



**NO HALF
MEASURES:**
WHY IT WILL TAKE \$15 TO
RAISE CHICAGO



INTRODUCTION

OVERVIEW

Although corporations are experiencing a profitable recovery, the jobs recovery has been grim and marked by a shift to lower wages. A recent study by the National Employment Law Project found nationally that **we have lost two million mid-wage and higher wage jobs since the Great Recession, but we have gained nearly two million low-wage jobs in the same time period.**¹ Businesses used the Great Recession as an opportunity to cut living-wage jobs (more of which were cut than low-wage jobs in the downturn) and replace them with low-wage jobs once they started hiring again. Jobs in lower-wage industries typically provide insufficient income for working families to meet their basic needs. Industry's increasing reliance on low-wage jobs and failure to invest in its workforce threatens to exacerbate already extreme inequality and jeopardizes the city's economic health.

In March 2014, 86 percent of Chicago voters supported a non-binding referendum to raise the minimum wage to \$15 in Chicago. The City Council responded by introducing the Raise Chicago ordinance in May, which covers all employees working for businesses in Chicago with over four employees. Corporations (including their subsidiaries and franchises) with annual gross revenues over \$50 million would be mandated to raise their wages first; small and medium-sized businesses would phase in the increases in subsequent years.

In response to the increased activity for a \$15 minimum wage, Mayor Rahm Emanuel convened a Minimum Wage Working Group in May to examine the question of low-wage work. The working group included representatives of some of the chief opponents to minimum wage raises, including the Chicagoland Chamber of Commerce, the Illinois Restaurant Association, and the Illinois Retail Merchants Association. In July, the group proposed raising the minimum wage for all workers at firms employing over four workers to only \$13 by 2018, leaving out large groups of workers in the process. The Mayor's Working Group appears to acknowledge the reasoning behind the growing nationwide momentum to increase the minimum wage to \$15 in many of the nation's most expensive cities, but responds by proposing a half measure here in Chicago. The proposal of the Mayor's Working Group fails to secure the truly robust economic recovery that the \$15 Raise Chicago ordinance would achieve.

When fully implemented (at the end of its two phases), a **\$15 minimum wage** would:

- Increase wages: **\$2.49 billion in new gross wages.**
- Stimulate Chicago's economy: **\$1.04 billion in new economic activity and 6,920 new jobs.**
- Increase city revenues: **Over \$80 million in new sales tax revenues.**
- Increase state revenues: **\$125 million in new income tax revenues.**

In contrast, a \$13 minimum wage would result in:

- Only 50% as great an increase in new gross wages—of \$1.25 billion.
- \$522 million dollars in new economic activity (a raise to \$15 would almost double that).
- Only \$40 million in new sales tax revenues, half that of the \$15 proposal.

MAYOR'S WORKING GROUP PROPOSAL: EXCLUDES WORKERS

The Mayor's proposal shortchanges some of the low-wage workers facing the most precarious employment conditions. It proposes a total increase of just \$1.50 to the current tipped minimum wage, bringing hourly pay for people working for tips to only \$6.45 an hour. In contrast, the Raise Chicago ordinance pegs the tipped minimum wage at 70% of the full minimum wage. By the end of the implementation phase of the ordinance, tipped workers would be earning \$10.50 an hour, or 63% more than under the Mayor's proposal.

The Raise Chicago ordinance also ensures greater protections for domestic workers, extending coverage to them while the Working Group's proposal excludes them from any minimum wage at all. This exclusion would have a disparate impact on women of color, who make up the majority of domestic workers in Chicago.

MAYOR'S WORKING GROUP PROPOSAL: BURDENS SMALL BUSINESSES

The Mayoral Working Group's proposal is an across-the-board proposal that makes no distinction between large corporations and small businesses in terms of implementing the proposed wage increases. In contrast, the Raise Chicago ordinance specifically phases in the wage increases by first mandating the raises from profitable corporations and national chains with annual revenues of \$50 million or greater. The May 2014 report *Raise Chicago: How a higher minimum wage would increase the wellbeing of workers, their neighborhoods, and Chicago's economy* showed that the first phase will provide an economic stimulus to small- to mid-sized businesses. The increased economic activity throughout the city will buffer small- to mid-sized business as they begin to phase in the wage increases.

MAYOR'S WORKING GROUP PROPOSAL: LIMITS OPPORTUNITY FOR MUCH OF THE CITY

The \$13 minimum wage proposal does not do enough to promote economic security and growth in neighborhoods across the city. *Raise Chicago* demonstrated that the advantage of a \$15 minimum wage is not only the sheer volume of new spendable income that will be infused into Chicago's economy, but also the dispersion throughout the city of the benefits. The \$15 minimum wage will primarily benefit the Chicago neighborhoods most in need of economic stimulus—those where working families struggle most to make ends meet. This report demonstrates that the Mayor's Working Group Proposal for a \$13 minimum wage is too little, too late. It does not get enough of the money where it needs to go. And, it keeps many people living paycheck to paycheck.

CHICAGO'S LOW-WAGE WORKERS

There are over 1.34 million workers living in Chicago. Nearly 40% of these workers earn under \$15 dollars an hour. All of these workers would stand to receive mandated raises under the proposed ordinance to raise the minimum wage to \$15 and the tipped minimum wage to 70% of the full rate.

For the purposes of this paper, we examined the universe of workers who are currently paid \$8.25 an hour (the current minimum wage) or greater. For simplicity, this analysis excludes the domestic workers and tipped workers who also stand to benefit more under the proposed Raise Chicago ordinance than under the Mayor's Working Group proposal, **so the net economic effects of the wage hike will in fact be greater than outlined here.**

Ovadhwah McGee



Even though Ovadhwah McGee, a home care worker and certified nursing assistant, makes several dollars more an hour than the Illinois minimum wage of \$8.25, he still has to work two jobs to survive.

"All together, I work 60 hours a week. At one job, I make \$11.85 and at another \$13.25, and I have to tell you—it's just not enough," he said. "I'm still struggling to pay my bills."

He knows he's doing better than someone making just \$8.25. **"I think the difference is that I can pay most of my bills on time, but there's still a lot of things I need or that my son needs that I just can't afford."**

For example, his 1996 Toyota is his way of getting to his multiple work sites—many of which are hard to access by bus or train. But his car needs repairs he can't afford, so he's shelling out money for the bus, doubling his commute time and trying to save up enough for a new catalytic converter.

"It doesn't take much to put you in the hole," he said. "That's why I support a \$15 minimum wage. It would keep me from falling down so often."

For now, he's just hoping for the best. **"When you have a child to take care of, you really don't like living paycheck to paycheck. I want to make sure my son gets everything he needs, even if I have to go without."**

Over 350,000 workers, like Ovadhwah, make between \$8.25 an hour and the Raise Chicago-proposed minimum wage of \$15 an hour. They would be directly affected by the Raise Chicago \$15 ordinance. Only about 73 percent of these workers would be covered under the Mayor’s mandated raises. Latino and African-American workers are disproportionately represented among workers making below \$15 an hour, so these workers and the neighborhoods in which they reside stand to gain significantly from an increase in the local minimum wage.

Over 36.5 percent of Chicago workers earn between \$13 and \$15 an hour. In other words, roughly 95,000 Chicagoland workers would not be covered by mandated raises under the Mayor’s plan. These workers’ communities and the economy of the city as a whole would not experience the benefits from their wage increases under the Mayor’s working group proposal.

