IMPROVING THE MOTOR VEHICLE FRANCHISE ACT IN ILLINOIS

Impacts of the Multiplier Act on Car Dealerships, Mechanics, and Drivers

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Executive Summary

In July 2021, Governor JB Pritzker signed House Bill 3940, amending the Motor Vehicle Franchise Act to ensure that auto mechanics at Illinois' car dealerships earn equal pay for equal work.

The bipartisan law, which is also referred to as the Multiplier Act, passed 85-24 in the House and 58-0 in the Senate. It removed a two-tiered compensation system in which certified technicians earned below-market rates for auto repair work that is covered under warranty. Prior to the law's passage, the difference between warranty rates and customer-paid retail rates negatively impacted the earnings potential of skilled auto mechanics in Illinois, contributing to high turnover and a shortage of qualified technicians at car dealerships. The Multiplier Act aimed to combat this labor shortage by requiring automakers to fully fund warranty repair services at dealerships. It went into effect on January 1, 2022.

By bringing pay for warranty work up to competitive local area standards, the Multiplier Act has generated positive economic impacts in Illinois. The Act:

- Boosts worker earnings at Illinois' auto dealers by between 3 percent and 7 percent relative to similar workers, resulting in $143 million annually for skilled mechanics in middle-class jobs that cannot be outsourced.
- Reduces employee turnover at Illinois' auto dealers by 9 percent, helping to combat labor shortages.
- Increases hours worked per week at auto dealers by as much as 6 percent compared to other private industry workers in Illinois.
- Grows the state's economy by $302 million, a $2.11 economic multiplier per dollar in wage gains.
- Generates $21 million in state tax revenues and $21 million in local tax revenues every year.
- Promotes safety and reliability by ensuring that skilled mechanics can devote the proper time needed to correctly diagnose and fix vehicle problems.

These positive economic impacts occur at no cost to Illinois' car owners, taxpayers, and 700 new car dealers—who employ nearly 42,000 workers and generate more than $3 billion in payroll. That is because warranty repairs are free to car owners and the reimbursements are paid by the auto manufacturers, which are largely out-of-state and foreign corporations that have enjoyed record revenues and profits in recent years. All Illinois-based car dealerships receive the higher, market-competitive reimbursements from automakers, enabling them to hire, train, and retain qualified mechanics and to improve their bottom lines.

Other states have either updated their franchise laws or have proposed bills to deliver warranty parity. California, Wisconsin, Montana, and Minnesota each have similar laws. Colorado and Texas have also introduced legislation.

The effectiveness of the Multiplier Act should encourage the State of Illinois to strengthen the law by expanding educational and enforcement efforts.

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INTRODUCTION

In July 2021, Governor JB Pritzker signed House Bill 3940, amending the state's Motor Vehicle Franchise Act to ensure that automobile mechanics at Illinois' car dealerships earn equal pay for equal work (Pritzker, 2021). Prior to House Bill 3940, which has also been referred to as the "Multiplier Act," auto mechanics and technicians were paid different rates for repair work on new vehicles that were under warranty and vehicles that were not. While auto mechanics fixing non-warranty vehicles earned pay that was competitive with local area standards, those providing warranty repairs were compensated at below-market rates (Vellequette, 2023).[1] To eliminate this two-tiered system of pay for the same work, Illinois lawmakers required automakers to fully fund warranty repair services performed by skilled auto mechanics and technicians at new car dealerships (ILGA, 2021).

The pay disparity originated in the relationship between auto manufacturers and their franchised auto dealers. If a car part fails or a manufacturer's defect occurs when a vehicle is under the automakers' warranty, the owner can bring the vehicle to the brand's dealership and have it repaired without charge (Walker, 2023). Car dealerships subsequently receive factory reimbursements from the automakers for the warranty work under their exclusive relationship as the seller and servicer of that vehicle brand. These repairs can often account for 40 percent of a car dealership's service work, making automakers a "top-volume customer" of dealers (Vellequette, 2023). The automakers, however, did not adequately cover the time and labor necessary for these repairs in their reimbursements, effectively forcing dealers into providing steep discounts (Vellequette, 2023). Automakers were only required, by law, to offer "reasonable" compensation to car dealerships for providing warranty work, which allowed them to dictate their own rates for each repair—even if they were incompatible with local-market wage rates (RDN, 2021).

The difference between warranty rates and non-warranty rates, also referred to as customer-paid retail rates, had negatively impacted the earnings potential of skilled auto mechanics and technicians, who are typically paid by the job.[2] If the "book rate" imposed by auto manufacturers set a specific repair type at one hour of labor but it actually took journeyworker mechanics three hours to do the work, then they were only compensated for one hour—or one-third of their actual time spent on the job.[3] These reduced pay rates led to reports that trained mechanics were refusing to do warranty work altogether, instead leaving the repairs to the newest and least experienced technicians at car dealerships (Vellequette, 2023). Underpaid warranty repairs lowered the average annual incomes of auto mechanics and technicians, eroding job quality and contributing to higher turnover and a shortage of skilled technicians at car dealerships (Vellequette, 2023; RDN, 2021; Pritzker, 2021).

