Why Did So Many Cook County Municipalities Vote for Increased Poverty and Super-Exploitation?

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Warning: This is a justifiably (in my view) *angry* piece. The opt-out movement in Cook County was an outrageous and shameful moral travesty. Local public officials had the option of doing the right thing by doing nothing. Instead they decided to actively intervene against the expressed wishes of their constituents to possibly eliminate a significant improvement (by no means adequate, see below – but an improvement) in conditions for low wage workers and their families for years to come. I hope this weighs on their conscience every time they see a poor child and a poor family in Cook County. Their actions have significantly increased misery, poverty, and oppression in our County. Let this be a call to remove these people from public office and replace them with leaders with compassion and/or a better understanding of the vital importance of economic policy in making life better for our fellow human beings.

Politics

After Chicago (in 2014) raised its minimum wage to $13 an hour (by 2019), activists in Cook County led by The People's Lobby and Arise Chicago succeeded in getting Cook County to pass (in June 2016) a five day paid sick leave requirement and (in October 2016) a gradual minimum wage increase to $13 hour (by 2020), both effective July 1, 2017.

The "opt out" campaign first struck in November 2016, when Barrington, a wealthy and conservative town (see Figure 1 below) straddling the far north border of Cook County and Lake County, voted on Nov. 15, 2017 to opt out of the Cook county sick leave ordinance , and then in December to opt out of the "Chicago Style" Cook County minimum wage ordinance, on the technical grounds that part of the town is in Lake County. Then other wealthy towns in the northern suburbs (wholly within Cook County) voted to opt out, often claiming that as their neighbors had opted out they had no choice. Then the "opt out" movement spread to less wealthy communities throughout the County, often where many of the low wage workers who would have directly benefited from this live.

Why did elected officials in so many communities in Cook County, in some cases among the wealthiest communities in the state whose business and residents could most easily afford modest price increases or profit reductions, uniformly (with notable exceptions like: Evanston and Oak Park – long time progressive bastions in Cook County; and more working class towns with a strong labor presence like

Berwyn and Skokie) decide against the expressed wishes of a majority of their residents, and often directly harming the welfare of their residents, to opt out?

Hint: It's not because residents of these towns supported opting out. Figure 1 shows that in a 2014 advisory referendum (before Bernie Sanders made this a national issue) 69% of Suburban Cook County, including every single township in the county, voted, and most by very large margins, to support raising the state minimum wage from $8.25 to $10.00 an hour. Thus, in wealthy communities opt-out votes could be viewed as supporting the narrowly defined self-interest of local business owners. This is because as most of the affected workers would not be residents, keeping wages down maintains profit margins for local businesses (whether their owners are local or not) at the expense of income for workers who are mostly not local residents, showing that local politicians care more about "the votes" of a relatively small number of local businesses than the much larger number of local residents who overwhelmingly voted to raise minimum wages throughout Cook County. In poorer communities local officials voted both, directly against the wishes of their residents as citizens, *and* to take away a pay raise and sick leave benefit for residents who are minimum wage workers.

Figure 1: Support for Raising the State Minimum Wage to $10 hour
Suburban Cook County Townships: 2014 Advisory Referendum

	%Yes		%Yes
Calumet	88%	Schaumberg	66%
Rich	85%	Maine	66%
Thornton	84%	Hanover	65%
Evanston	81%	Elk Grove	64%
Oak Park	79%	Northfield	64%
Cicero	79%	Riverside	64%
Provisio	78%	River Forest	64%
Bloom	77%	Lyons	63%
Berwyn	76%	Wheeling	63%
Bremen	73%	New Trier	61%
Stickney	70%	Palos	60%
Suburban Cook	69%	Palatine	59%
Leyden	69%	Orland	59%
Niles	69%	Lemont	54%
Worth	68%	Barrington	51%
Norwood Park	67%		

Source: Post-Election Report, Cook County Clerk 11/4/2014

This vote was not because the ordinances would be economically harmful or infeasible, quite the opposite - see below. And not because voting against this would be administratively or politically "too complex" or "not viable", as in: "We want to help workers, but this should be done at the state or federal level. We're too small a jurisdiction, and as all of our neighbors are opting out we have no choice." Again, see discussion below.