	DIRECT RAISE	INDIRECT RAISE	ALL WORKERS AFFECTED
DESCRIPTION	Workers currently earning below the new minimum wage would receive raises, by law, up to the new minimum.	Workers currently earning somewhat more than the new minimum wage. Though they are not covered by the law, they will also get raises as employers strive to maintain the wage ladder.	Workers covered by both direct and indirect raises. These are conservative counts for the \$15 Raise Chicago ordinance, because they do not include counts for tipped workers and domestic workers.
\$15 RAISE CHICAGO ORDINANCE	350,000 workers earning between \$8.25 and \$15.00. It also covers domestic workers and raises wages of workers currently covered by tipped minimum wage.	90,000 more workers earning between \$15.00 and \$17.30.	444,000 workers earning above \$8.25. This estimate is low because it does not include counts for tipped workers and domestic workers.
\$13 MAYOR'S WORKING GROUP	255,500 workers earning between \$8.25 and \$13.00. Modest increases to those staying on the tipped minimum wage.	123,500 workers earning between \$13.00 and \$15.60.	379,000 workers would see raises. ²

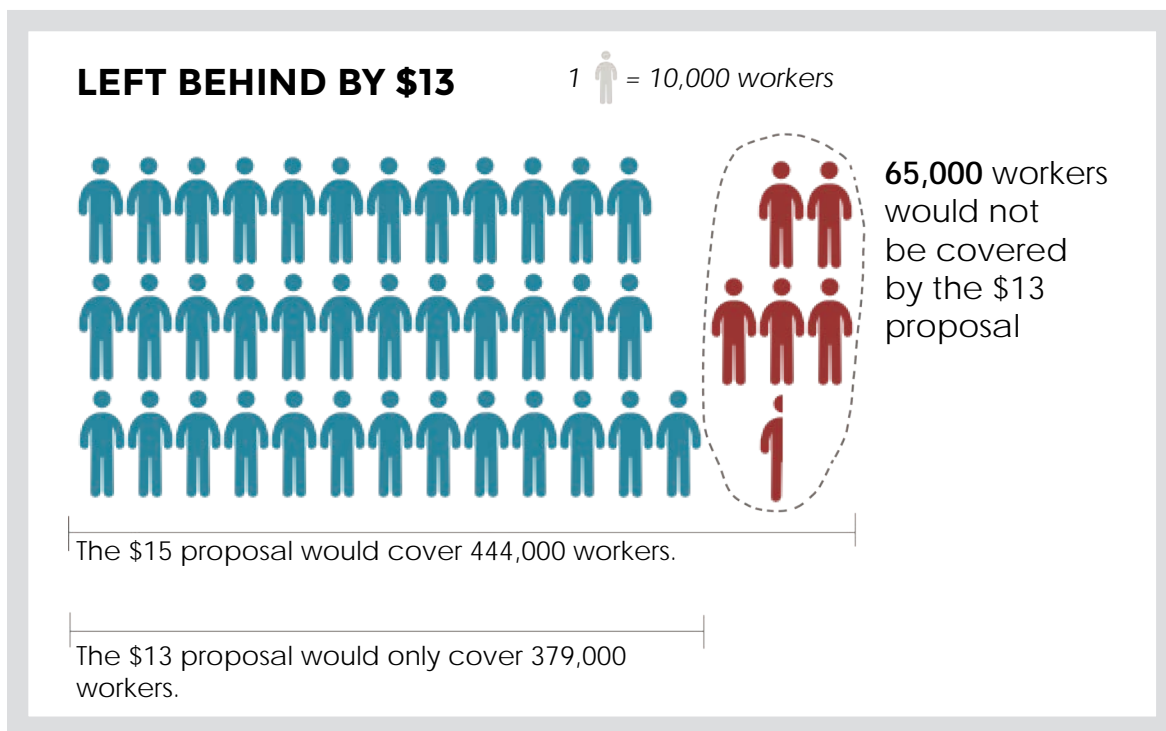
RAISE CHICAGO ORDINANCE: BENEFITS WORKERS AND STIMULATES NEIGHBORHOODS

Raising the minimum wage not only would positively affect those workers making less than the newly mandated wage, but would also generate positive ripple effects on workers making just above the new minimum wage.

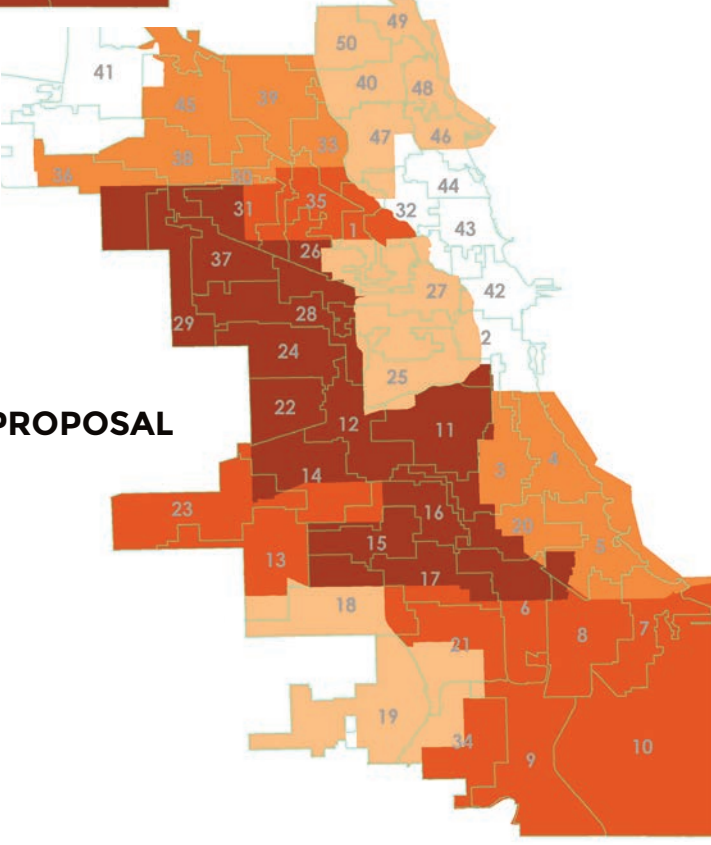
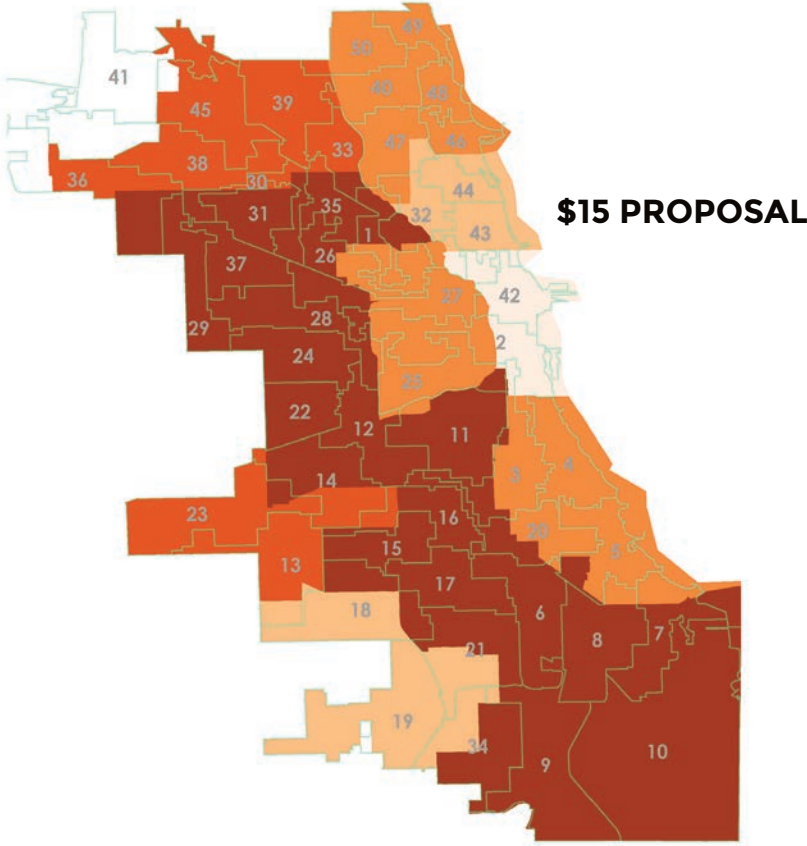
Under the \$15 proposal, we project that 444,000 workers earning up to \$17.30 will receive wage increases related to raising the wage floor. Under the \$13 proposal, only those workers currently earning up to \$15.60, or about 379,000 workers, would receive higher wages. In other words, the Raise Chicago proposal would cover 65,000+ workers—42,000 of whom are Chicago residents—who would receive no benefit under the Mayor's proposal.

