The Florida Minimum Wage: How Much Can It Really Buy, and How High Should It Be?

Seth Hartig | Curtis Skinner
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The National Center for Children in Poverty (NCCP) is a non-partisan public policy research center at Columbia University’s Mailman School of Public Health. Founded in 1989 with endowments from the Carnegie Corporation of New York and the Ford Foundation, NCCP is dedicated to promoting the economic security, healthy development, and well-being of America’s low-income children and families. Using research to inform policy and practice, the center seeks to advance family-oriented solutions and the strategic use of public resources at the state and national levels to produce positive outcomes for the next generation.

ABOUT THE AUTHORS

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SUGGESTED CITATION

In Florida and across the nation, there is much debate about the adequacy of the minimum wage. The federal minimum wage of $7.25 has not increased since July 2009, and has fallen by more than fifty cents in real terms since then. Adjusted for inflation, the current minimum wage is far below the federal minimum wage in effect from the late 1950s through the 1970s. Recognizing the inadequacy of the federal minimum wage, numerous states—including Florida—have set higher minimum wages for their residents. In the past year, Florida state legislators have advanced legislation or promoted ballot initiatives that would raise the state’s minimum wage, now set at $8.05, but these efforts have not yet been successful due to insufficient support in the Florida legislature and opposition from the governor’s office and some business leaders. While opponents argue that raising the minimum wage would result in job loss, advocates have argued that it would help working Floridians afford much-needed family expenses, leading to increased spending that would, in turn, help spur the state’s economy. To help inform the policy debate, this brief advances three arguments for raising the Florida minimum wage:

1. The current wage is not high enough to lift many families with working parents out of poverty.
2. Parents in Florida working at the current minimum wage and with incomes below the poverty level cannot access federal healthcare subsidies under the Affordable Care Act, leaving them without affordable health insurance if they lack employer-provided coverage.
3. The state minimum wage is far too low to offset important work-related expenses such as child care, serving as a disincentive for a second parent in a two-parent family to increase his or her working hours.

Findings are based on results from NCCP’s Family Resource Simulator

The Family Resource Simulator (www.nccp.org/tools/frs) is an interactive, web-based policy analysis tool that shows the impact of federal and state work supports on the budgets of low- to moderate-income families. Over the past 13 years, NCCP has developed simulators for 26 states and over 100 localities, most recently updating simulators for Florida, Colorado, and Ohio. The Florida Simulator includes six localities—Highlands County, Jacksonville, Miami, Orlando, Tallahassee, and Tampa—and reflects policy rules in effect as of summer 2015.

If you would like the National Center for Children in Poverty to develop a new or updated simulator for your state, please contact Seth Hartig at sh3320@columbia.edu.
Earning Florida’s minimum wage does not lift families out of poverty

Although higher than the federally mandated minimum wage of $7.25 per hour and indexed to inflation, Florida’s minimum wage of $8.05 is still not high enough to lift many families with a parent working full time out of poverty. Tables 1 and 2 show the hourly wage needed to reach the 2016 federal poverty guidelines (FPG) for families of various sizes and compositions. For all but the very smallest families, the Florida minimum wage does not lift families out of poverty, despite parents working full time. Indeed, in 2014, about 200,000 Floridians worked at least 40 hours per week, year-round, but still lived in poverty. In addition, there is widespread agreement among researchers that the guidelines define poverty at a level of income far below what families actually need to cover basic family expenses. According to many researchers, families need income equal to twice the FPG or higher to meet their basic needs.

A minimum wage that keeps families in poverty also makes health insurance unaffordable for many parents in these families

Because Florida opted not to expand Medicaid coverage under the Affordable Care Act (ACA), many parents who work full time at the minimum wage confront a health coverage gap. They earn too much to qualify for Florida’s Medicaid plan for parents, which sets the maximum income allowed for program eligibility at 34 percent of the FPG, yet they do not earn enough to be eligible for health insurance subsidies under the ACA, which begin when income exceeds the FPG. For families without affordable employer-provided coverage, these subsidies can lower the out-of-pocket cost of insurance purchased on the ACA marketplace for a parent by 80 percent or more. Florida children are eligible for public health insurance coverage under Medicaid or the Children’s Health Insurance Program (Florida KidCare) for up to 215 percent of the FPG, and so do not confront a coverage gap.

According to estimates in a 2016 report from The Kaiser Commission on Medicaid and the Uninsured, about 567,000 adults in Florida fall into this coverage gap.

Table 1: Wages needed to reach federal poverty guideline for a one-parent family

<table>
<thead>
<tr>
<th>Number of children</th>
<th>Federal poverty guideline (FPG), 2016</th>
<th>Hourly wage needed to reach FPG at 40 hrs/wk, 52 wks/yr</th>
<th>Florida minimum hourly wage</th>
<th>Federal minimum hourly wage</th>
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Table 2: Wages needed to reach federal poverty guideline for a two-parent family with one working parent

<table>
<thead>
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child care and other work expenses when the second parent works additional hours than it gains in income.

We can see this dilemma by using the Family Resource Simulator to track net resources for a married two-parent Jacksonville family with one three-year-old child, accessing the same set of public benefits as in the one-parent family example above. As can be seen by the bottom line in Figure 2, once this family receives a boost in net resources due to qualifying for healthcare subsidies at 48 hours of work per week at the minimum wage (40 hours per week at the minimum wage for one parent and eight hours per week at the minimum wage for the family's second wage earner), there is very little net benefit to working more hours; net resources vary only slightly from 48 hours per week (-$3,527) through 80 hours per week (-$3,313). Even with both parents working full time at the minimum wage, family net resources remain well below the break-even level. This family can only avoid the types of sacrifices described above (e.g., substandard child care or housing) by attaining higher-paying work.

