



August 8, 2017

Stop the war on Illinois' entry-level employees and veto \$15 minimum wage

By: *Kris Garlewicz*

Illinois' entry-level workforce is under attack.

Last month, the state legislature overrode Gov. Bruce Rauner's veto to pass a 32 percent tax increase on all earned income. For a family earning \$40,000 -- two-thirds of the state's median income -- that's an extra \$480 in annual tax that could have gone to cover rising healthcare, childcare, and housing costs, which are inflated by the highest property taxes in the country.

Governor Rauner can hold the line on this war on young and less-skilled workers by vetoing the \$15 minimum wage legislation that's currently on his desk.

As a major new University of Washington study examining Seattle's \$15 minimum wage demonstrates, a \$15 minimum wage reduces jobs, hours, and wages for the working class.

Minimum wage research and common sense have long shown that minimum wage increases cost jobs for entry-level workers because they force some employers to cut back or forgo expansion because of the associated costs. A 2014 review by the nonpartisan Congressional Budget Office found up to one million jobs would be lost nationwide at a \$10.10 minimum wage. This job loss would be supersized at a \$15 wage floor.

But a minimum wage increase that reduces wages as well? How does that happen? As the University of Washington's team of unbiased researchers explain: Employee hours were cut by three times as much as their wages were increased, leaving

them with less wages overall. In fact, the researchers found that those earning less than \$19 an hour, which is about \$40,000 a year full-time, saw their annual income fall by the equivalent of \$1,500 a year because of this effect.

With one pocket already lightened by state and local tax increases, the state's entry-level workforce can't afford their other pocket to be attacked by the minimum wage hike.

Minimum wage proponents of course argue that businesses could absorb the costs of a \$15 minimum wage without cutting back on jobs, hours or benefits. But private employers like my clients are generally small business owners who use their slim profit margins to reinvest, hire and grow, which would be curtailed by this new wage mandate.

Larger businesses, including national firms are launching automated alternatives to replace entry-level positions. A 2015 research study done by Citi Research and the Oxford Martin School found that many critical industries will face job losses due to automation. The current minimum wage proposal will accelerate this growing trend, hurting young and entry-level employees who are most vulnerable.

Some minimum wage proponents say that small businesses could absorb the minimum wage costs through small price increases. But the demand curve is downward sloping. In other words, because consumers are price sensitive, price increases reduce sales, which reduce jobs. And even if busi-

nesses could offset minimum wage costs through price increases, who would this hurt the most? The state's entry level workers and new entrants into the labor force.

Main Street Illinois is already struggling, with downtown cores being ravaged by a mixture of taxes, regulations, and secular economic trends like e-commerce. An 82 percent increase in the state minimum wage would only compound this damage. It would also exacerbate the trend of residents moving away to states with more economic opportunity. According to the U.S. Census Bureau, over 300,000 people on net have left the state over the past few years -- the biggest exodus in the nation.

Rather than pursuing a counterproductive and divisive minimum wage increase, the state should pursue economic growth and training programs, both of which directly help entry-level employees. Let's come together around bipartisan initiatives that encourage employers to educate employees, provide stronger paths of career development and introduce employees to entrepreneurship programs.

But in the meantime, Gov. Rauner can stop the attack on entry-level employees by vetoing the proposed \$15 minimum wage. It may just mark the turning point in the state's ongoing war on hardworking taxpayers and families.

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