The Multiplier Act aimed to address these issues by asking auto manufacturers to pay "full compensation for diagnostic work, as well as repair service, labor, and parts," with time allowances that are "no less than charged to retail customers for the same work" (ILGA, 2021). The law stipulates that "manufacturers shall pay the dealer the same effective labor rate… that the dealer receives for customer-pay repairs" and that any time spent by a mechanic or technician communicating with a manufacturer to provide warranty repairs must also be covered by the manufacturer. The changes apply to all warranties and factory-compensated repairs, "including recalls or other voluntary stop-sell repairs required by the manufacturer."

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[1] Now Public Act 102-0232 (ILGA, 2021).

[2] In general, mechanics and technicians must purchase their own tools as well.

[3] Another example is a cylinder head replacement, which "for a non-warranty customer would typically be billed at 21.5 hours, while a manufacture would reimburse a dealership for just 10.5 hours of labor for the same work under warranty" (Walker, 2023).

However, the law does allow manufacturers to pay one-and-a-half times the "book rate" for warranty repairs instead of the full amount for actual time spent by technicians in certain instances (ILGA, 2021). This 1.5 multiple of the predetermined time guide warranty compensation amount is why the law has been referred to as the "Multiplier Act." It amounts to a 50 percent pay bump for mechanics on warranty service jobs (Vellequette, 2023).

The warranty parity policy in the Multiplier Act was supported by both Illinois-based labor organizations and businesses. The International Association of Machinists and Aerospace Workers (IAMAW) Local 701, the Illinois AFL-CIO, the Chicago Federation of Labor, Illinois Automobile Dealers Association, Chicago Automobile Trade Association, and Illinois Motorcycle Dealers Association all backed the policy. The law passed with strong bipartisan support in both chambers, with 85 State Representatives voting for the measure (74 percent) to 24 against and 6 abstentions before 58 State Senators voted in favor (98 percent) against no opposition and 1 abstention. Governor JB Pritzker approved the bill on July 30, 2021 and it became effective on January 1, 2022 (ILGA, 2021).

In December 2022, Volkswagen, headquartered in Wolfsburg, Germany, filed a lawsuit in the Illinois Northern District Court claiming that the changes were unconstitutional (ALM, 2022; Justia, 2023). A motion to dismiss the suit was filed in February 2023 by the Illinois Secretary of State, Illinois Attorney General, and members of the Illinois Motor Vehicle Review Board, arguing that the State has a "legitimate interest in ensuring that car dealers and their technicians are adequately compensated" and that the statute "does not restrict Volkswagen's speech to consumers" (Raoul, 2023). While this motion to dismiss is still pending, the threat of possible repeal persists, with auto manufacturers continuing to oppose the law (Vellequette, 2023).

This Illinois Economic Policy Institute (ILEPI) and Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign Policy Brief assesses the impact of the Multiplier Act's amendments to the Motor Vehicle Franchise Act in Illinois. Background information on affected firms is presented before assessing the law's effects on skilled mechanics and technicians and turnover rates at Illinois' car dealerships. Then, effects on business activity, employment, and state and local tax revenues are evaluated. A discussion of additional implications follows before the conclusion recaps key findings.

Background on Illinois Car Dealerships and U.S. Auto Manufacturers

Car dealerships are integral to Illinois' vibrant small business community (Figure 1). In 2021, the year before the Multiplier Act's warranty parity policy went into effect, Illinois had more than 1,700 total automobile dealer establishments that employed nearly 60,000 workers earning $4.3 billion in total salaries and wages (ABS, 2021). This includes all workplaces selling new cars and used cars. According to the National Automobile Dealers Association, Illinois had 700 new car dealers employing almost 41,800 workers earning $3.4 billion in total payroll in 2022, the year the policy was enacted (NADA, 2023). On average, new car dealers each employed 60 workers who took home salaries and wages of $81,900. Illinois' new car dealerships also generated $41.2 billion in sales and paid $2.9 billion in state sales taxes (NADA, 2023).

Auto manufacturers are much larger global corporations (Figure 2). Although Illinois ranks 2nd in the nation for corporate projects and is home to more than 30 *Fortune 500* companies and over 200 companies on the *Inc. 5000* list, no major automaker is headquartered in the state (Arend, 2023; DCEO, 2024). The "Big Three" U.S. automakers are all based in Michigan, with Stellantis—the multinational company that produces Chrysler, Dodge, Jeep, and RAM—headquartered overseas in the Netherlands. Ford and General Motors are based in Michigan. Tesla is now headquartered in Texas. Volkswagen and Mercedes are based in Germany and Toyota, Honda, and Nissan are in Japan (Johnston, 2023).

