

MINIMUM WAGE WEBINAR

UNIVERSITY OF ILLINOIS EXTENSION LOCAL GOVERNMENT EDUCATION

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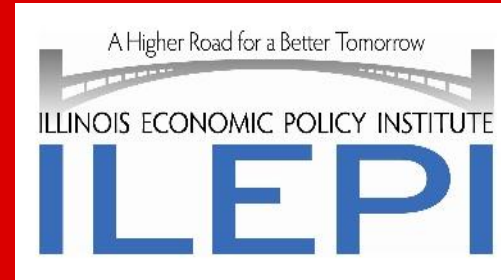
publish.illinois.edu/projectformiddleclassrenewal

ABOUT PMCR AND ILEPI

I ILLINOIS LABOR & EMPLOYMENT
RELATIONS
PROJECT FOR MIDDLE CLASS RENEWAL

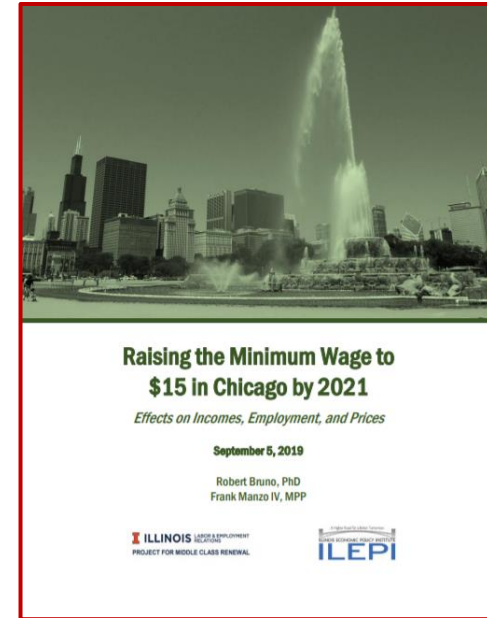
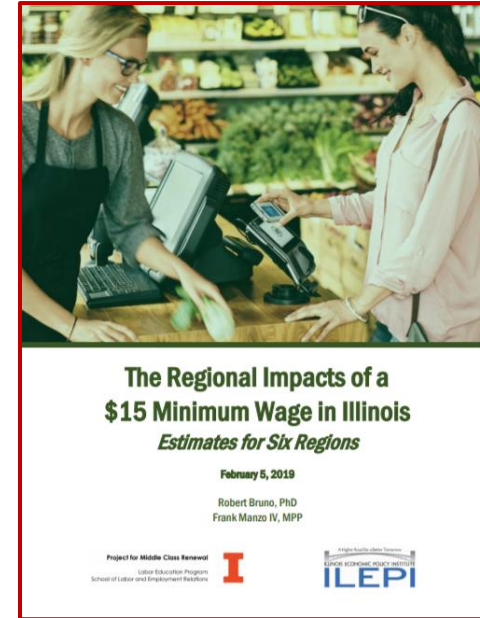
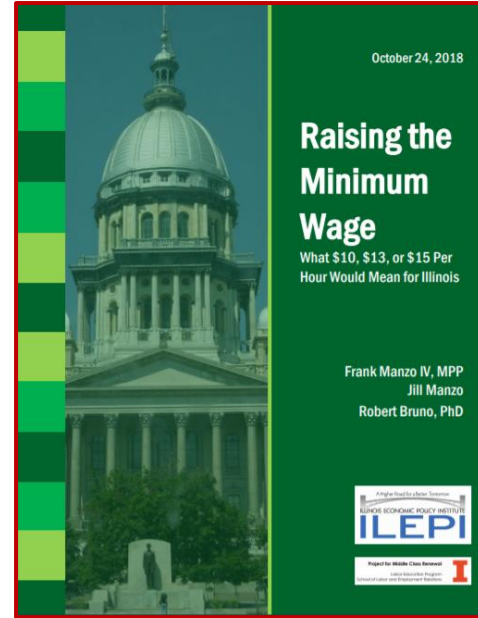
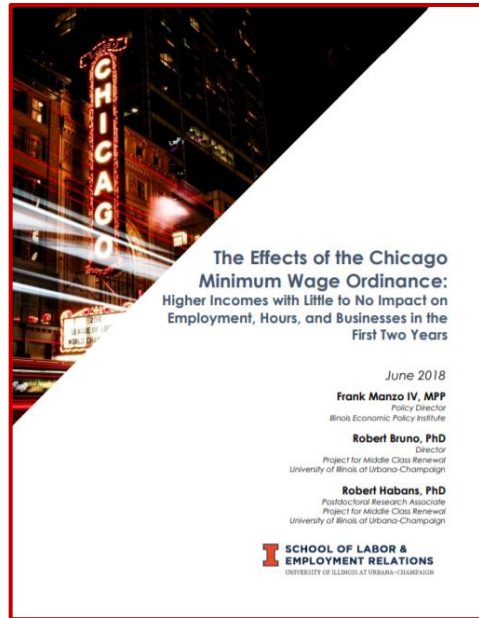
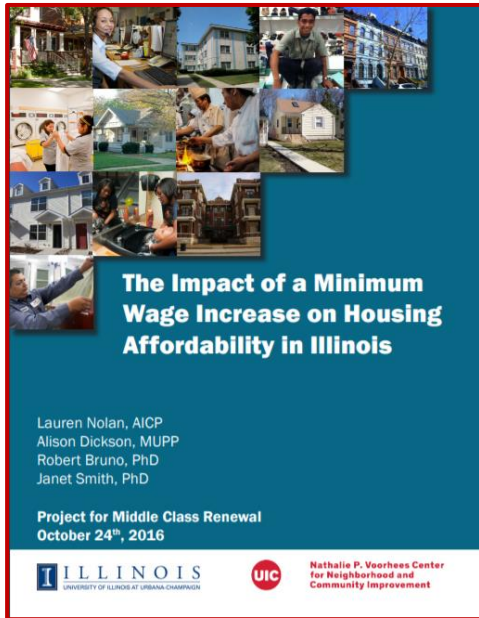


Mission Statement (Portion): The Project for Middle Class Renewal's mission is to investigate the working conditions of workers in today's economy and elevate public discourse on issues affecting workers with research, analysis and education.



Mission Statement: The Illinois Economic Policy Institute (ILEPI) promotes thoughtful economic growth for businesses and working families.

PMCR AND ILEPI MINIMUM WAGE RESEARCH SINCE 2016



TWO VIEWS OF A WAGE FLOOR POLICY

TEDDY ROOSEVELT

“No man can be a good citizen unless he has a wage more than sufficient to cover the bare cost of living, and hours of labor short enough so that after his day’s work is done he will have time and energy to bear his share of the management of the community. We keep countless men from being good citizens by the condition of life with which we surround them.”

RICHARD FREEMAN

“The debate is over whether modest minimum wage increases have ‘no’ employment effect, modest positive effects, or small negative effects. It is *not* about whether or not there are large negative effects.”

WHAT IS THE MINIMUM WAGE, REALLY?

Definition: The least amount an employer can legally pay an employee (put aside the 1.4 million workers who are paid less than the legal minimum wage).

