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Raising the Minimum Wage

What $10, $13, or $15 Per Hour Would Mean for Illinois

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Executive Summary

Illinois should raise the minimum wage. The last time that Illinois increased its minimum wage was in July 2010. If Illinois' minimum wage had been indexed to inflation since then, it would be nearly $10 per hour today. 13 states now have minimum wages of $10 per hour or higher, and 9 of these states have unemployment rates that are lower than or the same as Illinois. Additionally, the majority of Illinois voters support increasing the minimum wage.

Raising the minimum wage boosts worker incomes while having little to no effect on employment. Chicago's minimum wage ordinance has already boosted incomes for 330,000 workers while having no discernible impact on the unemployment rate. Illinois should follow suit.

The Illinois Economic Policy Institute (ILEPI) and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign has evaluated three state minimum wage hike scenarios.

1. **Increase the minimum wage to $10 per hour on July 1, 2019**: This would directly affect 353,000 low-income workers, most of whom are white, are women, and are native-born and naturalized U.S. citizens. Their average incomes would increase by more than $2,000 per year. A $10 minimum wage would grow the economy by more than $5 billion per year, reduce the number of Illinois residents in poverty by over 35,000, and generate $30 million annually in state income tax and sales tax revenues.
2. **Increase the minimum wage to $13 per hour over four years by July 1, 2022**: This would put the statewide minimum wage just below the comparable level in the City of Chicago, which will have increased due to inflation. A $13 minimum wage would boost annual incomes by over $4,100 for 1.1 million low-income workers, grow the state's economy by more than $13 billion per year, reduce the number of Illinois residents in poverty by about 143,000, and generate $197 million annually in state income tax and sales tax revenues.
3. **Increase the minimum wage to $15 per hour over six years by July 1, 2024**: This would directly affect 1.4 million low-income Illinois workers, about 23 percent of the total Illinois workforce. Directly affected workers– about half of whom are white, are women, are aged 30 years or older, and have children– would see their annual incomes increase by nearly $6,300 each. A $15 minimum wage would boost the economy by nearly $19 billion per year while only causing a modest drop in total working hours and lift nearly 212,000 low-income hourly workers out of poverty. The result would be $380 million in new state tax revenues, $348 million in additional property tax revenues for local governments, and $87 million in government savings every year as fewer workers qualify for and receive Supplemental Nutrition Assistance Program (SNAP) food stamp assistance.

The minimum wage is intended to ensure that working-class individuals can maintain a decent standard of living. Nevertheless, Illinois' current minimum wage of $8.25 per hour fails to prevent workers from earning poverty-level wages. By raising the minimum wage, Illinois can boost worker incomes, reduce income inequality, increase consumer demand, grow the economy, generate tax revenues, and decrease taxpayer costs for government assistance programs.

Table of Contents

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Introduction: The Minimum Wage in Illinois

The minimum wage is intended to ensure that working-class individuals can maintain a decent standard of living. Illinois' Minimum Wage Law states that an employer who pays wages below "the minimum standard of living for the health, efficiency and general well-being of workers… places an unnecessary burden on the taxpayers of this State" (Illinois General Assembly, 2018). Despite this acknowledgement that poverty-level wages foster reliance on social safety net programs, a full-time worker earning today's state minimum wage rate of $8.25 per hour brings home just $17,160 in annual income. This is $3,620 below the federal poverty line for a family of three and $7,940 below the federal poverty line for a family of four (HHS, 2018).

The minimum wage has been at the forefront of state policy action to combat income inequality. In fact, the declining real value of the minimum wage has accounted for between 35 and 57 percent of the rise in inequality across America (Autor et al., 2010; Mishel, 2013). In January 2018, 18 states raised their minimum wages (NSCL, 2018). The State of Illinois, however, has not raised its minimum wage since July 2010, despite 64 percent of Illinois voters supporting a minimum wage hike to $10 per hour (Ballotpedia, 2014). If the current rate of $8.25 per hour had been indexed for inflation since July 2010, Illinois' minimum wage would be nearly $10 per hour ($9.54 per hour) today (BLS, 2018). A $10 an hour rate would increase the annual income of a full-time employee making minimum wage by $3,640, which would lift the individual above the poverty line for a family of three.