Individual workers of color will see real benefits under the \$15 Raise Chicago ordinance. But because of the density of low-wage workers covered by this proposal, and the depth of the benefit, there will be a significant, positive impact at the neighborhood level in areas all across the city, including the centers of the Latino and Black communities, from Hermosa to Garfield Park, South Shore to Auburn Gresham, leaving no neighborhoods behind.

With fewer workers covered under the \$13 proposal, a smaller number of Chicago's neighborhoods will experience a positive economic impact, and that impact will also be more modest. Under the \$15 proposal, for a majority of neighborhoods citywide, over 40% of workers living in those neighborhoods will receive raises. Under the \$13 proposal, not only will less money be injected into the local economy, but the benefits will also be more unevenly spread, with a lower percentage of workers in any given area getting a boost.



Estimated share of workers receiving raises



- % workers receiving raises**
- 15% - 20%
 - 21% - 30%
 - 31% - 40%
 - 41% - 50%
 - 51% - 54%
 - Wards

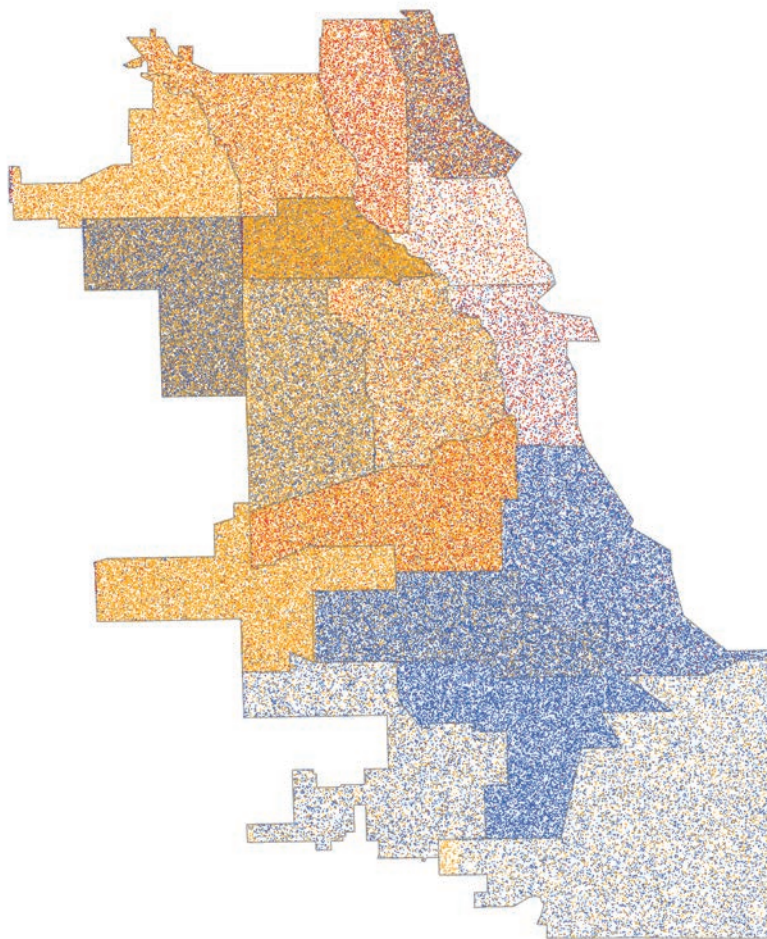
Estimated impact \$15 proposal Chicago residents

Raise Chicago Ordinance: Benefits to communities of color

Taking a closer look at the workers who live and work in Chicago who would gain under the \$15 Raise Chicago ordinance, we see that the broader and deeper benefit under this plan would result in greater economic gains across communities of color citywide.

1 dot = 1 covered worker

- Black
- Latino
- Asian



NEIGHBORHOOD	BLACK	ASIAN	LATINO	TOTAL	NEIGHBORHOOD	BLACK	ASIAN	LATINO	TOTAL	NEIGHBORHOOD	BLACK	ASIAN	LATINO	TOTAL
Portage Park	170	750	8,520	18,190	Austin	9,650	210	12,240	24,210	Chicago Lawn	11,390	0	3,180	15,075
Dunning					Belmont Cragin					Englewood/W. Englewood				
Jefferson Park					Montclare					Greater Grand Crossing				
Irving Park	440	2,680	8,900	16,940	North, South Lawndale	5,420	110	12,570	18,730	South Shore	13,350	610	710	15,980
Albany Park					Humboldt Park					Hyde Park				
Forest Glen					E. & W. Garfield Park					Woodlawn				
North Park					West Town	1,860	1,690	8,650	19,040	Grand Boulevard				
Logan Square	2,020	840	15,000	22,800	Near W. Side					Douglas				
Avondale					Lower W. Side					Ashburn	3,980	0	2,520	10,080
Hermosa					Near N. Side	1,060	1,800	450	10,550	Washington Heights				
West Ridge	260	2,900	3,280	14,030	Loop					Morgan Park				
Lincoln Square					Near S. Side					Beverly				
North Center					Gage Park	560	370	13,230	18,260	Auburn Gresham	11,360	60	0	11,640
Edgewater	3,330	2,400	4,530	20,970	Garfield Ridge					Roseland				
Uptown					West Lawn					Chatham				
Rogers Park					Brighton Park	1,140	5,160	13,830	21,540	Avalon Park				
Lake View	450	1,030	960	18,050	New City					Burnside				
Lincoln Park					Bridgeport					South Chicago	6,670	0	4,400	12,000
					McKinley Park					Pullman				
										West Pullman				
										East Side				
										South Deering				

IMPACT ON HOUSEHOLD INCOME

A \$15 minimum wage would raise the average wage rate of workers currently earning below \$15 from \$11.45 up to \$15.34. For a full-year, full time worker, this would mean a new annual income of over \$31,900. Under the \$13 proposal, workers currently earning below \$13 would make on average 14.2% less, earning \$27,350. Their wages would go from \$10.53 now to \$13.15 after the implementation of a new rate, still barely enough to get by in Chicago.

