

The Case for a \$15 Minimum Wage for Illinois

The Illinois legislature is considering a measure that would gradually raise Illinois' minimum wage from its current \$8.25 an hour up to \$15 an hour by 2022. Analysis of the latest available data shows that, not just in the Chicago area but across the state, single workers without children will soon need \$15 an hour or more just to cover the basics – and workers with families will need even higher wages. The typical worker earning less than \$15 an hour is an adult over 25 who works full time, but still cannot make ends meet. A \$15 minimum wage would deliver a large raise for nearly 1 in 4 workers in Illinois. The economic evidence from other states shows that, if phased in gradually, a \$15 minimum wage would be manageable for employers, while delivering broad benefits for Illinois' workforce.

With the Cost of Living Rising, Even Single Workers in Low-Cost Regions of Illinois Will Soon Need \$15 an Hour to Cover the Basics – and Workers in Many Regions and Families with Children Need Even More Than \$15

- Even in low-cost regions of the state, like Danville, East St. Louis and rural Illinois, workers will soon need \$15 an hour or more just to cover the basics. For example, by 2022 – the date by which the legislature is proposing to raise the Illinois minimum wage to \$15 – a single worker in rural Illinois will need to earn \$32,178 a year just to cover housing, food, transportation and other basic costs, according to the Economic Policy Institute's family budget calculator.¹ This translates to \$15.47 an hour for a full-time worker. Similarly, in Danville and East St. Louis, a single worker will need to earn about \$15.55 an hour by 2022 to meet basic living costs. (See Table 1, at the end).
- And in higher cost areas, single workers will need more. A single worker in Chicago with no children will need \$17.65 an hour by 2022 to afford the basics.
- Similarly, workers with children need even more than \$15 an hour – even in the state's lowest cost regions. For example, in Rock Island – the lowest cost part of Illinois – for a two-worker family with two kids, by 2022 each parent will need to earn at least \$18.97 an hour to afford a cheap apartment and cover simple living costs.²

A \$15 Minimum Wage Would Deliver a Large Raise to Close to 4 in 10 Workers in Illinois, Reversing Decades of Falling Pay

- Wages have fallen to the point that today about 2.3 million Illinois workers earn less than \$15 an hour, according to the Economic Policy Institute and Oxfam.³
- Almost 4 in 10 workers in the state would receive a long overdue raise by gradually phasing-in a \$15 minimum wage by 2022.⁴
- The typical worker would see an income gain of at least \$4,000 to \$5,000 a year – enough to make a significant difference in the life of a home care aide, airport worker or fast food worker who today struggles on about \$18,000 a year.

The Typical Illinois Worker Earning Less than \$15 an Hour is a Woman Over 25, with Some College, Working Full-Time, Likely to be a Parent

- 41 percent of all workers in Illinois today earn less than \$15 an hour.⁵
- Far more Illinois workers earning under \$15 are in their 40's, 50's and 60's (73 percent), than are under 25.⁶
- There are more women (46 percent) than men (36 percent) earning less than \$15.⁷
- 48 percent of African-Americans and 61 percent of Latinos earn less than \$15.⁸
- 52 percent work full-time.⁹
- 38 percent have some college experience or have earned an Associate's degree, and an additional 12 percent have Bachelor's degree or higher, for a total of 50 percent.¹⁰
- 34 percent of working parents earn less than \$15 per hour, and 50 percent of all children in Illinois live in families with a worker earning less than \$15.¹¹
- 24 percent of Illinois' working families live in or near poverty, and 15 percent receive Food Stamps.¹²

While Business Lobbyists Argue that Employers Cannot Adjust to \$15, Growing Numbers of Employers and Small Business Organizations in Other States Say that it Will Be Manageable – and Even Beneficial

- In other 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),¹³ the Brooklyn Chamber of Commerce (endorsed),¹⁴ the Northeast Organic Farmers Association – New York Chapter (endorsed),¹⁵ the Long Island and Westchester/Putnam African-American Chambers of Commerce (endorsed),¹⁶ the Restaurant Association of Metropolitan Washington (endorsed),¹⁷ the Golden Gate Restaurant Association (did not oppose),¹⁸ 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.”¹⁹
- As fast food franchise owner Dennis Kessler who teaches at the University of Rochester’s Simon School of Business told the Washington Post last year, “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.”²⁰
- 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.”²¹
- 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.²²

