%
12	2,058,837	967,914	79,851	35.9%
13 to 15	1,892,570	682,990	52,472	23.6%
16 or more	1,533,915	233,192	17,835	8.0%

Table 4b Continued Employment Levels and Job Losses by Sector for Minimum Wage of $10.09

Group	Employment: All Workers	Employment: Affected Workers	Employment: Projected Job Loss	Percent of All Job Loss
Location:				
Non-Metro/Small Metro Areas	855,087	369,446	32,662	14.7%
Miami-Ft. Lauderdale CMSA				
Miami PMSA	761,599	252,471	20,760	9.3%
Ft. Lauderdale PMSA	888,185	434,414	41,427	18.6%
Tampa-St. Petersburg-Clearwater, MSA	1,002,448	393,580	34,090	15.3%
Orlando, MSA	803,891	289,203	22,573	10.2%
Jacksonsville, MSA	493,564	167,023	13,726	6.2%
West Palm Beach-Boca Raton, MSA	424,508	163,970	14,216	6.4%
Lakeland-Winter Haven, MSA	195,279	96,370	9,762	4.4%
Pensacola, MSA	151,341	80,038	6,796	3.1%
Melbourne-Titusville-Palm Bay, MSA	196,276	64,355	5,888	2.6%
Daytona Beach, MSA	122,613	47,035	4,642	2.1%
Sarasota-Bradenton, MSA	175,035	61,308	4,803	2.2%
Fort Meyers-Cape Coral, MSA	189,901	93,950	7,561	3.4%
Naples, MSA	114,766	44,803	3,448	1.6%
Industry:				
Agriculture	124,755	93,869	10,368	4.7%
Mining	6,445	2,049	47	0.0%
Construction	453,033	147,190	9,403	4.2%
Durable Manufacturing	356,965	106,280	7,539	3.4%
Nondurable Manufacturing	209,493	76,929	6,868	3.1%
Transportation, Communication, and Utilities	526,416	136,492	9,464	4.3%
Wholesale Trade	263,664	77,164	5,975	2.7%
Retail Trade	1,290,396	802,714	79,848	35.9%
Finance, Insurance, and Real Estate	464,684	133,882	9,758	4.4%
Business and Repair Services	496,557	196,107	15,125	6.8%
Personal Services	274,665	177,955	18,507	8.3%
Entertainment and Recreation Services	184,593	89,210	8,076	3.6%
Other Professional Services	1,387,743	457,186	37,620	16.9%
Public Administration	335,084	60,939	3,756	1.7%
Occupation:				
Executives, Administrators, and Managers	827,516	115,427	7,409	3.3%
Professionals	868,256	131,597	11,274	5.1%
Technicians	238,851	47,731	3,154	1.4%
Sales Occupations	892,666	428,477	42,050	18.9%
Administrative Support Occupations	967,537	413,050	27,429	12.3%
Service Occupations	1,043,081	715,268	71,903	32.3%
Farming, Forestry, and Fishing Occupations	135,077	102,647	10,928	4.9%
Precision Production, Craft, and Repair Occupations	670,247	198,828	12,478	5.6%
Machine Operators, Assemblers, and Inspectors	201,089	112,364	10,033	4.5%
Transportation and Material Moving Occupations	255,786	94,107	7,150	3.2%
Handlers, Equipment Cleaners, Laborers	274,387	198,470	18,545	8.3%

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 5a Cost to Employers and Lost Income to Workers of Minimum Wage Increase to $8.81

