

## Illinois' 2006 Minimum Wage Increase Fact Sheet

### Proposal for Illinois:

- Increase the state minimum wage to \$7.50 per hour effective July 1, 2007. The current rate of \$6.50 per hour has been in place since January 1, 2005.
- Make annual cost of living adjustments pegged to the consumer price index so that as the price of staples like milk and bread rise, so does the ability of minimum wage workers to pay for them. The first index adjustment will take effect on January 1, 2008.

### Raising the minimum wage will help 647,000 Illinois workers.

Raising the minimum wage to \$7.50 per hour will provide direct pay increases for 308,000 Illinois workers. An additional 339,000 Illinois workers are also likely to benefit with pay raises as a “spillover effect” of the minimum wage increase.

### Increasing the minimum wage helps hard working families, women and children.

According to the Economic Policy Institute and Voices for Illinois Children, approximately 144,000 of the workers who would benefit directly from the minimum wage increase are working parents and nearly 60 percent are women. One-third of minimum wage earners are sole breadwinners for their families. Increasing their wages would help boost the standard of living for 269,000 Illinois children.

### Working adults, not just teenagers benefit from an increase in the minimum wage.

As Table 1 indicates, 81 percent of the affected workers who will benefit from the minimum wage increase are working adults, not teenagers.

**Table 1**  
**Affected Minimum Wage Workers, By Age**

Age	Total Illinois Workers in Age Group	Number of Affected Workers Affected by Minimum Wage Increase	% Affected by Increase in Minimum Wage
16 to 19	269,000	124,500	19%
20 or over	5,332,000	524,000	81%

*Source: Economic Policy Institute data, prepared for Voices for Illinois Children*

## **Why not wait for Washington to Act?**

The federal proposal to increase the minimum wage to \$7.25 per hour without future indexing to address inflation is much better than the status quo, but we can and should do better. There is also no guarantee that if Congress passes the bill, President Bush will sign it into law. The proposal to increase the minimum wage to \$7.50 an hour provides more help for workers, puts more income in the hands of families and with an annual cost of living adjustment ensures income increases each year for years to come.

### **A dollar makes a difference.**

When the minimum wage was raised to \$6.50 on January 1, 2005 it boosted the annual income of a full-time minimum wage worker to \$13,520 annually, which lifted a two-person family above the 2005 poverty level of \$12,500. In the two years since that increase took effect, consumer prices have skyrocketed as energy costs, groceries and other staples have all become more expensive. In January 2006, the federal poverty level for a two-person household was increased to \$13,200 to reflect the higher cost of living. Without an increase in the minimum wage, Illinois workers earning just \$6.50 per hour will continue to earn at wage level that is at or near the poverty level.

A \$1.00 change in the minimum wage to \$7.50 an hour would generate an additional \$2,080 in annual wages, per full-time worker. For a two-person household in which each person works full-time and earns the minimum wage that would mean an income increase of more than \$4,160 year to spend on basic needs such as food, clothing, housing, child care, health care and transportation.

### **Illinois will not be at a competitive disadvantage when recruiting new businesses.**

By the time the proposed increase takes effect in July 2007, five states will already have a minimum wage of \$7.50 or greater. Those states are Washington, Oregon, California, Connecticut and Massachusetts. Table 1 summarizes the hourly rates for the 28 states that will have a minimum wage greater than the federal rate of \$5.15 per hour. In 2008, both California and Massachusetts will have a minimum wage of \$8.00 per hour.

### **Economists confirm that raising the minimum wage does not cause job losses.**

Minimum wage opponents often claim that a higher minimum wage will cause job losses, but a growing body of research finds no job losses associated with a modest minimum wage increase.

- Multiple studies conducted over the last nine years (since the federal minimum wage was last increased) found that job losses predicted by opponents never occurred. A study by the Fiscal Policy Institute found that “between 1998 and 2004, the job growth for small businesses in states with a minimum wage higher than the federal level was 6.2% compared to 4.1% growth rates in states where the federal level prevailed.”

