



ILLINOIS CHAMBER  
OF COMMERCE

## OPPOSE: \$10 plus CPI Minimum Wage

### Governor Quinn Proposed Hiking Minimum Wage to \$10 Linked with CPI

#### Legislative Synopsis

Governor Pat Quinn has called for an increase in Illinois' minimum wage during his recent State of the State address. Legislation has yet to be filed, but it will most likely be very similar to a Senate Democrat bill introduced in the closing weeks of the 2012 legislative session. Illinois Senate Democrats put up for a vote SB 1565 to increase Illinois' minimum wage to nearly \$11 an hour when indexing it with inflation (CPI) for subsequent years. If successfully passed, Illinois would have the highest minimum wage in the nation; currently at \$8.25 it is the highest in the Midwest and tied at fourth highest in the nation and tied to CPI would increase each and every year.

Illinois' economy is still recovering from the Great Recession and continues to lag behind other states when rated on measures that promote a friendly climate for businesses. A hike in the minimum wage would increase labor costs for many small businesses by over 21% and we heard from several of our members that this type of drastic increase would result in employee layoffs or reduced hours.

#### Why We Oppose

Increases in the minimum wage fall disproportionately on small businesses who are the least able to absorb such a dramatic increase in their labor costs. It also affects employer costs by increasing unemployment insurance and workers compensation insurance rates, and Social Security and Medicare taxes. These increase costs force employers either not to expand/invest or require the layoff and/or reduction in hours of current employees.

- Increases in the minimum wage decrease employment among low-skilled and younger workers; recent study has shown that a 10% increase in the minimum wage results in a 2.3% reduction in employment among that category of worker.  
([http://epionline.org/studies/Coomer\\_Wessels\\_08-2010.pdf](http://epionline.org/studies/Coomer_Wessels_08-2010.pdf)).
- Increases in the minimum wage decrease the GDP of lower-skilled industries. A 10% increase in the minimum wage results in a 1.4% decline in overall GDP generated by lower-skilled industries. Specifically, 1.1% decline in wholesale trade, 2.3% in rental and leasing services, and a 2.2% decline in administrative and waste services.  
([http://epionline.org/studies/sabia\\_12-2010.pdf](http://epionline.org/studies/sabia_12-2010.pdf))
- Indexing increases of minimum wage to inflation has also proven to increase unemployment and reduce job growth. Companies respond to the endless increase in labor costs by shifting their hiring focus to skilled employees or more capital-intensive production, leaving the least skilled workers out of the labor market.

([http://epionline.org/studies/epi\\_minimumwage\\_04-2009.pdf](http://epionline.org/studies/epi_minimumwage_04-2009.pdf))

- Increasing the minimum wage has also proven ineffective at reducing poverty as the percentage of the overall work force earning minimum wage is at its lowest in history at just 0.4%; with just 15% of those earning minimum wage are classified as head of household, the remainder being teenagers living at home or single earners without children.

([http://epionline.org/studies/epi\\_minimumwage\\_04-2009.pdf](http://epionline.org/studies/epi_minimumwage_04-2009.pdf))

**For these reasons, the Illinois Chamber respectfully requests your vote against any proposal to increase Illinois' minimum wage above its current rate of \$8.25.** Thank you in advance for the consideration we know you will give this request.

**For more information contact:** Todd Maisch (217-522-5512 ext 233).