Few political struggles are more indicative of the current collapse of our economy under late capitalism than the straightforward struggle over wages and benefits for our most exploited workers. All of the elements come into play. Local governments captured by business interests voting against the clearly expressed interests of their constituents. Local Chambers of Commerce drumming up opposition by select local businesses and colluding with local officials to employ stealthy political strategies to try to sneak through these votes at the last minute with minimal public opposition. And last but not least, national and local "think tanks" generously funded and/or politically tied to the Koch brothers, ALEC, the Waltons, the Bradley Foundation, the Roe Foundation, and the Coors family, turning out misleading reports on methodologically suspect research, and citing studies sponsored by a lobbying organization, posing as a research think tank that pays mercenary academics large fees, to produce "studies" that cover for these kinds of shameful votes.

Most of these towns and their business owners are better off than most neighborhoods in Chicago. Raising wages and providing paid sick days is the least they could do for the super-exploited low-wage service sector workforce that labors in these communities and generally cannot afford to live in them. Yes, not opting out would mean that some businesses would have lower margins or have to raise prices a bit (though most minimum studies, like that by Baiman and Persky comparing Illinois to Indiana, find "weak evidence of increased food prices" – fn. 3, p. 133), and some might not even be viable any longer. But the key here is that a business that cannot afford to pay its workers a living wage (for Cook County in 2017, $12.56 to $40.31 depending on family size – see Figure 4 below) and provide minimum benefits consistent with prevailing social standards (like paid sick leave, and vacations and pensions) is not paying the *full cost* of labor, and an economy that is built on low-wage super-exploitation, particularly in the low-wage service sector in the U.S. where these jobs are among the largest and highest growth occupations, *cannot* be a viable, or prosperous, or moral economy. This is the simple truth that is being obfuscated by phony studies and rationalizing excuses. There are few clearer examples of who elected officials in these communities are most concerned about. Not workers, not the residents that they supposedly are accountable to. More often than not, as is clearly demonstrated in this example, select local businesses and the Chambers of Commerce, that may be contributing to their campaigns and have a vested interest in, what are often "socialism for the rich", policies of local government hold sway over political power in these communities.

It's high time we stopped thinking of local Chambers of Commerce (certainly at the national level – the Chamber is opposed to climate change and supports the Tobacco industry and other policies that "are generally well to right how most small business owners think") as benign business associations with a mission to support local businesses and the local community. Since the famous "Powell Memo" the Chamber of Commerce has been at the center of class warfare and democratic subversion that is being bought and paid for by business oligarchs in the U.S. In this case they appear to have mostly functioned as tools of an immoral and self-interested power grab at the local level by select local businesses.

The "opt out" movement was fundamentally driven by self-interest and/or hard right ideology that had nothing to do with any of the stated rationalizations (see below), and everything to do with the brute political power of capital exercised at a local level in direct opposition to the expressed will of citizens and exploited workers who cannot survive on the slave-labor like wages, with no benefits and arbitrary and oppressive working conditions (like random and part-time scheduling and no job security), that have become standard in the U.S. low wage service economy. Beyond all the rationalizations the movement is a straightforward manifestation of naked class struggle, *of capital against labor*.

Public officials in these towns voted to extend poverty, oppression, and exploitation. They were offered a collective means to lift up the floor by doing nothing, and instead they acted to take away highly significant wage increases and desperately needed paid sick days from low wage workers in these towns (just as Republican legislatures in Missouri, Alabama, and Ohio recently took away wage increases for workers in St. Louis, Cleveland and Birmingham, in ALEC inspired Chamber of Commerce "preemption" instead of "opt out" initiatives). Moreover, as businesses and public officials in these towns know full-well, unless they vote to, or are legally forced to, "opt in", conditions for workers in these "opt-out" communities will deteriorate for years to come as the real value of the federal and state minimum wages continues to decline with little chance that either the federal or state government (under the pathologically vicious and uncaring hard-right Gov. Rauner who refused to even pass a state budget for two years unless his "conditions" that cut payments and benefits to workers and weaken unions were met) will raise the minimum wage or enact required paid sick leave law in the near future.

This is not theoretical. It's as concrete as economics can get. By 2020 low wage workers in Chicago and the suburbs that did not opt out will have a minimum wage of at least $13 an hour and at least five required paid sick days, whereas the minimum wage for workers in the slave-labor suburbs that have opted out will likely still be stuck at the state minimum of $8.25 an hour with no required paid sick days. That's a 57% difference in minimum pay! Think what that could mean for kids, for families, for food, rent, health care, and transportation (and compare to Figure 4 below). The "slave labor" moniker is not just a rhetorical flourish. Think of what it means to try to raise a family on $8.25 an hour in Cook County, or work 40 hours and usually longer at multiple jobs, and still not be able to pay for basic needs. And think what a difference not having to come to work sick, or lose 20% of your weekly check for every sick day, means for a poor working family, for your own health and for public health. (Interestingly, officials in some communities like Elk Grove - I guess in a pang of conscience and/or public health sanity that for some reason did not extend to basic income, voted to not opt out of the required sick leave even as they opted out of the pay increases.)

