An $11 Minimum Wage Is Too Low for Illinois:

Workers Across Illinois Need a $15 Minimum Wage – and Chicago, Cook County and Other Cities Need to Keep the Power to Go Higher

The proposal under consideration in Springfield to raise Illinois’ minimum wage to $11 an hour is far too low for the state. Even worse, it would cap Chicago and Cook County’s local minimum wages at $13 an hour – and block other cities and counties from adopting local minimum wages. Instead, workers across the state need a $15 minimum wage by 2021 – and cities and counties need to keep the power to go higher.

Red states with lower costs of living than Illinois are raising their minimum wages higher than $11 – and Blue states are raising their minimum wages to $15

- Arizona and Colorado – conservative western states with lower costs of living than Illinois – have both raised their minimum wages to $12 by 2020.

- Liberal-leaning states and regions that more closely resemble Illinois – California, New York, and Washington, D.C. – have raised their minimum wages to $15, to be phased in by the early 2020’s. And lawmakers in many other blue states are now proposing $15 minimum wages, including New Jersey, Massachusetts, Connecticut, Vermont, Maryland and Nevada.

Across Illinois workers will soon need to make at least $15 an hour just to cover the basics. And Chicago area workers – and workers with children everywhere in the state – need even more

- Even in lower cost regions of the state workers will need $15 an hour by the early-to-mid-2020’s to cover the basics. For example, in Carbondale and Danville, a single worker needs to earn over $31,000 a year by 2021 just to cover basic housing, food, and transportation costs, according to the Economic Policy Institute’s Family Budget Calculator. That translates to $15 an hour for a full-time worker.¹
• **Workers in the Chicago area already need over $15 an hour today – and will need over $17 an hour by 2021.** A single worker in Chicago with no children already needs to make about $15.63 an hour today in 2017 to afford the basics. And with rents and living costs continuing to rise, they will need over $17 an hour by the early 2020's.\(^2\)

• **And everywhere in the state, workers with children already need over $15 an hour today.** For example, in a family with two kids and two parents working full time, each adult already in 2017 needs to earn $16.14 in Rock Island and $18.00 in Champaign/Urbana just to afford a cheap apartment and basic living costs.\(^3\)

The benefits of gradually phasing the Illinois minimum wage up to $15 by 2021 would be much more significant than an $11 minimum wage. A $15 minimum wage would deliver more than twice as large a raise for twice as many Illinois workers as an $11 minimum wage, and begin to reverse decades of growing pay inequality

• Due to flat or falling wages, today about **2.3 million Illinois workers earn less than $15 an hour**, according to the Economic Policy Institute and Oxfam.\(^4\)

• **Almost 4 in 10 Illinois workers** would receive a long overdue raise by gradually phasing-in a $15 minimum wage by 2021.\(^5\)

• The typical worker would see an income gain of at least **$4,000 to $5,000 a year** – enough to make **a tremendous difference in the life of a home care aide, airport worker or fast food worker** who today struggles on about $18,000 a year.

• By contrast, **an $11 minimum wage would deliver less than half as big a raise for half as many workers.** It would raise pay for only about 20% of Illinois workers, and the average annual raise, once fully phased in, would be closer to $2,000 a year.\(^6\)

The typical Illinois worker earning less than $15 an hour is a woman over 30, with some college, who works full-time and provides half of her household’s income.

• **41 percent of all workers** in Illinois today earn less than $15 an hour.\(^7\)

• **46 percent of women** in Illinois earn less than $15 an hour.\(^8\)

• **48 percent of African-Americans and 61 percent of Latino workers** in the state earn less than $15.\(^9\)

• **Far more Illinois workers earning under $15 are in their 40’s, 50’s and 60’s, than are under 25.**\(^10\)
• **One half of all kids in Illinois** live in families with a worker earning less than $15.\(^{11}\)

While some business lobbyists argue that employers cannot adjust to a $15 minimum wage, in other states growing numbers of employers and small businesses organizations say that it will be manageable – and even beneficial

• In states that have already approved $15 minimum wages, **business organizations representing more than 32,000 small businesses have either endorsed the $15 minimum wage – or in some cases simply not opposed it.** These include the Greater New York Chamber of Commerce (endorsed),\(^{12}\) the Brooklyn Chamber of Commerce (endorsed),\(^{13}\) the Northeast Organic Farmers Association – New York Chapter (endorsed),\(^{14}\) the Long Island and Westchester/Putnam African-American Chambers of Commerce (endorsed),\(^{15}\) the Restaurant Association of Metropolitan Washington (endorsed),\(^{16}\) the Golden Gate Restaurant Association (did not oppose),\(^{17}\) and others.