1. An *income floor*.

2. A hedge against extreme income inequality

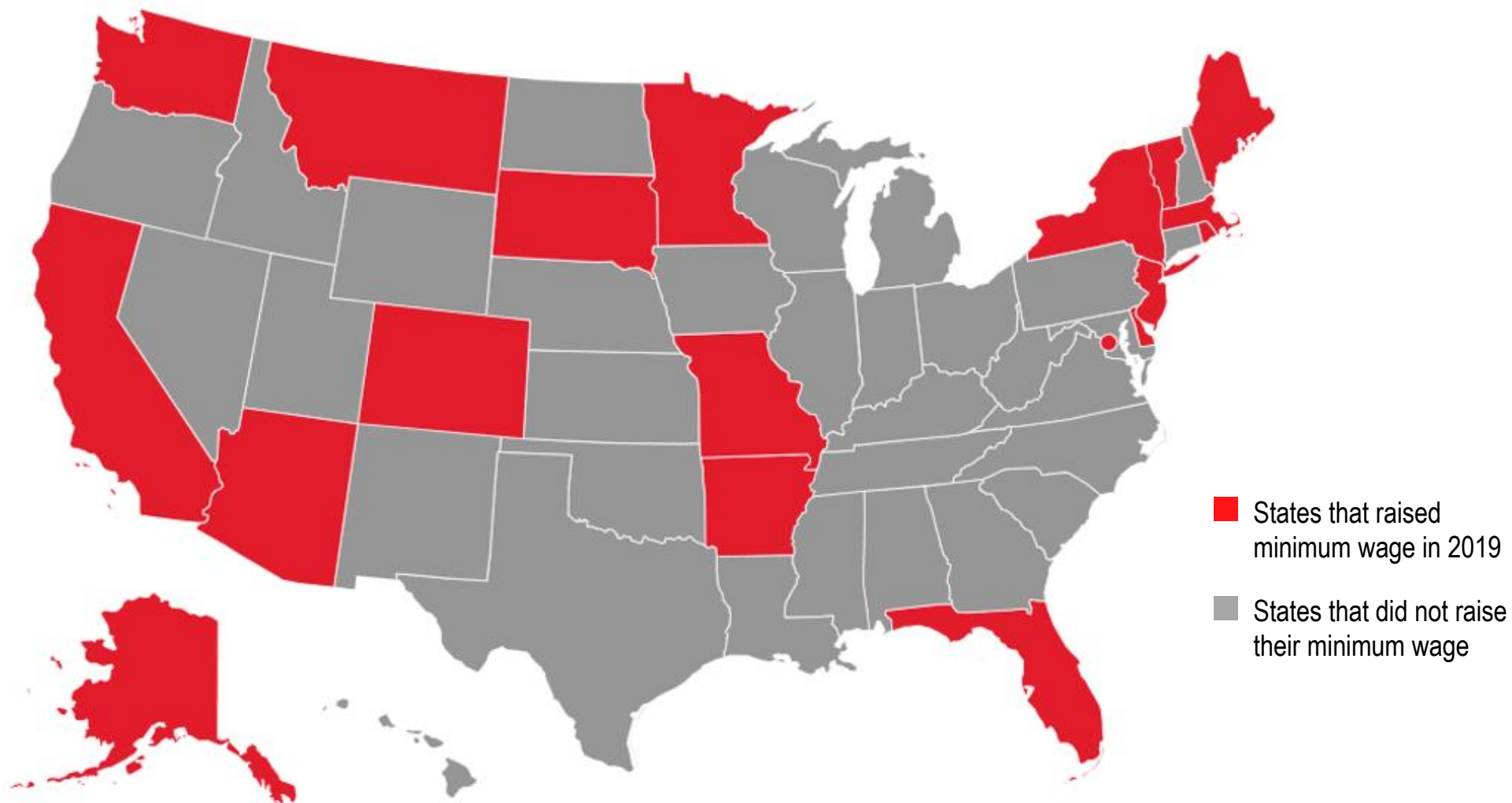
3. An investment in the value of work

4. What democratic citizenship requires

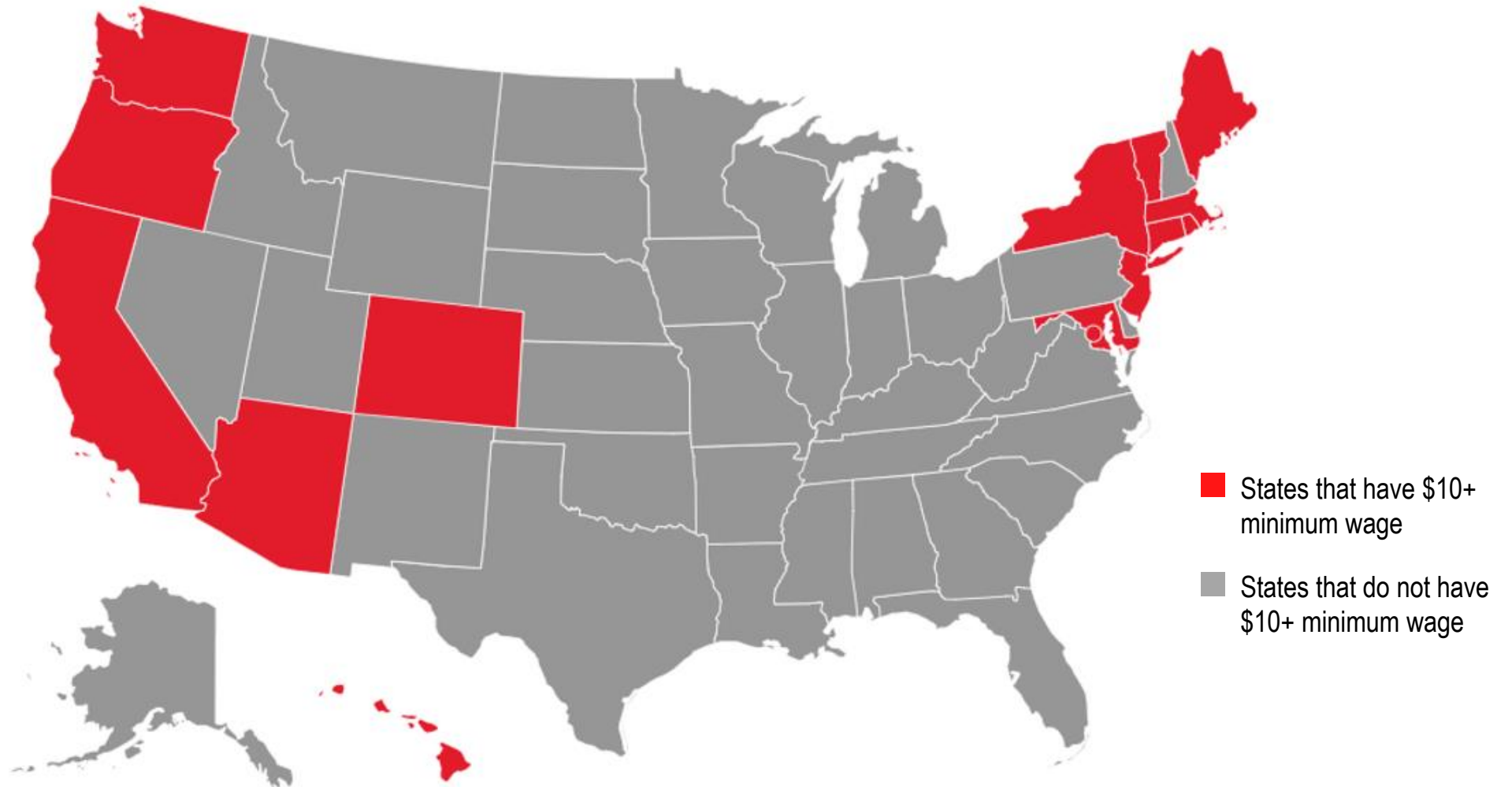
WHY IS A MINIMUM WAGE NECESSARY AND WHY INCREASE IT TO \$15?

