



Issue Brief

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A State Minimum Wage Increase Would Help 269,000 Illinois Children

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A large number of minimum wage workers in Illinois are adults working full-time to support their families. Increasing the Illinois minimum wage to \$7.50 per hour would benefit hundreds of thousands of Illinois working families, including the 269,000 children whose parents would be affected. Indexing the minimum wage to inflation would help to preserve its value.

Employment is often seen as the key to a family's self-sufficiency. By working, parents should be able to earn enough to feed, clothe, and shelter their children, and set aside some savings. The reality, however, is that even working full-time, 52 weeks a year, those earning at or near the minimum wage do not earn enough to make ends meet. At the state hourly minimum wage of \$6.50, a worker earns just \$13,520 for a full year of work. That's more than \$3,000 below the federal poverty level for a family of three.¹

Raising the state minimum wage would provide a powerful tool for improving the lives of hundreds of thousands of children of working parents in Illinois. A \$1 increase in the state's minimum wage to \$7.50 an hour would help 647,000 workers to get an average

raise of nearly 5 percent. This includes 144,000 parents whose 269,000 children would benefit from such an increase.²

About the Illinois Minimum Wage Law

Illinois' minimum wage law was first passed in 1971 and the state's minimum wage was last raised to \$6.50 per hour on January 1, 2005. This minimum wage, however, does not apply to all workers. For example, the minimum wage for employees under 18 years of age is \$0.50 less than the prevailing minimum wage. Also, exceptions exist for certain tipped employees, camp counselors, employees of religious organizations, farm labor, salespeople, and students.³

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Who Would Benefit from a \$1 Increase in the State Minimum Wage?

- 647,000 Illinois workers would benefit from a \$1 increase in the state minimum wage.
- Of these, 182,000 affected workers are married and 144,000 are parents; 269,000 Illinois children would benefit from this increase in the minimum wage.
- Nearly 81% of workers who would be affected by this increase are *at least* 20 years old.
- More than half of workers affected work full-time (35 or more hours per week).
- Of those families with children affected by this increase, affected workers provide more than half of earnings and provide *all* earnings in two out of five of these families.

Source: Economic Policy Institute

Who Would Benefit from a \$1 Increase in the Minimum Wage?⁴

647,000 Illinois workers.

This includes the 308,000 workers who currently earn between \$6.50 and \$7.50 an hour as well as those who currently earn a wage at or slightly above \$7.50 an hour who would be indirectly affected. Evidence suggests that employers would raise the wages of workers earning above the minimum wage in order to maintain internal wage structure.

Adults. A minimum-wage increase isn't just about teenagers. Nearly 81 percent of workers who would benefit from this increase are at least 20 years old.

Full-time Workers. A minimum-wage increase isn't just about part-time workers. More than half of those who would benefit are working at least 35 hours per week and nearly 83 percent are working at least 20 hours per week.

Families with children. Of affected workers, more than one in four are married and more than one in five are parents. It is particularly important to note that 269,000 Illinois children have parents who would benefit from a minimum-wage increase to \$7.50 an hour. An increase in the minimum wage could bring many of the state's children out of poverty, helping to diminish the many disastrous effects of poverty on child health



jobs available for low-skilled workers would be reduced by increases in the minimum wage. However, no clear consensus now exists about the overall effects on low-skilled employment of an increase in the minimum wage. One recent study of

and learning.

Minimum-wage workers with families contribute a large share of their families' earnings. In families with children affected by an increase in the minimum wage, these workers provide more than half of earnings and provide *all* of the earnings in two out of five of these families.

Employment and Economic Effects

Minimum-wage increases can significantly improve the lives of low-income workers and their families, without significant adverse effects, according to a statement signed by over 650 economists, including five Nobel Prize winners and six past presidents of the American Economics Association.⁵ Economists in the past have cautioned that small businesses would be harmed and the number of

state minimum wages found no evidence of negative employment effects on small business or in the retail industry.⁶ Another analysis found that employment in small businesses grew faster in states with higher minimum wages and found more positive growth in the number of small business establishments and payrolls in higher minimum wage states.⁷

The overall economy in Illinois also would not be significantly impacted by such an increase. The state's budget could see a slight impact, as state contracts are adjusted for services provided by minimum-wage earners, such as some home health and child care workers. The cost of raising the state's minimum wage to \$7.50 per hour would total only one-seventh of 1 percent (0.14%) of Illinois businesses' annual labor costs and less than three-hundredths

The value of the minimum wage will continue to fall unless it is raised annually or indexed to inflation.

of one percent (0.03%) of sales.⁸ Job growth was higher than the national average in the five states with minimum wages at or above \$7 per hour for 2006.⁹

Even those studies which did report net job losses showed relatively small effects. Further, even if the entire cost of raising the minimum wage were passed on through increased prices, it would amount to a very small increase. Recognizing the possibility that some individual families might suffer job losses or experience slightly higher prices, it nevertheless remains clear that increasing the state's minimum wage to \$7.50 an hour will provide considerable gains for working families in Illinois overall.