• A diverse range of business leaders confirm that transitioning to a $15 minimum wage is feasible. “‘Everybody in retail is dealing with an increase in minimum wage,’ said Popeyes CEO Cheryl Bachelder to CNN Money. ‘**We will adjust to increased costs just like we have before. Life will go on. There’s been too much hubbub about it.**’”\(^{18}\)

• As fast food franchise owner Dennis Kessler who teaches at the University of Rochester's Simon School of Business told the *Washington Post*, “**This $15 thing is being phased in over quite a few years, so I don't think it's going to have much of an impact. . . . People are going to have to pay a little more. It really isn’t too much more complicated than that.**”\(^{19}\)

• In Flagstaff, Arizona, where voters in November approved a $15 minimum wage, Ron Watkins, the director of operations for 16 McDonald's restaurants throughout northern Arizona, told the Arizona Daily Sun, “**the minimum wage measure would not affect the company's willingness to add locations or jobs in Flagstaff.**”\(^{20}\)

• In California, which approved and is phasing in a $15 minimum wage, Bill Phelps, CEO of Wetzel’s Pretzels with 100 stores statewide, and franchise owner Mike Jacobs report that they have already seen **higher sales resulting from their customers having more money to spend.**\(^{21}\)

The economic evidence shows that the benefits of a gradually phased-in $15 minimum wage far outweigh the costs.

• The White House Council of Economic Advisors released a new study in December 2016 of all U.S. minimum wage increases since the recession. Like the lion’s share of
recent rigorous research on the minimum wage, it found that these increases delivered significant raises with little negative effect on job growth.22

- The state-of-the-art economic analysis of the new $15 minimum wages approved in states like New York and California shows that, if phased in gradually over five years, a $15 wage would be manageable for employers and would raise business operating costs only moderately.23

- Studies of the New York and California $15 minimum wages by University of California economists have examined the net impact of all of the positive and negative effects on businesses of a $15 wage.24 They found that, unlike small wage increases, a $15 minimum wage generates billions in new consumer spending that offsets much of the impact of the higher wage costs on businesses.25 As a result, any net negative impact on jobs would likely be small – and would be vastly outweighed by the benefits of delivering large raises for more than 1 in 3 workers, reversing decades of falling pay.

- The California study focuses in particular on the impact of the state’s $15 minimum wage in areas such as Fresno County – one of the poorest areas of the state in California’s agricultural Central Valley. It finds that in poor areas of the state the net impact is roughly the same: the large increase in worker spending power generated by a $15 minimum wage offsets most of the higher costs to businesses.26

- More than 200 economists and researchers have endorsed a gradually phased-in $15 minimum wage, finding that raising the minimum to $15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy.” The economists’ letter finds that, “The costs to other groups in society will be modest and readily absorbed.”27

- Experiences in the first regions of the U.S. to phase in $15 minimum wages – San Francisco, Seattle and New York – have shown continued strong job growth as wages have increased.

- In Seattle – the first U.S. city to approve a $15 minimum wage, where the wage level reached $15 this month – restaurant job growth has continued to be strong, and unemployment has hit record lows. As Forbes reported this month, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.”28 Earlier reporting in the Puget Sound Business Journal was titled “Apocalypse Not: $15 and the cuts that never came.”29 Although a July 2016 initial analysis had suggested that while jobs continued to grow strongly in Seattle, the pace of growth might have slowed slightly on account of the minimum wage,30 in November the study’s author backed away from those findings, concluding that they were not statistically significant.31
Chicago, Cook County and Other Higher Cost Cities and Counties Need to Be Able to Enact Higher Minimum Wages Than the State Wage – and Minimum Wage Supporters Should Not Accept Any Deal That Limits This Local Power

- Housing and living costs are significantly higher in the Chicago area than in downstate Illinois. **Chicago and Cook County’s minimum wages** – which will increase to $13 by 2019 – are still not enough to enable even a single worker with no kids to rent a basic apartment and cover simple living costs. Instead, a single Chicago worker, working full time, will need to earn $16.39 by 2019, according to the Economic Policy Institute’s family budget calculator. And for a Chicago family with two working parents and two children, each adult will need to make $18.83 an hour by 2019 to cover basic living costs.32

- That means that the proposal in Springfield to cap the Chicago and Cook County minimum wages when they reach $13 in 2019 – and to block any other locality from enacting a higher local minimum wage – will prevent the minimum wage from ever being high enough to meet basic living costs in the higher cost regions of the state.

