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Illinois Insights

ILEPI PUBLISHES ONLY STUDY ASSESSING IMPACT OF *JANUS*

In May, the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois released the only study in the United States to forecast the labor market effects of the Supreme Court's 5-4 ruling in *Janus v. AFSCME 31*. The report was written about in *The Wall Street Journal*, *The Washington Post*, *The Atlantic*, and Fox News.

The Supreme Court's decision in *Janus* to strike down a 41-year precedent means that workers are now able to "free ride" and receive services, benefits, and representation from unions for free– without paying for them in membership dues or fair share fees. This will impact at least 5 million state and local government employees represented by collective bargaining agreements in the 23 states and the District of Columbia that do not have so-called "right-to-work" laws.

The report finds that ruling will reduce the public sector union membership rate by 8 percentage points, causing a 726,000-member drop in unionization. The result will be lower public sector worker earnings because unions raise worker wages. As worker bargaining power is weakened, the wages of state and local government employees will decrease by about 4 percent on average– a loss of $1,810 in earnings per worker. African Americans, who are more likely to work in state and local government and more likely to be union members, will be disproportionately hurt by the *Janus* decision. Lower wages of workers across the country will make it more difficult to recruit top talent to become teachers, police officers, social workers and nurses, and will have a negative effect on consumer spending that will ripple across the U.S. economy, reducing output by between $11 billion and $33 billion.

The Supreme Court decision will reduce unionization, lower public sector earnings, and have negative impacts on the U.S. economy. The response to *Janus* will be critical to the long-run survival of the U.S. labor movement and the American middle class.

ILLINOIS ECONOMIC INDICATORS

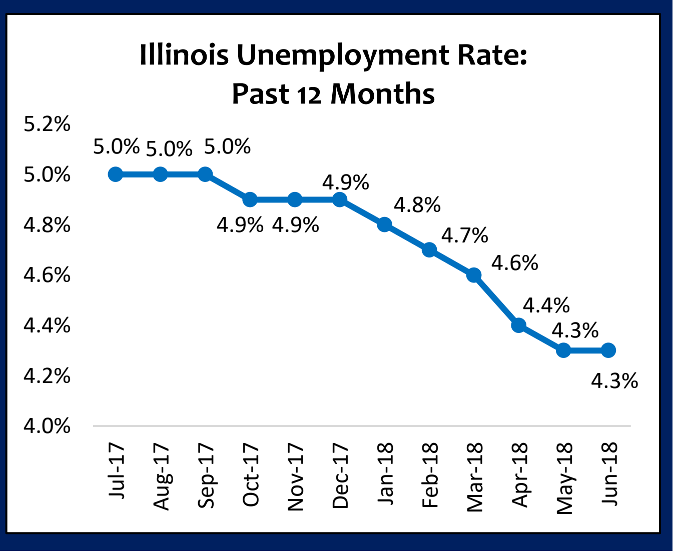
Jobs added (rank), Jun-17 to Jun-18 = **+58,300 jobs** (**14**)

Unemployment rate (rank), Jun-18 = **4.3%** (**35**)

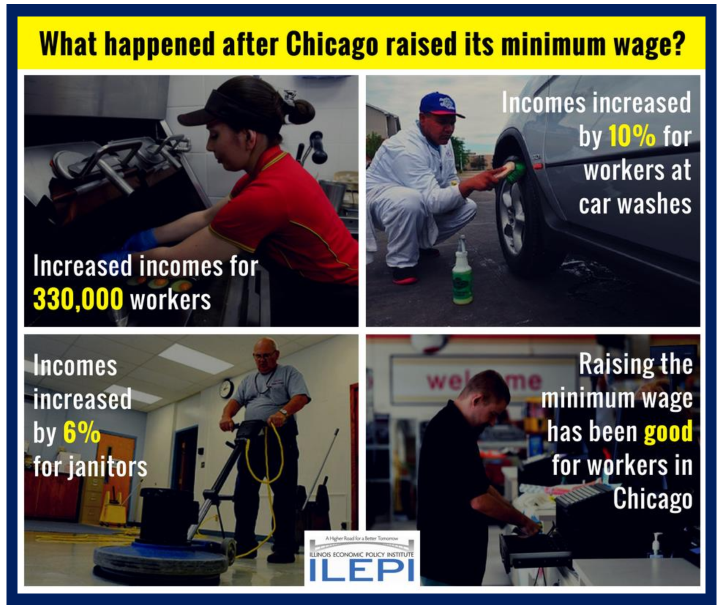
Average private sector wage (rank) = **$27.20** (**14**)