- Bruce Nissen, a sociologist at Florida International University, showed that Florida did not suffer any job losses after voters increased the minimum wage in 2004. Instead, the study said, the state experienced the highest job growth in the nation, with the steadiest growth in the service sector. The Florida minimum jumped from \$5.15 to \$6.15 in 2005 and then to \$6.40 in 2006.
- David Card of the University of California Berkeley and Alan B. Krueger, an economist at Princeton University, studied the fast-food industry in New Jersey and Pennsylvania after New Jersey raised its wages and Pennsylvania did not. He concluded that the threat of lost jobs did not materialize.
- Statements from business groups that a minimum wage hike would be a job-killer haven't held up because the small businesses affected are usually competing locally, not regionally said Nik Theodore, of the University of Illinois at Chicago's Center for Urban Economic Development.

**The Illinois experience confirms what economists have been saying.**

According to statistics compiled by the federal Bureau of Labor Statistics and the Illinois Department of Employment Security:

- Since January 2005, when the last minimum wage raise (to \$6.50 per hour) went into effect, Illinois has gained more than 151,000 new jobs, which is the highest number of new jobs in the Midwest.
- The October 2006 unemployment rate in Illinois dropped to 4.1 percent, compared to 5.2 percent in January 2005. Illinois lead the nation in new jobs added in July 2006 by creating 31,100 new jobs - this was the second time in 2006 that Illinois lead the nation in jobs created, which is the first time since records have been kept that Illinois has earned this distinction. Illinois also led the nation in job growth in April 2006.
- So far in 2006, we have created 76,400 new jobs, which is the best start to a year since 1998 and, again, the best in the Midwest.

**Raising the minimum wage will not add dramatically to business wage costs.**

Minimum wage workers make up a small portion of the workforce for most Illinois businesses, representing just 6 percent of workers statewide, so the increase won't have a significant impact on most employers. Businesses with the highest proportion of minimum and low-wage workers are in the retail trade and service sectors, including restaurants, gas stations, grocery stores, hotels and motels that rely on local consumers and business spending and are not as subject to interstate competition.

## **On November 7<sup>th</sup> Americans voters demonstrated overwhelming support for minimum wage increases**

On November 7, voters in Arizona, Colorado, Missouri, Montana, Nevada and Ohio passed minimum wage increases through ballot measures. The average margin of victory on this voter supported increases was 31 percent. In Missouri (76%) and Montana (73%) the proportion of votes in favor of the minimum wage increase was especially significant. In both states, annual cost of living adjustments were part of the ballot initiative.

### **An inflation-indexed minimum wage does not hurt small business growth.**

- In states with an inflation-indexed minimum wage, small business growth has been strong. Between 1998 and 2004, the number of small business establishments in these states grew by 5.5 percent (compared to 4.2 percent in states without an indexed minimum wage).<sup>1</sup>
- Small business employment grew by 8.9 percent in states with an inflation-indexed minimum wage (compared to 7.4 percent in states without an indexed minimum wage).<sup>2</sup>
- During the same period, retail employment in these states grew by 9.2 percent (compared to 3.0 percent in states without an indexed minimum wage).<sup>3</sup>
- Retail payroll grew by 12.3 percent in these states (compared to 6.4 percent in states without an indexed minimum wage).<sup>4</sup>

### **Indexing and cost of living adjustment help workers keep up with skyrocketing costs.**

In many parts of the country, it now takes a minimum wage earner 5 or more hours of work just to pay for the cost of a tank of gasoline. As consumer costs for staples such as food and energy continue to rise, workers need help. By 2007, ten states will have automatic cost of living adjustments tied to inflation in place. And, on November 7th, voters in Arizona, Colorado, Missouri, Montana, Nevada and Ohio approved minimum wage increases that contain automatic annual cost of living adjustments.

**Twenty-eight states have minimum wage rates above the Federal minimum wage.**

Twenty-eight states and the District of Columbia have minimum wages that are higher than the federal standard. Washington (\$7.63) currently has the highest national rate, and their minimum wages annually adjusted for inflation. A list of these states and their minimum wage rates for 2007 and 2008 appear in Table 2.

