



Florida's Struggling Middle Class

By David Madland and Keith Miller May 29, 2014

The past 30 years have not been kind to Florida's middle class, which now ranks among the weakest in the nation.¹ While the state enjoyed significant economic growth over this period, few of the benefits ever trickled down to the Florida families who were not among the state's highest earners. Today, middle-class Floridians' incomes are lower than they were in the late 1980s, and their share of the state's total economic pie has fallen to near-record lows. These trends are reversible, but it will require the undoing of several decades of policies that have consistently favored those at the top over those in the middle and at the bottom.

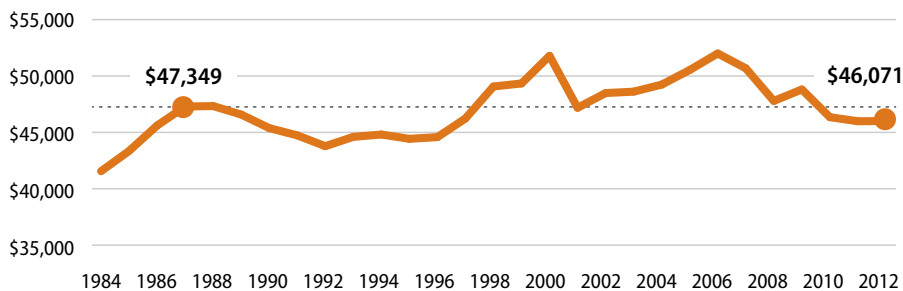
Florida's middle class has benefited little from inequitable economic growth

Perhaps the clearest indicator of the struggles of Florida's middle class is the recent decline of the state's median income and its overall stagnation since the late 1980s. In 2012—the most recent year for which data are available—a typical Florida household earned \$46,071, or roughly \$5,000 below the national median.² While this represented a very slight increase compared to what the typical Florida household earned in 2011, it was still a full 11.4 percent less than typical Floridians were earning only six years earlier, before the onset of the Great Recession.³

FIGURE 1

The typical Florida household is now earning less than it did in 1987

Median household income in 2012 dollars



Source: Bureau of the Census, *Table H-8. Median Household Income by State: 1984 to 2012* (U.S. Department of Commerce), available at <http://www.census.gov/hhes/www/income/data/historical/household/>.

This rapid decline—which was slightly worse in Florida than at the national level—caused Florida’s median income to fall below its inflation-adjusted 1987 level.⁴ This means that middle-class Floridians are now earning less in real terms than they were 25 years ago.

For those workers near the bottom of the wage distribution who are struggling to make their way into the middle class, things have not been much better. As was the case at the national level, some progress was made in reducing the number of Floridians in poverty during the 1990s, but this trend stalled in the early 2000s and was almost entirely reversed by the economic calamities of the latter half of the decade. The share of Floridians living below the poverty line was 15.3 percent in 2012—more than one in every seven state residents—which was slightly higher than the percentage living below the same inflation-adjusted poverty line in 1982.⁵

Such across-the-board stagnation of working Floridians’ economic well-being might make sense if the state’s economy had struggled to a similar extent, but this was not the case. Total personal income earned per capita—often used as a measure of states’ economic health—increased by approximately two-thirds in inflation-adjusted terms between 1982 and 2012.⁶

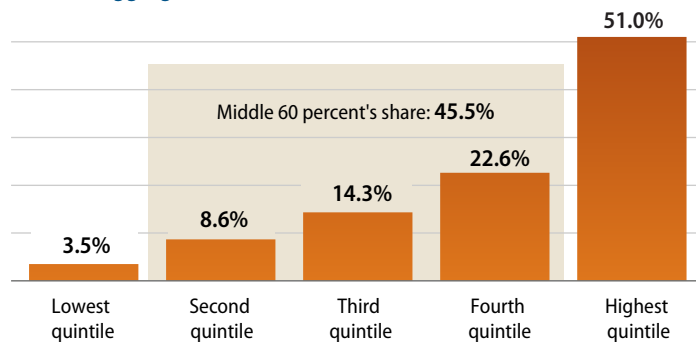
The reason this growth has not translated into more-substantive gains for those in the middle and at the bottom of the income distribution is that an ever-increasing share of the state’s economic gains has been redirected to those at the very top.