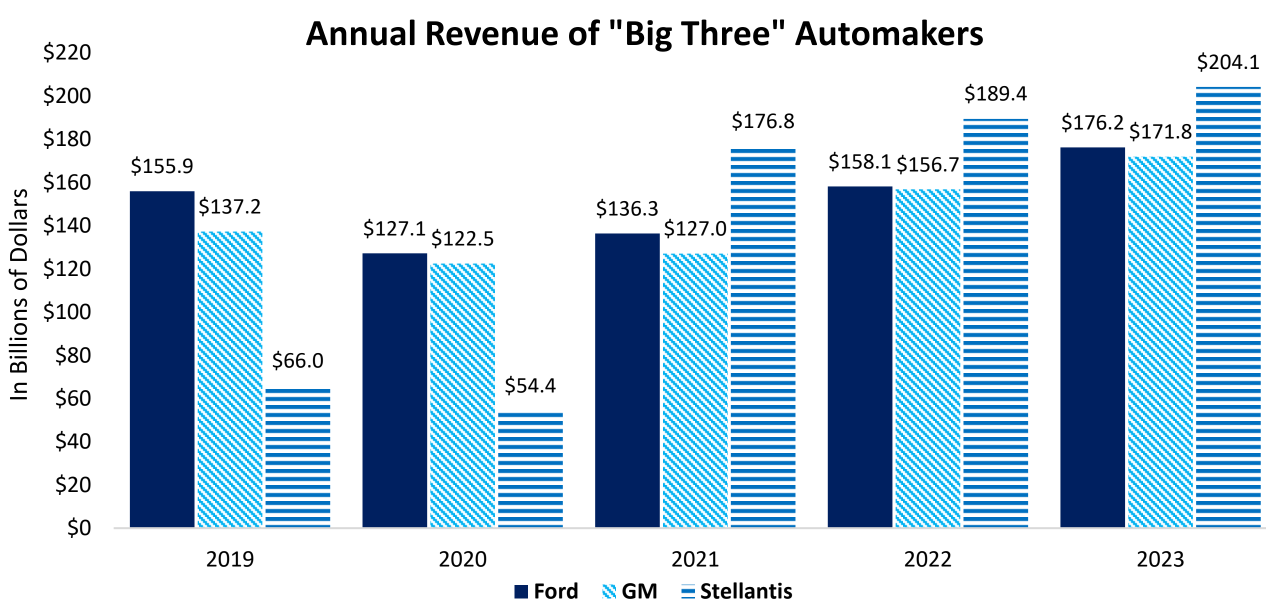
FIGURE 1: FIRM, EMPLOYEE, AND PAYROLL DATA FOR AUTO DEALERS AND NEW CAR DEALERS IN ILLINOIS, 2021-2022

Illinois Economic Data	Automobile Dealers (2021)	New Car Dealers (2022)
Establishments or Firms	1,782	700
Employees	59,854	41,788
Employees Per Establishment	33.6	59.7
Total Wages and Salaries	$4,321,802,000	$3,421,350,000
Wage and Salary Per Employee	$72,206	$81,874

Source(s): Author's analysis of 2021 *American Business Survey* establishment data from the U.S. Census Bureau and 2022 estimates from the National Automobile Dealers Association (ABS, 2021; NADA, 2023).