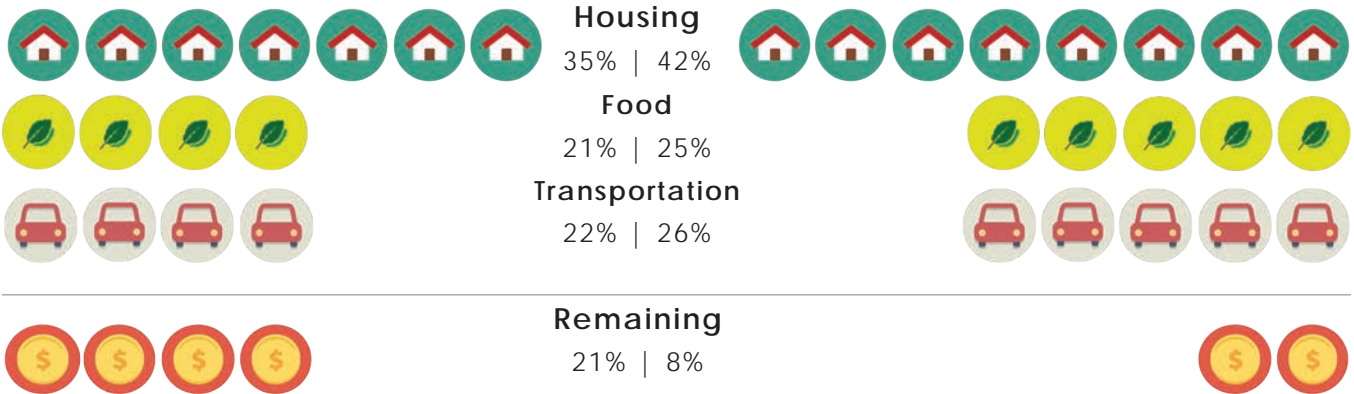
BARELY GETTING BY ON \$13

\$15 proposal

Average monthly salary: \$2,660
(directly covered worker)

\$13 proposal

Average monthly salary: \$2,280
(directly covered worker)



Each  icon represents five percent of the monthly salary

Jessica Davis

After working for four years at McDonald's—and earning the responsibility of training other employees—Jessica Davis makes just \$8.98 an hour.

The mother of two young daughters must rely on Medicaid and food stamps in order to make ends meet. Sometimes, the ends don't meet despite all her efforts to provide for her girls. **“With two small children, emergencies happen. My daughter was sick and I had to miss a day of work. That showed up in my paycheck big time.”**

Her parents help when they can, but she still has to skip paying bills sometimes and risk falling deeply into debt.

Jessica has heard people refer to fast food jobs as “starter jobs,” but she says they're missing a basic reality about today's

economy. **“We really don't have any other jobs to go to,”** she says. **“There's nothing else out there for me.”**

Knowing that her labor helps to make millions of dollars in profit for McDonald's adds insult to injury. While the company reaps huge profits and executives get millions in pay, the workers who do the bulk of the work are left with wages that cannot support themselves or their families. **“At the end of the day, we have nothing to show for it.”**

Making \$15 an hour, says Davis, would change her life and that of her daughters.

“I would have more money for my children and we would be able to float. Right now, we're sinking.”

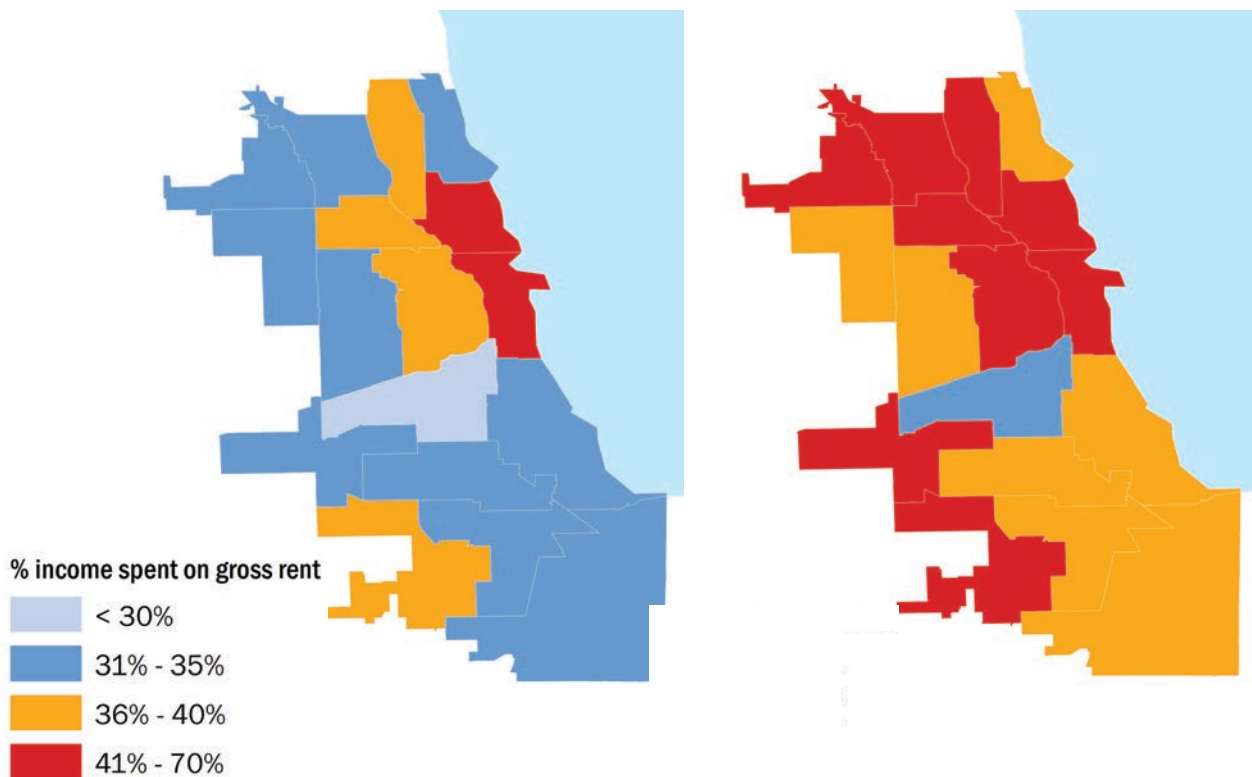
IMPACT ON AFFORDABLE HOUSING

Median gross rent in the Chicago MSA was \$941 in 2012. HUD defines households paying greater than 30% of their annual income as rent burdened. Currently, workers earning below \$15 an hour spend on average 46% of their income on housing. Under the \$15-an-hour ordinance, a single-worker household earning the minimum wage would be paying 35% of their income to afford median gross rent. They would still be rent burdened, though those just above the minimum would begin escaping that disproportionate strain. Under the \$13 proposal, workers well above the minimum wage remain heavily rent burdened, and those at the minimum would still be paying on average 40% of their entire income on housing. In fact, in a majority of neighborhoods across the city, minimum-wage workers would be paying well over 40%. On the map below, red indicates these zones of housing vulnerability, where residents risk having to sacrifice sufficient food or getting to work or they may lose their housing. As the map shows, under the \$15 plan, the average rent burden for minimum wage workers would fall to below 35% in 10 neighborhood areas spread across the city, and in all but the wealthiest neighborhoods, there is greatly reduced housing vulnerability. In contrast, only one area would reach this level of affordability under the \$13 plan and large swaths of the city remain unaffordable to workers. Thus the \$13 minimum wage proposal fails to mitigate housing instability in neighborhoods across Chicago, and fails to address one of the most significant costs faced by all workers.