Economics

Poor working conditions for the ever growing low-wage service sector of the U.S. economy has been a major factor causing increased poverty, community and family immiseration, lack of opportunity, crime, incarceration, police oppression, and growing social and political anger, frustration, and instability. Simply put, we cannot have a prosperous democratic society without economic opportunity, and tolerating and subsidizing a growing slave labor-like service economy with wages that don't pay for the most minimal basic needs, and include few or no benefits and little to no job security, undermines all of our ideals of fairness, justice, and opportunity that we profess to support. An economy that generates increasing levels of human misery and oppression is a failed and immoral economy, and the only way to change this is through social and political pressure from below, that often is only possible, initially, at the local level. Waiting for the state to act, or the federal government to act, in many in cases ensures that this will *not* happen, at least in a practical time frame that will make a difference for desperate workers and their families, *now*.

Figure 2 below, shows that the U.S. economy has been dramatically failing its workers since 1973 because worker's compensation has fallen so far behind labor productivity.

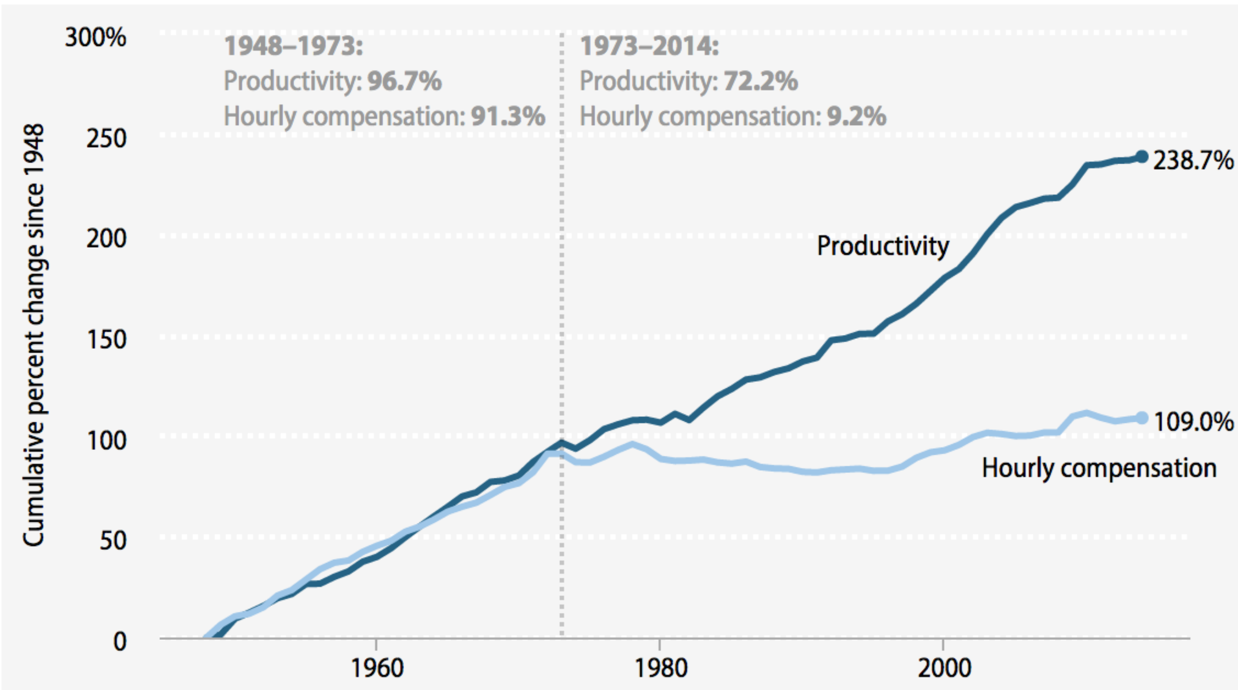
Figure 3, below shows that this has been particularly true of the lowest wage earners. If the federal minimum wage in 1968 of $9.63 had risen with productivity it would now be $18.86. Thus, the increase to $13 by 2020 is much too *low*. How is it that we could afford $18.86 in 1968, but $10 is unaffordable and infeasible in 2017? In 1968 we had a much more equal income distribution, Wall St. didn't take such a large share of earnings, and CEO's did not make hundreds of times what average workers made.