- ✓ The law was adopted to mitigate really bad and exploitive employers... long hours, sweatshop conditions, and pay below a livable wage.
- ✓ Moreover, it was to assure that employment was the most effective and preferred ladder into the middle class.
- ✓ **Fails to prevent workers from earning poverty-level wages:** A full-time worker earning today's state minimum wage of \$8.25 per hour brings home \$17,160 in annual income, which is **\$8,590 below** the federal poverty line for a family of four

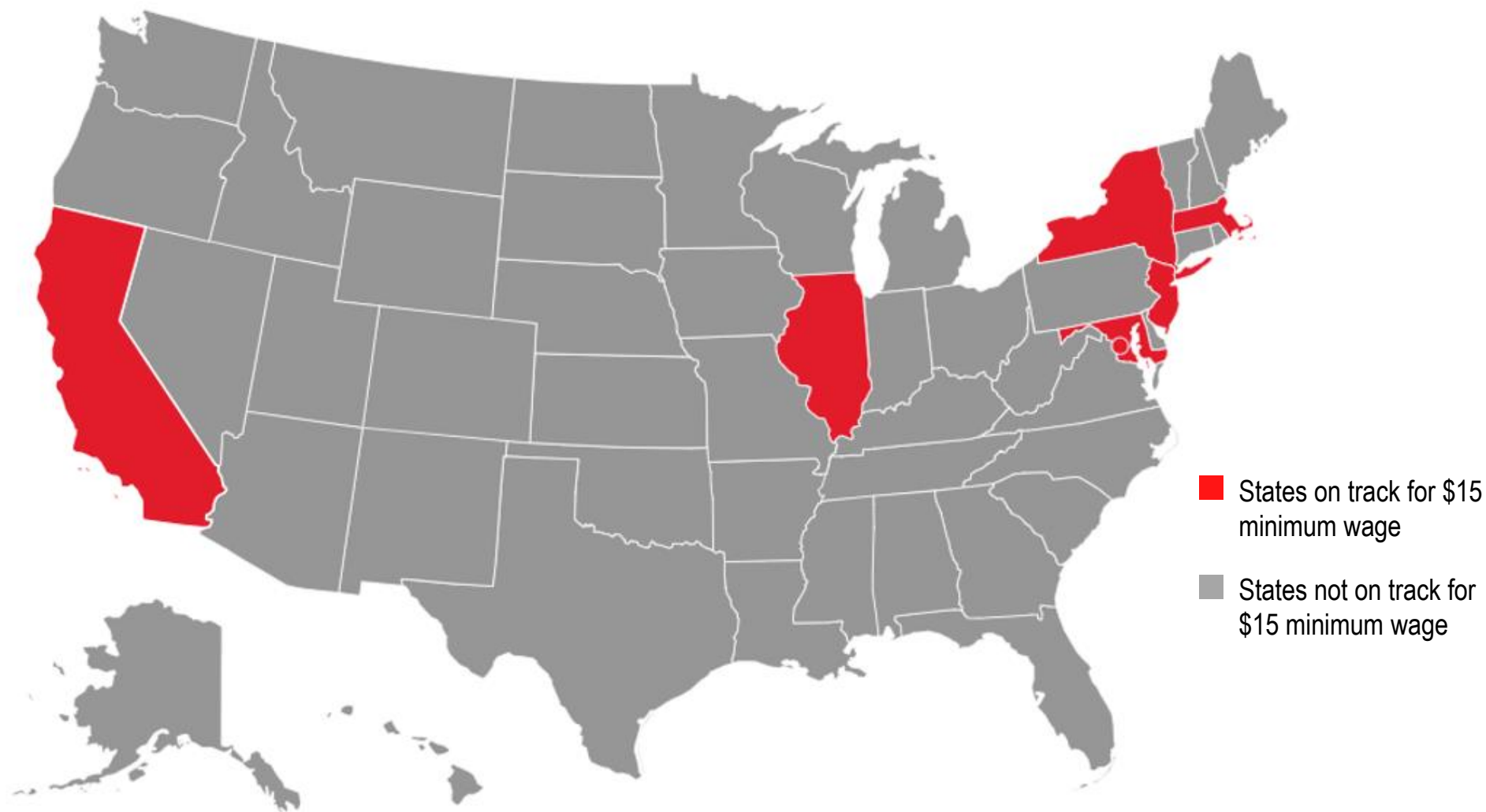
19 STATES RAISED MINIMUM WAGE IN 2019



14 STATES HAVE \$10+ MINIMUM WAGES



6 STATES ON TRACK FOR \$15 MINIMUM WAGE



BROAD PUBLIC SUPPORT

STRONG VOTER SUPPORT FOR \$15 MINIMUM WAGE IN ILLINOIS

Do you support or oppose incremental increases in the state's minimum wage, which is currently \$8.25 an hour, up to \$15 per hour, by January 1, 2025?

66% Support in Illinois



**81% in the
City of Chicago**



**71% in the
Chicago suburbs**



**48% in
"Downstate" Illinois**

Source: Southern Illinois University Paul Simon Public Policy Institute poll of 1,000 voters in Illinois conducted in March 2019.

WHAT DOES THE RESEARCH SAY ON...

1. Worker earnings?

2. Employment: jobs and hours?

3. Impact on businesses?

4. Consumer prices?

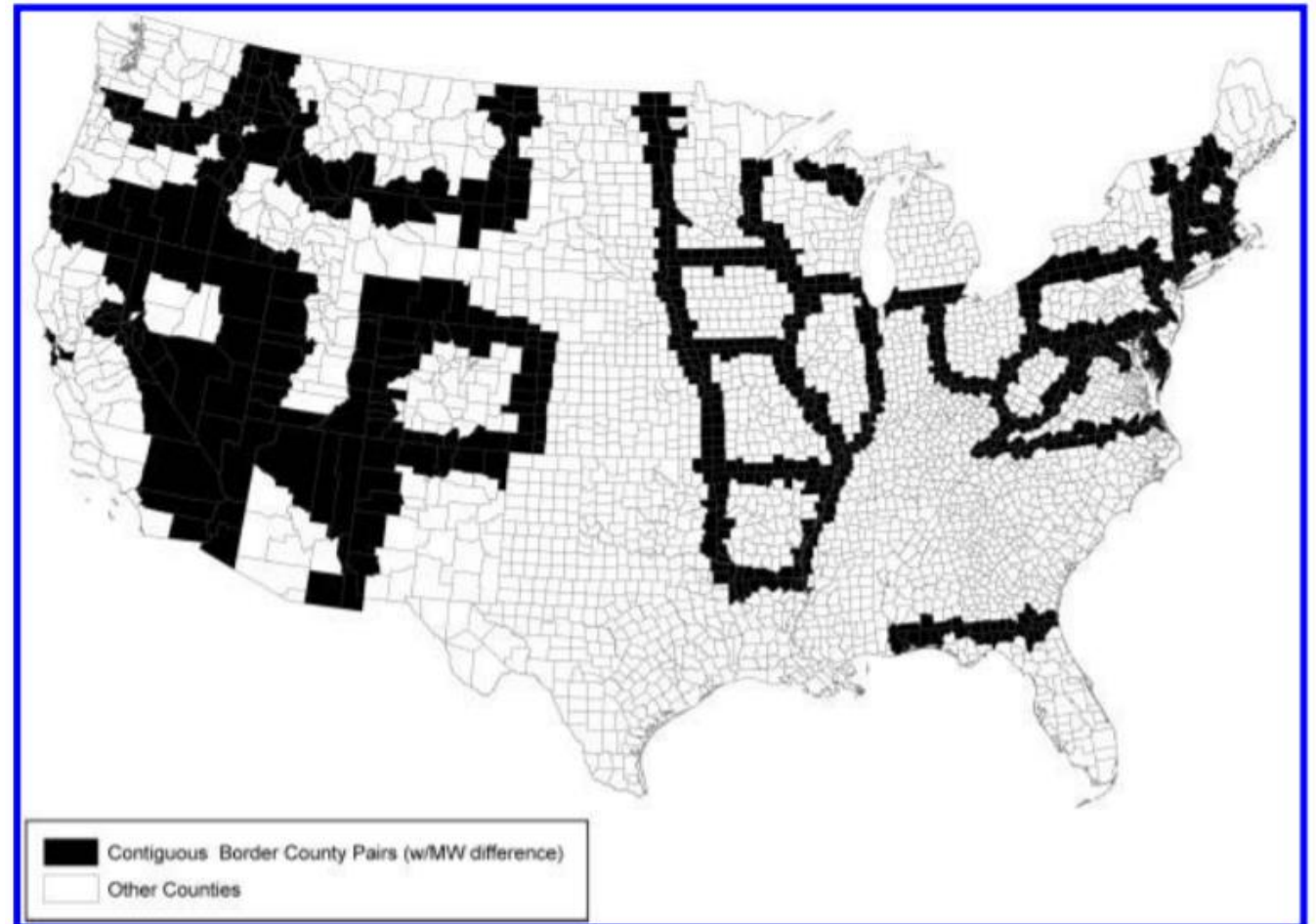
RAISING THE MINIMUM WAGE BOOSTS EARNINGS