The Economic Evidence Shows that the Benefits of a Gradually Phased-In \$15 Minimum Wage Far Outweigh the Costs

- State-of-the-art research on the impact of a \$15 minimum wage by University of California economists for the State of New York 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 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, located 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
- A University of Minnesota study of a proposed \$15 minimum wage in Minneapolis also found that, if gradually phased in, it would raise pay for about 23 percent of the workforce, and that any adverse effect on job levels would be small.²⁷
- More than 75 economists and researchers have endorsed the findings of the University of California study in New York,²⁸ and another 200 economists and researchers have endorsed a gradually phased-in \$15 federal 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 costs to other groups in society will be modest and readily absorbed.”²⁹
- 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.
- For example, in Seattle – the first U.S. city to approve a \$15 minimum wage, where the wage level reached \$15 in January for large employers – 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.”³⁰ Earlier reporting in the *Puget Sound Business Journal* was titled “Apocalypse Not: \$15 and the cuts that never came.”³¹ 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,³² in November the study’s author backed away from those findings, concluding that they were not statistically significant.

A \$15 Minimum Wage Will Generate Savings for Taxpayers and the State Budget, as Workers Support Themselves and Rely Less on Taxpayer-Funded Safety Net Programs

- It is estimated that Illinois taxpayers spend \$1.1 billion a year (in 2013 dollars) to provide safety net benefits to low-wage workers who earn too little to support themselves.³³
- Analysis in other states has shown that significant minimum wage increases generate substantial savings for state budgets. For example, a University of California analysis found that a \$13 minimum wage proposal for California would save the state budget more

than \$2 billion through a combination of higher tax revenue generated by workers earning more, and safety net savings.³⁴

Table 1. Hourly Wage Needed to Afford a Basic Household Budget in Illinois, by Family Size

Region	Family Size	2014	2016	2017	2018	2019	2020	2021	2022	2023	2024
Bloomington / Normal MSA	Single Adult	\$14.20	\$14.78	\$15.07	\$15.37	\$15.68	\$15.99	\$16.31	\$16.64	\$16.97	\$17.31
	1 Adult 1 Child	\$24.73	\$25.73	\$26.25	\$26.77	\$27.31	\$27.85	\$28.41	\$28.98	\$29.56	\$30.15
	2 Adults 2 Children*	\$17.36	\$18.07	\$18.43	\$18.80	\$19.17	\$19.55	\$19.95	\$20.34	\$20.75	\$21.17
Champaign / Urbana MSA	Single Adult	\$13.77	\$14.32	\$14.61	\$14.90	\$15.20	\$15.50	\$15.81	\$16.13	\$16.45	\$16.78
	1 Adult 1 Child	\$24.59	\$25.59	\$26.10	\$26.62	\$27.15	\$27.70	\$28.25	\$28.81	\$29.39	\$29.98
	2 Adults 2 Children*	\$17.37	\$18.07	\$18.43	\$18.80	\$19.17	\$19.56	\$19.95	\$20.35	\$20.75	\$21.17
Chicago / Joliet / Naperville MSA	Single Adult	\$15.06	\$15.67	\$15.99	\$16.31	\$16.63	\$16.96	\$17.30	\$17.65	\$18.00	\$18.36
	1 Adult 1 Child	\$25.37	\$26.40	\$26.93	\$27.46	\$28.01	\$28.57	\$29.15	\$29.73	\$30.32	\$30.93
	2 Adults 2 Children*	\$17.31	\$18.01	\$18.37	\$18.73	\$19.11	\$19.49	\$19.88	\$20.28	\$20.68	\$21.10
Danville MSA	Single Adult	\$13.27	\$13.81	\$14.09	\$14.37	\$14.66	\$14.95	\$15.25	\$15.55	\$15.86	\$16.18
	1 Adult 1 Child	\$22.82	\$23.74	\$24.22	\$24.70	\$25.20	\$25.70	\$26.21	\$26.74	\$27.27	\$27.82
	2 Adults 2 Children*	\$16.53	\$17.20	\$17.54	\$17.89	\$18.25	\$18.61	\$18.99	\$19.37	\$19.75	\$20.15
Decatur MSA	Single Adult	\$12.03	\$12.52	\$12.77	\$13.03	\$13.29	\$13.55	\$13.82	\$14.10	\$14.38	\$14.67
	1 Adult 1 Child	\$22.49	\$23.40	\$23.87	\$24.35	\$24.83	\$25.33	\$25.84	\$26.35	\$26.88	\$27.42
	2 Adults 2 Children*	\$16.35	\$17.01	\$17.35	\$17.70	\$18.05	\$18.41	\$18.78	\$19.15	\$19.54	\$19.93
Kankakee / Bradley MSA	Single Adult	\$12.08	\$12.57	\$12.82	\$13.07	\$13.33	\$13.60	\$13.87	\$14.15	\$14.43	\$14.72
	1 Adult 1 Child	\$22.70	\$23.61	\$24.09	\$24.57	\$25.06	\$25.56	\$26.07	\$26.59	\$27.13	\$27.67
	2 Adults 2 Children*	\$16.14	\$16.79	\$17.13	\$17.47	\$17.82	\$18.18	\$18.54	\$18.91	\$19.29	\$19.68