- Capping the Chicago and Cook County minimum wages – and banning other localities from raising the minimum wage – will also prevent localities from acting in the future to raise the minimum wage if political gridlock prevents Springfield from acting to keep the minimum wage at an adequate level.

- Because of gridlock, Illinois’ minimum wage has been frozen at just $8.25 since 2011. Even if there is an agreement this year to raise the state minimum wage, Governor Rauner is likely to oppose or veto additional raises in the future. If cities and counties are blocked from acting to raise the minimum wage, that means minimum wages in Illinois will likely remain frozen for years in the future. It is therefore crucial that Illinois cities retain the option of enacting higher local minimum wages as a safety valve to provide a means for raising wages when Springfield won’t act – or won’t raise the minimum wage to a level high enough for the Chicago area.

- Across the country, in more states than ever, cities and counties are successfully using higher local minimum wages to address differing local living costs – and to allow action on the minimum wage when legislatures or governors won’t act. Currently California, Maryland, Arizona, New Mexico, Washington State, Maine, Iowa, Minnesota and other states allow cities to enact higher local minimum wages. These varying local wage rates – which generally just a small number of higher-cost communities in each state have adopted – have proven effective and manageable for businesses.

- Recognizing the important role that both cities and states play in raising the minimum wage, President Obama appointed former Kentucky Lieutenant Governor and Louisville Mayor Jerry Abramson to help work with more cities to raise the minimum wage.33
- In states such as New Mexico and Maine where conservative governors have blocked state minimum wage increases, city minimum wages have provided a crucial alternative means for raising wages.

- The push to ban higher local minimum wages is being driven by the corporate-backed American Legislative Exchange Council (ALEC), which sees it as a strategy for blocking the gains that low-wage workers are making in cities like Chicago. According to the Center on Media and Democracy, “a top agenda item at ALEC’s December meeting is aimed at thwarting [local] efforts to raise the wage.”

- Nationally, it is overwhelmingly in deep Red, conservative states like Oklahoma, South Carolina and Texas where ALEC has persuaded legislatures to ban higher local minimum wages. Having Illinois join them would be a terrible step backward for the state’s workers, and prevent local leaders like Mayor Emanuel from addressing the affordability needs of their cities.

- In 2004, Democratic Wisconsin Governor Jim Doyle agreed to ban local minimum wages as part of a deal to get the Republican-controlled legislature to raise the state’s minimum wage. Wisconsin leaders now realize it was a bad deal and it now prevents local leaders from addressing the minimum wage, since Governor Scott Walker is blocking any state increase.

- For more background on how cities are successfully using higher local minimum wages, see National Employment Law Project, “City Minimum Wage Laws: Recent Trends and Economic Evidence” (Nov. 2014).

Any Illinois minimum wage deal should include annual cost-of-living adjustments to prevent the state’s minimum wage from immediately eroding again as the costs of housing and living rise

- 17 U.S. states and the District of Columbia – including Midwestern states Minnesota, Ohio, Michigan and Missouri – have adopted automatic annual cost of living adjustments for their minimum wages to keep their purchasing power from eroding each year.

- Under such annual cost of living adjustments, which are typically based on the Consumer Price Index, the minimum wage generally increases by 10 to 25 cents a year to keep pace with rising housing and living costs.

- This best practice has provided greater predictability for businesses about minimum wage rates, and research has shown that – as with higher minimum wages in general – it has not had any negative effect on jobs or state economies.
Any Illinois minimum wage deal should also phase-out the outdated and unfair $4.95 subminimum wage for tipped workers – which keeps Illinois’ more than 89,000 tipped workers in poverty

- **Illinois’s outmoded subminimum tipped wage** allows tipped workers – like waiters, waitresses, nail salon workers, car wash workers and airport workers – to be paid just $4.95 an hour, forcing them to rely on tips for the rest of the minimum wage.

- While a small number of tipped waiters and waitresses at high-end Chicago restaurants earn high incomes, **most tipped wait staff in the state work at chain restaurants like Applebee’s where they’re barely getting by.**

- Bureau of Labor Statistics (BLS) data show that the **median wage for tipped waiters and waitresses in Illinois is just $10.39 per hour, including tips.** That’s just $2.14 higher than Illinois’s minimum wage of $8.25.  

