

Fair Pay for Women and People of Color in Illinois Requires Increasing the Minimum Wage and Maintaining a Strong Tipped Minimum Wage

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*Hundreds of thousands of workers in Illinois – mostly women– struggle to make ends meet on minimum wage earnings. A bill pending in the Illinois Senate (S.B. 68) would raise the minimum wage from \$8.25 to \$10.65 per hour by 2016, and increase the state's tipped minimum wage, which is tied to the regular minimum wage.¹ **Increasing the minimum wage and maintaining a strong tipped minimum wage are key steps toward fair pay for women in Illinois.***

Women are more likely to be paid the minimum wage.

- Women are about six in ten Illinois workers who are paid the state minimum wage or less.² They provide care for children and elders, clean homes and offices, and wait tables.
- Nationally, women of color are disproportionately represented among minimum wage workers. Twenty-two percent of minimum wage workers are women of color,³ compared to less than 16 percent of workers overall.⁴

It's time to give low-wage workers in Illinois a raise.

- A woman working full time, year round in Illinois at the current minimum wage of \$8.25 will earn just \$16,500 annually.⁵ That's more than \$2,200 below the federal poverty line for a mother with two children.⁶ If the federal minimum wage (currently \$7.25 per hour) had kept pace with inflation, it would be nearly \$10.80 per hour today, setting a floor for states more than \$2.50 above Illinois's current minimum wage.⁷
- The current minimum cash wage for tipped employees in Illinois is \$4.95 per hour, higher than the federal wage for tipped workers – \$2.13 – but still

only \$9,900 per year.⁸ Because Illinois' tipped wage is tied to the regular minimum wage (employers must pay 60 percent of the regular wage), the cash wage for tipped workers would also increase if S.B. 68 became law, a boost that would disproportionately affect women. In Illinois, women are 75 percent of tipped workers and 74 percent of restaurant servers, the state's largest group of tipped workers.⁹

- Illinois families are struggling in this tough economy. Thirty-eight percent of black families with children live in poverty,¹⁰ 24 percent of Hispanic families with children are in poverty,¹¹ and 41 percent of single-mother families are in poverty.¹²

Raising the minimum wage and the tipped minimum wage would boost wages for working women and people of color in Illinois and help close the wage gap.

- Increasing the minimum wage to \$10.65 per hour would boost annual earnings to \$21,300, an increase of \$4,800 per year¹³ – enough to lift a family of three out of poverty.¹⁴ In addition, because the minimum cash wage for tipped workers in Illinois is set at 60 percent of the regular minimum wage, it would rise from \$4.95 per hour to \$6.39 per hour; restaurant

servers and other tipped workers could see their base pay rise by up to \$2,880 per year.¹⁵

- The Economic Policy Institute (EPI) estimates that, if a proposal similar to S.B. 68 had been enacted when it was introduced in 2011, it would have increased wages for more than one million workers over four years – 56 percent of whom would be women and 41 percent of whom would be people of color.¹⁶
- Increasing the minimum wage would mean higher pay for thousands of Illinois women and help close the wage gap.¹⁷ Illinois women working full time, year round are paid only 79 cents for every dollar paid to their male counterparts.¹⁸ Black women working full time, year round make only 65 cents, and Hispanic women only 48 cents, for every dollar paid to their white, non-Hispanic male counterparts.¹⁹

Raising the minimum wage would strengthen Illinois's economy.

- Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers²⁰ – and raising the minimum wage does not cause job loss, even during periods of recession.²¹
- Most minimum wage workers need this income to make ends meet and spend it quickly, boosting the economy. Research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.²²

