



# NEWS

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## **A STATE MINIMUM WAGE IS MISGUIDED** ***Indexing to Inflation Makes a Bad Idea Worse***

**TALLAHASSEE —** There is no clear and compelling evidence that raising the minimum wage in Florida will reduce poverty and help improve the lives of the state's lowest income workers. That's the conclusion of a Florida TaxWatch study of Amendment 5, which if passed by Florida voters on November 2, would establish a state minimum wage of \$6.15 per hour and have automatic increases tied to the federal Consumer Price Index.

"This is no time to be experimenting with social engineering," said Dominic M. Calabro, Florida TaxWatch President. "The evidence doesn't support that it will help the people its supposed to help and we don't need this ensconced in constitutional concrete with an ever-escalating cost of doing business in Florida."

For the report, ***Putting an Ever-Increasing Minimum Wage in the State Constitution is Misguided***, the Florida TaxWatch Center for a Competitive Florida studied research from twelve states and a number of municipalities that have passed their own minimum wage laws above the federal minimum wage, currently \$5.15 per hour. Much of the existing research makes a compelling case that minimum wage increases carry with them unintended negative economic consequences, including overall job losses, the replacement of low-income, low-skilled workers with higher-income, higher-skilled workers, reduced benefits and increased inflation.

Amendment 5 would increase the minimum wage in Florida from the federal level to \$6.15 per hour, with tipped employees going from \$2.13 to \$3.13 per hour. That wage would be automatically increased, never decreased, each year by inflation adjustments tied to the U.S. Consumer Price Index.

"Rather than impose an artificial minimum wage, the best thing is to increase wages through market forces," said Calabro. "Increase productivity instead, by providing better training, education and opportunities for innovation. An increase in market wages will follow."

Florida TaxWatch studied the number of Floridians working for minimum wage. In 2003, only 3 percent of workers received minimum wage and below, down from 10.3 percent in 1997. While the minimum wage remained the same during those years, employers increasingly paid their workers a higher wage, resulting in the drop.

Research also revealed that the majority of Florida's minimum wage earners are single and work only part-time. Only 27 percent are heads of household and only 10 percent of minimum wage recipients are raising a family on the minimum wage. The remaining 90% are either teenagers living with their working parents, adults living alone or dual-earner married couples.

If passed, Amendment 5 would make Florida the third state in the nation of the 12 with minimum wage laws to make annual adjustments based on the U.S. Consumer Price Index (CPI). Of the two existing states with indexed wages, Oregon and Washington, both experienced significant increases in unemployment over the federal rate after they began increasing the wage.

"While we cannot tie the increase in Oregon and Washington's unemployment rates directly to their increasing the minimum wage, if our experience proves comparable to these two other states with indexed wage rates, Florida could lose 108,000 to 132,000 jobs," said Calabro.

A Florida TaxWatch review of numerous studies reveals that entry-level employers eliminate jobs or reduce work hours in response to wage hikes. Job opportunities for those who need them most are reduced as well when higher skilled workers are newly attracted to jobs at a higher minimum wage. Some studies find that low-skilled workers are pushed out of jobs by teenagers from higher income families and students are hired.

Indexing minimum wage eliminates the flexibility that the labor market needs to deal with unpredictable economic conditions. If the economy experiences high inflation due to increasing oil prices, annual minimum wage increases based on the CPI would further push prices up. In the case of an economic recession, a significant difference between the state and federal minimum wages would put Florida at an economic disadvantage against states with a lower minimum wage.

"We should only change the state Constitution when there's clear and compelling evidence that good will come," said Calabro. Supporters of this proposed amendment have failed to meet that test."

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Florida TaxWatch is a private, non-profit, non-partisan research institute supported by homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens. The organization is dedicated to improving taxpayer value, government accountability and citizen understanding and participation in their state and local government fiscal policies. On the web at [www.floridatxwatch.org](http://www.floridatxwatch.org)