

April 19, 2017

Low Wages Are Costing Illinois: \$15 Wage Offers Help

*New Analysis Shows Benefits of House Bill 198 to Land of Lincoln;
Free-Market Solution to Chronic Budget Woes*

OVERVIEW

Low wages are costing Illinois, placing millions of workers in or near poverty. Contrary to myths put forward by business groups, low wages aren't merely a problem in population centers OR in the fast-food industry. In fact, a new analysis of data shows how thoroughly workers throughout Illinois would benefit from the increase to a \$15 minimum wage that is the centerpiece of House Bill 198, currently before the full House of Representatives after passage from the House Labor Committee by a 17-6 margin. The new analysis also shows the costs to the public sector BECAUSE of low wages, where taxpayers are subsidizing employers unwilling to pay a living wage. Finally, a wage increase could provide a free-market solution to chronic budget woes through billions of dollars in additional revenue and economic activity.



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SOURCE

The following information on impacts of raising the minimum wage is drawn from:

"The Impact of a Minimum Wage Increase on Housing Affordability in Illinois." University of Illinois Urbana-Champaign Labor Education Program Project for Middle Class Renewal, October 2016. <https://ler.illinois.edu/wp-content/uploads/2016/11/Min-Wage-Housing-10-28.pdf>

What workers and families need per hour to stay out of poverty

Rockford: \$13.50/hr

Champaign: \$14.61/hr

Bloomington: \$15.07/hr

Springfield: \$13.47/hr

Chicago: \$15.99/hr



LOW WAGES THROUGHOUT ILLINOIS

High percentages of local economies are affected by low wages, with an average statewide around 40 percent. This translates to poverty or near poverty to hundreds of thousands of workers in every corner of the state.

Region	Workers below \$10/hr	Percent of workforce below \$10/hr	Workers below \$15/hr	Percent of workforce below \$15/hr
Carbondale	12,451	19.5%	25,590	40.2%
Champaign-Urbana	23,405	17.4%	47,488	35.3%
Peoria-Bloomington	48,617	19.2%	92,138	36.4%
Rockford	27,479	21.2%	60,582	46.7%
Springfield-Decatur	30,652	18.0%	60,582	35.6%
St. Louis (Metro East)	35,049	17.4%	69,481	34.6%

LOW-WAGE INDUSTRIES: IT'S NOT JUST A McDONALD'S PROBLEM

Opposition to House Bill 198 has centered on the restaurant industry. While this remains a problem, the data shows that low wages are spread out through a diverse field of business, including employment services, retail and nursing and community care.

	Employment in industry	Annual income per worker (all workers; includes value of benefits)
Employment services	226,029	\$34,893
Full-service restaurants	202,326	\$23,597
Limited-service restaurants	193,362	\$19,239
Retail - general merchandise stores	129,476	\$27,387
Nursing and community care facilities	116,197	\$35,199

HELP FOR CHRONIC BUDGET WOES

Springfield leaders have failed to find a solution to the ongoing budget impasse. Raising the minimum wage would help, resulting in significant additional state and local tax revenues. And these would not merely result from income taxes, but from increased economic activity, including sales tax revenue.

	Total additional annual state and local taxes
\$10/hr minimum	\$554,405,677
\$13/hr minimum	\$1,549,742,037
\$15/hr minimum	\$2,349,158,149

LOW WAGES COST TAXPAYERS: A SUBSIDY BY ANOTHER NAME

Experts at the University of California, Berkeley estimate that Illinois taxpayers shell out \$5 billion to cover public assistance for underpaid workers.¹

Workers who can't make a living wage are left to rely on public services such as Medicaid, food stamps and other assistance such as the Temporary Assistance for Needy Families (TANF) program. The result is public subsidy to employers who choose to leave their workers in poverty. The costs in Illinois are enormous.

	Households with worker below \$10/hr	Percent of households with worker below \$10/hr using this benefit	Households with worker below \$15/hr	Percent of households with worker below \$15/hr using this benefit
Food Stamps	150,407	23%	991,068	19%

	Workers below \$10/hr	Percent of workers below \$10/hr using this benefit	Workers below \$15/hr	Percent of workers below \$15/hr using this benefit
Medicaid	151,891	17.4%	238,434	14.0%

	Worker s below \$10/hr	Percent of worker s below \$10/hr using this benefit	Aggregate benefits to workers below \$10/hr	Worker s below \$15/hr	Percent of worker s below \$15/hr using this benefit	Aggregate benefits to workers below \$15/hr
Cash assistance / TANF	13,394	1.5%	\$36,155,59 9	19,049	1.1%	\$50,053,74 9

CONCLUSION

Illinois has been experiencing slow growth in Gross State Product and worker earning for years.ⁱⁱ January 2017 BLS data release showed weekly earnings growth of 1.3% during all of 2016, with a trend of job growth in lower-wage sectors.ⁱⁱⁱ In addition to challenges faced by other states, the protracted budget crisis is harming the Illinois economy in multiple ways, creating uncertainty and diminishing confidence.^{iv}

House Bill 198 would have immediate impact across Illinois, across industries and in ways that positively respond to the economic crisis and the current budget crisis. A \$15 minimum wage would benefit the Illinois future.

ⁱ <http://laborcenter.berkeley.edu/the-high-public-cost-of-low-wages/>

ⁱⁱ "State of Illinois Economic Forecast, January 2017." Prepared for State of Illinois Commission on Government Forecasting and Accountability by Moody's Analytics. January 2017. <http://cgfa.ilga.gov/Upload/2016MoodysEconomyILforecast.pdf>

ⁱⁱⁱ BLS state hours and earnings data, <https://www.bls.gov/sae/>; Analysis of this data appears in CGFA Monthly Briefing for the Month of January 2017. <http://cgfa.ilga.gov/Upload/0117revenue.pdf>

^{iv} See for example: "Illinois Issues: The Cost of Doing Business without a Budget," Illinois Public Media News, 10/4/16, <https://will.illinois.edu/news/story/illinois-issues-the-costs-of-doing-business-without-a-budget>; "Human Services as an Economic Engine: How Human Services in Illinois Drive Jobs and Economic Benefits," Illinois Partners for Human Service, May 2016, <http://www.illinoispartners.org/wp-content/uploads/2016/05/Economic-Impact-Report-FINAL.pdf>; Marwa Eltagouri, "Illinois loses more residents in 2016 than any other state," Chicago Tribune, 12/21/16.