- ✓ **90% of academic studies (37 of 41):** A higher minimum wage is associated with higher worker earnings
- ✓ **80% of academic studies (8 of 10):** Positive spillover effect on those earning just above the new minimum wage

RAISING THE MINIMUM WAGE BOOSTS EARNINGS

Influential Dube, Lester, & Reich study

- ✓ 1,169 border-county pairs
- ✓ 10% MW increase → +2% teen earnings
- ✓ 10% MW increase → +2% restaurant earnings



MIXED MINIMUM WAGE EMPLOYMENT HEADLINES

MarketWatch

Opinion: The \$15 minimum wage was supposed to hurt New York City restaurants — but both revenue and employment are up

The New York Times

\$15 Minimum Wage Would Reduce Poverty but Cost Jobs, Congress Told in Report



Target workers say hours were cut after raises, leaving them struggling

THE WALL STREET JOURNAL.

\$15 Minimum Wage Would Bring Mixed Fortunes for U.S. Workers

**BUSINESS
INSIDER**

**Raising The Minimum Wage
Would Help The Economy**

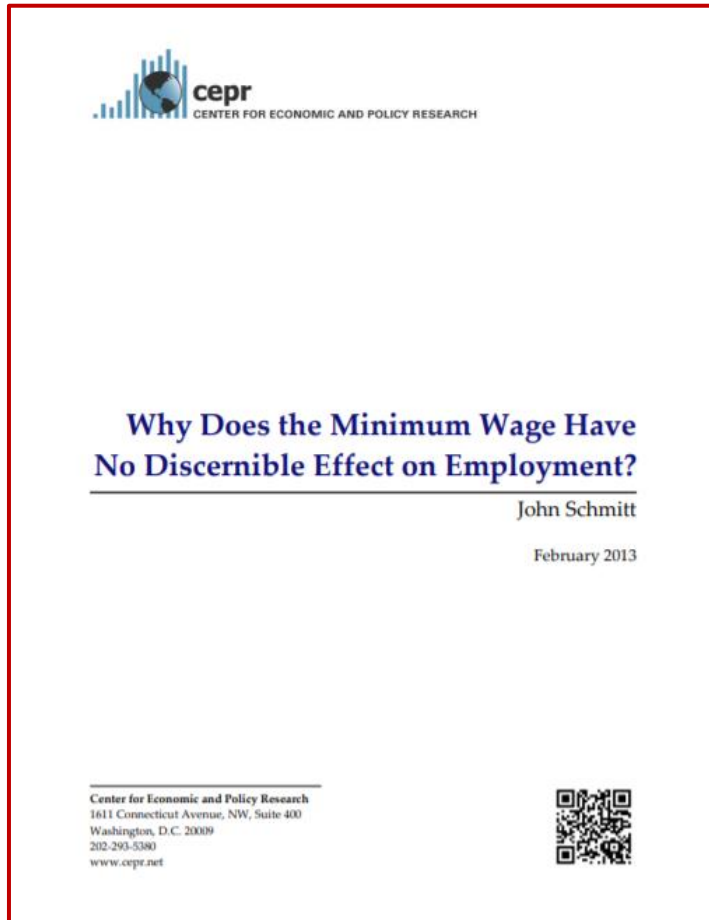
The New York Times

Is the Minimum Wage Too Low?

THE MINIMUM WAGE AND EMPLOYMENT

- ✓ **Economic consensus:** Modest increases in the minimum wage have little to no effect on employment or hours
- ✓ **Analysis of 64 studies:** A 10% increase in the minimum wage is associated with a 0.2%-0.6% drop in employment or hours
- ✓ **Mixed results in Seattle...** But unemployment is just 3.5%
- ✓ **2018 study of 1 million hourly wage employees:** Study of more than 300 firms and across 23 industries found that existing minimum wage employees were no less likely to be employed after a minimum wage hike; CBO projects a **0.3 percent decrease to a 1.1 percent increase**, on average

IMPACT OF MINIMUM WAGE ON BUSINESSES



Worker Turnover



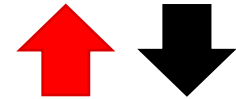
Worker Morale



Job Applications



Automation



Consumer Spending

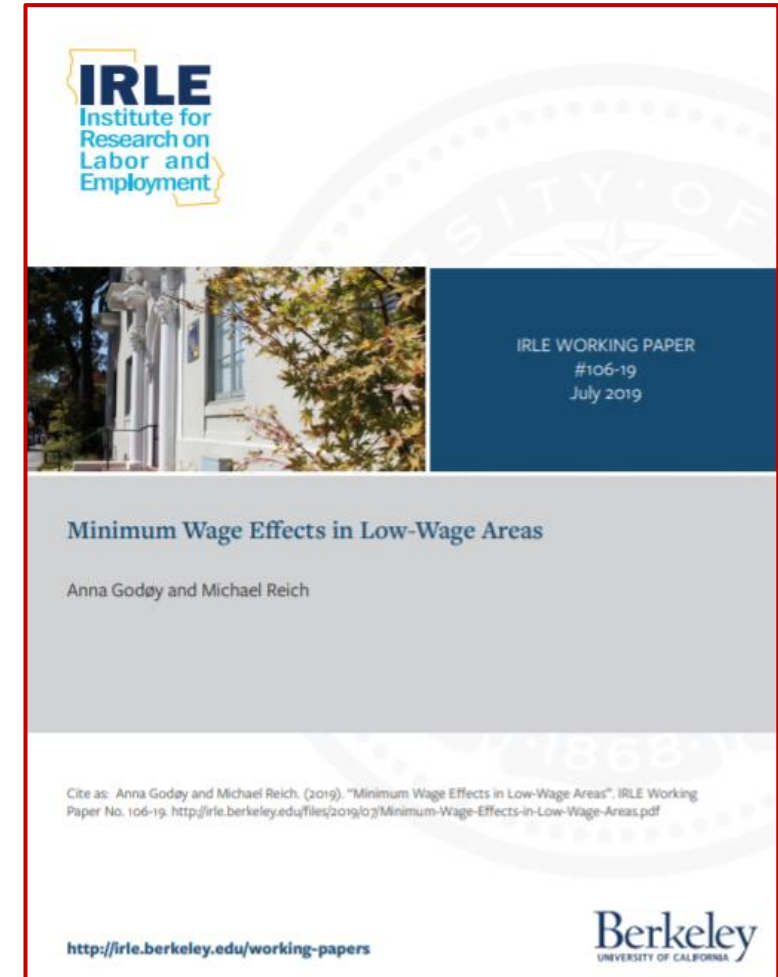


MINIMUM WAGE HIKES AND PRICES

- ✓ **886 restaurants before and after hike in San Jose, CA:** 10% hike in minimum wage → 0.6% rise in restaurant food prices
- ✓ **Basket of 106 foods in Seattle and King County:** *“There is no evidence of change in supermarket food prices by market basket or increase in prices by food group in response to the implementation of Seattle’s minimum wage ordinance”*
- ✓ **86% of small businesses:** Minimum Wage Had No Effect On Business (Wells Fargo/Gallup Small Business Index, 2006)

MINIMUM WAGE AND RURAL AMERICA

- ✓ 750 mostly rural counties
- ✓ Determines gap between the minimum wage and the local median wage, and compares to places with similar gaps
- ✓ *“We find positive wage effects but do not detect adverse effects on employment, weekly hours or annual weeks worked”*



EFFECTS OF CHICAGO'S \$13 MINIMUM WAGE

Chicago Tribune

Chicago's minimum wage is about to jump to \$12 per hour. Who are the winners and the losers?