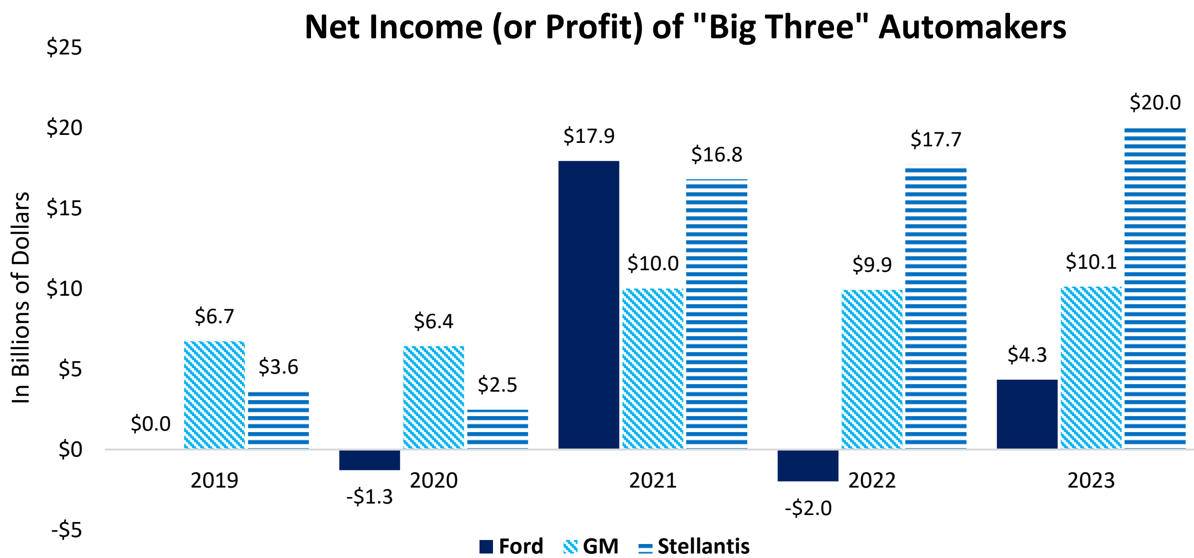
The "Big Three" auto companies in the United States—Ford, General Motors, and Stellantis—have posted record revenues and profits in recent years (Figures 2 and 3). Between 2019 and 2023, annual revenue increased from $156 billion to $176 billion (13.0 percent) at Ford, $137 billion to $172 billion (25.2 percent) at General Motors, and $66 billion to $204 billion (209.2 percent) at Stellantis as Fiat Chrysler Automobiles was absorbed into the conglomerate (Figure 2). Total annual profits at the "Big Three" grew from a combined $10 billion in 2019 to $45 billion in 2021, $26 billion in 2022, and $34 billion in 2023 (Figure 3). Both Stellantis and GM's profits and revenues were records in 2023, while Ford's 2021 profits were the highest since 2011 (Noble, 2024; Felton, 2024; Day, 2022). Ford also sold 2.0 million vehicles in 2023, up 7 percent compared to 2022 (Ford, 2024). Total profits at the "Big Three," jumped 92 percent from 2013 to 2022 (Hersh, 2023). Finally, Ford, GM, and Stellantis are also expected to benefit from billions of dollars in tax credits and federal incentives to produce more electric vehicles (EVs) and EV batteries in the United States (Banks, Walter, & Neal, 2023).

FIGURE 2: ANNUAL REVENUE REPORTED BY FORD, GENERAL MOTORS, AND STELLANTIS, 2019-2023



Source(s): Author's analysis of quarterly earnings reports in 2019, 2020, 2021, 2022, and 2023 for Ford, General Motors, and Stellantis (Ychart, 2024a; Ychart, 2024b; Ychart, 2024c).

FIGURE 3: ANNUAL NET INCOME (PROFIT) REPORTED BY FORD, GENERAL MOTORS, AND STELLANTIS, 2019-2023



Source(s): Author's analysis of quarterly earnings reports in 2019, 2020, 2021, 2022, and 2023 for Ford, General Motors, and Stellantis (Ychart, 2024a; Ychart, 2024b; Ychart, 2024c).

Record revenues and profits at General Motors and Stellantis occurred despite a historic six-week strike that concluded in October 2023 after the United Auto Workers (UAW) reached deals with the "Big Three" automakers (Brooks, 2023). The agreements with Ford, General Motors, and Stellantis each featured a 25 percent wage increase through 2028 that makes the top rate more than $40 per hour, larger wage hikes for certain workers, greater contributions into employee retirement plans, the reinstatement of cost-of-living adjustments that had been suspended as concessions following the Great Recession, and the right to strike over future plant closures (Channick, 2023a; Shepardson & White, 2023; Brooks, 2023). The agreements also promoted equal pay for equal work by eliminating the two-tiered system that paid newer employees lower wages for performing the same job duties as longer-tenured staff (Bhattarai, 2023).

The strike had important implications for Illinois. As part of the deals negotiated with the UAW, Ford agreed to rehire more than 250 workers at the Chicago Stamping Plant that had been temporarily laid off and to invest more than $400 million in two Chicago-area factories (Channick, 2023a; Channick, 2023b). Stellantis agreed to reopen the 1,200-worker Belvidere Assembly Plant that was idled in February 2023, invest $1.5 billion in Plant expansions to produce an additional 100,000 mid-sized trucks annually, and build a $3.2 billion battery production facility in Belvidere (Kolkey, 2023a; Kolkey, 2023b). Stellantis is the second corporation to announce plans to bring an EV-battery plant to Illinois after Chinese battery maker Gotion Hi-Tech said it would build a $2 billion plant in Manteno (Adams, 2023).

IMPACT OF THE LAW ON EMPLOYMENT, EARNINGS, AND TURNOVER AT AUTO DEALERS

Assessing the impacts of the Multiplier Act's warranty parity policy on auto dealers is challenging because the law only affects a portion of the work performed by a fraction of the workforce in one segment of the retail trade industry in one state. Many datasets do not have information at such a granular level. Instead, changes in employment, hours, and weekly earnings can be analyzed for all nonsupervisory production workers at motor vehicle and parts dealers in Illinois or impacts on employment, monthly earnings, and turnover rates can be analyzed for all employees at automobile dealers in Illinois.