Housing Affordability for Workers, by Area

RAISE CHICAGO ORDINANCE, \$15 PROPOSAL

MAYOR'S WORKING GROUP, \$13 PROPOSAL



Source: U.S. Census Bureau, "MEDIAN GROSS RENT (DOLLARS)," 2012 American Community Survey 1-Year Estimates, 2013.

By putting less money in peoples' pockets, the \$13 minimum wage still forces people to live paycheck to paycheck or make difficult decisions between shelter, food, and getting to work. Even small differences add up. With a \$13 minimum wage, the average household would only have 8% of their salary left after major costs of taking care of a family are taken into account. In contrast, the \$15 minimum wage would leave the average worker with over 20% of their salary. The \$15 minimum wage allows workers in neighborhoods all across the city to earn several hundred extra dollars a month, enabling them to save, provide a solid foundation for their families' needs, and invest in their communities.

CUMULATIVE WAGE EFFECTS IN CHICAGO

THE \$15 PROPOSAL

At the end of both phases of the \$15 proposal, the mean wage for workers earning below \$17.30 would increase from \$12.41 to \$15.62.

Each worker affected by the proposal would see an average increase of \$5,600 in annual income. This would result in an annual wage increase of \$2.5 billion from current levels.

Approximately 113,000 low-wage African-American workers would each see an average individual increase of \$5,200 in annual income, amounting to an additional \$590 million in gross wages in total.

Approximately 174,000 low-wage Latino workers would each add, on average, \$6,200 to their annual income. These workers would bring home nearly \$1.1 billion in added gross wages due to the proposal.

This increase in income to low-wage workers would result in \$125 million in additional income tax revenues for the state and over \$80 million in new sales tax revenues for the city.

THE \$13 PROPOSAL

Under the \$13 proposal, the impact would be much more limited. We expect that workers earning up to \$15.60 will receive wage increases. The mean wage for workers earning below \$15.60 would increase from \$11.70 to \$13.64. These workers would each see an average increase of \$3,300 in annual income.

The \$13 proposal would raise wages for 97,000 low-wage African-American workers, 14% fewer than under the \$15 proposal. The financial impact would be further reduced, with affected African-American workers receiving an increase of \$294 million in gross wages, only 49% of the gains under the \$15 proposal. Each covered African-American worker would bring home an additional \$3,000 in annual income under the \$13 proposal.

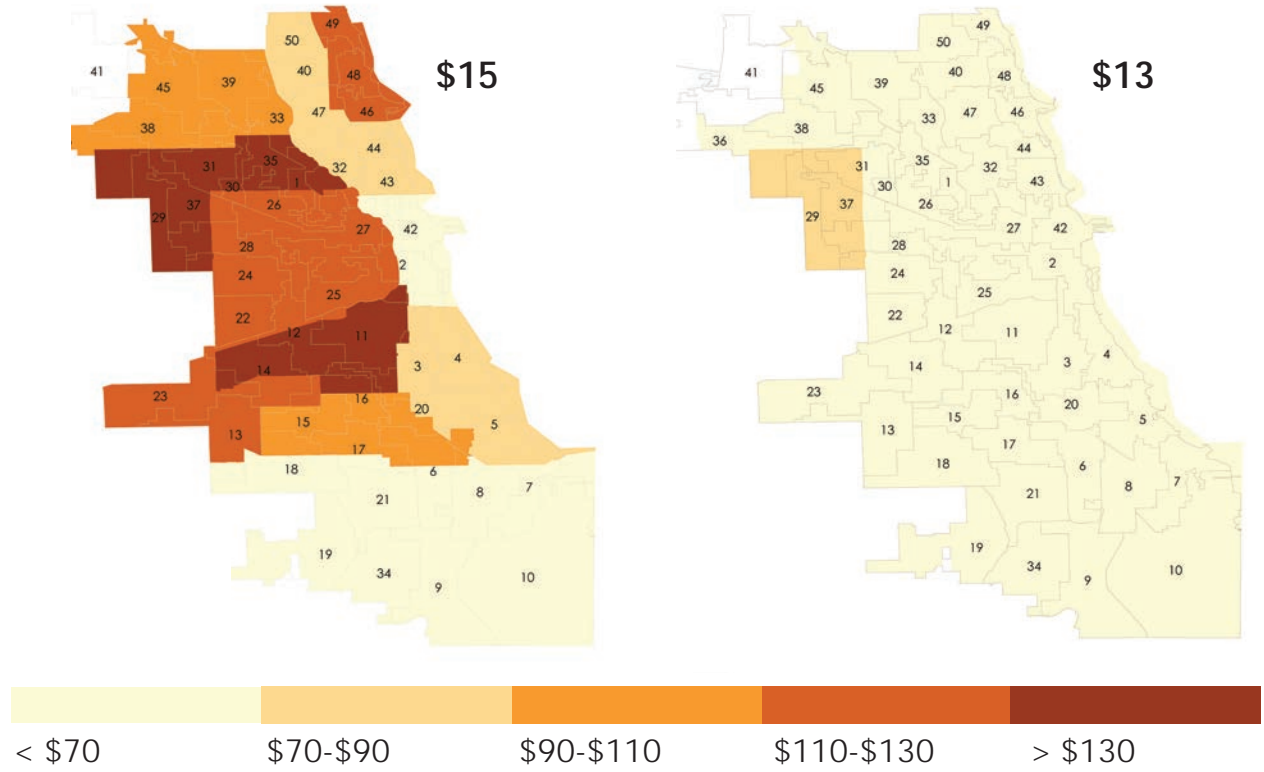
Approximately 154,000 Latino workers would see wage increases under the \$13 proposal, and their annual income would increase by \$3,700 on average, resulting in a \$570 million increase in gross wages for low-wage Latino workers, only 53% of the expected gains for the same community under the \$15 proposal.

This increase in income to low-wage workers would result in approximately \$62 million in additional income tax revenues for the state, roughly half the increase under the \$15 proposal.