Finally, Figure 4 below shows that the current IL state minimum wage of $8.25 doesn't even come close to paying for the most basic needs of a single adult, let alone a family. But, based on a 2011 EPI study, 84.2% of workers impacted by a minimum wage increase in Illinois are at least 20 years old, only 6.6% are teenagers who work less than 20 hours a week, and nearly two-thirds have total family incomes of less than $45,000. Moreover, 28.7% of these workers are parents supporting at least one child, and a minimum wage would disproportionately support women and minority workers.

Though all of our problems cannot be solved through income redistribution, much of the most important recent work in economics indicates that without increased labor power and a large scale redistribution of income and wealth, the U.S. (and world) economy will continue to deteriorate causing further mass immiseration and oppression.

Figure 2: The Disconnect between productivity and a typical worker's compensation, 1948–2015

Source: Figure K, of "Financing recovery and fairness by going where the money is" EPI, Bivens and Blair, 11/15/2016, based on EPI analysis of data from the BEA and BLS (see technical appendix of Understanding the Historic DivergenceBetween Productivity and a Typical Worker's Pay for more detailed information).



Note: Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services minus depreciation per hour worked.

Figure 3: An Appropriate Minimum Wage to Sustain a Prosperous and Growing Economy

Source: The federal minimum wage has been eroded by decades of inaction," David Cooper, EPI, 7/25/2016.

The minimum wage would be much higher if it had kept up with a growing economy

The inflation-adjusted minimum wage, and hypothetical minimum wage values if it had grown with average wages and productivity since 1968

Note: Growth in average wages measures average wages of production workers.

Source: EPI analysis of the Fair Labor Standards Act and amendments. Total economy productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the Bureau of Labor Statistics Current Employment Statistics.

Economic Policy Institute

Figure 4: The State Minimum Wage of $8.25 an hour (= $17,160 a year full-time with no time off), and the current Cook County Minimum Wage of $10 an hour (= $20,800 a year full-time with no time off) cannot support a single adult

Source: [Amy Glassmeier , MIT, 2017.]

Living Wage Calculation for Cook County, Illinois

The living wage shown is the hourly rate that an **individual** must earn to support their family, if they are the sole provider and are working full-time (2080 hours per year). All values are per adult in a family unless otherwise noted. The state minimum wage is the same for all individuals, regardless of how many dependents they may have. The poverty rate is typically quoted as gross annual income. We have converted it to an hourly wage for the sake of comparison.

For further detail, please reference the technical documentation here.

Hourly Wages	1 Adult	1 Adult 1 Child	1 Adult 2 Children	1 Adult 3 Children	2 Adults (1 Working)	2 Adults (1 Working) 1 Child	2 Adults (1 Working) 2 Children	2 Adults (1 Working) 3 Children	2 Adults (1 Working Part Time) 1 Child*	2 Adults	2 Adults 1 Child	2 Adults 2 Children	2 Adults 3 Children
Living Wage	$12.56	$24.89	$31.73	$40.31	$19.50	$23.75	$26.21	$29.09	$13.99	$9.75	$13.99	$17.15	$20.52
Poverty Wage	$5.00	$7.00	$9.00	$11.00	$7.00	$9.00	$11.00	$13.00		$3.00	$4.00	$5.00	$6.00
Minimum Wage	$8.25	$8.25	$8.25	$8.25	$8.25	$8.25	$8.25	$8.25		$8.25	$8.25	$8.25	$8.25

*Documentation for families with an adult working part-time is available separately, here.

Typical Expenses

These figures show the individual expenses that went into the living wage estimate. Their values vary by family size, composition, and the current location.

Annual Expenses	1 Adult	1 Adult 1 Child	1 Adult 2 Children	1 Adult 3 Children	2 Adults (1 Working)	2 Adults (1 Working) 1 Child	2 Adults (1 Working) 2 Children	2 Adults (1 Working) 3 Children	2 Adults (1 Working Part Time) 1 Child*	2 Adults	2 Adults 1 Child	2 Adults 2 Children	2 Adults 3 Children
Food	$3,047	$4,613	$6,867	$9,073	$5,587	$7,069	$9,079	$11,031		$5,587	$7,069	$9,079	$11,031
Child Care	$0	$7,505	$14,338	$21,172	$0	$0	$0	$0		$0	$7,505	$14,338	$21,172
Medical	$2,126	$5,669	$5,382	$5,543	$4,762	$5,382	$5,543	$5,401		$4,762	$5,382	$5,543	$5,401
Housing	$10,320	$14,112	$14,112	$17,928	$12,012	$14,112	$14,112	$17,928		$12,012	$14,112	$14,112	$17,928
Transportation	$4,235	$8,042	$10,504	$11,460	$8,042	$10,504	$11,460	$11,498		$8,042	$10,504	$11,460	$11,498
Other	$2,560	$4,175	$5,027	$6,260	$4,175	$5,027	$6,260	$5,702		$4,175	$5,027	$6,260	$5,702
Required annual income after taxes	$22,287	$44,115	$56,230	$71,435	$34,578	$42,095	$46,454	$51,561		$34,578	$49,600	$60,792	$72,733
Annual taxes	$3,841	$7,649	$9,768	$12,415	$5,981	$7,296	$8,058	$8,939		$5,981	$8,608	$10,566	$12,642
Required annual income before taxes	$26,128	$51,764	$65,999	$83,851	$40,558	$49,391	$54,512	$60,500	$58,209	$40,558	$58,209	$71,358	$85,375