- **And tipped car wash workers, nail salon workers and airport workers who assist elderly and disabled passengers earn even less.**

- 66 percent of tipped workers are women, and 34 percent are black, Latino or Asian-American. 

- As a result of Illinois’s $4.95 subminimum wage for tipped workers, **Illinois’ tipped workers have more than double the poverty rate of the state’s workforce as a whole.**

- The tipped subminimum wage results in **widely fluctuating incomes** which leave them and their families economically vulnerable.

- The nation’s top wage enforcement experts at the U.S. Department of Labor report that the complex subminimum tipped wage system—whereby employers are required to monitor employee wages and tips so that they can make up the difference between an employee’s earnings and the full minimum wage if tips fall short—is so complicated that it is **difficult to enforce and results in high rates of noncompliance by employers.**

- **Seven U.S. states – Minnesota, Montana, Nevada, Alaska, Washington, Oregon and California – have no tipped subminimum wage and it has not harmed restaurant jobs or sales in those states.** National Restaurant Association data show relatively high rates of restaurant industry employment and sales growth in states that do not permit a subminimum tipped wage compared with states that permit it. 

- **There is a growing movement to abolish the subminimum tipped wage.** In the November 2016 election, voters in Maine and Flagstaff, AZ approved phasing out the sub-minimum wage for tipped workers over seven years.
• Federal bills to raise the minimum wage would gradually eliminate the subminimum tipped wage\textsuperscript{1} have been backed by former President Obama,\textsuperscript{2} Secretary Hillary Clinton,\textsuperscript{3} Senator Bernie Sanders,\textsuperscript{4} and over two hundred members of Congress, including Illinois Senators Dick Durbin, Tammy Duckworth, and other members of Illinois' congressional delegation.\textsuperscript{5}

\textsuperscript{1}The Economic Policy Institute’s Family Budget Calculator shows that a basic family budget for a single worker with no children back in 2014 was $27,471 in Rural Illinois (which includes Carbondale), and $27,611 in Danville. Updated to 2021 dollars using projections for the Consumer Price Index, that translates to $15.07 an hour in Carbondale and $15.14 in Danville, for a full-time worker employed 2,080 hours per year.

The Economic Policy Institute's Family Budget Calculator shows that a basic family budget for a single worker with no children back in 2014 was $31,334 in Chicago. Updated using the Consumer Price Index, that translates to $15.63 an hour in 2017 – and $17.19 per hour by 2021.

The Economic Policy Institute's Family Budget Calculator shows that a basic family budget for a two worker family with two children back in 2014 was $64,729 in Rock Island, and $72,333 in Urbana/Champaign. Updated to 2017 dollars using the Consumer Price Index, that means that each adult worker needs to earn $16.14 an hour in Rock Island and $18.02 in Urbana/Champaign, assuming they are employed full-time for 2,080 hours per year.


\textsuperscript{3}Ibid.

\textsuperscript{4}National Employment Law Project estimate.

\textsuperscript{5}Ibid.


\textsuperscript{7}Ibid.

\textsuperscript{8}Ibid.

\textsuperscript{9}Ibid.

\textsuperscript{10}Ibid.

\textsuperscript{11}Ibid.


\textsuperscript{15}http://www.huffingtonpost.com/phil-andrews/long-island-15-minimum-wage_b_9538916.html


\textsuperscript{17}“The State of the Industry: An Update from GGRA's Executive Director,” April 20, 2016.

\textsuperscript{18}“The CEO of Popeyes Has a Surprising Stance on the $15 Wage,” Fortune, November 13, 2015.

\textsuperscript{19}“Businesses are getting steamrolled on the minimum wage. Here’s why,” Washington Post, July 24, 2015.


24 Ibid.
26 *Effects of a $15 Minimum Wage in California and Fresno*.
32 The Economic Policy Institute’s Family Budget Calculator shows that a basic family budget for a single worker in Chicago with no children back in 2014 was $31,334 for a single worker, and $71,995 for a family with two parents and two children. Updated to 2019 dollars using the Consumer Price Index, that means that a single worker needs to earn $16.39 an hour and each working parent in a family of four needs to earn $18.83, assuming that all workers are employed full-time for 2,080 hours per year.
37 They are Alaska, Arizona, Colorado, Florida, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, Ohio, Oregon, South Dakota, Vermont, Washington State, Washington, DC.
The White House, Raise the Wage, https://www.whitehouse.gov/raise-the-wage (last viewed Oct. 6, 2016) (noting that the "Obama Administration has expressed support for the Raise the Wage Act").