Cumulative Wage Effects

ALL WORKERS

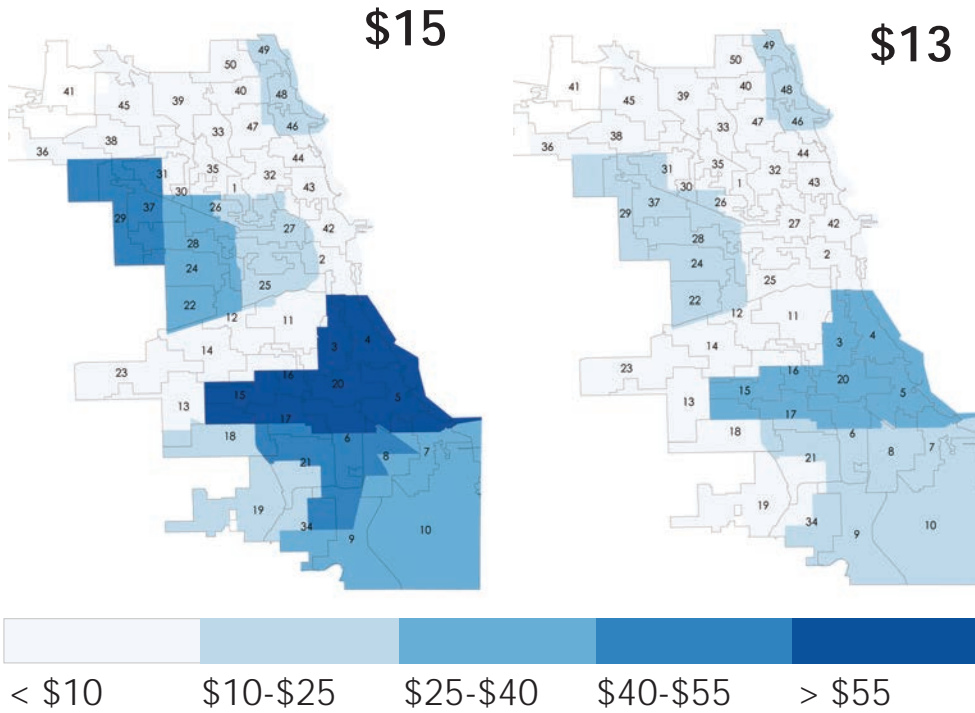
Increase in gross wages by neighborhood, annual (millions)



# workers affected	\$15: 444,000	+ annual income (individual)	\$15: \$5,600	Total increase in gross wages	\$15: \$2.5 bill.
	\$13: 379,000		\$13: \$3,300		\$13: \$1.3 bill.

BLACK WORKERS

Increase in gross wages by neighborhood, annual (mill.)



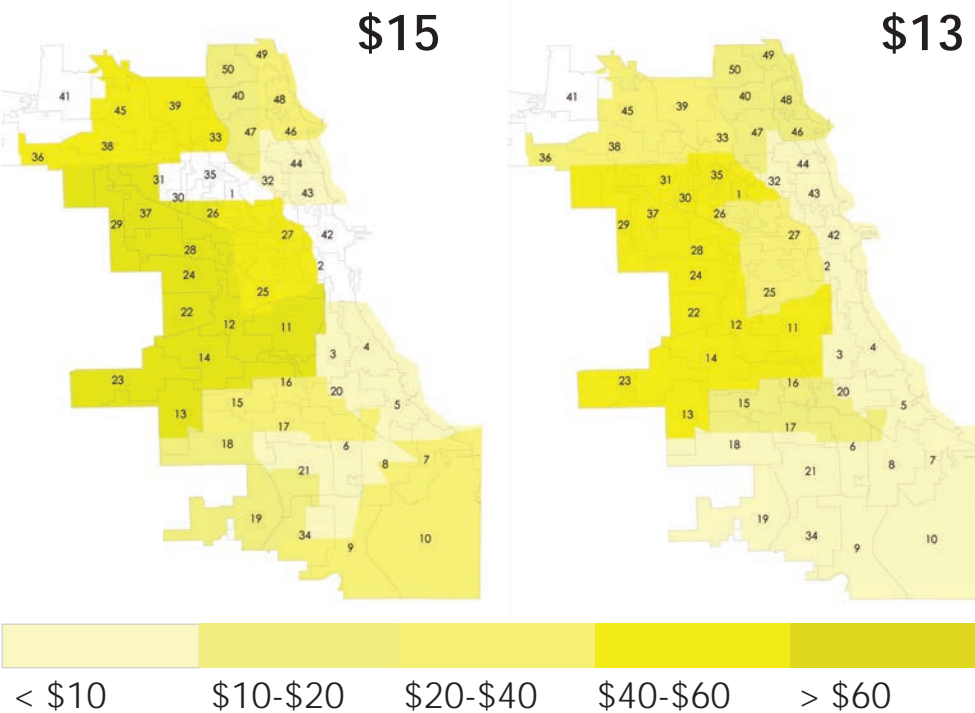
workers affected
\$15: 113,000
\$13: 97,000

+ annual income (individual)
\$15: \$5,200
\$13: \$3,000

total increase in gross wages
\$15: \$592 mill.
\$13: \$294 mill.

LATINO WORKERS

Increase in gross wages by neighborhood, annual (mill.)



workers affected
\$15: 174,000
\$13: 154,000

+ annual income (individual)
\$15: \$5,600
\$13: \$3,700

total increase in gross wages
\$15: \$1.1 bill.
\$13: \$570 mill.

JOB CREATION

Low-wage workers are expected to spend a significant portion of any new take-home income in order to meet their basic needs.³ Much of this spending will be done locally. As such, the increase of \$1.9 billion in take home pay is estimated to generate \$1 billion additional dollars in economic activity, annually. This infusion of consumer dollars would create approximately 6,920 new jobs in the Chicago area and raise an additional \$80 million in annual sales tax revenue, \$10 million of which would go to the City of Chicago.

Further, the \$15 ordinance plans for a tiered implementation in which employers with revenues exceeding \$50 million a year get to \$15 before smaller employers. This four-year phase-in allows smaller employers to prepare for the raises in a stimulated economic environment.

**\$1 billion
additional
dollars in
economic
activity**

Under the \$13 plan, \$522 million in new economic activity would be generated annually, resulting in an estimated 3,465 new jobs and \$40 million in new sales tax revenue each year, \$5 million of which would go to the City of Chicago.

CONCLUSION

Across the country, communities and their elected officials are working together to understand how to ensure the minimum wage in high-cost cities better meets the needs of working people and the families they support, while giving a much-needed boost to the local economy as effects of the Great Recession linger on.

An increase in the Chicago minimum wage will help to repair the fabric of our cities and communities that have suffered greatly as income inequality has been on the rise. Raising the minimum wage to \$15 an hour, instead of the \$13 as proposed by the Mayor's Working Group, will almost double the economic gains for the city and the region; deepen income enhancement for over 65,000 more workers, mainly people of color, in more neighborhoods across the city; and go further to address the inequality that has plagued Chicago – and will cost businesses and consumers relatively little more.

Nataki Rhodes

As a server, Nataki Rhodes relies mostly on tips to survive. That's because the tipped minimum wage in Illinois is just \$4.95 an hour.

But, as a server who has to work not one, but two, restaurant jobs in an attempt to meet her family's basic needs, Nataki would be the first to tell you that tips just aren't enough.

"There are a lot of times I end up making less than \$8.25 an hour," she says. **"A lot of times it's slow, especially in the winter."** And, working in Chicago, winter and the accompanying dip in income can last for months and months.

Under the Mayor's proposal to increase the minimum wage, Nataki would get just \$1.50 more an hour. And, while every bit helps, she says that wouldn't come close to helping her enough.

"Every pay period, I'm always giving my landlord money, because I'm trying to catch up on rent," she says. The low wages are made worse by the uncertain hours common in the restaurant industry. She doesn't even know how many hours she's going to work in advance, at either of her two jobs. Because of last-minute scheduling, she sometimes ends up working both jobs on the same day.

"Last weekend I worked the morning shift at one job and the night shift at the other," Nataki says. If she could count on a higher minimum wage—like the \$10.50 proposed by the Raise Chicago ordinance—she could possibly work just one job and make ends meet.