The Minimum Wage is Losing Value

The federal minimum wage has not been increased since 1997. The value of that \$5.15 an hour wage to a worker has been reduced by 20% and is at its lowest point in 50 years.¹⁰ Twenty-two states and the District of Columbia already have adopted a minimum wage higher than the federal level.¹¹

Recognizing that families who depend on minimum-wage jobs lose ground every year due to rising costs, four states made their minimum-wage

laws even more effective by adjusting them to account for inflation in recent years.¹² As recently as November 2006, an additional six states approved indexing (as well as increasing their minimum wages) by referenda.¹³

Illinois phased in a minimum wage higher than the federal level beginning in 2004, but the value of Illinois' current \$6.50 an hour minimum wage already has begun to diminish as the cost of living increases. The value of the minimum wage will continue to fall unless it is raised annually or indexed to inflation.

The poverty guidelines issued each year by the U.S. Department of Health and Human Services, which are used to determine financial eligibility for certain federal programs, are adjusted every year to reflect increases in the cost of living. Similarly, the value of the Earned Income Tax Credit another important tool to improve the lives of working families - is updated annually to

account for rising costs. Illinois' minimum wage on the other hand, remains fixed and does not grow, and the result is that families holding minimum-wage jobs fall further behind every year. Indexing the Illinois minimum wage to account for cost-of-living increases would help to ensure that the earnings upon which our lowest-income families depend do not stagnate and that they are able to afford their children some measure of economic stability.

Making Ends Meet with the Minimum Wage

Using the Census poverty thresholds, 9.2 percent of Illinois families and nearly one in six Illinois children live in poverty.¹⁴ It is important to recognize that these sobering numbers actually understate the challenges facing many more families in Illinois. Families are considered low-income and struggle to make ends meet even at earnings of





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Endnotes

- ¹ 2006 U.S. Department of Health and Human Services Poverty Guidelines. <http://aspe.hhs.gov/poverty/06poverty.shtml>
- ² Data prepared by the Economic Policy Institute for Voices for Illinois Children using Current Population Survey data.
- ³ For more details see: <http://www.state.il.us/agency/idol/forms/pdfs/flsp01a.pdf> and <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2400&ChapAct=820%26nbsp%3BILCS%26nbsp%3B105%2F&ChapterID=68&ChapterName=EMPLOYMENT&ActName=Minimum+Wage+Law%2F>
- ⁴ Data prepared by the Economic Policy Institute for Voices for Illinois Children using Current Population Survey data.
- ⁵ http://www.epi.org/minwage/epi_minimum_wage_2006.pdf
- ⁶ Fiscal Policy Institute. 2006. "States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth." (March). <http://www.fiscalpolicy.org/FPISmallBusinessMinWage.pdf>
- ⁷ Burton, John and Amy Hanauer. 2006. "Good for Business: Small Business Growth and State Minimum Wages." Policy Matters Ohio and Center for American Progress.
- ⁸ Data prepared by the Economic Policy Institute for Voices for Illinois Children using Current Population Survey data.
- ⁹ Economic Policy Institute. 2006. "Minimum Wage Trends: Understanding Past and Contemporary Research." (October) <http://www.epi.org/briefingpapers/178/bp178.pdf>
- ¹⁰ Federal minimum wage inflated to 2006 dollars using the Consumer Price Index.
- ¹¹ The following states have adopted a minimum wage higher than the federal level (in some cases, effective beginning in 2007): Alaska, Arkansas, California, Connecticut, Delaware, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, Wisconsin.
- ¹² Florida, Oregon, Vermont and Washington have a state minimum wage which is adjusted for inflation.
- ¹³ Arizona, Colorado, Missouri, Montana, Nevada and Ohio all passed minimum-wage ballot initiatives to both increase the state minimum wage and to include cost-of-living adjustments on November 7, 2006.
- ¹⁴ 2005 American Community Survey http://www.census.gov/acs/www/Products/users_guide/index.htm
- ¹⁵ 2006 U.S. Department of Health and Human Services Poverty Guidelines. <http://aspe.hhs.gov/poverty/06poverty.shtml>

About Voices for Illinois Children

Voices for Illinois Children is a statewide, non-profit, non-partisan public awareness and advocacy organization that works with families, communities and lawmakers to build support for practical public policies that improve the lives of children. A recognized leader in child advocacy, Voices informs and inspires thousands of people to speak up and take action in order to ensure that children's basic needs - family, education, economic security, health, safety and the arts, recreation and culture - are public and private priorities. James J. Mitchell, III, is the chairman of the Voices for Illinois Children Board of Directors. Jerome Stermer is president. Contact Voices for Illinois Children at:

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About the Budget & Tax Policy Initiative

Investing in our children's health, education, safety and welfare is the long-term, common-sense approach to preserving and enhancing the well-being of children, their families and all communities. Smart investment decisions require good information, sound analysis and timely action. Voices for Illinois Children's Budget & Tax Policy Initiative analyzes the state's revenue and spending policies to help policymakers and advocates set priorities and make wise fiscal decisions for the short- and long-term. Ann Courter is the Initiative's director. The Initiative is supported by grants from the Ford Foundation, Annie E. Casey Foundation and Chicago Community Trust. The findings and conclusions presented are those of Voices for Illinois Children and do not necessarily reflect the opinions of these foundations.