The middle 60 percent of Floridian households took home 50.8 percent of the total income earned in the state in 1980, but this figure fell to only 45.5 percent by 2012—a drop of roughly 5.3 percentage points.⁷ To place this loss in context, 5.3 percent of the total household income earned in Florida in 2012 amounts to approximately \$27 billion, or nearly \$5,700 per middle-class household.⁸ Meanwhile, the percentage of total income going to the top 20 percent of households increased from 45.2 percent to 51 percent, meaning that the wealthiest one-fifth of Floridians took home more than half of all income earned in the state and more than 14 times the amount earned by the bottom 20 percent.⁹

But even within this wealthy group, the majority of the gains have gone to the very highest earners. A recent study of state income growth using tax data found that of all of the income growth that occurred in Florida between 1979 and 2007, approximately 68.9 percent of it went to just the top 1 percent.¹⁰ This study also found that even the limited growth

FIGURE 2
The top 20 percent of Florida households take home more than half of the state's total income

Share of aggregate household income in 2012



Source: Based on authors’ calculations using data from Bureau of the Census, *Current Population Survey* (U.S. Department of Commerce), 1980-2012 Annual Social and Economic Supplements, data provided directly to the authors.

that has occurred since the end of the Great Recession has been monopolized by the very wealthy, estimating that the incomes of the top 1 percent grew more than 9 percent between 2009 and 2011—the most recent year for which complete data are available—while the incomes of the bottom 99 percent continued to fall.¹¹

None of this should be particularly surprising, however, given that previous studies by economists such as Emmanuel Saez of the University of California, Berkeley, estimated that the share of income going to the top 1 percent at the national level more than doubled over the past four decades, from around 9 percent of the nation's income in the mid-1970s to more than 22 percent in 2012.¹² Meanwhile, middle-class households across the country have experienced losses similar to those of Florida's middle-class workers.¹³

Policy choices contributed greatly to the decline of Florida's middle class

The levels of inequality currently seen in both Florida and the United States as a whole are not the inevitable byproducts of economic growth. Certainly, some factors largely beyond state policymakers' control have affected the distribution of earnings among workers. Globalization, for example, has increased the competition faced by many domestic industries and placed downward pressure on some workers' wages, while increasing monetary returns to education have disproportionately benefited better-educated workers at the top of the income distribution. However, the gap between those at the very top and those further down has also been substantially widened by decades of conscious political choices that have placed the interests of the wealthy ahead of the needs of everyone else.

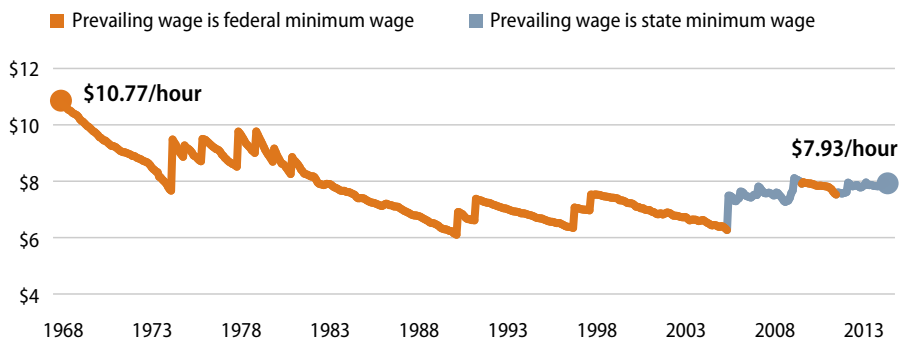
Florida's state and local tax codes are prime examples of policymaking that puts the interests of those at the top ahead of working families' needs. Because Florida's policymakers chose not to have a personal income tax, the state must rely much more heavily on regressive property and sales taxes to fund state services. According to the Institute on Taxation and Economic Policy, or ITEP, the net effect of these choices is that the bottom 20 percent of Floridians ended up paying roughly 13.2 percent of their income in state and local taxes in 2013, while the top 1 percent paid only 2.3 percent.¹⁴ Indeed, ITEP ranks Florida's tax system as the second-most regressive system in the entire nation, behind only Washington state.¹⁵