"I could pay my rent on time," she says. **"And I could maybe get a decent car. I feel like my life would be a lot better."**

METHODOLOGY

Labor Market Totals

This briefing paper follows our May 2014 report *Raise Chicago* in using the one-year 2012 American Community Survey (ACS) Publicly Available Microdata Sample files.⁴ The ACS allows us to examine microdata for workers within the City of Chicago municipal boundaries. Although the minimum wage literature generally relies on the Current Population Survey's (CPS) Outgoing Rotation Groups,^{5,6} the CPS dataset does not provide sufficient geographic specificity for our localized analysis. The smallest geographic area for which CPS microdata is available is the Metropolitan Statistical Area for Chicago, which incorporates several other counties in adjoining states and has a total population of over 9.5 million, compared to the 2.7 million that live within Chicago's city limits.

For the purposes of this paper, resident earners, or workers, are defined first as those individuals whose Employment Status Recode (ESR) variable in the ACS is coded as "1," or "Civilian employed, at work." Since the proposed minimum wage measures would only cover those employees who work within the City of Chicago out of this group, our neighborhood-level analysis required a further measure of 1) what percentage of Chicago's population not only live but also work in Chicago, and 2) what percentage of Chicago's workforce lived outside of the City of Chicago and commuted in to work. We used the Commuter Adjusted Daytime Population from the Census Bureau's 2006-2010 five-year American Community Survey (ACS) dataset to determine these proportions, since the Place of Work PUMAs information in the 2012 one-year ACS did not provide sufficient data on this question.

Resident Workers: From Table 3 of the Commuter Adjusted Daytime Population data, there were 1,219,311 workers who resided in the City of Chicago; however, there were 1,396,768 persons who worked in the City of Chicago and 906,564 who lived and worked in Chicago. Thus 74.4% ($906,564 / 1,219,311$) of workers who resided in Chicago also worked in Chicago. We use this to assume a homogeneous distribution of 74.4% of workers who resided in Chicago by sex, race, ethnicity, wage, and neighborhood, and also worked in Chicago. All neighborhood maps use numbers that are in all cases 74.4% of the ACS estimates of resident earners of Chicago.

Commuters: There were 177,457 ($1,396,768 - 1,219,311$) commuters who worked in the City of Chicago but resided outside city limits. For every worker who lives in Chicago, there are 0.146 ($177,457 / 1,219,311$) others who work in Chicago but reside elsewhere. Based on this figure, we assume a homogeneous distribution by all categories of an additional 14.6% of workers who would be affected by this proposed measure. Thus, calculations based on the number of persons who work in Chicago, or the total number of workers covered by the measure, are in all cases 114.6% of the ACS estimates of resident earners of Chicago.

Timeframe

This paper examines the effect of the minimum wage proposals (revenue generation; job creation; additional wages) once they are fully implemented, and compares that to the current climate, with an \$8.25 minimum wage. It also does not adjust for inflation. Thus, although the \$15 proposal calls for a tiered implementation, where employers with revenues exceeding \$50 million a year move to \$15 before smaller employers, this briefing paper conducts an analysis on all covered workers regardless of their employer's size. Given Chicago's industry composition, we estimated that 54.5% of employees earning below \$15 would be covered by Phase I of the \$15 proposal, slightly less than the national average of 56.2% of employees working in larger businesses, with the remaining 45.5% covered in Phase II.

Imputed Wages

Imputed wages were calculated as in the first Raise Chicago briefing.⁷ To reiterate, the ACS records weeks worked during the past 12 months (“WKW”) as an interval; workers report having worked either 1-13 weeks, 14-26 weeks, 27-39 weeks, 40-47 weeks, 48-49 weeks, or 50-52 weeks per year. In order to arrive at an imputed scalar Weeks per Year variable, we took a merged dataset of 2010, 2011, and 2012 public data from the Current Population Survey (CPS), limited to the universe of workers earning less than 35,000 a year—by setting ‘incwage’ less than or equal to 35,000—and calculated low-wage workers’ average weeks worked per year per these ACS intervals (calculating the mean of “WKSWORK1” for each category of “WKSWORK2”). We then assigned each worker record in the ACS dataset their corresponding mean weeks per year, as derived from the CPS data. We next imputed hourly wages by the following formula:

$$\text{ImputedHourlyWage} = [\text{wagp} / \text{wkhp}] \text{ImputedWeeksperYear}$$

For simplicity, we eliminated any observation whose imputed hourly wage fell below \$8.25. As discussed in the paper, this underreports the actual number of workers covered, in particular under the \$15 proposal, which extends greater benefits to tipped workers and covers domestic workers, who are currently not subject to a minimum wage requirement and thus may earn well below \$8.25 an hour in wages.

As before, we top-coded the data by eliminating records from the ACS file whose imputed hourly wage were greater than or equal to \$150 an hour, which placed them roughly in the top 1% of earners (99th percentile = \$156.58 per hour). Removing these high outliers did not greatly alter our wage distribution and median.

Modeling Wage Compression and Ripple Effects

Building off of the first report in this series, this brief follows the methodology of Wicks-Lim and Pollin in their 2013 study of a 44.5% increase to the minimum wage. They determined the current wage hierarchy for low-wage workers, and then modeled wage increases that would maintain the wage hierarchy.⁸ As discussed, raises do not only affect those workers receiving mandated wage raises in a given proposal, but there are also ‘ripple effects,’ where workers currently earning just above the newly mandated minimum wage also receive a wage increase in order to preserve an existing wage hierarchy. In their 2008 work, Wicks-Lim and Pollin found that the ceiling for these ripple effects was 25-30% greater than the penultimate base wage rate, when looking at average minimum wage increases of 8% over the period 1983–2002. Applying that analysis, we again examined a ceiling of \$17.30 for the \$15 proposal,⁹ and a ceiling of \$15.60 for the \$13 proposal, or 30% greater than the penultimate step of \$12, as outlined in the Mayor’s plan.¹⁰

The wage tiers for the \$15 analysis in this report are identical to those in the first Raise Chicago report.¹¹ The wage tiers for the \$13 analysis analyzed the wage distribution of workers below the \$15.60 ceiling, and identified the following groups:

- \$8.25 - \$9.65 (26%)
- \$9.65 - \$11.55 (19%)
- \$11.55 - \$13.00 (23%)
- \$13.00-\$15.60 (31%)

For our model, the first group received a mean 42.9% raise to \$13.00 per hour. The second cohort received a 26.3% raise to \$13.05 an hour. The third group was given a raise of 10.2% to \$13.40 an hour, and the fourth group received a 2.2% raise to \$14.70 an hour.

TAX REVENUES

Sales Tax

As of March 2014, sales taxes are paid to Illinois, Cook County Home Rule, and City of Chicago Home Rule, and Regional Transportation Authority (RTA). Their respective rates are 6.25%, 0.75%, 1.25%, and 1.00%, or 9.25% in total.¹² A different tax rate applies to qualifying food and drugs: 1.00% and 1.25% for Illinois and the RTA, respectively. We assumed that 17% of new consumption would be taxed at these lower rates, since groceries accounted for 13% of personal expenses and health care accounted for 4%, in the U.S. as a whole.

Income Tax

Additional state tax revenues are calculated as 5% of the added gross income generated by a wage increase.¹³

MULTIPLIERS

Spending Multiplier

This study follows the first Raise Chicago report in assuming a spending multiplier of .56, from Catherine Reutschlin's 2012 study of retail workers.¹⁴ This multiplier is applied to workers' take home pay, or the remaining after subtracting a total of 6.2% for Social Security, 1.45% for Medicare, 5.0% for Illinois income tax, and an assumed 12.7% marginal Federal tax rate according to their income. Under the \$15 proposal, we estimate total take home pay to come to \$1.86 billion, compared to \$933 million under the \$13 proposal, and net economic activity to be .56 times these figures, or \$1.04 billion and \$522 million, respectively.