Minimum Wage Research

But what about the claim, often made by local public officials sometimes citing research that appears to back this up, that regardless of the "big picture" this is simply too heavy and unfair a lift for local businesses in a small community?

First of all Cook County is not a small community. It's the core county of the third largest metropolitan area in the largest economy in the world, and its core city, Chicago, with more than half the population of the county and the metro area, is already covered by the same minimum wage floor (one year ahead of the rest of the County) and paid sick leave requirement. Of course once the "dam broke" at its weakest link, both politically, at 51% the very wealthy Township of Barrrington had by far the lowest vote for raising the minimum wage of all the Townships in the County– see Figure 1, and administratively, due to its straddling Lake County which (though it is the richest County in Illinois has not raised its minimum wage or enacted a required sick leave policy), the "opt out" tide came rushing in. Once Barrington voted for poverty, local officials in neighboring towns, in a classic example of putting the narrow parochial self-interest of the Chamber of Commerce and allied local businesses, ahead of that of local residents, other local businesses, and of the larger Cook County community, could claim that due to "competition" from Barrington they had "no choice" but to vote for poverty as well. And once these towns voted for poverty, in snowball or lemming-like fashion, local officials in many other towns, including much poorer communities like Cicero, Maywood, Bellwood, etc., where many minimum wage, or near-minimum wage, workers live, followed suit, directly harming their own residents.

I can think of only two explanations.

One, that local officials care much more about local businesses than their constituents. This may be because many of them are local business owners (as in Oak Park) or managers themselves, or receive campaign donations and support from local businesses, or due to an ingrained "oligarchic" top-down ideology that "what's good for local business is good for the community", and the converse. One of the problems here is that as most local officials are volunteers or "quasi-volunteers" working for nominal pay, only folks who have the time, energy, interest, and economic security, to be able to spend hours on working on local budgets etc., end up serving in local government. In most cases, these are members, or people closely tied to, local businesses who, in many cases, have vested interests in the workings of local governments who generally serve them in various ways. Aside from the usual zoning variances and downtown improvements, in Illinois this can take the form of direct subsidies to businesses from virtually unregulated "tax increment financing" districts (as in Oak Park), following Chicago's lead. And more often than not, most local residents pay little attention to local government, even when a modicum of local media (a rarity these days) exists to inform local residents of what's going on. The only way that I can see to combat this, short of consolidating small local jurisdictions into much larger ones, with necessary critical masses of concerned residents and local media, is to work diligently to "activize" local communities through local unions and other civic organizations and social media.

A second possibility, that I believe is more often than not simply a rationalization of the first, is that local officials may believe, or at least profess to believe, the anti-minimum wage and general anti-regulation research, or more often policy riffs on supposed research, copiously produced by very generously funded conservative and libertarian "think tanks". This I can address more concretely.

In Illinois, and I suspect in most if not all states, a raft of well-funded conservative business and libertarian local policy think tanks, and conservative media outlets, produce and widely disseminate biased, and often highly erroneous, "research" attacking minimum wage increases and benefits like sick leave (and pensions and almost every other public policy that might help workers or average citizens) as being overly harmful to business, unaffordable or unworkable by government, and thus though, perhaps well-intended, likely to harm the very folks it seemingly would help due its "interference" in the sacrosanct laws and optimal benefits of free market capitalism.