In addition to a tax system that disproportionately taxes those at the bottom and middle, Florida's comparatively weak wage standards have also contributed to increasing inequality. While the 2005 introduction of a state inflation-indexed minimum wage was a significant step forward, the current value of Florida's minimum wage is still only \$7.93 per hour. This is slightly above the current federal minimum wage of \$7.25, but it remains far below the inflation-adjusted value of the minimum wage guaranteed by federal law in 1968—approximately \$10.77 per hour.¹⁶

FIGURE 3

The inflation-adjusted value of Florida's effective minimum wage has declined by 26 percent since 1968

Value of effective hourly minimum wage in current dollars



Effective dates of federal minimum-wage rates from Craig K. Elwell, "Inflation and the Real Minimum Wage: A Fact Sheet" (Washington: Congressional Research Service, 2014), available at <http://www.fas.org/sgp/crs/misc/R42973.pdf>. Effective dates for state minimum-wage rates from Tax Policy Center, "State Minimum Wage Rates, 1983-2014" (2014), available at <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=603>; Florida Department of Economic Opportunity, "Florida Minimum Wage History: 2000 to 2013" (2013), available at <http://www.floridajobs.org/minimumwage/FloridaMinimumWageHistory2000-2013.pdf>. Note that monthly minimum-wage rates have been adjusted for inflation using the value of Consumer Price Index for Urban Wage Earners and Clerical Workers for February 2014.

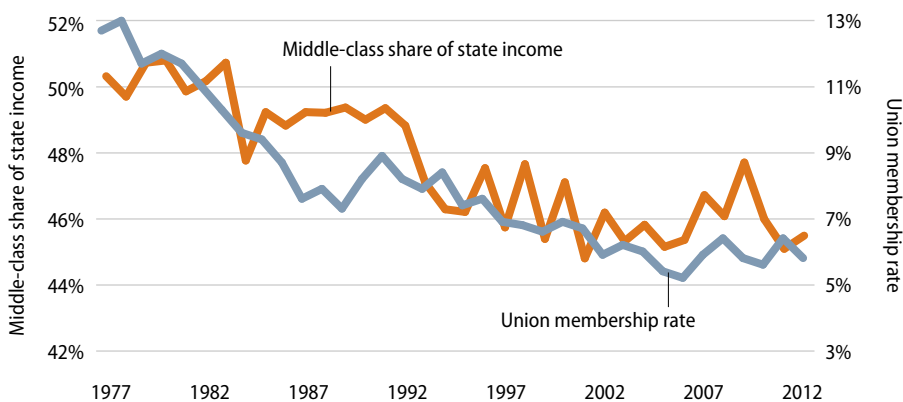
This means that minimum-wage workers in Florida have effectively received a 26 percent pay cut since 1968. Even if workers who earn the state minimum wage work full time, year round, and always receive their full paychecks—and far too many American workers do not, due to wage theft by their employers¹⁷—they will still only earn approximately \$16,500 per year, or roughly \$3,300 below the federal poverty line for a family of three.¹⁸ Choosing to leave the minimum wage this low not only harms thousands of Floridian families attempting to work their way out of poverty but also harms those in the middle class who benefit from the spillover effects of higher minimum wages that cause employers to raise the pay of many workers who earn well above the minimum wage.¹⁹

But among the most overlooked policies that have weakened the middle class both in Florida and throughout the United States are those that have undermined unions and eroded workers' collective bargaining rights.²⁰ Unions are essential to maintain a thriving middle class because they advocate for middle-class interests both in the workplace and in the political sphere.²¹ They encourage greater political participation among workers; advocate for the protection of programs critical to the middle class, such as Social Security and Medicare; and ensure their members receive fair pay and essential benefits.²² The gains these unions win for their own members can also help establish broader standards that benefit nonmembers as well.