It is important to underscore that the law generally does not impact the wages of unionized mechanics and technicians in Illinois, who are most prevalent in the Chicago area. Union auto technicians are guaranteed the retail rate even for warranty work due to their collective bargaining agreements (CBAs) containing provisions to eliminate this pay disparity (IAM, 2021). Most union contracts also already have multipliers of 1.5 for jobs that are not shown in the specific time guide being used. The Multiplier Act amendments to the Motor Vehicle Franchise Act strengthened the industry primarily by leveling the playing field for nonunion technicians.[4] However, all car dealerships, including those with and without unionized service departments, receive the higher, market-competitive reimbursements from automakers—enabling them to improve their bottom lines and to hire, train, and retain more qualified mechanics.

Figure 4 utilizes data from the *Current Employment Statistics* (CES) released by the Bureau of Labor Statistics at the U.S. Department of Labor on nonsupervisory production workers at motor vehicle and parts dealers in Illinois from 2021 through 2023 (BLS, 2024). Skilled mechanics and technicians at new car dealerships are included in this subgroup of workers. Employment levels in Illinois are initially contrasted with their peers in four neighboring states that do not have some type of warranty parity law—Indiana, Iowa, Kentucky, and Missouri.

The data show that Illinois added 1,500 production workers at motor vehicle and parts dealerships in 2022, the first full year that the Multiplier Act was in effect, and another 700 workers in 2023 (Figure 4). In total, employment of production workers at motor vehicle and parts dealerships grew by 3.3 percent following the law's enactment. By contrast, the four neighboring states without laws added 3.0 percent more workers in these positions. Accordingly, the production workforce at Illinois' auto dealers has grown 0.3 percent faster than in neighboring states, which is equivalent to 200 net jobs. The data suggest that warranty parity helped dealerships expand blue-collar employment in Illinois (Figure 4).

FIGURE 4: PRODUCTION WORKER JOBS AT MOTOR VEHICLE AND PARTS DEALERS, ILLINOIS VS. NEIGHBORS, 2021-2023

Nonsupervisory Production Workers at Motor Vehicle and Parts Dealers				
State	**Metric**	**2021**	**2022**	**2023**
Illinois	Employment	66,900	68,400	69,100
	Year-Over-Year Change	--	+2.2%	+1.0%
	Total Change	--	+2.2%	+3.3%
Four Neighboring States: Indiana, Iowa, Kentucky, Missouri	Employment	134,300	136,000	138,300
	Year-Over-Year Change	--	+1.3%	+1.7%
	Total Change	--	+1.3%	+3.0%
Illinois Difference	**Total Change**	**--**	**+0.9%**	**+0.3%**
	Equivalent Number of Jobs	**--**	**--**	**+200**

Source(s): Author's analysis of 2021-2023 *Current Employment Statistics* data from the Bureau of Labor Statistics at the U.S. Department of Labor (BLS, 2024). Numbers may not sum perfectly due to rounding. *Note: Wisconsin is excluded from the analysis because it has a similar warranty parity law on the books. **Note: Employment is the average over the 12 months in the calendar year (seasonally unadjusted). ***Note: All 2023 estimates include BLS projections for December 2023.

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[4] A union difference nevertheless remains regarding the wages earned by auto mechanics. For example, in the Chicago area, experience IAMAW Local 701 journeyworker technician who work at least 40 hours per week but less than 50 hours per week while employed by a signatory member of the Chicago Automobile Dealers Association earn about $42 per hour as of January 2024. An apprentice technician starts at $22 per hour with increasing wages every year before earning the journeyworker rate in five years (IAMAW Mechanics Union Local 701, 2024). Meanwhile, nonunion mechanics typically earn between $27 and $35 per hour in the Chicago area (Indeed, 2024).

Figure 5 compares employment counts, weekly hours worked, and average weekly earnings for production employees at motor vehicle and parts dealerships with the overall private sector workforce in Illinois. While dealership employment has increased by 3.3 percent between 2021 and 2023, total employment in the private sector grew by 5.6 percent in the state. On the other hand, production workers at motor vehicle and parts dealerships saw their workweek increase from 34.5 hours per week in 2021 to 35.8 hours per week in 2022 and 2023, a 3.5 percent increase. At the same time, private industry employees in Illinois experienced a decline in average weekly hours of 2.4 percent, likely due to the continued post-pandemic rebound in hospitality and service sector jobs that are disproportionately part-time positions (Figure 5).

Importantly, production workers at motor vehicle and parts dealers have experienced faster income growth than the rest of Illinois' labor market (Figure 5). The blue-collar workers at dealerships have had their average weekly earnings increase from $820 per week to $908 per week, a gain of $88 per week ($4,565 per year) or 10.7 percent in the post-law period. By contrast, private sector workers in Illinois had average weekly earnings go up by just $39 per week ($2,049 per year) from $1,088 to $1,127, a growth of 3.6 percent.

