

# The Effects of the Chicago Minimum Wage Ordinance

*Higher Incomes with Little to No Impact on Employment, Hours, and Businesses in the First Two Years*

**Frank Manzo IV, MPP**  
Illinois Economic Policy Institute

**Robert Bruno, PhD**  
University of Illinois at Urbana-Champaign

**Robert Habans, PhD**  
University of Illinois at Urbana-Champaign

## Executive Summary

On December 2, 2014, the Chicago City Council voted 44 to 5 in favor of gradually raising the minimum wage to \$13.00 per hour in the city to increase earnings for 410,000 Chicago workers. In its first two years—when the minimum wage increased to \$10.00 an hour and subsequently to \$10.50 an hour— the Chicago Minimum Wage Ordinance has already boosted incomes for at least 330,000 workers in the city.

Overall, the higher minimum wage has been associated with an increase in worker incomes but little to no impact on employment or the number of private business establishments. [An assessment of outcomes](#) from 2010 through 2016 against both the Illinois suburbs, where the minimum wage remains \$8.25 per hour, and the Indiana and Wisconsin suburbs of Chicago, where the minimum wage is \$7.25 an hour, reveals that the Chicago Minimum Wage Ordinance has largely achieved its intended purposes.

The Chicago Minimum Wage Ordinance has been associated with:

- A 2.5 percent increase in incomes for Chicago workers, a 1.0 percent reduction in working hours, and no impact on either the unemployment rate or the growth of private business establishments in the city.
- Reduced income inequality, as incomes rose by 2.7 percent for the lowest-paid workers compared to a gain of 2.3 percent for the median worker.
- A larger impact on workers employed in the nonprofit sector, where annual incomes increased by 5.2 percent, than those in the public sector (3.4 percent) and the private sector (2.4 percent).
- Higher demand for teens because employers can pay them \$0.50 below the state minimum wage.
- Higher consumer demand among low-income households, which indirectly created new jobs and offset any direct negative impact on employment.

After the minimum wage hikes, incomes were boosted most for more than 330,000 total workers in low-paying occupations and industries:

- Workers in building and grounds cleaning and maintenance occupations, such as janitors and maids, experienced a 6.1 percent increase in incomes.
- Workers in office and administrative support occupations, such as secretaries and record clerks, experienced a 3.3 percent increase in incomes.
- Workers in the transportation and warehousing industry, such as bus drivers and warehouse workers, experienced a 5.3 percent increase in incomes.
- Workers in the “other services” industry, a miscellaneous group that includes workers at car washes and nail salons, experienced a 10.2 percent increase in incomes.
- However, the Chicago Minimum Wage Ordinance was not statistically associated with higher annual incomes for workers in food preparation and serving occupations in the city.

To raise worker incomes, reduce income inequality, grow Illinois’ population, and ensure that workers are paid a wage commensurate with the cost of living, six public policy actions are recommended.

1. The City of Chicago should expand coverage of the minimum wage to include more workers.
2. The City of Chicago should increase the minimum wage for teen workers.
3. The City of Chicago should establish a Department of Labor Standards to improve enforcement.
4. The City of Chicago should translate the minimum wage complaint affidavit into Spanish and Polish.
5. Cities in suburban Cook County should opt into the Cook County Minimum Wage Ordinance.
6. The State of Illinois should raise the statewide minimum wage.

The Chicago Minimum Wage Ordinance has been associated with positive impacts on incomes with little to no effect on employment. Though the minimum wage should be expanded and enforcement should be improved, the minimum wage hikes— by raising standards in the local labor market— have been good for workers in the city.