Unfortunately, Florida has a long history of undermining workers' collective bargaining rights—it was the first state to pass so-called right-to-work legislation in 1943²³—and the state's middle class has struggled as a result. While the percentage of workers who are members of a union has always been low in Florida compared to the rest of the nation, it has further declined over the past several decades, along with the share of total household income going to the middle class.

FIGURE 4

As Florida's union membership rate has declined, so has the share of total household income going to the middle class



Source: State union membership rate is from updated version of Barry T. Hirsch, David A. MacPherson, and Wayne G. Vroman, "Estimates of Union Density by State," *Monthly Labor Review* 124 (7) (2001): 51–55, available at http://unionstats.gsu.edu/MLR_7-01_StateUnionDensity.pdf. Share of income going to the middle class is product of authors' calculations based on Bureau of the Census, *Current Population Survey* (U.S. Department of Commerce), 1980-2012 Annual Social and Economic Supplements, data provided directly to the authors. Note that middle-class share of income is share of income going to the middle 60 percent of households.

This correlation is no coincidence, and the trend seen in Florida has mirrored that of the nation, where the decrease in national union membership since the late 1960s has been accompanied by steady declines in the percentage of aggregate national income earned by the middle class.²⁴ Recent academic analyses looking at other measures of inequality have further illustrated the strength of the relationship between workers' declining collective bargaining power and rising inequality. For example, research by Bruce Western of Harvard University and Jake Rosenfeld of the University of Washington estimates that the decline of organized labor alone explains between one-fifth and one-third of the growth in wage inequality between 1973 and 2007—an effect comparable to that caused by the increasing stratification of wages by education.²⁵

In summary, the decline of Florida's middle class and the increasing levels of inequality seen in the state are not simply the unavoidable consequences of economic growth. Conscious policy choices—such as adopting regressive state and local tax systems, allowing the minimum wage to decline in value since the late 1960s, and undermining workers' collective bargaining power—have contributed greatly to the losses experienced by the middle class over the past several decades by consistently prioritizing the interests of those at the very top above the needs of working families.

Conclusion

While reversing the losses of the past several decades will not be easy, it must be done if Florida's middle class is to return to its essential role as a driver of broad-based economic growth and a promoter of economic mobility.²⁶ Ensuring that Florida's workforce is better educated—and that the returns of education are more equitably distributed—is, of course, important to supporting the middle class, but there are a host of other policies that play just as critical roles. To start, elected officials should strengthen workers' collective bargaining rights and seek further increases in the state minimum wage above what is required to adjust the current wage for inflation. A number of other state-level policies—such as cracking down on wage theft, ensuring that state contractors provide proper pay and benefits to their employees, and reforming regressive state tax codes—would also bolster the health of the middle class in both the short and long runs.

By implementing these and other reforms that directly benefit the middle class, Florida can ensure that future economic growth actually translates into meaningful improvements in its citizens' standard of living—something that, unfortunately, has been all too rare in the state's recent history.