Figure 1: States with Minimum Wages of At Least $10 Per Hour and Their Unemployment Rates vs. Illinois

State	2018 Minimum Wage	Minimum Wage Difference Versus Illinois	June 2018 Unemployment Rate*
Washington	$11.50	+39.4%	4.7%
California	$11.00	+33.3%	4.2%
Massachusetts	$11.00	+33.3%	3.5%
Oregon	$10.75	+30.3%	4.0%
Vermont	$10.50	+27.3%	2.8%
Arizona	$10.50	+27.3%	4.9%
New York	$10.40	+26.1%	4.6%
Colorado	$10.20	+23.6%	2.8%
Connecticut	$10.10	+22.4%	4.4%
Hawaii	$10.10	+22.4%	2.1%
Maryland	$10.10	+22.4%	4.3%
Rhode Island	$10.10	+22.4%	4.3%
Maine	$10.00	+21.2%	2.9%
Illinois	**$8.25**	**--**	**4.3%**

Source(s): U.S. Department of Labor – "Minimum Wage Laws in the States" (WHD, 2018) and "Employment, Hours, and Earnings - State and Metro Area" (BLS, 2018).
**June 2018 was selected because the City of Chicago raised its minimum wage to $12 an hour on July 1, 2018.*

Instead, low-wage workers in Illinois are falling behind their peers in other states. A total of 13 states now have minimum wages of $10 per hour or higher (Figure 1). While a majority of these states are

located along the coasts, Arizona– which has a lower cost of living than Illinois– is also on the list. The minimum wage is currently 21 to 39 percent higher in these 13 states than it is in Illinois. Notably, 9 of the 13 states with minimum wages of $10 per hour or higher (69 percent) had unemployment rates that were lower than or the same as Illinois as of June 2018– the month prior to the City of Chicago raising its local minimum wage to $12 per hour.

Research: What Happened When Chicago Raised its Minimum Wage?

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 et al., 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).

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 et al., 2018). The authors find that the higher minimum wage had no effect on the unemployment rate but that it reduced working hours by 1.0 percent, on average. The first two years of the Chicago Minimum Wage Ordinance– when the minimum wage was increased by an average of 24 percent– allowed employees to work fewer hours but earn higher annual incomes. Overall, the Chicago Minimum Wage Ordinance has been a success, working largely as intended.

These findings align with the preponderance of the economic research, which is nearly unanimous in concluding that minimum wage hikes are associated with higher incomes for workers. In an evaluation of peer-reviewed studies, Professors Dale Belman of Michigan State University and Paul Wolfson of Dartmouth College report that a higher minimum wage was associated with higher incomes in 37 of 41 studies (90 percent) (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 et al., 2011; Reich et al., 2017). The analogous estimate in the Chicago study is a 1.0 percent increase in average incomes for each 10 percent increase in the minimum wage (Manzo et al., 2018).

Previous studies have also found little to no impact of minimum wage laws on employment or hours. In their meta-analysis of 64 studies, Belman and Wolfson report that a 10 percent increase in the minimum wage is statistically associated with a small 0.2 and 0.6 percent drop in employment or hours (Belman & Wolfson, 2014). The comparable estimate in the Chicago study corresponds to a 0.4 percent drop in hours for each 10 percent increase in the minimum wage (Manzo et al., 2018). However, 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). Overall, when evaluating only studies focused on minimum wages in the United States, Belman and Wolfson conclude that higher minimum wages have no statistical effect on employment or hours. "If negative effects on employment are present," write the researchers, "they are too small… to have meaningful consequences in the dynamically changing labor markets of the United States" (Belman & Wolfson, 2014).

Why do minimum wage hikes in Chicago and across the United States have little to no impact on employment? First, economic studies have found that a higher minimum wage reduces worker turnover, as employers become more diligent in their hiring practices (Schmitt, 2013; Dube et al., 2011; Reich et al., 2017). In addition, raising the minimum wage can stimulate the economy through increased consumer demand. Researchers at the Federal Reserve Bank of Chicago have found, for example, that household spending increases substantially when minimum wages go up. For every dollar increase in the minimum wage, families with a minimum wage worker increase spending by about $1,000 per year on average, after adjusting for inflation (Aaronson et al., 2011). Moreover, the Illinois Department of Revenue and Governor Rauner's Office issued a fiscal analysis on the dynamic impacts of increasing the minimum wage (Vielma & Zigmund, 2017). The researchers found that raising the minimum wage would have a positive effect on disposable income and increase annual sales tax revenue. Both studies conclude that consumption rises in response to minimum wage hikes.

Data: Who Would Be Directly Helped by a Minimum Wage Increase?