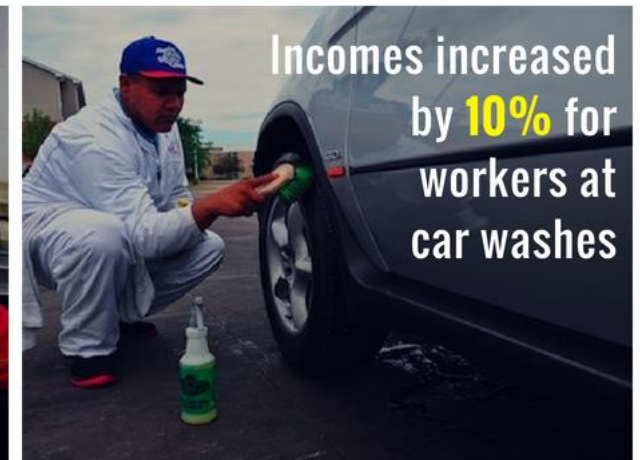
Chicago Tribune

Chicago's minimum wage hike not a job killer, new study says

CRAIN'S CHICAGO BUSINESS

Here's what Chicago's higher minimum wage really did

What happened after Chicago raised its minimum wage?

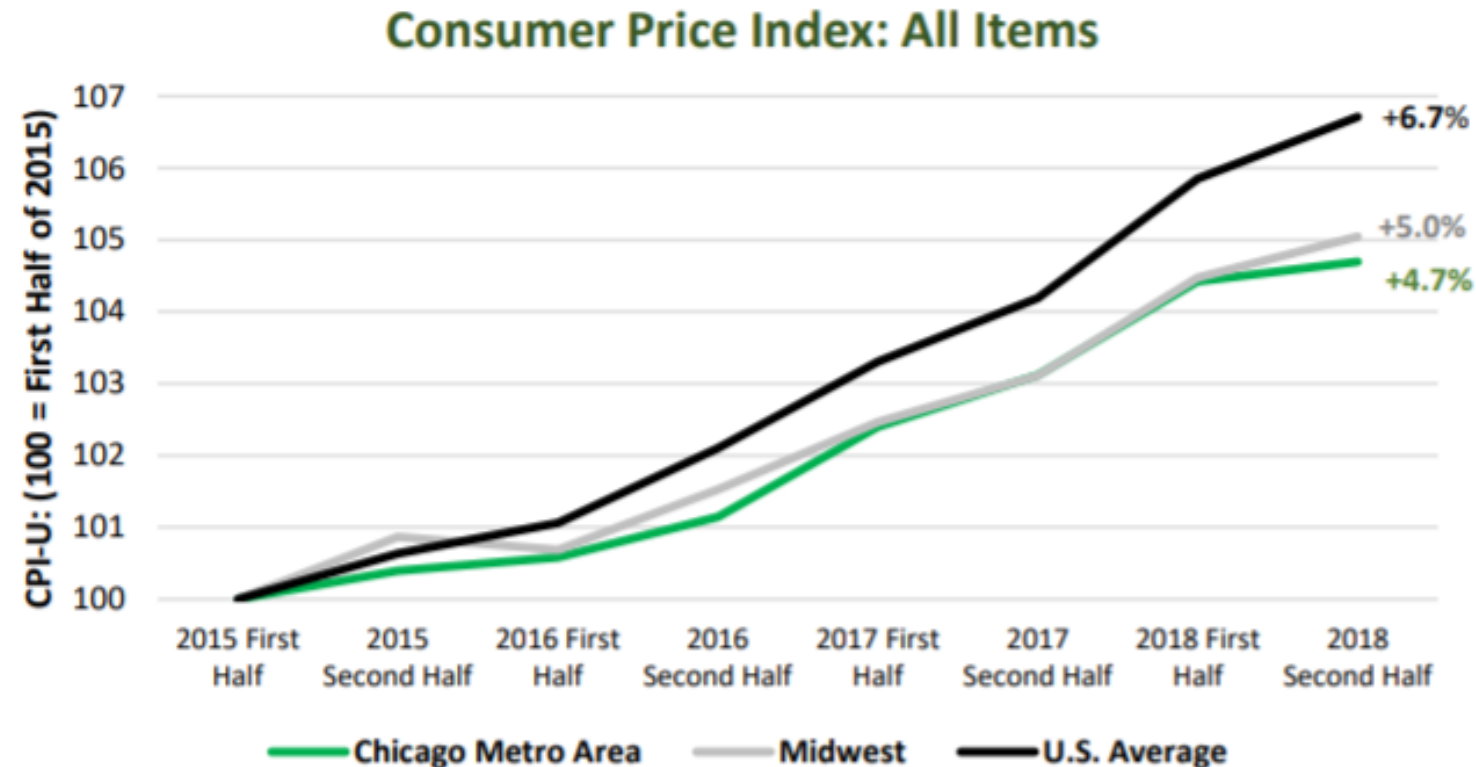


ILLINOIS LABOR & EMPLOYMENT RELATIONS
PROJECT FOR MIDDLE CLASS RENEWAL

A Higher Road for a Better Tomorrow
ILLINOIS ECONOMIC POLICY INSTITUTE
ILEPI

CHICAGO PRICES SINCE MINIMUM WAGE HIKE

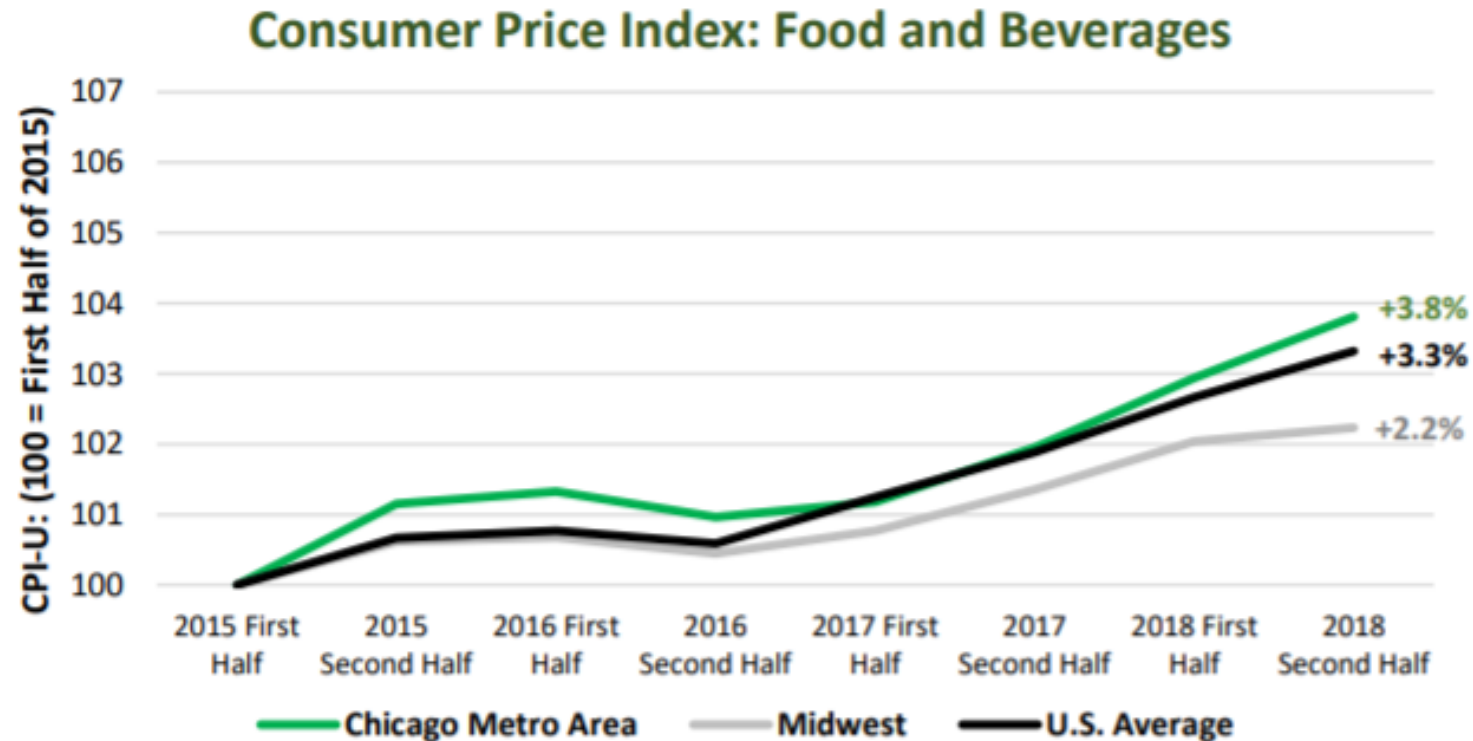
Figure 4: Consumer Price Index for All Items for the Chicago Area, Midwest Region, and Nation



Source(s): "Inflation, Prices, and Spending" from the Midwest Information Office of the Bureau of Labor Statistics at the U.S. Department of Labor (BLS, 2019b). The base year (CPI = 100) is the first half of 2015.

