

**Testimony of Frank Manzo IV**  
**Policy Director of the Illinois Economic Policy Institute**  
**Before the Labor & Commerce Committee**  
**Illinois House of Representatives**  
**Illinois General Assembly**

**At a Hearing Titled “Minimum Wage in Illinois”**

**February 6, 2019**

**Introduction**

Good afternoon, Mr. Chairman and Members of the Committee. My name is Frank Manzo IV. I am the Policy Director of the Illinois Economic Policy Institute, a nonprofit research organization that provides candid and dynamic analyses on major subjects affecting the economies of Illinois and the Midwest. ILEPI focuses on high-road economic development policies that promote public investments and broad-based economic growth.

My testimony today addresses three key points. First, I briefly provide information on states that have recently increased their minimum wages. Then, I address the economic research on the impacts of raising the minimum wage. Finally, I present results from a series of studies ILEPI has conducted with the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign on the effects of minimum wage hikes in Illinois— including one that considers regional impacts. I have included fact sheets and executive summaries of these reports with my testimony. I conclude by discussing the likely effects of gradually raising the minimum wage to \$15 per hour for adult workers in Illinois.

**19 States Raised Their Minimum Wages in January 2019**

The minimum wage has been at the forefront of state policy action to boost earnings for workers and combat income inequality. In January 2019, 19 states raised their minimum wages (NELP, 2018). A total of 13 states now have minimum wages of \$10 per hour or higher and four— California, New York, Massachusetts, and New Jersey in January 2019— have enacted legislation to gradually raise the minimum wage to \$15 per hour (WHD, 2019; Pramuk & Schoen, 2019). Additionally, Missouri voters approved a \$12 minimum wage in November 2018, with 62 percent of residents voting to raise the wage floor (Ballotpedia, 2018).

Low-wage workers in Illinois are falling behind their counterparts in other states. Illinois has not increased its minimum wage since July 2010. A full-time worker earning today’s state minimum wage of \$8.25 per hour brings home just \$17,160 in annual income. This is now \$8,590 below the federal poverty line for a family of four (HHS, 2019). Illinois’ current minimum wage fails to prevent workers from earning poverty-level wages.

**Studies Find that Minimum Wage Hikes Boost Worker Earnings While Having Little to No Negative Impacts on Employment Outcomes**

Minimum wage laws create decent-paying jobs and allow working-class families to maintain a decent standard of living. Economic research is nearly unanimous in concluding that minimum wage hikes are associated with higher incomes for workers. In fact, 37 of 41 peer-reviewed studies

(90 percent) find that a higher minimum wage is associated with higher wages (Belman & Wolfson, 2014). In general, a 10 percent increase in the minimum wage is found to boost average incomes by about 1.2 percent (Belman & Wolfson, 2014; Dube, Lester, & Reich, 2011; Reich, Allegretto, & Godoey, 2017). In addition, economists at the Federal Reserve Bank of Chicago have found that minimum wage hikes have a spillover effect and raise the incomes of workers earning slightly above the new minimum wage level, or between 120 percent and 300 percent of the new minimum wage (Aaronson, Agarwal, & French, 2011).

Previous studies have also found little to no impact of minimum wage laws on employment or hours. In a meta-analysis of 64 academic studies, economists found that a 10 percent increase in the minimum wage tends to be associated with a small 0.2 and 0.6 percent drop in employment or hours (Belman & Wolfson, 2014). However, a 2018 study of one million hourly wage employees in over 300 firms and across 23 industries found that existing minimum wage employees were no less likely to be employed after a minimum wage hike (Gopalan, Hamilton, Kalda, & Sovich, 2018). Yet another recent study by researchers at the University of California, Berkeley found that minimum wage increases in Seattle resulted in higher earnings for affected workers in food service but had no negative impact on their employment (Reich et al., 2017).

Minimum wage hikes have small or negligible effects on employment for many reasons. First, there is evidence that a higher minimum wage reduces worker turnover, as employers become more diligent in their hiring practices (Schmitt, 2013; Dube, Lester, & Reich, 2011; Reich, Allegretto, & Godoey, 2017). In a 2018 update, the Seattle Minimum Wage Study Team found that low-wage workers have earned \$624 more per year and turnover rates have declined by 8 percent due to the minimum wage hike to \$15 an hour (Jardim et al., 2018). In addition, higher minimum wage can also provide employers with a larger pool of job applicants. For example, after Amazon announced plans to raise its hourly minimum wage to \$15, the company received 850,000 job applications in one month, more than double its previous record (Barrabi, 2019). Lastly, raising the minimum wage stimulates the economy through increased consumer demand (Aaronson, Agarwal, & French, 2011; Manzo, Bruno, & Habans, 2018). Working-class families spend a larger portion of their incomes back into the economy than rich families. By boosting worker earnings and lifting low-income households out of poverty, minimum wage hikes increase sales and economic output at local retailers, restaurants, and small businesses— offsetting any drop in employment or hours.