This section utilizes data from the 2017 *Current Population Survey* Outgoing Rotation Groups (CPS ORG). The CPS ORG is collected, analyzed, and released by the U.S. Department of Labor Bureau of Labor Statistics. CPS ORG data reports individual-level information on over 180,000 workers nationwide every year. The records include data on wages, hours worked, industry, occupation, and demographic characteristics. In 2017, there were almost 5,300 observations of Illinois workers in the dataset (CEPR, 2018). Analytic weights are provided by the Department of Labor to match the sample to the actual Illinois workforce.

Figure 2 provides a snapshot of the workers who would be directly affected by raising the minimum wage to $10 per hour or to $15 per hour in Illinois. Estimates only include adult workers in Illinois who are paid by the hour. Agricultural, self-employed, and teen workers are all excluded from the analysis.

Raising the wage floor to $10 per hour would directly help 353,000 Illinois workers, or 6 percent of the state's workforce (Figure 2). The majority of those affected would be women (59 percent) and native-born and naturalized U.S. citizens (89 percent). A $10 minimum wage would benefit 195,000 white workers (55 percent), 65,000 African Americans (18 percent), and 73,000 Latinos and Latinas (21 percent). Additionally, a $10 per hour minimum wage would help 9,000 low-income military veterans employed in Illinois.

Increasing the minimum wage to $15 per hour would have broader impacts, directly affecting 1.4 million Illinois workers– or 23 percent of the state's workforce (Figure 2). Again, the majority of those helped would be women (57 percent) and U.S. citizens (89 percent), but the majority would also be 30

years of age or older (56 percent). Furthermore, a near majority of those who would be directly affected are parents to at least one child (48 percent). An estimated 708,000 white workers (50 percent), 263,000 African Americans (19 percent), and 363,000 Latinos and Latinas (26 percent) would see their hourly incomes improve as a result of a $15 an hour minimum wage in Illinois.

Figure 2: Profiles of Illinois Workers Directly Affected by Minimum Wage Hikes to $10 and $15 Per Hour

Characteristic	$10 Minimum Wage		$15 Minimum Wage	
	Directly Affected Workers	Share Directly Affected	Directly Affected Workers	Share Directly Affected
All directly affected	353,000	--	1,413,000	--
Employed women	208,000	58.9%	806,000	57.0%
Employed men	145,000	41.1%	607,000	43.0%
White workers	195,000	55.3%	708,000	50.2%
African American workers	65,000	18.3%	263,000	18.6%
Latino and Latina workers	73,000	20.6%	363,000	25.7%
Employed U.S. citizens	315,000	89.3%	1,250,000	88.5%
Employed veterans	9,000	2.6%	38,000	2.7%
Workers with children	122,000	34.7%	673,000	47.7%
Workers 30 years or older	152,000	43.1%	797,000	56.4%

Source(s): 2017 Current Population Survey *Outgoing Rotation Groups (CEPR, 2018). Estimates are for adult workers aged 18 years or old who are paid by the hour and not employed in the agricultural industry and not self-employed.*

Scenarios: Phased-In Increases to Illinois' Minimum Wage

Many states and localities have passed legislation to incrementally increase their minimum wage over the next few years. For example, California passed a law to raise the minimum wage to $15 per hour. Beginning in 2019, California's minimum wage– which is currently the 2nd-highest in the nation at $11 per hour– will be raised in one dollar increments each year until $15 an hour is reached in 2022 (Davidson, 2016). Similarly, Minneapolis approved a $15 minimum wage for all workers in city limits in 2017 that will be phased in by July 2022 (Collins, 2017). Within Illinois, the City of Chicago's minimum wage will reach $13 per hour next year on July 1, 2019 (City of Chicago, 2019).

Figure 3 presents three scenarios which would increase the statewide minimum wage in phases. All scenarios begin with an increase in the adult minimum wage to $10 per hour next summer, on July 1, 2019. This would effectively adjust the current rate, which went into effect in July 2010, for inflation. It would also provide time for businesses, workers, and public bodies to prepare for the first wage hike. Note that all scenarios eventually index the minimum wage to inflation through the Consumer Price Index.

While the first scenario ends with Illinois adopting a $10 per hour minimum wage, the second aims to raise Illinois' minimum wage to a $13 an hour rate by July 2022. Note that, because the City of Chicago's minimum wage is indexed to inflation, its local minimum wage would be higher than $13 an hour by the time the state reaches that level. For example, if inflation goes up by between 2 and 2.5 percent per year, then Chicago's minimum wage would be between $13.80 and $14 an hour by July 2022.