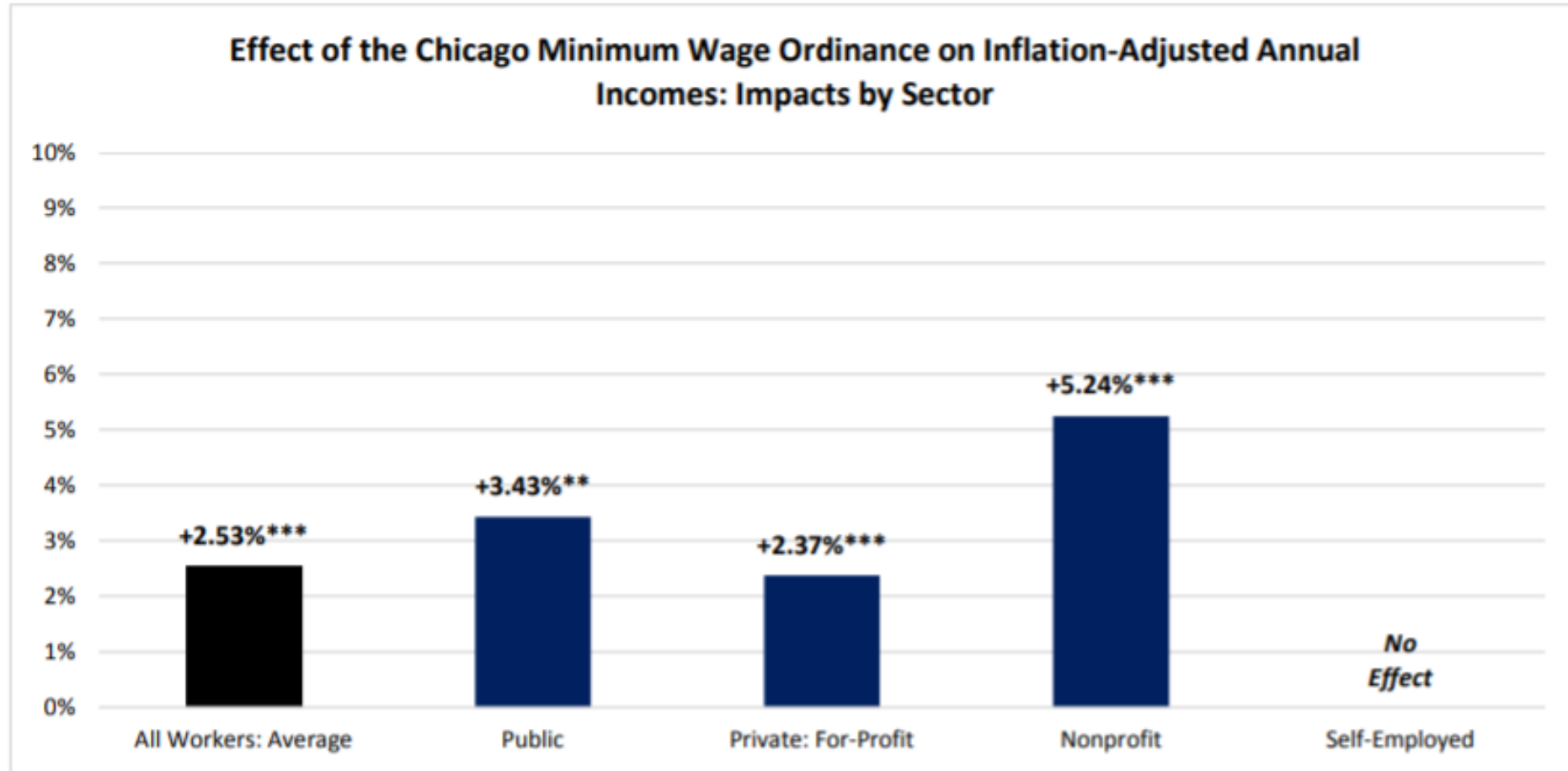
CHICAGO PRICES SINCE MINIMUM WAGE HIKE

Figure 5: Consumer Price Index for Food and Beverages for the Chicago Area, Midwest Region, and Nation



Source(s): "Inflation, Prices, and Spending" from the Midwest Information Office of the Bureau of Labor Statistics at the U.S. Department of Labor (BLS, 2019b). The base year (CPI = 100) is the first half of 2015.

CHICAGO MW ORDINANCE BY SECTOR



Source(s): *American Community Survey* 1 percent data from the U.S. Census Bureau for seven years: 2010, 2011, 2012, 2013, 2014, 2015, and 2016 (Ruggles et al., 2017).

NOTES: *** $p < |0.01|$; ** $p < |0.05|$; * $p < |0.10|$. All samples are weighted using sample weights provided by the Census Bureau (*perwt*). Please see the Appendix for more information, contact study author Frank Manzo IV at fmanzo@illinoisepi.org.