Private sector wage growth (rank), Jun-17 to Jun-18 = **+2.7%** (**30**)

Philadelphia Federal Reserve "state coincident index" rank (as of Jun-18) = **35**



STUDY FINDS CHICAGO MINIMUM WAGE HIKES HAVE BEEN GOOD FOR WORKERS



On December 2, 2014, the Chicago City Council voted 44 to 5 in favor of gradually raising the minimum wage to $13 per hour in the city to increase earnings for low-income Chicago workers. In its first two years– when the minimum wage increased to as much as $10.50– the Chicago Minimum Wage Ordinance had already boosted incomes for at least 330,000 workers in the city.

A new study by ILEPI and the University of Illinois at Urbana-Champaign finds that the Chicago Minimum Wage Ordinance has had positive impacts on incomes and no effect on employment in the city. By comparing economic outcomes between the City of Chicago and suburbs that made no change in their minimum wage policy, the study was able to assess impacts on both hours worked and business and employment growth. The study was cited in the *Chicago Tribune* and the *Chicago Sun-Times*.

The Chicago Minimum Wage Ordinance has been associated with a 3 percent increase in incomes for Chicago workers, with incomes rising more for the lowest-paid individuals than for the median worker. The minimum wage hikes had the largest impact on workers employed as janitors, hotel maids, and at car washes and nail salons. In addition, the minimum wage increases were associated with a small 1 percent reduction in working hours but had no impact on either the unemployment rate or the growth of private business establishments in the city. Any small negative employment effects were more than offset by favorable conditions for job creation, such as the minimum wage providing low-income workers in the city with as much as 25% more purchasing power than comparable workers in the suburbs– stimulating the local economy.

The Chicago Minimum Wage Ordinance is largely working as intended. The minimum wage hikes have produced positive impacts on incomes and reduced inequality while having little to no effect on employment. Though the minimum wage should be expanded and enforcement should be improved, the higher minimum wage has been good for workers in the city.

INSIGHTS FROM ILEPI REPORTS

- The Minnesota Prevailing Wage Act provides pathways into the middle class and boosts the economy. Minnesota's prevailing wage law increases annual incomes by 5%, expands health insurance coverage by 5%, and improves pension coverage by 5% for blue-collar construction workers. By protecting work for in-state contractors, Minnesota's prevailing wage law creates 7,200 jobs in Minnesota, improves the state economy by $981 million, and generates $37 million in tax revenue. [Read More]

- Responsible Bidder Ordinances (RBOs) promote local construction standards. In Indiana counties with RBOs, construction worker turnover is 2% lower and construction workers earn 8% more– or over $500 a month more than construction workers working in Indiana counties without RBOs. [Read More]

- As intense weather events threaten coastal U.S. cities, new studies warn that climate change could devastate Indiana's transportation and electricity systems. Indiana's average annual rainfall has grown 9% since 1980 and average temperatures have been rising since the 1950s. Both are linked to physical damage to roadway, bridge, and railway structures. The studies call for increased development of clean energy technologies. Indiana must start planning appropriately for the impact of climate change on infrastructure. [Read More]

- Illinois needs $21 billion per year to fix state building facilities and transportation systems, with over $9 billion of that total attributed to education facilities. Local school districts are using over 750 temporary classrooms due to needed building additions and repairs. [Read More]

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