

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

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*Hundreds of thousands of workers in Illinois – mostly women and people of color – struggle to make ends meet on minimum wage earnings. A bill pending in the Illinois Senate (S.B. 1565) would gradually raise the minimum wage from its current level of \$8.25 per hour to its historic high, which would be more than \$10.60 per hour in today's dollars,<sup>1</sup> then index the minimum wage to keep pace with inflation.<sup>2</sup> The bill would also eliminate the tipped minimum cash wage of \$4.95 per hour, making tipped employees entitled to the same minimum wage as other workers. **Increasing the minimum wage and tipped minimum wage are key steps toward fair pay for women and people of color in Illinois.***

### Women and people of color are more likely to be paid the minimum wage.

- Women were nearly six in ten Illinois workers who were paid minimum wage or less in 2011.<sup>3</sup> They provided care for children and elders, cleaned homes and offices, and waited tables.
- Women of color are disproportionately represented among female minimum wage workers. Nationally, black and Hispanic women were each just over 12 percent of all employed women in 2011;<sup>4</sup> among women who made the federal minimum wage, nearly 15 percent were black and more than 16 percent were Hispanic.<sup>5</sup>
- Overall, people of color are disproportionately represented among minimum wage workers. Nationally, black and Hispanic workers were about 11 percent and 14 percent of all workers in 2011, respectively;<sup>6</sup> among workers who made the federal minimum wage, just over 15 percent were black and nearly 19 percent were Hispanic.<sup>7</sup>

### Low-wage workers in Illinois deserve 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.<sup>8</sup> That's more than \$1,600 below the federal poverty line for a mother with two children.<sup>9</sup>

- The minimum cash wage for tipped employees in Illinois is \$4.95 per hour – just \$9,900 a year.<sup>10</sup> While employers are responsible for making sure that their tipped employees are paid the minimum wage, many of these workers are paid less due to wage theft and other illegal practices.<sup>11</sup> Nationally, women make up nearly two-thirds of workers in tipped occupations.<sup>12</sup>
- Illinois families are struggling in this tough economy. In 2011, 37 percent of black families with children were in poverty,<sup>13</sup> 26 percent of Hispanic families with children were in poverty,<sup>14</sup> and 41 percent of single-mother families were in poverty.<sup>15</sup>

### 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, its estimated historic high,<sup>16</sup> would boost annual earnings to \$21,300, an increase of \$4,800 per year – enough to lift a family of three out of poverty. Tipped workers who receive the current minimum cash wage



of \$4.95 per hour would see their pay rise by \$11,400 per year.<sup>17</sup>

- The Economic Policy Institute (EPI) estimates that, if S.B. 1565 had been enacted last year, it would have directly 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.<sup>18</sup>
- Increasing the minimum wage would mean higher pay for thousands of Illinois women and help close the wage gap.<sup>19</sup> In 2011, Illinois women working full time, year round were paid only 77 cents for every dollar paid to their male counterparts.<sup>20</sup> Black women working full time, year round made only 65 cents, and Hispanic women only 48 cents, for every dollar paid to their white, non-Hispanic male counterparts.<sup>21</sup>

## Raising the minimum wage would strengthen Illinois' economy.

- Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers.<sup>22</sup>
- Raising the minimum wage does not cause job loss, even during periods of recession.<sup>23</sup>
- 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.<sup>24</sup>
- EPI estimates that raising Illinois' minimum wage to \$10.65 over four years would generate about \$2.5 billion in additional economic activity and around 20,000 new jobs.<sup>25</sup>