- 1 S.B. 68, 98th Gen. Assemb., Reg. Sess. (Ill. 2014) (as amended by Sen. Lightford, Sen. Amend. 004). As amended, S.B. 68 would raise Illinois's minimum wage to \$9.25 per hour in October 2014, \$10.00 per hour in July 2015, and \$10.65 per hour in July 2016. The increases would only affect workers ages 18 and older, and would also raise the amount of the current minimum cash wage for tipped workers, which stands at 60 percent of the regular minimum wage.
- 2 NWLC calculations based on unpublished U.S. Dep't of Labor, Bureau of Labor Statistics (BLS) data. Figures are annual averages for 2012. Women represent 65 percent of people making the state minimum wage or less in Illinois.
- 3 NWLC calculations based on Bureau of Labor Statistics (BLS), Characteristics of Minimum Wage Workers, 2013, *available at* <http://www.bls.gov/cps/minwage2013.pdf> [hereinafter BLS Min. Wage Characteristics] (Table 1). This figure assumes 16.6 percent of white women (16 and older) are Hispanic. See U.S. Census Bureau, CPS, 2013 Annual Social and Economic Supplement Table Creator, *available at* <http://www.census.gov/cps/data/cpstablecreator.html>.
- 4 NWLC calculations based on U.S. Census Bureau, CPS, 2013 Annual Social and Economic Supplement, Table PINC-05, http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc05_000.htm (last visited Mar. 26, 2014).
- 5 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$8.25 per hour.
- 6 U.S. Census Bureau, Poverty Thresholds for 2013, <http://www.census.gov/hhes/www/poverty/data/threshld/> (last visited Mar. 25, 2014).
- 7 At \$8.25 per hour, Illinois's minimum wage is higher than the federal minimum wage. The high-water mark for the federal minimum wage of \$1.60 in 1968 (see Doug Hall, EPI, Increasing the Minimum Wage Is Smart for Families and the Economy (May 2011), *available at* http://www.epi.org/publication/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/) would be \$10.79 in 2014 according to the U.S. Dep't of Labor, Bureau of Labor Statistics inflation calculator, http://www.bls.gov/data/inflation_calculator.htm (last visited Mar. 25, 2014).
- 8 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$4.95 per hour.
- 9 Steven Ruggles et al., *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010. Data are from the American Community Survey 2007-2011 five-year averages; refers to employed tipped workers.
- 10 NWLC calculations from U.S. Census Bureau, 2012 American Community Survey, <http://www.census.gov/acs/www/> (Table B17010B). Figures are based on householder's race.
- 11 *Id.* (Table B17010I). Figures are for households where the householder's ethnicity is Hispanic or Latino.
- 12 *Id.* (Table S1702).
- 13 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.65 per hour.
- 14 U.S. Census Bureau, *supra* note 6. The 2013 federal poverty threshold for an adult with two children is \$18,769.
- 15 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$6.39 per hour.
- 16 Mary Gable & Doug Hall, EPI, The Benefits of Raising Illinois's Minimum Wage, at 1-2 (Jan. 2012), *available at* <http://www.epi.org/files/2012/ib321.pdf>. EPI estimates that if Illinois had enacted a 2011 minimum wage bill, S.B. 1565, it would have raised the state minimum wage to \$8.90 in 2011, \$9.50 in 2012, \$10.15 in 2013, and \$10.65 in 2014. The 2011 bill also would have included a provision to increase the minimum wage based on inflation adjustments.
- 17 Under most circumstances a higher minimum wage would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, Institutional Changes and Rising Inequality, *Journal of Economic Perspectives*, Spring 1997, 75-96 at 78, *available at* <http://www.jstor.org/stable/2138237>. See also Francine D. Blau & Lawrence M. Kahn, Swimming Upstream, *Journal of Labor Economics*, Jan. 1997, 1-42 at 28, *available at* <http://www.jstor.org/stable/2535313>.
- 18 See NWLC, Women, the Minimum Wage, and the Wage Gap, State by State, <http://www.nwlc.org/resource/women-minimum-wage-and-wage-gap-state-state-0> (last visited Mar. 25, 2014).
- 19 *Id.*
- 20 T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, An Increased Minimum Wage is Good Policy Even During Hard Times (2011), *available at* http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html.
- 21 Gable & Hall, *supra* note 27, at 2-3.
- 22 Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Revised 2011), *available at* http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf.