

Minimum Wage

Illinois Minimum Wage Veto Cheered by Business Groups

Illinois business groups are breathing a sigh of relief after Gov. Bruce Rauner (R) Aug. 25 vetoed a measure to boost the state's minimum wage to \$15 per hour by 2022. Rauner also vetoed a salary history bill designed to bar employers from screening job applicants based on their salary history.

Senate Bill 81, which proposed bumping Illinois' \$8.25 minimum hourly wage to \$15 over five years, would have saddled thousands of businesses with an 81.8 percent labor cost increase, Mark Grant, Illinois director of the National Federation of Independent Business, told Bloomberg BNA Aug. 28. In the current tight economic climate, the change in state law would have forced businesses to shrink their payrolls and raise prices, he said.

"Our members believe that government intervention, especially at this extreme level, is detrimental to the operation of their businesses," Grant said. "If you have an 80 percent labor cost increase over five years, how are you going to manage it? You can only raise prices so much. You eventually have to cut costs, so you end up losing hours and losing wages."

Illinois' plan would have triggered private sector employment losses of 93,000 jobs and a \$56 billion loss in real economic output over ten years, Grant said, citing research by the National Federation of Independent Businesses. Small businesses would have been hit hardest, absorbing 56 percent of the job losses, the NFIB said.

But Illinois isn't keeping pace with other states, despite its large constituency of top tier employers, according to Business for a Fair Minimum Wage, a coalition of business owners that support raising the federal minimum wage. Twenty one states and the District of Columbia have a higher minimum wage than Illinois, according to the State Law Chart Builders on Bloomberg Law's Labor & Employment Practice Center.

"Right now Illinois is really lagging," Holly Sklar, founder and chief executive of BFMW, told Bloomberg BNA Aug. 28. "If you look at MIT's living wage calculator the living wage is nearly \$12 per hour—\$11.72—just for a single adult (in Illinois), no children."

An override vote in the legislature appears doubtful because the legislation passed the House and the Senate just shy of a veto-proof majorities. The House approved S.B. 81 on May 30 by a vote of 61-53 and the

Senate followed on May 31 by a vote of 30-23. Seventy-one votes would be needed in the House and 36 votes would be needed in the Senate for an override.

Salary History Bill Vetoed Rauner also used his veto pen to reject House Bill 2462, an amendment to the Equal Pay Act. The bill would have prohibited employers from requiring applicants to disclose their salary history as a condition of interview or employment. H.B. 2462 also sought to create a private right of action against employers violating the proposed law, allowing job applicants to seek compensatory and punitive damages.

The bill was championed by women's groups and unions as a tool for correcting historic wage disparities experienced by women in the workforce. Proponents may push for an override vote because the measure passed with strong majorities in both the House and the Senate during the Spring legislative session.

In a veto message to the General Assembly, Rauner said he opposes gender-based wage disparities but prefers a legislative strategy developed in Massachusetts. Rauner said he would be willing to sign the bill if lawmakers removed portions dealing with a private right of action and replacing it with a required employer self-evaluation process.

Five-Year Ramp The minimum wage legislation would have pumped up the Illinois minimum wage annually over five years. The wage would have jumped to \$9 per hour on Jan. 1, 2018; \$10 per hour on Jan. 1, 2019; \$11.25 per hour on Jan. 1, 2020; \$13 per hour on Jan. 1, 2021; and \$15 per hour on Jan. 1, 2022.

The wage scheme would have applied to workers aged 18 or older. Separate wage standards would apply to workers under the age of 18, building to \$12 per hour on Jan. 1, 2022. The bill also would have created a state income tax credit for employers with 50 or fewer employees, calculated against the minimum wage duties.

Disposable Income "This legislation would cost significant sums of money for the very people it purports to help," Rauner wrote in a message to lawmakers Aug. 25. "Illinois needs to be seeking comprehensive solutions that grow the economy and the number of jobs available where individuals can train, grow and attain better lives for themselves and their families."

But a higher minimum wage would improve economic conditions across the state, Dan Sherry, a BFMW member and owner of Kennedy's Creative Awards Co. in Waukegan, Ill., told Bloomberg BNA Aug. 28. Higher wages tend to stabilize employment and trigger high degrees of economic output, he said.

“When you give someone on the bottom rung of the ladder an extra few dollars, its going to go right back into the economy,” Sherry said. “If you give the wealthy a few extra dollars it goes right into their trust fund. So a higher minimum wage is disposable income for these people and it will go back into the economy.”

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