Most prominent among these in Illinois are "The Civic Federation" (12 paid staff listed on website 7/6/2015), a pro-business think tank that I blame for the manufactured "Medicaid funding" crises that led to $1.6 B cut in the state's hitherto fairly generous Medicaid program in 2012 under a Democratic Governor and with Democratic control of the state legislature. The Civic Federation has long been complemented by the even more pro-business "Civic Committee of the Commercial Club of Chicago" (31 staffers on the website of their affiliated "Civic Consulting Alliance" accessed 7/6/2015). And last but not least, and most prominent on minimum wage and sick leave policy, the free-market, libertarian, ALEC affiliated, hard-right, Koch, Bradley, Walton, Roe, and Coors, funded "Illinois Policy Institute" (33 staff not counting Board Members and Fellows on website 7/6/2017). Along with these local policy shops and think tanks, major media outlets like the Chicago Tribune, and more recently even the Chicago Sun Times, have long been major conservative outlets, or as is the case with the Sun Times, recently been bought by conservative leaning business investors. Against these are arrayed, for state and local "think tank" work in Illinois, against the mostly-union funded Center for Tax and Budget Accountability (where I was employed as Director of Budget and Policy Analysis from 2009 to 2011 - 5 staffers on website 7/6/2017), and Voices for Children (9 staff on website 7/6/2017).

Small wonder that local progressive policy is totally outgunned in Illinois! In particular, the *only policy* (as opposed to opinion or news reporting) piece that I can find on the web addressing the Cook County Minimum Wage and Sick Leave Ordinance (and a major reason for my writing this piece – for the record I am receiving no payment for this) is an article titled: "Growing Resistance to Illinois Government Mandated Wage Increases" by Amy Korte of the Illinois Policy Institute (6/27/2017). From her linkedin I gather that Ms. Korte , an Editor at the Illinois Policy Institute, had a former job as a practicing attorney in "bankruptcy, insolvency, and restructuring" at Mayer Brown, and has a B.A. in Government and French from William and Mary and a J.D. from the University of St. Louis. In other words, she is a lawyer working as a policy analyst reporting on the work of others and not an economist herself. The credibility of her analysis thus boils down to the credibility of her sources.

Korte first cites the findings of a recent 2017 Univ. of Washington study of Seattle's Jan. 1, 2016 second step minimum wage increase to (depending on employer size and employee benefits) $13.00/hour - $10.50/hour. The study's widely publicized results purport to show that this $2.00/hour-$0.50/hour second step increase in the minimum wage caused a 9 percent decline in hours worked, and an over $100 million a year total payroll loss, for workers earning less than $19.00/hour.

However, as these results are so far outside the range of past findings, they have been met with wide spread skepticism by the minimum wage research community. Even researchers who have found significant employment reduction effects from minimum wage hikes, in the same percentage range increase relative to local wages, *have never found anything like this large an impact*. And this study itself finds statistically insignificant hours reduction from the first step 2015 Seattle minimum wage hike to $ 11-$10 (p. 28 of the study) much more in line with previous research, that (including my own, previously noted, peer reviewed study with Joe Persky of Illinois' minimum wage increase relative to Indiana) have generally found insignificant or very modest employment and hours loss from local minimum wage increases in this range. In fact, some of the most comprehensive and rigorous studies that have been conducted, by U.C. Berkeley economists, both of the Seattle increase (to her credit cited by Korte), and of minimum changes across counties, and over time, nationwide, have found no significant employment impact.

Korte cites the Vice President of the National Restaurant Association to cast doubt on the relevance of the Berkeley study to Seattle …"one of the wealthiest cities in the U.S.". Ironically, this is the basis of the widespread critique of Univ. of Washington findings for the second stage 2016 Seattle minimum wage increase. Indeed a careful review of the Seattle study by two economists at the "Economic Policy Institute" (a left leaning actual research institute staffed by professional, mostly Ph.D. economists, unlike the "Employment Policy Institute" that is run by a lobbyist for the Hotel and Restaurant industry, has no research staff and pays large fees to academic "hired guns" to produce research buttressing its critique of minimum wage laws) has found numerous methodological problems with the study including the fact that it omits the 40% of Seattle workers who are employed by multi-location firms that are probably best able to afford labor costs increases and least likely to cut hours, and it finds large gains in employment among workers making over $19/hour *that more than offsets the loss of employment among workers making below $19/hour.* The EPI economists opine that there is something drastically wrong with the methodology of the Seattle study, as if this is not the case, *the overall conclusion, rather than the "partial" conclusion focusing just on low wage workers that the authors chose to report, is that the rise in the minimum wage caused a very large increase in high wage employment that more than offset the losses in low wage employment!*

The more likely conclusion is that the results on both the low-end and high-end are swamped by the impact of Seattle's booming local economy that are *at most very partially (in a good way) related to the minimum wage ordinance* that may have expedited the movement of workers out of low-wage and into high-wage employment. As there is evidence that the boom in Seattle's economy began around the time of the larger minimum wage increase this would appear to be a plausible explanation for the study's outlier result for the second step of the minimum increase, and more typical result (of no statistically significant hours loss) for the first step of the minimum wage increase.