Finally, the last proposal suggests following in the path paved by Massachusetts, New York, and California and raising the minimum wage to $15 an hour over six years.

Each proposal would directly impact hundreds of thousands of Illinois workers and boost their wages by thousands of dollars per year (Figure 3). The first proposal to raise the minimum wage to $10 would directly raise the incomes of 353,000 hourly workers (6 percent of Illinois' workforce) by an average of about $2,000 per year. The second proposal to raise the minimum wage to $13 would directly help 1.1 million hourly workers (18 percent of Illinois' workforce), increasing their annual earnings by more than $4,100 each. And a $15 minimum wage would directly boost annual incomes for 1.4 million Illinois workers by nearly $6,300 each. A $15 minimum wage would impact nearly one-quarter (23 percent) of all Illinois workers.

Figure 3: Three Scenarios to Increase Illinois' Minimum Wage Over Time and Their Direct Impacts

Scenario	Effective Date	Proposed Minimum Wage Rate*	Number of Directly Affected Workers	Share of Illinois Workforce Directly Affected	Annual Increase in Income for Directly Affected Workers**
1	**July 1, 2019**	**$10.00**	**353,000**	**5.8%**	**+$2,006**
	July 1, 2020	$11.00	686,000	11.3%	+$2,395
	July 1, 2021	$12.00	860,000	14.2%	+$3,380
2	**July 1, 2022**	**$13.00**	**1,103,000**	**18.2%**	**+$4,153**
	July 1, 2023	$14.00	1,281,000	21.1%	+$5,133
3	**July 1, 2024**	**$15.00**	**1,413,000**	**23.3%**	**+$6,256**

**All scenario would be indexed to inflation following the attainment of the specified minimum wage level ($10, $13, or $15).*
***All income estimates are in constant 2019 dollars.*
Source(s): 2017 Current Population Survey *Outgoing Rotation Groups (CEPR, 2018). Estimates are for adult workers aged 18 years or old who are paid by the hour and not employed in the agricultural industry and not self-employed.*

Economic Impact: Minimum Wage Hikes Would Grow the Illinois Economy

Drawing on the economic research, Figure 4 assumes that every 10 percent increase in the minimum wage causes a 1.1 percent increase in worker incomes and a 0.45 percent decrease in working hours. These "elasticities" are midpoints between the comprehensive analysis of dozens of minimum wage studies (Belman & Wolfson, 2014) and the more recent, and perhaps more relevant, evaluation of the Chicago minimum wage hikes (Manzo et al., 2018).

Each proposal to hike Illinois' minimum wage would significantly boost worker incomes while having a smaller effect on full-time equivalent employment (Figure 4). Raising the minimum wage to $10 per hour would increase average annual incomes by 2.3 percent in Illinois while reducing full-time equivalent employment by 1.0 percent, comparable to the impact during the first two years of the Chicago Minimum Wage Ordinance. A $13 per hour minimum wage would increase the incomes of Illinois residents by 6.2 percent on average while reducing hours worked by an estimated 2.6 percent. Finally, a $15 per hour minimum wage would boost incomes by 9.0 percent in Illinois while lowering the total number of working hours by 3.7 percent.

Figure 4: Change in Labor Demand and Worker Income from Three Phased-In Minimum Wage Scenarios

Proposal	Effective Date	Proposed Rate	Cumulative Change from $8.25 Per Hour	Labor Demand (Hours) Change	Average Change In Worker Income
1	July 1, 2019	$10.00	+21.2%	-1.0%	+2.3%
2	July 1, 2022	$13.00	+57.6%	-2.6%	+6.3%
3	July 1, 2024	$15.00	+81.8%	-3.7%	+9.0%

Source(s): Midpoint estimates from a meta-analysis of dozens of minimum wage studies (Belman & Wolfson, 2014) and a 2018 evaluation of the Chicago minimum wage hikes (Manzo et al., 2018). In the former, a 10 percent increase in the minimum wage is associated with a 1.2 percent increase in incomes and a 0.5 percent decrease in employment or hours. In the latter, adjusting the effect to a 10 percent increase in the minimum wage reveals a 1.0 percent increase in incomes and a 0.4 percent decrease in hours.