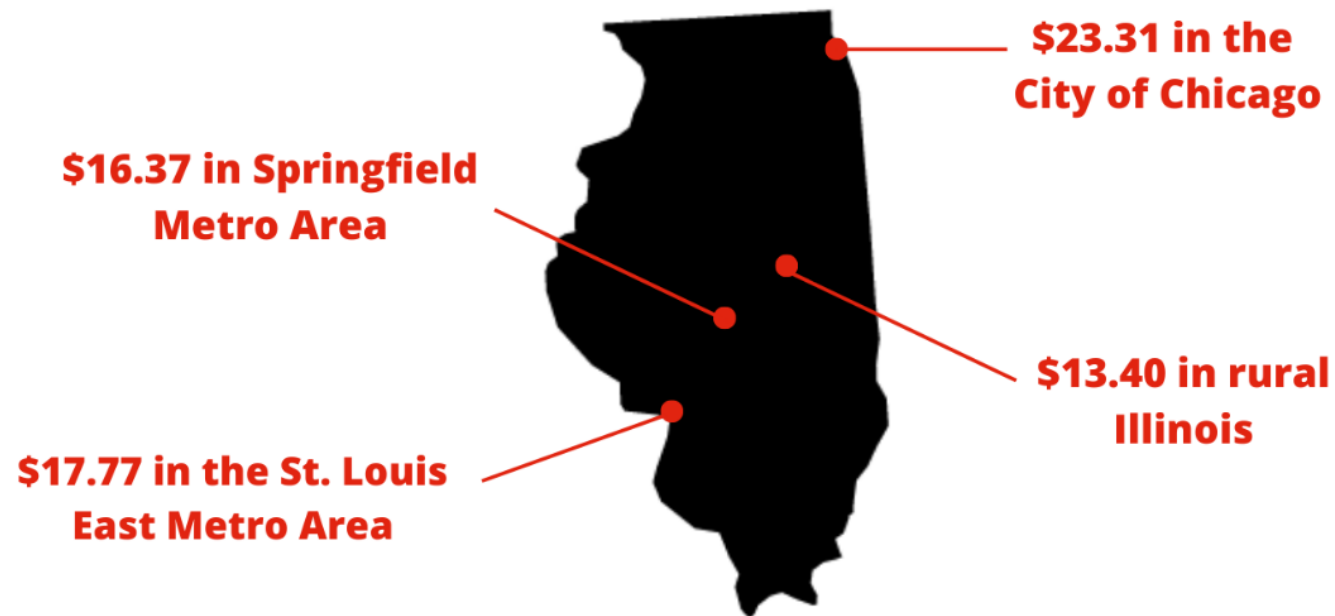
ILLINOIS' \$15 MINIMUM WAGE LAW

Effective Date	Adult Minimum Wage	Tipped Minimum Wage (60%)
Current (July 1, 2010)	\$8.25	\$4.65
January 1, 2020	\$9.25	\$5.55
July 1, 2020	\$10.00	\$6.00
January 1, 2021	\$11.00	\$6.60
January 1, 2022	\$12.00	\$7.20
January 1, 2023	\$13.00	\$7.80
January 1, 2024	\$14.00	\$8.40
January 1, 2025	\$15.00	\$9.00

MINIMUM WAGE AND HOUSING AFFORDABILITY

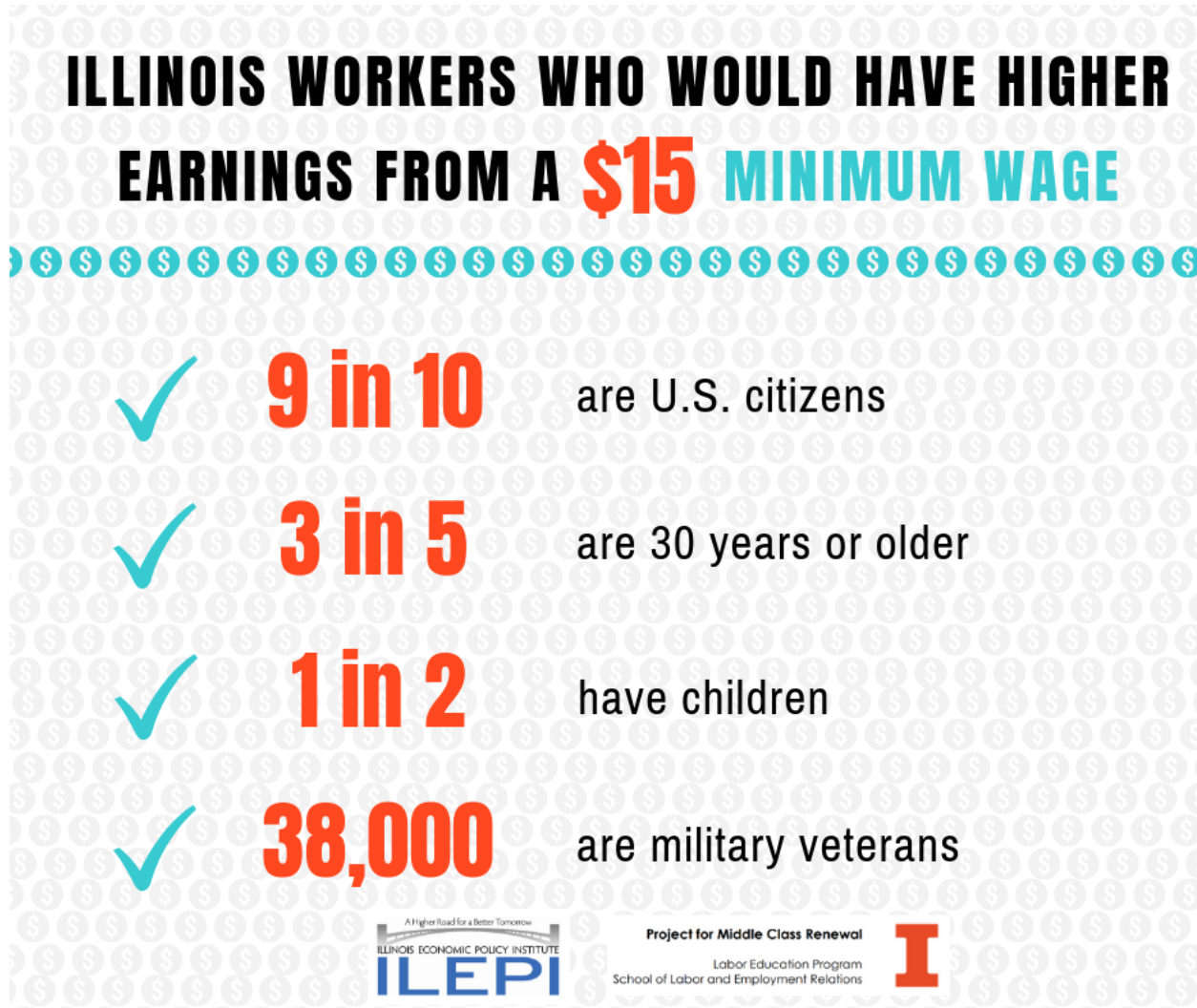
WHAT HOURLY WAGE IS NEEDED TO AFFORD A MODEST TWO-BEDROOM APARTMENT?

\$20.85 hourly wage in Illinois



Source: National Income Low Housing Coalition's "Out of Reach 2019" Report.

WHO WILL BE AFFECTED BY \$15 MINIMUM WAGE?