Korte goes to cite concern over : "the job killing effect" of a minimum wage increase expressed by the Palatine Village Manager (whose Trustees voted for poverty), increased costs at Jewel-Osco that caused a 5% lay off according to the head of government relations of the large local supermarket chain (whose unionized employees should be making far more than the minimum wage), and the "extreme thin margins" of local businesses according to the President of the Oak Park River Forest Chamber of Commerce that led the Trustees of River Forest (one of the wealthiest communities in the western suburbs whose residents could most easily afford slightly higher prices) to vote for poverty. As noted above officials in Oak Park, a neighboring less well -off but much more progressive community, after a massive community outpouring of community opposition, did not vote for poverty.

Next Korte cites the next most popular (after the Seattle study) recent anti-minimum wage increase talking point, an April 2017 Harvard Business School study titled: "Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit" that finds that the San Francisco local minimum wage increase (in steps from $12.25/hour on 5/1/2015 to $15/hour on 7/1/2018) has led to a higher chance of restaurants closing or going out of business. The main finding and point of the study is that this higher risk of closing is concentrated among lower rated restaurants with no impact on the highest rated. However, it's not clear how this is linked to the minimum wage debate. For example if better restaurants expand and absorb the employees of those that close, the San Francisco economy is simply generating higher quality services with better paid employees. Whether this is the result of the minimum wage increase or a booming economy, as in the Seattle case, may be impossible to accurately "identify" (or separate out from the overall booming local economy) statistically. Korte neglects to mention the U.C. Berkeley prospective white paper that highlights the very large increases in income for large numbers of low wage workers likely to result from the San Francisco minimum wage increase.

But this is a key point. Unless one believes that minimum wage increases reduce employment or hours by a *larger* percentage than their hourly increase, something that no credible minimum wage study - not counting the Seattle study above – has ever found, the total wage bill for minimum wage workers as a whole increases every time the minimum wage increases. The technical term linking a percentage change in quantity to a percentage change in price is called the price *elasticity* of demand. For example, if a one percent *increase* in the price of labor (the wage) causes a one percent *decline* in employment, the elasticity of the minimum wage increase is -1. If it causes a 0.5 percent decline in employment, the elasticity of this particular minimum wage increase would be -0.5. For a minimum wage increase to cause unintended harm to the aggregate of minimum wage workers it would have to lower the total wage bill for these workers. In order for this to occur the impact of the minimum wage increase would have to have an elasticity of less than -1, because only in this case would the percentage reduction in employment or hours be larger than the percentage increase in pay, so that minimum wage workers overall would receive less income.