Jobs Multiplier

This study assumes a jobs multiplier of 1% job growth for a 1% increase in GDP.¹⁵ The job growth figures reported here takes the 2013 GDP for the Chicago-Joliet-Naperville MSA, which was \$585,900 billion.¹⁶ This is the smallest geography at which GDP data is available. The total workforce for the same geography, the Chicago-Joliet-Naperville MSA, as last measured in the 2008-2012 five-year American Community Survey, was 3,886,034.¹⁷ Under the \$15 proposal, new economic activity was predicted to be \$1.04 billion, or .18% of the region's GDP. A concomitant increase in employment would predict the creation of 6,920 jobs. Under the \$13 proposal, predicted to generate \$522 million in new economic activity, the corresponding job increase would be .09%, or 3,465 jobs.

Impact by Race

The impact maps plot those active workers earning less than \$17.30 but at or above \$8.25 by the Public Use Microdata Areas (PUMA) in which they live. Black workers are those in this population who have their race coded as Black or African-American; Asian workers are similarly those in this population that have their race coded as Asian alone. However, as is well known, the category of Latino workers is derived from a different variable on the ACS, where respondents identify whether they are of Hispanic origin but can answer the question on race independently. As such, there is minor overlap between the group of low-wage workers coded as Latino, and the other two groups mapped. Approximately 1,600 of the low-wage workers

mapped responded as being both Black and Latino; approximately 270 responded as both Asian and Latino. This means a very small percentage, approximately 0.04%, of workers are double counted in the breakdown by race analysis.

Maps

All maps are in North American Datum 1983, State Plane Illinois East projection. All maps reflect .744% of counts from the ACS Public Use Microdata files, to reflect only those workers who are also Chicago residents, in order to explore the depth of neighborhood investment these proposals may stimulate.

HOUSEHOLD BUDGET

Housing Costs

The figures for the housing burden maps, which reflect the assessment of what proportion of a worker's annual income is spent on rent, are drawn from the 2012 ACS one-year estimates for Median Gross Rent by PUMA. These figures reflect the total housing costs (including utilities) in renter-occupied housing units where households are paying cash rent. The median rent figures are used as an indicator of housing affordability, rather than including information on costs for owner-occupied units, because the population of low-wage workers is much more likely to be renters. Median household income for Chicago's owner households ranged from \$44,530 to \$140,726 across Chicago's 17 PUMAs; with a city-wide median of nearly \$80,000—almost four times higher than the average annual salary of \$22,920 we estimate for low-wage workers citywide.¹⁸ Median household income for Chicago's renter households ranged from \$21,512 to \$60,156, with a citywide median of \$36,454.

The housing cost figure for the household budget is drawn from the 2012-2013 Consumer Expenditure Survey, from the Bureau of Labor Statistics, for the City of Chicago MSA. This figure reflects average total housing costs (including utilities) for renters.

Transportation Costs

The transportation cost figure for the household budget is drawn from a study released in July 2010 for the Center for Neighborhood Technology, which examined the average monthly transportation cost for households across a six-county region as well as for the City of Chicago proper. The figure used is the latter, and factors in the average number of cars owned by household, the percentage of workers using transit to get to work, the transit connectivity index for the geography, as well as the average vehicular miles traveled by household to arrive at a monthly cost.

Food Costs

The average food cost for the household budget is based on the USDA's Thrifty market basket for a family of four. These figures are national averages and are updated and released monthly.

Household Composition

We assume a single person, employed full-time (2080 hours annually), for our mean income figures.

ENDNOTES

1. Mike Evangelist, "The Low-Wage Recovery: Industry Employment and Wages Four Years into the Recovery," Data Brief, (National Employment Law Project, New York, NY, April 2014), 1.
2. We would like to recognize the work of Aditi Sen, Research Analyst-Quantitative Specialist at the Center for Popular Democracy, for her data analysis and writing on this project. This figure is 7.5% lower than the projected impact figure of 410,000 workers, included in the report released by the Mayor's Working Group, A fair deal for Chicago's working families: a proposal to increase the minimum wage. This difference is likely due to methodological differences. For example, our report uses microdata for the City of Chicago proper, whereas A fair deal relied in part on data available for the Chicago-Joliet-Naperville IL metropolitan region, a larger geographic catchment.
3. David Cooper & Doug Hall, "How raising the federal minimum wage would help working families and give the economy a boost," Issue Brief, (Economic Policy Institute, Washington, DC, August 2012).
4. U. S. Census Bureau, "Commuter Adjusted Daytime Population: 2006-2010 5-Year ACS," 2011.
5. See Jeannette Wicks-Lim, "Mandated Wage Floors and the Wage Structure: New Estimates of the Ripple Effects of Minimum Wage Laws," in A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States (Cornell University Press, 2008); Wicks-Lim and Pollin, "The Costs to Fast-Food Restaurants of a Minimum Wage Increase to \$10.50 per Hour," Research Brief, (Political Economy Research Institute, University of Massachusetts, Amherst, MA, September 2013); Jeannette Wicks-Lim and Robert Pollin, "Technical Appendix and References for \$10.50 Minimum Wage Petition," Research Brief, (Political Economy Research Institute, University of Massachusetts, Amherst, MA, September 2013).
6. U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey Annual Social and Economic Supplement Survey," 2010-2012.
7. "Raise Chicago: How a higher minimum wage would increase the wellbeing of workers, their neighborhoods, and Chicago's economy," Research report, (Center for Popular Democracy, New York, NY, Spring 2014).
8. Wicks-Lim and Pollin, 2013.
9. Ibid, 10.
10. "A Fair Deal for Chicago's Working Families: A Proposal to Increase the Minimum Wage," Recommendations, (Mayor Rahm Emanuel's Minimum Wage Working Group, Chicago, IL, July 2014), 9.
11. Ibid, 10.
12. Illinois Tax Rate Finder, "Tax Rate Finder: Location Code 016 0001 1, Liability Period 03 2014," 2014.
13. Illinois Revenue: Tax Rate Database, "Income tax rates," 2011.
14. Catherine Reutschlin, "Retail's Hidden Potential: How Raising Wages Would Benefit Workers, the Industry, and the Overall Economy," (Demos, New York, NY, 2012), 6.
15. "2012 EPI - How Raising Federal Minimum Wage Helps Working Families Boost Economy," n.d.; Josh Bivens, "Method Memo on Estimating the Jobs Impact of Various Policy Changes," Economic Policy Institute, 2011, <http://www.epi.org/publication/methodology-estimating-jobs-impact/>.
16. IHS Global Insight, "U.S. Metro Economies: Outlook – Gross Metropolitan Product, with Metro Employment Projections." Report prepared for The United States Conference of Mayors and the Council on Metro Economies and the New American City. (HIS Global Insight, Lexington, MA, November 2013) , 1.
17. U. S. Census Bureau, "Employment Status by Disability Status: 2008-2012 5-Year ACS," 2013.
18. U. S. Census Bureau, "Median Household Income the Past 12 Months (In 2012 Inflation-Adjusted Dollars) By Tenure: 2012 ACS 1-Year Estimates," 2013.



Glenview Terrace
LEMMMA BARRTE
DIETARY AIDE