IMPACT OF \$15 MINIMUM WAGE ON ILLINOIS

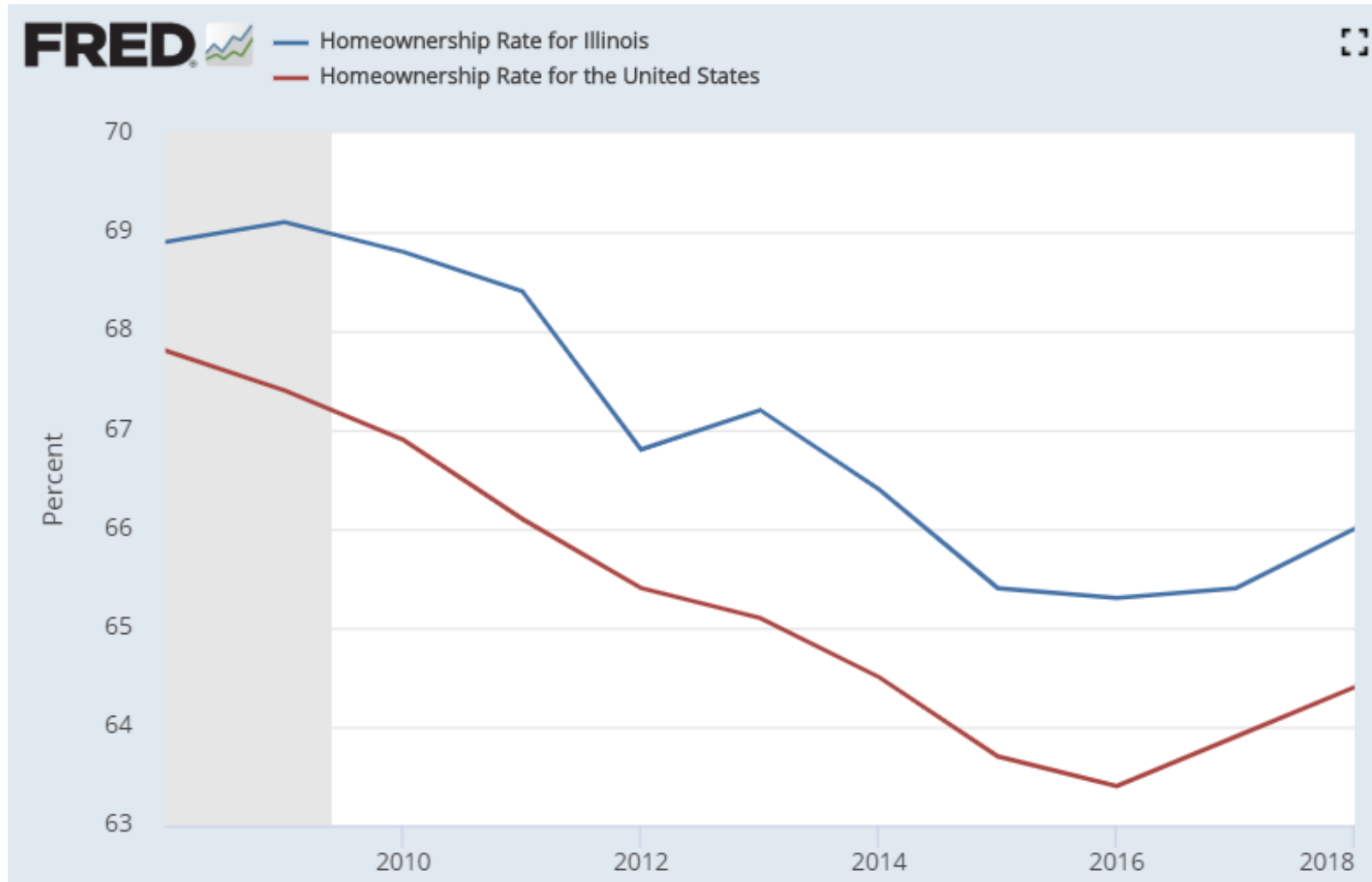


Income tax revenue:
+\$88.5 million

Sales tax revenue:
+\$291.5 million

Property tax revenue:
+\$347.9 million

ILLINOIS HOMEOWNERSHIP RATE



\$15 MINIMUM WAGE CAN BOOST HOMEOWNERSHIP

All Households with One Family Member within \$5,000 Annual Income Increment		
Minimum Wage	\$8.25	\$15.00
Full-Time Earnings	\$17,160	\$31,200
Households with Member Earning	\$15,000-\$20,000	\$30,000-\$35,000
Number of Households	399,090	419,459
Homeownership Rate	54.7%	63.3%

Single-Person Households with Individual within \$5,000 Annual Income Increment		
Minimum Wage	\$8.25	\$15.00
Full-Time Earnings	\$17,160	\$31,200
Households with Member Earning	\$15,000-\$20,000	\$30,000-\$35,000
Number of Households	66,062	82,875
Homeownership Rate	29.0%	38.2%

IMPACT OF \$15 MINIMUM WAGE ON LOCAL GOVERNMENT LABOR COSTS

Directly-Impacted Local Government Workers	
Total Workers Earning Less than \$15 Per Hour	119,246
Percent of All Local Government Employees	26.8%
Share of Directly-Affected Workers Employed Full-Time	57.7%
Average Hourly Wage of Directly-Affected Workers	\$11.33
Average Weekly Hours Worked for Directly-Affected Workers	29.3

Back-of-the-Envelope Math	\$15 Minimum Wage Effect	Current Total
Local Government Workers	119,246	444,251
x Average Wage	+\$3.67 (*i.e., \$15.00-\$11.33)	\$27.10
x Hours Worked Per Week	29.3	36.5
x Number of Weeks in Year	52	52
= Total Increase in Earnings	\$666.5 million	\$22.82 billion
Labor Cost Increase	+2.9%	

LOCAL GOVERNMENT EMPLOYMENT IN 8 STATES WITH HIGH MINIMUM WAGES (\$11+)

State	Minimum Wage			Local Government Employment			
	2014	2019	Change	Aug-2014	Aug-2019	Job Growth	Percent Growth
Washington	\$9.47	\$12.00	+26.7%	327,500	362,000	+34,500	+10.5%
Massachusetts	\$9.00	\$12.00	+33.3%	272,900	284,100	+11,200	+4.1%
Oregon	\$9.25	\$11.25	+21.6%	208,200	228,700	+20,500	+9.8%
New York	\$8.75	\$11.10	+26.9%	1,098,700	1,126,900	+28,200	+2.6%
Colorado	\$8.23	\$11.10	+34.9%	244,100	273,400	+29,300	+12.0%
California	\$9.00	\$11.00	+22.2%	1,674,300	1,814,500	+140,200	+8.4%
Arizona	\$8.05	\$11.00	+36.6%	270,200	269,800	-400	-0.1%
Maine	\$7.50	\$11.00	+46.7%	59,300	58,900	-400	-0.7%
Total: States with \$11+ MW	--	--	--	4,155,200	4,418,300	+263,100	+6.3%
Illinois	\$8.25	\$8.25	0.0%	595,400	598,400	+3,000	+0.5%
United States (Total)	\$7.25	\$7.25	0.0%	14,104,000	14,594,000	+490,000	+3.5%

WHAT ABOUT PROPERTY TAXES?

- ✓ **Four task forces from 1982 to 2009:** Main driver of high local property taxes in Illinois is low level of state funding
- ✓ **Property taxes are regressive:** Don't want minimum wage to result in higher property taxes that disproportionately hurt working families
- ✓ **Little to no effect on property taxes from \$15 minimum wage:** Labor costs could rise but are likely to be offset by reduced turnover, greater consumer demand, and increases in homeownership

\$15 MINIMUM WAGE IN ILLINOIS

1. Raise pay for 1.4 million workers

2. Lift workers out of poverty and improve housing affordability

3. Boost consumer demand

4. Produce a strong Illinois economy

RELEVANT PMCR & ILEPI RESEARCH AREAS

- Minimum wage
- Prevailing wage for public construction projects
- Collective bargaining and labor unions
- Labor-management relations
- School funding
- K-12 public education
- Local property taxes
- Public pensions
- Infrastructure investment
- Road and bridge infrastructure funding and motor fuel taxes
- Fair scheduling
- Paid family leave
- Local “right-to-work” zones

THANK YOU!



Robert Bruno, PhD

Director and Professor

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middleclassrenewal](http://publish.illinois.edu/projectformiddleclassrenewal)

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