- 1 The high-water mark for the federal minimum wage of \$1.60 in 1968 (see Douglas Hall, EPI, *Increasing the Minimum Wage Is Smart for Families and the Economy* (2011), available at [http://www.epi.org/publication/increasing\\_the\\_minimum\\_wage\\_is\\_smart\\_for\\_families\\_and\\_the\\_economy/](http://www.epi.org/publication/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/)) would be \$10.64 in 2012 according to the U.S. Dep't of Labor, Bureau of Labor Statistics inflation calculator, [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm) (last visited Nov. 27, 2012). S.B. 1565 specifies that the "historic level of the minimum wage shall be the inflation adjusted equivalent of \$1.60 per hour in 1968."
- 2 S.B. 1565, 97th Gen. Assemb., Reg. Sess. (Ill. 2011). S.B. 1565 would increase Illinois' minimum wage by 50 cents plus inflation each year until it reaches the historic high, then adjust the minimum wage for inflation annually thereafter.
- 3 NWLC calculations based on unpublished U.S. Dep't of Labor, Bureau of Labor Statistics data. Figures are annual averages for 2011. Available data do not permit a precise calculation of the percentage of women making the state minimum wage in Illinois (\$8.25 per hour). However, women were 56 percent of workers making both \$7.99 per hour or less and \$8.99 per hour or less in Illinois in 2011.
- 4 NWLC calculations from U.S. Dep't of Labor, Bureau of Labor Statistics, Current Population Survey. Figure for black women from Table 3, <http://www.bls.gov/cps/cpsaat03.htm> (last visited Apr. 6, 2012). Figure for Hispanic women from Table 4, <http://www.bls.gov/cps/cpsaat04.htm> (last visited Apr. 6, 2012).
- 5 NWLC calculations based on U.S. Dep't of Labor, Bureau of Labor Statistics, Characteristics of Minimum Wage Workers, 2011, <http://www.bls.gov/cps/minwage2011tbls.htm> (Table 1). The term "minimum wage workers" refers to workers who make the federal minimum wage or less.
- 6 NWLC calculations, *supra* note 4.
- 7 NWLC calculations, *supra* note 5.
- 8 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$8.25 per hour.
- 9 NWLC calculations from U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement, Table POV35, <http://www.census.gov/hhes/www/cpstables/032012/pov/toc.htm> (last visited Nov. 27, 2012).
- 10 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$4.95 per hour.
- 11 Sylvia A. Allegretto & Kai Filion, EPI, *Waiting for Change*, at 3-4 (Feb. 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>.
- 12 NWLC calculations from U.S. Dep't of Labor, Bureau of Labor Statistics, Current Population Survey, Table 11, <http://www.bls.gov/cps/cpsaat11.htm> (last visited March 5, 2012). Includes: waiters & waitresses; bartenders; counter attendants, cafeteria, food, & coffee shop; dining room & cafeteria attendants & bartender helpers; food servers, non-restaurant; taxi drivers & chauffeurs; parking lot attendants; hairdressers, hairstylists, & cosmetologists; barbers; personal appearance workers; porters, bellhops, & concierges; & gaming services workers.
- 13 NWLC calculations from U.S. Census Bureau, 2011 American Community Survey, <http://www.census.gov/acs/www/> (Table B17010B). Figures are for households where the householder's race is black alone.
- 14 *Ibid* (Table B17010I). Figures are for households where the householder's ethnicity is Hispanic or Latino.
- 15 *Ibid* (Table S1702).
- 16 Mary Gable & Douglas Hall, EPI, *The Benefits of Raising Illinois' Minimum Wage*, at 1 (Jan. 2012), available at <http://www.epi.org/files/2012/ib321.pdf>. EPI estimates that if S.B. 1565 had been enacted in 2011, it would have raised the state minimum wage to \$8.90 in 2011, \$9.50 in 2012, \$10.15 in 2013, and \$10.65 (reaching its historic high) in 2014.
- 17 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.65 per hour.
- 18 Gable & Hall, *supra* note 16, at 1-2.
- 19 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.econ.ucdavis.edu/faculty/mepage/econ151b/Fortin%20and%20Lemieux.pdf>. See also Francine D. Blau & Lawrence M. Kahn, *Swimming Upstream*, *Journal of Labor Economics*, Jan 1997, 1-42, at 28, available at [http://aysps.gsu.edu/isp/files/ISP\\_SUMMER\\_SCHOOL\\_2008\\_CURRIE\\_Swimming\\_Upstream.pdf](http://aysps.gsu.edu/isp/files/ISP_SUMMER_SCHOOL_2008_CURRIE_Swimming_Upstream.pdf).
- 20 NWLC calculations from U.S. Census Bureau, 2011 American Community Survey, <http://www.census.gov/acs/www/> (Tables R2001 and R2002).
- 21 NWLC calculations from U.S. Census Bureau, 2009-2011 American Community Survey Three-Year Estimates, <http://www.census.gov/acs/www/> (Tables B20017B, B20017H, B20017I).
- 22 T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, *An Increased Minimum Wage is Good Policy Even During Hard Times* (June 2011), available at [http://www.americanprogressaction.org/issues/2011/06/higher\\_minimum\\_wage.html](http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html).
- 23 Gable & Hall, *supra* note 16, at 2-3.
- 24 Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, *The Spending and Debt Responses to Minimum Wage Increases*, at 10 (Rev. Feb. 2011), available at [http://www.chicagofed.org/digital\\_assets/publications/working\\_papers/2007/wp2007\\_23.pdf](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf).
- 25 Gable & Hall, *supra* note 16, at 4.