**Table 2**

<b>States with minimum wages higher than the Federal minimum wage</b>		
<b>(As of November 8, 2006)**</b>		
<b>State</b>	<b>Planned 2007 Minimum Wage</b>	<b>Planned 2008 Minimum Wage</b>
<b>Washington*</b>	\$7.93	Inflation adjusted
<b>Oregon*</b>	\$7.80	Inflation adjusted
<b>Connecticut</b>	\$7.65	\$7.65
<b>California</b>	\$7.50	\$8.00
<b>Massachusetts</b>	\$7.50	\$8.00
<b>Illinois</b>	\$7.50 (PROPOSED)	Inflation adjusted
<b>Rhode Island</b>	\$7.40	\$7.40
<b>Hawaii</b>	\$7.25	\$7.25
<b>Vermont*</b>	\$7.25 (to be inflation adjusted)	Inflation adjusted
<b>New Jersey</b>	\$7.15	\$7.15
<b>New York</b>	\$7.15	\$7.15
<b>Alaska</b>	\$7.15	\$7.15
<b>Michigan</b>	\$6.95 (\$7.15 on 7/1/07)	\$7.15 (\$7.40 on 7/1/08)
<b>Colorado*</b>	\$6.85 (eff. 1/1/07)	Inflation adjusted
<b>Ohio*</b>	\$6.85 (eff. 1/1/07)	Inflation adjusted
<b>Arizona*</b>	\$6.75 (eff. 1/1/07)	Inflation adjusted
<b>Maine</b>	\$6.75 (\$7.00 on 10/1/07)	\$7.00
<b>Florida*</b>	\$6.67	Inflation adjusted
<b>Delaware</b>	\$6.65	\$7.15
<b>Missouri*</b>	\$6.50 (eff. 1/1/07)	Inflation adjusted
<b>Wisconsin</b>	\$6.50	\$6.50
<b>Arkansas</b>	\$6.25	\$6.25
<b>Pennsylvania</b>	\$6.25 (\$7.15 on 7/1/07)	\$7.15
<b>Maryland</b>	\$6.15	\$6.15
<b>Minnesota</b>	\$6.15	\$6.15
<b>Montana*</b>	\$6.15 (eff. 1/1/07)	Inflation adjusted
<b>Nevada*^</b>	\$6.15 (eff.11/28/06)	Inflation adjusted
<b>North Carolina</b>	\$6.15	\$6.15
<b>Federal</b>	\$5.15	\$5.15

\* State minimum wage automatically adjusted annually for inflation.

^If employers provide health benefits they can pay the federal minimum wage

(Source: *Minimum Wage Issue Guide*, Economic Policy Institute, October 2006; *CNN.com*, Key Ballot Measures, November 8, 2006)

**Data Sources:**

<sup>1</sup> The productivity calculation is based on data available from the Commerce Dept., Bureau of Economic Analysis, and Regional Economic Accounts data.

<sup>2</sup> Data on the average weekly wage are from the Dept. of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages. The CPI-U was used to deflate wage data.

<sup>3</sup> Data on chief executive median annual pay are from the Bureau of Labor Statistics, Occupational Employment and Wage Estimates Survey.

<sup>4</sup> Calculations based on data from U.S. Census Bureau, County Business Patterns Annual Reports 1997-2005.

## **Who Supports the Minimum Wage Increase in Illinois? (As of 11/9/06)**

- Illinois AFL-CIO
- Voices for Illinois Children
- Samuel DeWitt Proctor Conference/United Church of Christ
- SEIU Illinois Council
- SEIU Local 880
- Illinois ACORN
- Sargent Shriver National Center on Poverty Law
- Citizen Action/Illinois
- AFSCME Council 31
- Chicago Jobs with Justice
- UFCW Local 881
- Grassroots Collaborative
- Chicago Workers' Collaborative
- Chicago Interfaith Committee on Worker Issues
- San Lucas Workers Center
- Work, Welfare and Families
- Women Employed
- Protestants for the Common Good
- Kenwood Oakland Community Organization
- Heartland Alliance for Human Needs and Human Rights
- SEIU Local 4
- Illinois Coalition for Immigrant and Refugee Rights
- Chicago Coalition for the Homeless
- American Friends Service Committee
- Project IRENE
- Illinois Hunger Coalition