FIGURE 5: OUTCOMES OF AFFECTED PRODUCTION WORKERS VS. PRIVATE SECTOR WORKERS, ILLINOIS, 2021-2023

Illinois	Metric	2021	2022	2023	Change Since 2021
Production Workers at Motor Vehicle and Parts Dealers	Employment	66,900	68,400	69,100	+3.3%
	Average Weekly Hours	34.5	35.8	35.8	+3.5%
	Average Weekly Earnings	$820	$889	$908	+10.7%
All Private Industry Workers	Employment	5,034,000	5,241,600	5,318,200	+5.6%
	Average Weekly Hours	34.6	34.2	33.8	-2.4%
	Average Weekly Earnings	$1,088	$1,121	$1,127	+3.6%
Impact of Law	**Average Weekly Earnings**	**Difference-in-Differences**			**+7.1%**

Source(s): Author's analysis of 2021-2023 *Current Employment Statistics* data from the Bureau of Labor Statistics at the U.S. Department of Labor (BLS, 2024). Numbers may not sum perfectly due to rounding. *Note: Employment is the average over the 12 months in the calendar year (seasonally unadjusted). **Note: All 2023 estimates include BLS projections for December 2023.

The difference in earnings growth between production workers at Illinois' dealerships (10.7 percent) and the overall private sector workforce (3.6 percent) implies that the Multiplier Act may have boosted wages for affected workers by 7.1 percent (Figure 6). This is equivalent to a $58 per week pay bump ($3,021 annually) over 2021 levels for 69,100 workers, which is a cumulative total of $208.8 million annually. This number closely aligns with a Chicagoland Chamber of Commerce estimate that the policy would result in $249 million in annual payments sent to dealers (RDN, 2021; Vellequette, 2023). It is worth noting, though, that auto mechanics at new car dealerships only account for a fraction of this workforce.

FIGURE 6: ESTIMATED IMPACT OF THE MULTIPLIER ACT USING *CURRENT EMPLOYMENT STATISTICS* DATA, 2021-2023

Calculating the Impact of the Multiplier Act Using *Current Employment Statistics* Data from 2021 to 2023			
Column	**Metric**	**Math**	**Value**
A	Differences-in-Differences: Weekly Earnings	--	**+7.1%**
B	Average Weekly Wage in 2021	--	**$820**
C	Change in Weekly Wages Due to Law	(A x B)	**+$58**
D	Production Workers at Motor Vehicle and Parts Dealers in 2023	--	**69,100**
E	Total Annual Impact of Law on Production Worker Income	(C x D) x 52	**+$208,822,455**

Source(s): Author's analysis of 2021-2023 *Current Employment Statistics* data from the Bureau of Labor Statistics at the U.S. Department of Labor (BLS, 2024). Numbers may not sum perfectly due to rounding. *Note: Employment is the average over the 12 months in the calendar year (seasonally unadjusted). **Note: All 2023 estimates include BLS projections for December 2023.

To drill down further, Figure 7 uses data from the *Quarterly Workforce Indicators* (QWI) from the Employer-Household Dynamics program at the U.S. Census Bureau (LEHD, 2024). Information on employment, monthly earnings, and turnover rates at Illinois' automobile dealers—the directly impacted economic sector—is evaluated against the same metrics for dealers in Indiana, Iowa, Kentucky, and Missouri. However, quarterly turnover rates are not yet available for all of 2023. As a result, Figure 7 only assesses impacts through 2022, or the first full year with the Multiplier Act in place.

Between 2021 and 2022, average worker earnings and overall employee headcount both grew faster in Illinois than in the four neighboring states without some type of warranty parity law (Figure 7). In Illinois, workers employed at car dealerships—including both full-time and part-time workers—earned an average of $78,588 annually in 2022, which is 9.2 percent more than the annual wages and salaries of their peers in the four neighboring states ($71,964 per year). This higher pay was buoyed by a 6.5 percent boost in monthly earnings of $398 per month (or $4,776 annually) following passage of the law, while neighboring states had a 3.5 percent gain of $205 per month (or $2,458 annually). Employees at Illinois' car dealerships thus saw their incomes rise 2.9 percent faster than their counterparts in neighboring states in the first year of the warranty parity law. Additionally, car dealerships experienced a 1.8 percent increase in employees on payroll (833 workers) versus a 0.6 percent increase (511 workers) in the neighboring states. This means that employment at auto dealerships expanded 1.2 percent faster in Illinois following the law.

FIGURE 7: ECONOMIC OUTCOMES OF EMPLOYEES AT AUTOMOBILE DEALERS, ILLINOIS VS. NEIGHBORS, 2021-2022

All Employees at Automobile Dealers				
State	**Metric**	**2021**	**2022**	**Difference**
Illinois	Monthly Earnings	$6,151	$6,549	+6.5%
	Employment	46,212	47,045	+1.8%
	Annualized Turnover Rate	41.2%	36.0%	-12.4%
Four Neighboring States: Indiana, Iowa, Kentucky, Missouri	Monthly Earnings	$5,792	$5,997	+3.5%
	Employment	81,410	81,921	+0.6%
	Annualized Turnover Rate	42.5%	41.0%	-3.5%
Illinois Difference	**Monthly Earnings**	**--**	**--**	**+2.9%**
	Employment	**--**	**--**	**+1.2%**
	Annualized Turnover Rate	**--**	**--**	**-8.9%**

Source(s): Author's analysis of 2021-2022 *Quarterly Workforce Indicators (QWI)* from the Employer-Household Dynamics program at the U.S. Census Bureau (LEHD, 2024). Numbers may not sum perfectly due to rounding. *Note: Wisconsin is excluded from the analysis because it has a similar warranty parity law on the books.