The following section uses IMPLAN, an input-output software that is considered the "gold standard" in economic impact analyses (Vowels, 2012). IMPLAN uses U.S. Census Bureau data to account for the interrelationship between businesses and households in a regional market, following a dollar as it cycles through the economy. The software uses multipliers to estimate how much a policy change– such as increasing household income through by raising the minimum wage– would affect the economy.

The economic simulations show that raising the minimum wage would grow Illinois' economy (Figure 5). A $10 per hour minimum wage would increase worker incomes. Although the higher minimum wage might cause an initial loss in jobs, the increased consumer demand from working-class families due to the higher minimum wage would offset much of these losses. Overall, the Illinois economy would grow by more than $5 billion on net due to the policy change.

The second proposal to raise Illinois' minimum wage to $13 per hour by July 2022 would increase annual economic activity by over $13 billion in the state (Figure 5). The impact on employment would be a drop of about 220 million labor-hours in Illinois. However, despite the estimated drops in total hours of employment, the positive economic impact means the minimum wage hike would positively impact more workers than those who would be negatively impacted by it.

Figure 5: Estimated Annual Economic and Employment Impacts of Three Minimum Wage Scenarios

Proposal	Effective Date	Proposed Rate	Net Annual Economic Impact	Net Change in Hours of Employment
1	July 1, 2019	$10.00	+$5.03 billion	-79.2 million
2	July 1, 2022	$13.00	+$13.38 billion	-221.8 million
3	July 1, 2024	$15.00	+$18.90 billion	-352.2 million

Source(s): Authors' analysis of 2017 CPS ORG (CEPR, 2018) using IMPLAN software (IMPLAN, 2018).

The third proposal, a phased-in $15 per hour minimum wage by 2024, would have the largest impact on Illinois (Figure 5). Raising the minimum wage to $15 per hour would directly affect 1.4 million hourly employees in Illinois and would– directly and indirectly– boost incomes for working-class and middle-class Illinois families. After factoring in new local spending by workers, the $15 per hour minimum wage would reduce employment in the state by about 350 million hours. Nevertheless, the income

effect would be considerably larger than the employment effect, so the net impact on Illinois' economy would be a boost of nearly $19 billion in gross state product (GSP).

The benefits of raising the minimum wage in Illinois simply outweigh the costs. The number of clear winners who remain employed and earn more per year far exceed the net change in working hours. In fact, a recent study found that these lost hours are spread among the affected workers, who work a little less but earn more per year (Cooper et al., 2018). More income and more leisure time for workers boost employee morale, improve overall life satisfaction, and contribute to higher net economic growth in Illinois.

Social Impact: A Higher Minimum Wage Would Improve Public Budgets

Raising the minimum wage would reduce working poverty (Figure 6). If the minimum wage were $10 per hour, an adult working full time would earn at least $20,800, which exceeds the federal poverty level for a family of three ($20,780). As a result, more than 35,000 low-income workers in Illinois would be lifted out of poverty if the minimum wage was increased to $10 an hour. This would represent a 2 percent drop in the total number of people living in poverty across Illinois. Similarly, a full-time minimum wage worker earning $15 per hour would take home $31,200 in annual income, significantly above the federal poverty level for a family of three. Because a minimum wage hike boosts earnings while only having a small effect on hours, a $15 minimum wage would lift nearly 212,000 low-income workers out of poverty– reducing the total number of Illinois residents in poverty by about 12 percent.

Figure 6: Change in Number of Illinois Residents in Poverty from Phased-In Minimum Wage Scenarios

Proposal	Effective Date	Proposed Rate	Total Number of Hourly Workers in Poverty	Net Change in Total Illinois Residents in Poverty
1	July 1, 2019	$10.00	-35,200	-2.0%
2	July 1, 2022	$13.00	-143,100	-8.0%
3	July 1, 2024	$15.00	-211,600	-11.8%

Source(s): Authors' analysis of poverty data from the 2016 American Community Survey by the U.S. Census Bureau (Ruggles et al., 2018; Census Bureau, 2018).

By increasing the purchasing power of Illinois workers, raising the minimum wage would improve public budgets. In 2017, the Illinois Department of Revenue and Governor Rauner's Office found that "the positive effect on personal consumption– due to increased personal income– leads to an increase in sales tax revenue" and that "the positive effect on total wage more than compensates for the loss in employment. The result is an increase in individual income tax revenue." For example, they find that an $11 per hour minimum wage would increase individual income tax and sales tax revenues by a combined $40 million per year (Vielma & Zigmund, 2017).