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Peoria MSA	Single Adult	\$12.11	\$12.60	\$12.85	\$13.11	\$13.37	\$13.64	\$13.91	\$14.19	\$14.48	\$14.77
	1 Adult 1 Child	\$22.66	\$23.58	\$24.05	\$24.53	\$25.02	\$25.52	\$26.03	\$26.55	\$27.08	\$27.62
	2 Adults 2 Children*	\$16.15	\$16.80	\$17.14	\$17.48	\$17.83	\$18.19	\$18.55	\$18.92	\$19.30	\$19.68
Rock Island MSA	Single Adult	\$11.74	\$12.21	\$12.46	\$12.71	\$12.96	\$13.22	\$13.48	\$13.75	\$14.03	\$14.31
	1 Adult 1 Child	\$21.70	\$22.58	\$23.03	\$23.49	\$23.96	\$24.44	\$24.93	\$25.43	\$25.93	\$26.45
	2 Adults 2 Children*	\$15.56	\$16.19	\$16.51	\$16.84	\$17.18	\$17.52	\$17.87	\$18.23	\$18.60	\$18.97
Rockford MSA	Single Adult	\$12.79	\$13.31	\$13.58	\$13.85	\$14.12	\$14.41	\$14.69	\$14.99	\$15.29	\$15.59
	1 Adult 1 Child	\$22.99	\$23.92	\$24.39	\$24.88	\$25.38	\$25.89	\$26.41	\$26.93	\$27.47	\$28.02
	2 Adults 2 Children*	\$16.32	\$16.98	\$17.32	\$17.66	\$18.02	\$18.38	\$18.74	\$19.12	\$19.50	\$19.89
Rural Illinois	Single Adult	\$13.21	\$13.74	\$14.02	\$14.30	\$14.58	\$14.87	\$15.17	\$15.47	\$15.78	\$16.10
	1 Adult 1 Child	\$21.48	\$22.35	\$22.80	\$23.26	\$23.72	\$24.19	\$24.68	\$25.17	\$25.68	\$26.19
	2 Adults 2 Children*	\$15.29	\$15.91	\$16.23	\$16.55	\$16.89	\$17.22	\$17.57	\$17.92	\$18.28	\$18.64
Springfield MSA	Single Adult	\$12.70	\$13.21	\$13.47	\$13.74	\$14.02	\$14.30	\$14.58	\$14.87	\$15.17	\$15.48
	1 Adult 1 Child	\$23.09	\$24.02	\$24.50	\$24.99	\$25.49	\$26.00	\$26.52	\$27.05	\$27.60	\$28.15
	2 Adults 2 Children*	\$16.62	\$17.29	\$17.64	\$17.99	\$18.35	\$18.72	\$19.09	\$19.47	\$19.86	\$20.26
St. Louis MSA	Single Adult	\$13.28	\$13.82	\$14.09	\$14.37	\$14.66	\$14.96	\$15.25	\$15.56	\$15.87	\$16.19
	1 Adult 1 Child	\$23.72	\$24.68	\$25.17	\$25.67	\$26.19	\$26.71	\$27.24	\$27.79	\$28.34	\$28.91
	2 Adults 2 Children*	\$16.69	\$17.37	\$17.72	\$18.07	\$18.43	\$18.80	\$19.18	\$19.56	\$19.95	\$20.35

Source: National Employment Law Project analysis of Economic Policy Institute's Family Budget Calculator.
*Hourly wage per adult worker.

Endnotes

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