The impact of a higher minimum wage on consumer prices is modest. A recent study examined the effect of a minimum wage hike in San Jose, California at 886 restaurants in San Jose and surrounding Santa Clara County communities. The authors find that the minimum wage boosted incomes and had no negative impact on employment, but that firms slightly increased their prices. The results suggest that a 10 percent increase in the minimum wage is associated with a small 1.2 percent increase in restaurant food prices (Allegretto & Reich, 2016). However, in Seattle, there was no evidence of a change in supermarket food prices both one month and one year following enactment of the local minimum wage ordinance (Otten et al., 2017).

### **A \$15 Minimum Wage Could Mean a \$6,000 Raise for More than 1.4 Million Workers**

In July 2018, the City of Chicago raised its local minimum wage to \$12 per hour. The move was part of an incremental process the Chicago City Council initiated in 2014, by a 44-5 vote, to raise the city's minimum wage to \$13 per hour by July 2019. The Chicago Minimum Wage Ordinance was intended to increase earnings for low-income workers and combat income inequality.

A June 2018 study by the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign finds that the policy change is working (Manzo, Bruno, & Habans, 2018). Investigating economic data from 2010 through 2016, when the minimum wage hikes were about halfway enacted to \$10.50 per hour, reveals that the increases had already boosted annual incomes for 330,000 workers. The minimum wage raised incomes by an average of 2.5 percent– and by more for workers in low-wage occupations such as janitors and hotel cleaning maids (6.1 percent). In other words, a rising tide has lifted all boats.

At the same time, the City of Chicago did not fare worse on employment outcomes than the Illinois, Indiana, and Wisconsin suburbs where the minimum wage had not changed (Manzo, Bruno, & Habans, 2018). The higher minimum wage had no effect on the unemployment rate. In fact, as of November 2018, the unemployment rate is lower in Cook County (3.8 percent)– where local minimum wages are higher– than the rest of the state (4.4 percent) (BLS, 2019). Overall, the Chicago Minimum Wage Ordinance has been a success, working largely as intended.

The entire State of Illinois could use a similar boost to the economy. In an October 2018 report, the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign find that an increase to Illinois’ state minimum wage would grow the state’s economy and boost the paychecks of as many as 1.4 million workers (Manzo, Manzo, & Bruno, 2018). Of these workers, 57 percent are women, 50 percent are white, 89 percent are U.S. citizens, and 56 percent are age 30 and older. A \$15 minimum wage would raise earnings for low-income workers by about \$6,000 per year, lifting about 212,000 low-income hourly workers out of poverty. As they earn higher wages, working-class families would spend more in the economy, generating \$380 million in new state sales taxes and income taxes annually.

A \$15 minimum wage would have the largest impacts in communities outside of the Chicago area. Another report released by the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign in February 2019 concludes that a uniform \$15 minimum wage in Illinois would allow working-class families to maintain a decent standard of living in every community across the state (Manzo & Bruno, 2019). However, because the minimum wage is already \$12 per hour in the City of Chicago and \$11 per hour in many surrounding suburbs, a \$15 minimum wage would significantly boost consumer spending outside of the Chicago area. While a \$15 minimum wage would boost earnings by about \$5,000 for directly-affected workers in the Chicago area, it would raise annual incomes for low-wage workers by more than \$8,000 in the Springfield area, more than \$7,000 in the Rockford area, and more than \$6,000 in the St. Louis area.

## **A Majority of Illinois Voters Support Raising the Minimum Wage**

In 2014, Illinois voters were asked an advisory question about raising the adult minimum wage. In total, 66.7 percent of votes cast were in support of increasing the state’s minimum wage. The measure also received majority support in 83 of 102 counties (81 percent), indicating broad support across all regions of the state.

The minimum wage is intended to ensure that working-class individuals can sustain families and cover living expenses. Illinois’ current minimum wage of \$8.25 fails to prevent workers from bringing home poverty-level wages. By contrast, a uniform \$15 minimum wage in Illinois, if enacted, would allow working-class families to maintain a decent standard of living in every area of the state. Illinois can boost worker incomes, reduce poverty, promote housing affordability, increase consumer demand, and grow the economy by raising the minimum wage.

I thank you for allowing me the opportunity to submit my testimony.

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