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Endnotes

- 1 When looking at the share of aggregate state household income going to the middle 60 percent of households, Florida ranked 40th among all states in 2012, when using data from the Bureau of the Census's Current Population Survey. When looking at alternative estimates available from the American Community Survey, Florida ranked 48th in 2012 on the same measure. Florida also ranked 38th among all states in 2012 when looking at median household income. Authors' calculations are based on data from Bureau of the Census, *Current Population Survey* (U.S. Department of Commerce), 1980-2012 Annual Social and Economic Supplements. These data were provided directly to the authors and were current as of November 22, 2013. Authors' calculations are also based on the Bureau of the Census's 2012 American Community Survey, or ACS, and Bureau of the Census, *Table H-8. Median Household Income by State: 1984 to 2012* (U.S. Department of Commerce, 2013), available at <http://www.census.gov/hhes/www/income/data/historical/household/>.
- 2 Bureau of the Census, *Table H-8. Median Household Income by State: 1984 to 2012*.
- 3 Authors' calculation based on median income figures found in *ibid*.
- 4 Florida's median income peaked in 2006, and by 2012, it had fallen by \$4,641, or 11.4 percent. The national median income peaked in 2007 and by 2012 had fallen by \$4,610, or 8.3 percent. See *ibid*.
- 5 Figures derived from the Current Population Survey's Annual Social and Economic Supplements. See Bureau of the Census, *Table 21. Number of Poor and Poverty Rate, by State: 1980 to 2012* (U.S. Department of Commerce, 2013), available at <http://www.census.gov/hhes/www/poverty/data/historical/people.html>.
- 6 Authors' calculations using per-capita personal income figures from Bureau of Economic Analysis, "Regional Economic Accounts," available at <https://www.bea.gov/regional/> (last accessed April 2014). Note that the authors adjusted these figures for inflation using the Personal Consumption Expenditures Price Index. The estimate used for 2012 reflects the results of revisions to the national income and product accounts released in 2013, while the estimate used for 1982 does not yet reflect this revision. This means that there may be slight differences in the way that the more detailed components of total personal income are coded and measured between the two estimates, but it is unlikely that they will substantially impact this approximation of the overall growth that occurred over the period in question.
- 7 Authors' calculations are based on data from Bureau of the Census, *Current Population Survey*, 1980-2012 Annual Social and Economic Supplements. These data were provided directly to the authors and were current as of November 22, 2013. Figure is in 2012 dollars. Note that alternative estimates of aggregate household income shares for the past five years are available from the American Community Survey. These estimates provide a distribution of income extremely similar to the distribution calculated by the authors, but the Current Population Survey estimates were used due to the extremely limited time frame covered by the 2012 ACS estimates. For ACS data, see Bureau of the Census, "American Fact Finder," available at <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml#none> (last accessed May 2014).
- 8 *Ibid*. Middle-class households are those in the middle 60 percent of the income distribution. Note that if the ACS estimate of Florida's aggregate household income in 2012 were used to calculate the total-income-lost figure instead, it would equal approximately \$25 billion. However, due to the ACS's lower estimate of the number of households in the state, the per-middle-class household estimate would still equal roughly \$5,700 per household.
- 9 *Ibid*.
- 10 Estelle Sommeiller and Mark Price, "The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011" (Washington: Economic Policy Institute, 2014), available at <http://www.epi.org/publication/unequal-states/>.
- 11 *Ibid*.
- 12 Emmanuel Saez, "Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2012 preliminary estimates)," *Econometrics Laboratory*, September 3, 2013, available at <http://eml.berkeley.edu/~saez/saez-UStopincomes-2012.pdf>.
- 13 David Madland and Nick Bunker, "5 Charts on the State of the Middle Class," *Center for American Progress*, August 30, 2012, available at <http://www.americanprogress.org/issues/economy/news/2012/08/30/33600/5-charts-on-the-state-of-the-middle-class/>; David Madland and Keith Miller, "3 Charts Showing How Middle-Class Incomes Continue to Stagnate While Overall Inequality Grows," *Center for American Progress Action Fund*, September 17, 2013, available at <http://www.americanprogressaction.org/issues/labor/news/2013/09/17/74366/3-charts-showing-how-middle-class-incomes-continue-to-stagnate-while-overall-inequality-grows/>.
- 14 Carl Davis and others, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Fourth Edition" (Washington: Institute on Taxation and Economic Policy, 2013), available at <http://www.itepnet.org/whopays.htm>.
- 15 *Ibid*.
- 16 Authors' calculations. Adjusting for inflation using the Consumer Price Index for Urban Wage Earners and Clerical Workers, the \$1.60 minimum wage that took effect in February 1968 would be equal to approximately \$10.77 in February 2014 dollars. For Consumer Price Index for Urban Wage Earners and Clerical Workers data, see Bureau of Labor Statistics, "Consumer Price Index," available at <http://www.bls.gov/cpi/> (last accessed May 2014). For effective dates of the federal minimum wage see, Craig K. Elwell, "Inflation and the Real Minimum Wage: A Fact Sheet" (Washington: Congressional Research Service, 2014), available at <http://www.fas.org/sgp/crs/misc/R42973.pdf>.
- 17 For more information on how widespread wage theft is in the United States, see National Employment Law Project, "Winning Wage Justice: A Summary of Research on Wage and Hour Violations in the United States" (2013), available at http://nelp.3cdn.net/6eb6a53686715c5463_2wm6bno4u.pdf.
- 18 The federal poverty line for a family of three in 2014 is \$19,790. See U.S. Department of Health and Human Services, "2014 Poverty Guidelines," available at <http://aspe.hhs.gov/poverty/14poverty.cfm> (last accessed April 2014).
- 19 For more information on spillover effects, see Jeannette Wicks-Lim, "Mandated Wage Floors and the Wage Structure: New Estimates of the Ripple Effects of Minimum Wage Laws," *Working Paper 116* (Political Economy Research Institute, 2006), available at http://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1092&context=peri_workingpapers.
- 20 David Madland and Nick Bunker, "State-Level Policies Threaten to Further Weaken Unions," *Center for American Progress Action Fund*, January 23, 2013, available at <http://www.americanprogressaction.org/issues/labor/news/2013/01/23/50419/state-level-policies-threaten-to-further-weaken-unions/>.
- 21 David Madland, Karla Walter, and Nick Bunker, "Unions Make the Middle Class: Without Unions, the Middle Class Withers" (Washington: Center for American Progress Action Fund, 2011), available at <http://www.americanprogressaction.org/wp-content/uploads/issues/2011/04/pdf/unionsmakethemiddleclass.pdf>.
- 22 For more information on the wage and benefit premiums provided by union membership, see John Schmitt, "The Unions of the States" (Washington: Center for Economic and Policy Research, 2010), available at <http://www.cepr.net/index.php/publications/reports/the-unions-of-the-states/>; Lawrence Mishel, "Unions, Inequality, and Faltering Middle-Class Wages" (Washington: Economic Policy Institute, 2012), available at <http://www.epi.org/publication/ib342-unions-inequality-faltering-middle-class/>.