Figure 7 presents results from economic simulations using IMPLAN, which corroborate the findings of the Illinois Department of Revenue and Governor Rauner's Office. The analyses find that a $10 an hour minimum wage– which is lower than the $11 rate evaluated in their 2017 study– would generate about $7 million in net individual income taxes and $23 million in sales taxes, for a combined total of more than $30 million in new state tax revenue each year. By raising household incomes, the higher minimum

wage would allow more low-income workers the ability to own a home. Accordingly, local property tax revenues would increase by approximately $28 million per year.

A $13 an hour minimum wage would have even larger effects (Figure 7). If the minimum wage were to increase to $13 an hour, the State of Illinois would collect about $197 million annually in new revenue from income taxes ($46 million) and sales taxes ($151 million). In addition, local governments would receive about $180 million more in property tax revenues.

A minimum wage of $15 per hour would significantly improve Illinois' budget situation. Under this scenario, the State of Illinois would generate nearly $90 million annually in additional individual income taxes and over $290 million annually in new sales tax revenues for a combined $380 million enhancement to the state's budget every year. Local property tax revenues would also increase by $348 million annually as more working-class Illinois residents are able to purchase modest condos, townhouses, and detached single-family homes.

Finally, increasing the minimum wage would reduce reliance on government assistance programs. Researchers at the University of California, Berkeley have estimated that Illinois spends $1.1 billion each year to provide social safety net benefits to low-wage workers who earn too little to support themselves (Jacobs et al., 2015). Figure 7 estimates the net impact of the minimum wage hikes on one public assistance program: the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps. By reducing working poverty, a $10 minimum wage would decrease SNAP spending by $14 million per year while a $13 minimum wage would reduce SNAP expenditures by $59 million annually. A $15 an hour minimum wage would produce nearly $87 million in savings by significantly reducing the number of people who qualify for and receive SNAP food stamp assistance.

Figure 7: Change in Tax Revenues and Food Stamp Expenditures from Phased-In Minimum Wage Scenarios

Revenue Source or Expenditure Item By Level of Government	Proposal 1: $10.00	Proposal 2: $13.00	Proposal 3: $15.00
State: Income Tax Revenue	$7.1 million	$45.8 million	$88.5 million
State: Sales Tax Revenue	$23.3 million	$151.1 million	$291.5 million
Local: Property Tax Revenue	$27.9 million	$180.3 million	$347.9 million
Federal: SNAP Savings	$14.4 million	$58.6 million	$86.6 million
Total Impact on the State Budget	**$30.4 million**	**$196.9 million**	**$380.0 million**
Total Impact on Public Budgets	**$72.7 million**	**$435.8 million**	**$814.5 million**

Source(s): Authors' analysis of 2017 CPS ORG (CEPR, 2018) using IMPLAN software (IMPLAN, 2018) and food stamp recipiency estimates from the 2016 American Community Survey by the U.S. Census Bureau (Ruggles et al., 2018).

Conclusion: Illinois Should Raise its Minimum Wage

Illinois should raise the minimum wage. The last time that Illinois increased its minimum wage was in July 2010. If Illinois' minimum wage had been indexed to inflation since then, it would be nearly $10 per hour today. A total of 13 states now have minimum wages of $10 per hour or higher, and 9 of these states have unemployment rates that are lower than or the same as Illinois. Additionally,

Chicago's minimum wage ordinance has already boosted incomes for 330,000 workers while having no effect on the unemployment rate.

Illinois should follow suit. Increasing the minimum wage to $10 per hour would directly affect 353,000 low-income workers and grow the economy by more than $5 billion per year. Increasing the minimum wage to $13 per hour would boost annual incomes for 1.1 million low-income workers and grow the state's economy by more than $13 billion per year. Lastly, increasing the minimum wage to $15 per hour over six years would directly affect 1.4 million low-income Illinois workers and boost the economy by nearly $19 billion per year while only causing a modest drop in total working hours. A $15 per hour minimum wage would also lift nearly 212,000 low-income hourly workers out of poverty, generate $380 million in new state tax revenues and $348 million in additional property tax revenues for local governments, and save $87 million annually as fewer workers qualify for and receive food stamps.

The minimum wage is intended to ensure that working-class individuals can maintain a decent standard of living. Illinois' current minimum wage of $8.25 per hour fails to prevent workers from earning poverty-level wages. By raising the minimum wage, Illinois can boost worker incomes, reduce income inequality, increase consumer spending, grow the economy, generate tax revenues, and decrease taxpayer costs for government assistance programs.

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