It is important to note that although increasing child care costs are a major reason why net resources for this family and others like it remain stagnant, there are other expenses that rise and benefits that decline as a consequence of the second parent working longer hours. This family will spend more on transportation as increased hours turn into increased days worked per week, requiring more trips between work and home. Payroll taxes, income taxes, and premiums for Florida KidCare also increase with earnings, and the value of federal healthcare...
subsidies, SNAP benefits, and the Earned Income Tax Credit (EITC) all decline as earnings increase.

Specifically, as the second parent increases working hours from eight hours per week to 40 hours per week, the Family Resource Simulator calculates that the family will incur the following additional costs (on average) for each additional hour worked:

- $3.31 in child care costs
- $1.41 reduction in SNAP benefits
- $0.95 reduction in the EITC
- $0.74 reduction in federal healthcare subsidies
- $0.62 in payroll taxes
- $0.67 in transportation costs
- $0.14 in Florida KidCare premiums
- $0.08 in federal income taxes (higher income
taxes are mostly offset by the child and dependent care tax credit)

This all adds up to an average of $7.92 in additional costs per hour worked as a two-parent household with minimum wage jobs moves from working 48 hours per week to 80 hours per week, a net gain of just $0.13 per additional hour worked. Similarly, the average increase in expenses per hour for a family when a second parent moves from not working at all to working a $10-per-hour job at 40 hours per week is $8.93 per hour. This leads to only about a $1,800 gain in net resources per year. As Figure 2 shows, only when the wage rises to $12 per hour or more does the family move from just below the break-even line to having positive net resources, with net resources rising steadily after the second parent.

Figure 2: Annual net resources by hours worked per week, two-parent family*

*The representative family lives in Jacksonville, Florida, with one child age 3, and receives SNAP, Medicaid/CHIP, and federal tax credits, when eligible.
works more than 11 hours per week. At $15 per hour, a family like this one can already afford to pay for basic expenses and save a little without the second parent working, but the returns are high enough and proportionate enough per additional hour worked so as to provide a strong incentive for the second parent to enter the labor force.

Conclusions

This policy brief shows how difficult it is for Florida families to get by on the state minimum wage of $8.05, and how raising the wage would strengthen family economic security. The current minimum wage not only is too low to raise families out of poverty, but also limits parental access to affordable healthcare, and often does not offset the costs of having a second parent work. Across many family types, it is too low to cover basic expenses, even when one or both parents are working full time.

Policymakers seeking an optimal minimum wage can be informed by analysis demonstrating the adequacy of different wages in meeting basic family needs, and showing how these wages interact with different widely used income and work supports such as Medicaid, SNAP, and federal tax credits. This policy brief provides several examples of these interactions using the Family Resource Simulator policy modeling tool. A complete accounting of the impacts of increasing the minimum wage would require an assessment of any economic costs of a higher wage, the economic impact of new family spending stimulated by the addition to net family resources, and the long-term gains to children, parents, and society from families that are more financially secure.
Endnotes


4. NCCP analysis of 2014 American Community Service (ACS) 1-year data. According to these estimates, about 199,375 (plus or minus 13,310) Floridians worked at least 40 hours per week for at least 50 weeks per year and still lived below the federal poverty threshold. About 234,563 Floridians worked at least 35 hours per week for at least 50 weeks per year and still lived below the federal poverty threshold. The ACS data uses poverty thresholds as the preferred measure of poverty rather than poverty guidelines, which are a simplified version of the poverty thresholds used widely to determine eligibility for federal, state, and local income supports. This policy brief discusses several programs that use the poverty guidelines in such a manner, but the poverty guidelines were designed for there to be little difference between the number of people living below the poverty guideline and those living below the poverty threshold. For more information about the difference of these two measures, please see the website of the Office of The Assistant Secretary for Planning and Evaluation at https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty/.


7. Department of Children and Families (2016). Family-Related Medicaid Income Limits. Tallahassee, FL: Author. Retrieved May 2016 from http://www.dcf.state.fl.us/programs/access/docs/esspolicymanual/a_07.pdf, updated periodically at http://www.myflfamilies.com/service-programs/access-florida-food-medical-assistance-cashprogram-policy-manual. Some Floridians with incomes above 34 percent of the FPG can access Medicaid through the state’s Medically Needy program. Families are eligible for this program once the total of their medical expenses is greater than the difference between their medically-adjusted gross income (MAGI) and the Medicaid income eligibility limit of 34 percent FPG.


12. Unlike other income supports such as child care subsidies, Section 8 housing vouchers, or energy subsidies, which have relatively low take-up due at least partially to limited funding, these benefits comprise entitlements that are taken up widely by the U.S. population.

13. In our example, we estimate child care expenses by using the 75th percentile weekly cost of child care, a standard used by the federal government for helping state governments estimate how much they should pay child care providers for enrolling children receiving subsidized child care. In Jacksonville, the 75th percentile market rate for the type of child care used in the model above, licensed child care homes, is $133 per week, and the Family Resource Simulator incorporates child care payments in either half-day or full-day increments, as do many child care providers. Office of Early Learning (2014). Florida Department of Education 2013 Market Rate Report—Full Time Rates. Tallahassee, FL: Florida Department of Education. Retrieved December 2014 from http://www.floridaearlylearning.com/providers/provider_menu/market_rate.aspx. Because these rates were taken from a survey that ended in May 2013, the figures used in the Family Resource Simulator are adjusted for inflation based on the Consumer Price Index.