A major reason why employment growth was stronger at Illinois' automobile dealers was that they had better employee retention rates (Figure 7). The National Automobile Dealers Association has noted that the industry has a turnover rate of around 40 percent that has even reached as high as 46 percent (Liberty, 2023; Pliskow, 2023). Midwest auto dealerships are no different. Annualized turnover was 41.2 percent in Illinois in 2021, but dropped to 36.0 percent in 2022 after the law was passed, a decrease of 5.1 percentage points (or 12.4 percent).[5] However, in the four comparison states, the turnover rate was 42.5 percent in 2021 and 41.0 percent in 2022, a decrease of just 1.5 percentage points (or 3.5 percent). The difference-in-differences indicates that employee turnover fell by 8.9 percent in Illinois' car dealerships after the law was passed. Higher wages have long been associated with an increase in employee retention rates (Banks, Walter, & Neal, 2023). The Multiplier Act produced higher wages for skilled auto workers in Illinois, which reduced turnover rates and saved local car dealerships money on recruiting and training new mechanics,

[5] -5.1 percentage points divided by the 41.2 percent baseline equals a -12.4 percent change.

technicians, and other workers. This corroborates anecdotal evidence reported by the Illinois Automobile Dealers Association, which stated in 2023 that "member dealers tell us that technicians' wages have increased, helping to solidify auto technician as a career opportunity in an industry that has been losing workers" (McMahon, Alfirevich, & Marquardt, 2023).

These difference-in-differences can help determine the potential impact of the Multiplier Act (Figure 8). A 2.9 percent net increase in monthly earnings translates into a $180 gain ($2,166 per year) for the 46,212 employees who were already employed at car dealerships prior to the law, or $100.1 million annually. Moreover, higher earnings attracting and retaining 1.2 percent more employees relative to neighboring states means that an additional 543 workers were directly employed due to the law. At the average monthly earnings of $6,549 (or annual earnings of $78,588), these workers account for another $42.7 million in labor income. Adding the earnings effect and the employment effect together produce a $142.7 million total boost to employees at auto dealerships in Illinois in the first year of the law (Figure 8).

FIGURE 8: ESTIMATED IMPACT OF THE MULTIPLIER ACT USING *QUARTERLY WORKFORCE INDICATORS* DATA, 2021-2022

Calculating the Impact of the Multiplier Act Using *Quarterly Workforce Indicators* Data from 2021 to 2022			
Column	**Metric**	**Math**	**Value**
A	Differences-in-Differences: Monthly Earnings	--	**+2.9%**
B	Average Monthly Earnings in 2021	--	**$6,151**
C	Change in Monthly Earnings Due to Law	(A x B)	**$180**
D	Employees at Automobile Dealers in 2021	--	**46,212**
E	Earnings Impact of Law on Worker Income	(C x D) x 12	**$100,080,731**
F	Differences-in-Differences: Employment	--	**+1.2%**
G	Total Employment in 2021	--	**46,212**
H	Change in Employment Due to Law	(F x G)	**543**
I	Monthly Earnings at Automobile Dealers in 2022	--	**$6,549**
J	Employment Impact of Law on Worker Income	(H x I) x 12	**$42,668,040**
K	Total Annual Impact of Law on Worker Income at Auto Dealers	(E + J)	**$142,748,772**

Source(s): Author's analysis of 2021-2022 *Quarterly Workforce Indicators (QWI)* from the Employer-Household Dynamics program at the U.S. Census Bureau (LEHD, 2024). Numbers may not sum perfectly due to rounding.

THE ECONOMIC AND FISCAL IMPACT OF THE MULTIPLIER ACT'S WARRANTY PARITY

This analysis utilizes IMPLAN to assess the economic impacts of the Multiplier Act's warranty parity policy (IMPLAN, 2024). IMPLAN is an industry-standard economic modeling software that inputs U.S. Census Bureau data, accounts for the interrelationship between households and businesses, and follows dollars as they cycle throughout the economy. The economic impact analysis incorporates estimates from Figure 8, rather than from Figure 6, because the *Quarterly Workforce Indicators* dataset more closely corresponds to directly affected auto dealers (instead of including parts dealers too). All estimates are in current 2024 dollars.

