Raising the Minimum Wage Would Help
1 in 5 Illinois Children, Boost State Economy

By David Lloyd and Emily Miller

Employment is crucial to a family’s self-sufficiency. Children need parents who are able to provide shelter, food and clothing, and to invest in the family’s future. The reality, however, is that Illinois parents with hourly wages at or near the minimum wage do not make enough to meet their families’ basic needs, even if they work full time, 52 weeks a year. At the current state minimum wage of $8.25, a person working 40 hours a week earns just $17,160 a year — more than $2,600 below the federal poverty level for a two-parent family of three.

Raising the minimum wage to at least $10.10 an hour would benefit an estimated 1.1 million Illinois workers — over 20 percent of Illinois’ workforce — and nearly one in five Illinois children (about 583,000) who have a parent who would earn higher wages. On average, parents who would benefit from an increase are responsible for a majority of their families’ income. Raising the minimum wage would boost total family income, helping these families who work hard and struggle to get by on low wages the afford basic necessities.¹

Children in families with enough income to cover basic necessities are healthier, have more success in school, and earn more as adults. In contrast, children whose families struggle economically are more likely to experience harmful levels of stress, more likely to struggle in school, and more likely to have health problems than their peers. By raising the minimum wage, more working families would be able to meet their children’s basic needs, reducing the adverse effects of poverty on child well-being.

Who Benefits from Increasing the Minimum Wage?

An estimated 1.1 million Illinois workers would benefit from an increase to the state minimum wage to $10.10 an hour — and more workers would benefit if the minimum

¹ Estimates on Illinois benefits are from David Cooper, “Raising the Federal Minimum Wage to $10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost” (Economic Policy Institute, December 19, 2013). While these estimates were based on analysis of raising the federal minimum wage to $10.10 an hour by 2016, the effects would be roughly the same if Illinois raised its minimum wage to $10.10 an hour. This is particularly the case given new research showing little, if any, effects on employment levels as a result of state minimum wage increases.
wage was raised above this level. Workers who would benefit include both those who currently earn between $8.25 and $10.10 an hour (over 700,000 men and women), as well as those who currently earn a wage at or slightly above $10.10 an hour (about 400,000 workers). Many in the latter group would benefit because employers often raise wages in order to maintain a “wage ladder” for different job levels, economists have found. Of workers who would benefit, 56 percent are women, and a majority is at least 30 years old. Over 50 percent of benefiting workers work full-time (at least 35 hours a week), and nearly half have at least some college experience (Exhibit 1).

An estimated 583,000 children in Illinois — nearly 1 in 5 — would have at least one parent whose hourly wage would increase due to an increase of the minimum wage. And because affected parents, on average, earn a majority (53%) of their families’ total income, the extra wages can have a powerful effect in improving families’ ability to make ends meet.²

² David Cooper, “Raising the Federal Minimum Wage to $10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost” (Economic Policy Institute, December 19, 2013)
Wage Hike Would Help Workers without Costing Jobs

Raising the minimum wage helps workers in low-paying jobs and has little, if any, effect on employment, a growing body of evidence concludes. When researchers compared counties that border each other but are in states with different minimum wages, there were “no detectable employment losses” and significant improvement in the lives of low-paid workers from minimum wage increases. The new research “presents a fairly irrefutable case that state minimum wage laws do raise earnings in low wage jobs but do not reduce employment to any meaningful degree,” said David Autor, professor of economics at the Massachusetts Institution of Technology and editor of the Journal of Economic Perspectives.

The clear benefits to low-wage workers and the lack of any discernible effect on employment have caused respected business-oriented publications such as The Economist to write in favor of a minimum wage with regular increases due to the “sizeable impacts”

A Powerful Combination: Raise Both the Minimum Wage and Earned Income Tax Credit

The benefits of increasing the minimum wage would be made even more powerful by also boosting the state’s Earned Income Tax Credit (EITC). While an adequate minimum wage helps a wide range of workers — including those without children — the EITC is specifically targeted to help working families with children by letting them keep more of what they earn. The EITC helps low-wage workers continue to work by helping them to afford day care, car repairs, and other necessities.

The EITC is particularly effective at lifting children out of poverty. Each year between 2009 and 2011, an average of about 146,000 Illinois children were lifted above the poverty line by the federal EITC. This number would increase even more by doubling the state EITC. An increase in the minimum wage would allow some working families to claim a bigger EITC, helping them keep more of what they earn to pay for their basic needs.