- 23 National Conference of State Legislatures, "Right-to-Work Resources," available at <http://www.ncsl.org/research/labor-and-employment/right-to-work-laws-and-bills.aspx> (last accessed April 2014).
- 24 David Madland and Keith Miller, "Latest Census Data Underscore How Important Unions Are for the Middle Class," Center for American Progress Action Fund, September 17, 2013, available at <http://www.americanprogressaction.org/issues/labor/news/2013/09/17/74363/latest-census-data-underscore-how-important-unions-are-for-the-middle-class/>.
- 25 Bruce Western and Jake Rosenfeld, "Unions, Norms, and the Rise in U.S. Wage Inequality," *American Sociological Review* 76 (4) (2011): 513–537.
- 26 David Madland, "Growth and the Middle Class," *Democracy Journal* (20) (2011): 16–22, available at <http://www.democracyjournal.org/20/growth-and-the-middle-class.php?page=all>; Heather Boushey and Adam Hersh, "Middle Class Series: The American Middle Class, Income Inequality, and the Strength of Our Economy" (Washington: Center for American Progress, 2012), available at <http://www.americanprogress.org/issues/economy/report/2012/05/17/11628/the-american-middle-class-income-inequality-and-the-strength-of-our-economy/>; Ben Olinsky and Sasha Post, "Middle-Out Mobility: Regions with Larger Middle Classes Have More Economic Mobility" (Washington: Center for American Progress, 2013), available at <http://www.americanprogress.org/issues/economy/report/2013/09/04/73285/middle-out-mobility/>.