The $142.7 million expansion of mechanics' pay creates more than 1,500 jobs across Illinois, including the 543 jobs directly at car dealerships themselves (Figure 9). Over 200 indirect jobs are created throughout the supply chain as auto dealers are reimbursed the correct amount for work performed, their bottom lines are improved, and they can make additional purchases for their establishments. Finally, nearly 800 jobs are created as the skilled auto mechanics and technicians—and indirectly employed workers as well—have more money to spend at local stores, restaurants, and other small businesses.

By removing the two-tiered system of pay for warranty and non-warranty work and raising wages for skilled auto mechanics, the Multiplier Act has boosted the economy (Figure 9). The law grows Illinois' economy by $302 million annually, a multiplier effect of $2.11 per dollar in wage gains. In total, the policy change increases state tax revenue by $21 million annually as certified mechanics and technicians contribute more in income tax and sales tax collections. Local tax revenue is also $21 million higher due primarily to new property tax collections.

FIGURE 9: ECONOMIC IMPACT ANALYSIS OF THE MULTIPLIER ACT, IN 2024 DOLLARS

$142.7 Million Increase to Auto Dealers in Illinois	Employment (Jobs)	Value Added (GDP)	State Taxes	Local Taxes
Direct Impact at Auto Dealers	543	$184,882,000	$14,144,000	$15,126,000
Indirect (Supply Chain) Impact	218	$26,078,000	$1,200,000	$779,000
Induced (Consumer Demand) Impact	776	$91,043,000	$5,600,000	$4,906,000
Total Impacts	**1,537**	**$302,003,000**	**$20,944,000**	**$20,811,000**

Source(s): Author's IMPLAN analysis using 2021-2022 Quarterly Workforce Indicators (QWI) from the Employer-Household Dynamics program at the U.S. Census Bureau (IMPLAN, 2024; LEHD, 2024). Numbers may not sum perfectly due to rounding.

ADDITIONAL IMPLICATIONS OF THE LAW

The Multiplier Act ended the practice of underpaying certified mechanics and technicians for completing warranty repairs. By promoting equal pay for equal work, the law reduced employee turnover at car dealerships and helped combat labor shortages. Instead of being expected to earn below-market rates for tasks completed at unrealistic time allotments mandated by out-of-state and foreign corporations, skilled mechanics can now devote the proper time to correctly diagnose vehicle problems to meet reliability standards and repair manufacturing defects that are the fault of the automakers. This improvement in safety for drivers has occurred at no cost to Illinois consumers, with warranty work remaining free to car owners (McMahon, Alfirevich, & Marquardt, 2023).

Allowing experts to make the necessary repairs to protect the safety of drivers and pedestrians is one reason why other states have either updated their franchise laws or have proposed bills to ensure that manufacturers reimburse dealers for warranty work at the same rate as retail customers. In January 2020, California amended its Vehicle Code to pay dealers for warranty work "at rates equal to the franchisee's retail labor rate and retail parts rate," rather than the previous "adequately and fairly" standard with time allowances that underestimated the amount of time needed to complete jobs (McGrath, Bigelow, & Benson, 2019). Wisconsin and Montana have enacted similar laws (Vellequette, 2023). Minnesota also successfully advanced a bill last year that became effective on October 1, 2023 (Walker, 2023; IAM, 2023; MADA, 2023). Meanwhile, Colorado and Texas have introduced warranty parity legislation (Vellequette, 2023).

CONCLUSION

The bipartisan Multiplier Act (or House Bill 3940) amendments to the state's Motor Vehicle Franchise Act that became effective in January 2022 have ensured that skilled auto mechanics and technicians who are paid by the job receive equal pay for equal work. Following recent trends away from two-tiered compensation systems, the law ended the practice of certified technicians earning below-market rates for auto repair work that is covered under warranty. By bringing pay for warranty work up to competitive local area standards, the Multiplier Act boosts earnings for skilled mechanics in middle-class jobs that cannot be outsourced by $143 million, saves auto dealers money through a 9 percent reduction in employee turnover, addresses the shortage of qualified mechanics, grows Illinois' economy by $302 million, and generates $42 million in combined state and local tax revenues annually. These effects occur at no cost to Illinois' car owners and taxpayers because the reimbursements for warranty work are paid by the out-of-state and foreign corporations that manufacture automobiles.

Given the substantial economic and fiscal impacts of the Multiplier Act and the national interest in passing similar laws in other states, the State of Illinois should ensure that its law is as effective as possible by strengthening both education and enforcement. The Motor Vehicle Franchise Act is overseen by the Secretary of State in Illinois, who "may provide training and education… in the administration and enforcement" of the law (ILGA, 2024). The Office of the Illinois Secretary of State could improve outreach to affected car dealerships to make sure that they are aware of the policy change and are receiving the correct reimbursements from auto manufacturers. The Office of the Illinois Secretary of State could also increase efforts to inform both skilled auto mechanics and the voting public about the law and its positive impacts on the state. Finally, the Illinois Secretary of State could enhance enforcement to help confirm that certified mechanics and technicians are being paid what they are owed under the law.

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