For more information on the benefits of increasing Illinois’ EITC, visit EITCWorks.org.

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they have on reducing wage inequality. Another well-respected business publication, *Bloomberg*, argues that “a wave of new economic research is disproving... arguments about job losses.... Let us hope that states lead the way on the minimum wage, and that they tie increases to the cost of living, making endless rounds of legislation unnecessary.”

There are several possible reasons why increases to the minimum wage don’t appear to negatively affect employment. First, a higher minimum wage increases families’ incomes, improving their economic security and reducing poverty. Because low-wage families spend most of what they earn to meet their basic needs, this additional income is quickly spent, increasing the demand for goods and services. Second, economists have found that minimum-wage increases substantially reduce employee turnover for businesses. High turnover costs — e.g., costs associated with disruptions to business, hiring new employees, and training — hurt businesses’ bottom lines. Thus, an increase to the minimum wage that reduces turnover costs may well largely offset the increased cost of wages.

### Making Ends Meet on the Minimum Wage

More than 1.8 million Illinoisans — including over one in five children — live in poverty. But families making income modestly above the poverty line often are still unable to meet their basic needs. For example, take a three-person Illinois family with an annual income of $20,000 (just above the poverty-level income of $19,790). Even though this family is above the federal poverty level, its income is far below what is needed to meet its basic needs, according to the Living Wage Calculator from the Massachusetts Institute of Technology.

Based on average cost of living estimates in Illinois, the MIT calculator shows that a two-parent, one-child family needs about $37,600 to make ends meet.

At the current minimum wage of $8.25 an hour, even these two parents working full time, 52 weeks a year cannot afford basic necessities for themselves and one child, falling more than $3,250 short of the MIT minimum standard. In areas of the state with a higher cost of living (such as Chicago), families fall even further behind. A two-parent, one-child family in Chicago must have income of nearly $39,500 to meet their basic needs — $5,100 more than two full-time minimum wage workers would earn (Exhibit 2).

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6 “The argument in the floor: Evidence is mounting that moderate minimum wages can do more good than harm,” *The Economist* (November 24, 2012).


10 U.S. Census Bureau, American Community Survey, 2012.


Falling short means making difficult choices among necessities such as food and health care, housing and child care. An increase of at least $1.85 in the hourly minimum wage would reduce the number of families having to make such wrenching choices and create greater stability and opportunities for their children.

The Minimum Wage is Losing Value

The federal minimum wage has been stuck at $7.25 since 2009, and the value of Illinois’ current $8.25 an hour minimum wage, which was last raised four years ago, has been diminishing every year as the cost of living rises. The value of the minimum wage will continue to fall unless lawmakers raise it annually or allow it to increase automatically with the inflation rate. Recognizing that families that depend on minimum-wage jobs lose ground every year due to rising costs, thirteen states and the District of Columbia have tied their minimum wage to inflation.13

Illinois’ minimum wage on the other hand, remains fixed and does not grow, and the result is that families and individuals with minimum-wage jobs fall further behind every year.

Allowing Illinois’ minimum wage to rise along with the cost-of-living would help ensure that the earnings upon which our lowest-income families depend do not stagnate and that parents are able to provide their children some measure of economic stability.

**Conclusion**

Raising the minimum wage is a clear way to help the families of more than 1.1 million Illinois workers who work hard but struggle to get by on low wages. And, when we help families, we help kids in those families. Given that new research convincingly shows that moderate increases to the minimum wage have little, if any, effect on employment levels, the previous justifications for not raising the minimum wage have evaporated. That is why business-oriented publications such as *The Economist* and *Bloomberg* have endorsed the minimum wage. To make the minimum wage even more effective, Illinois should follow the lead of thirteen other states and the District of Columbia by tying the value of the minimum wage to the cost of living, ensuring that the minimum wage maintains it value for working families and making new rounds of legislation unnecessary in the future.
ABOUT THE FISCAL POLICY CENTER

The Fiscal Policy Center at Voices for Illinois Children provides timely, credible, and accessible information and analysis on fiscal issues that affect children, families, and communities in Illinois. The FPC is a member of the State Priorities Project, a network of nonprofit organizations in more than 40 states. The Project is coordinated by the Center on Budget and Policy Priorities, a Washington, D.C.-based research organization and strategic policy institute that works on a range of federal and state issues.

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