Group	Rise in Labor Cost if no Layoffs of Workers	Lost Income due to Layoffs	Net Rise in Cost of Labor to Employers
All	$ 6,604,473,625	$ 1,698,100,090	$ 4,906,373,535
Industry:			
Agriculture	$ 353,700,492	$ 87,884,147	$ 265,816,345
Mining	$ 416,031	$ 89,235	$ 326,796
Construction	$ 287,952,211	$ 73,447,010	$ 214,505,201
Durable Manufacturing	$ 246,881,449	$ 60,945,856	$ 185,935,593
Nondurable Manufacturing	$ 223,496,142	$ 56,495,293	$ 167,000,849
Transportation, Communication, and Utilities	$ 300,498,402	$ 76,800,126	$ 223,698,276
Wholesale Trade	$ 192,529,276	$ 48,253,454	$ 144,275,822
Retail Trade	$ 2,256,885,176	$ 578,769,180	$ 1,678,115,996
Finance, Insurance, and Real Estate	$ 294,483,069	$ 75,122,104	$ 219,360,965
Business and Repair Services	$ 455,190,306	$ 116,464,738	$ 338,725,568
Personal Services	$ 595,355,434	$ 144,650,654	$ 450,704,780
Entertainment and Recreation Services	$ 204,917,580	$ 56,854,395	$ 148,063,185
Other Professional Services	$ 1,087,423,419	$ 279,719,823	$ 807,703,596
Public Administration	$ 104,744,638	$ 27,028,399	$ 77,716,239
Location:			
Non-Metro/Small Metro Areas	$ 947,908,775	$ 246,841,599	$ 701,067,176
Miami-Ft. Lauderdale CMSA			
Miami PMSA	$ 584,666,572	$ 153,700,445	$ 430,966,127
Ft. Lauderdale PMSA	$ 1,330,067,085	$ 336,079,049	$ 993,988,036
Tampa-St. Petersburg-Clearwater, MSA	$ 1,012,912,915	$ 262,813,175	$ 750,099,740
Orlando, MSA	$ 654,650,814	$ 167,307,529	$ 487,343,285
Jacksonsville, MSA	$ 378,982,354	$ 100,798,169	$ 278,184,185
West Palm Beach-Boca Raton, MSA	$ 426,283,391	$ 107,190,366	$ 319,093,025
Lakeland-Winter Haven, MSA	$ 301,925,227	$ 75,005,097	$ 226,920,130
Pensacola, MSA	$ 199,752,225	$ 53,196,294	$ 146,555,931
Melbourne-Titusville-Palm Bay, MSA	$ 166,684,176	$ 41,885,579	$ 124,798,597
Daytona Beach, MSA	$ 133,736,276	$ 33,831,294	$ 99,904,982
Sarasota-Bradenton, MSA	$ 136,221,797	$ 34,856,875	$ 101,364,922
Fort Meyers-Cape Coral, MSA	$ 224,003,313	$ 57,948,576	$ 166,054,737
Naples, MSA	$ 106,678,704	$ 25,879,181	$ 80,799,523

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

Table 5b Cost to Employers and Lost Income to Workers of Minimum Wage Increase to $10.09

Group	Rise in Labor Cost if no Layoffs of Workers	Lost Income due to Layoffs	Net Rise in Cost of Labor to Employers
All	$ 12,022,996,226	$ 3,181,181,893	$ 8,841,814,333
Industry:			
Agriculture	$ 580,184,262	$ 146,583,944	$ 433,600,318
Mining	$ 4,236,879	$ 942,761	$ 3,294,118
Construction	$ 607,727,244	$ 156,848,761	$ 450,878,483
Durable Manufacturing	$ 487,263,780	$ 124,101,379	$ 363,162,401
Nondurable Manufacturing	$ 398,021,365	$ 106,735,440	$ 291,285,925
Transportation, Communication, and Utilities	$ 602,036,312	$ 154,306,297	$ 447,730,015
Wholesale Trade	$ 365,027,312	$ 95,110,110	$ 269,917,202
Retail Trade	$ 3,904,713,753	$ 1,022,076,009	$ 2,882,637,744
Finance, Insurance, and Real Estate	$ 576,418,963	$ 150,718,497	$ 425,700,466
Business and Repair Services	$ 865,538,649	$ 227,999,343	$ 637,539,306
Personal Services	$ 987,304,109	$ 248,369,937	$ 738,934,172
Entertainment and Recreation Services	$ 379,413,358	$ 104,639,017	$ 274,774,341
Other Professional Services	$ 2,035,374,839	$ 537,249,086	$ 1,498,125,753
Public Administration	$ 229,735,402	$ 61,759,809	$ 167,975,593
Location:			
Non-Metro/Small Metro Areas	$ 1,725,674,742	$ 463,435,992	$ 1,262,238,750
Miami-Ft. Lauderdale CMSA			
Miami PMSA	$ 1,101,757,714	$ 296,014,132	$ 805,743,582
Ft. Lauderdale PMSA	$ 2,313,997,846	$ 596,499,168	$ 1,717,498,678
Tampa-St. Petersburg-Clearwater, MSA	$ 1,846,756,022	$ 488,319,588	$ 1,358,436,434
Orlando, MSA	$ 1,252,847,261	$ 333,561,840	$ 919,285,421
Jacksonsville, MSA	$ 716,359,282	$ 197,284,759	$ 519,074,523
West Palm Beach-Boca Raton, MSA	$ 770,761,186	$ 203,250,505	$ 567,510,681
Lakeland-Winter Haven, MSA	$ 512,684,702	$ 131,559,613	$ 381,125,089
Pensacola, MSA	$ 372,963,668	$ 98,864,601	$ 274,099,067
Melbourne-Titusville-Palm Bay, MSA	$ 294,300,945	$ 76,974,737	$ 217,326,208
Daytona Beach, MSA	$ 229,517,522	$ 60,413,774	$ 169,103,748
Sarasota-Bradenton, MSA	$ 257,931,121	$ 68,257,083	$ 189,674,038
Fort Meyers-Cape Coral, MSA	$ 424,426,098	$ 112,376,721	$ 312,049,377
Naples, MSA	$ 203,018,114	$ 50,704,094	$ 152,314,020

Note: Data source is the December 1998 to November 2001 CPS ORG. Affected workers are defined as those persons earning $5.15-$8.81 ($10.09) per hour in January 2002. All workers are defined as all wage and salary workers. All means are calculated using CPS sample weights.

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