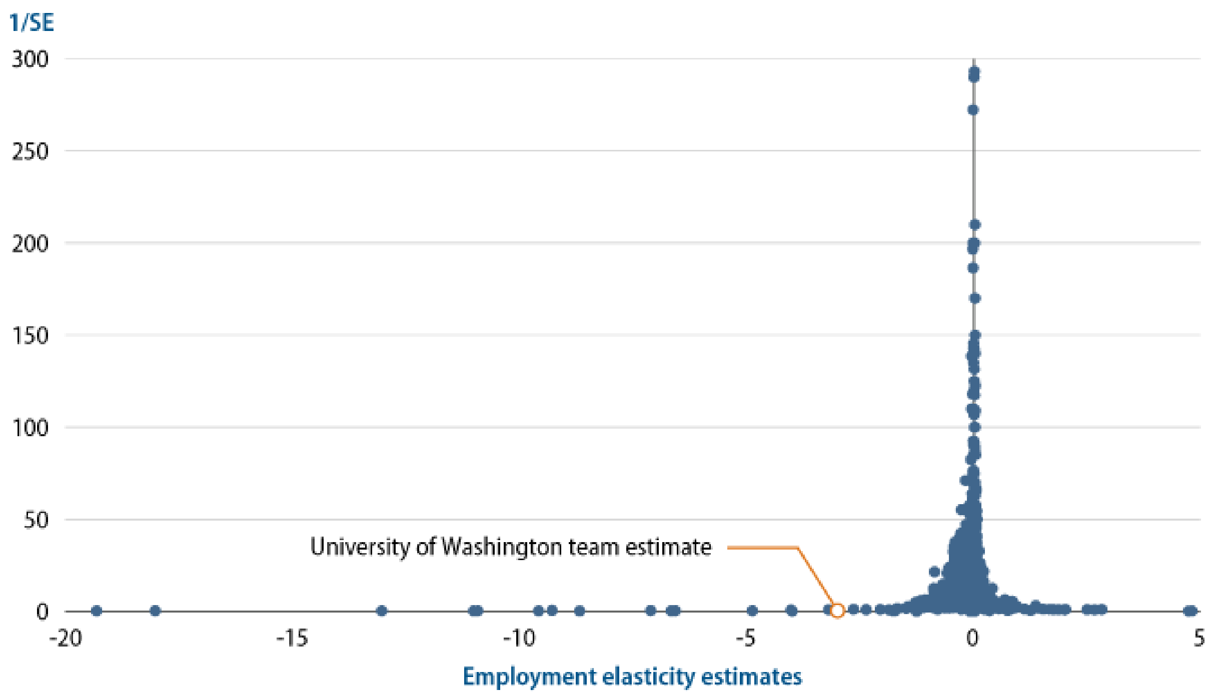
The striking thing about the vast majority of research reports on the impact of minimum wage increases *is that the impact elasticities have clustered around zero, or very close to zero* - see Figure 5 below taken from an article by Rachel West "Five Flaws in the New Analysis of Seattle's Minimum Wage". This research thus suggests that percentage reductions in employment or hours are almost always *much smaller* than percentage increases in wages due to a minimum wage increase. The vast preponderance of research thus indicates that *minimum wage increases generate large increases in the total wage bill, i.e. large improvements in welfare for minimum wage workers as a whole.* This is the key takeaway point from minimum wage research, not the arcane debates among academics as to the whether the elasticities are zero, or slightly less than zero. It also, of course, explains the wide spread skepticism over the Seattle study's estimate of a minimum wage impact elasticity of -3.0, far below the range for most minimum wage studies, for the second step increase, after a more typical estimate of 0.0 for the first step minimum wage increase. And, as is noted above, the Seattle study's methodology of comparing the post-boom 2016 Seattle economy to that of other communities in Washington state that presumably were not experiencing similar economic booms, makes this -3.0 elasticity appear even less credible.

Figure 5: Minimum Wage Research Elasticity Estimates

FIGURE 1

The University of Washington group's results are far out of line with credible research

Estimates of the effect of minimum wage changes on employment, by statistical precision



Notes: Statistical precision is measured as 1/SE, the reciprocal of the standard error. The funnel plot includes 1,492 elasticity estimates from 64 unique studies published between 1972 and 2007. Most studies' estimates are close to zero, indicating no detectable effect on employment. The employment elasticity displayed for the University of Washington team's study is the average of their reported elasticities in the three quarters of 2016, following Seattle's minimum wage increase to $13 per hour.

Sources: Personal communication from Hristos Doucouliagos and T.D. Stanley, June 27, 2017, based on Doucouliagos and Stanley, "Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis," British Journal of Industrial Relations 47 (2) (2009): 406–428, available at http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8543.2009.00723.x/abstract; Ekaterina Jardim and others, "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle." Working Paper 23532 (National Bureau of Economic Research, 2017), available at http://www.nber.org/papers/w23532.

CAP

In the words of a recent piece by David Howell:

"Determining a suitable federal minimum wage based solely on a zero job loss rule is a public policy straightjacket that would effectively rule out any significant raise of the wage floor above that which already exists. Yet from a historical perspective, strict adherence to such policymaking criteria would have also made it impossible to ban child labor (job losses!), as well as many critical environmental and occupational health and safety regulations. It would also foreclose any consideration of policies like paid family leave, which exists in every other affluent country."

Every economic benefit for workers is a cost for employers, and almost always opposed by lobbyists for employers. Is this is reason to void the basic moral argument that full-time workers should not be condemned to poverty and no sick leave?

Korte's final points appear to be targeted toward reinforcing the pervasive falsehood, endlessly repeated by rationalizers of poverty wages that most minimum wage employees are entry level, or teenage workers .

However, as noted above, demographic data for Illinois indicate the opposite:

""Contrary to popular misconception, workers who would be affected by an increase are generally not teenage part-timers—most are adults struggling in full-time jobs to support their families. An analysis of Current Population Survey data revealed characteristics of affected workers: 84.2 percent are at least 20 years old (only 6.6 percent are teenagers who work less than 20 hours per week); and about three-fifths (60.6 percent) have total family incomes of less than $45,000.2 More than a quarter (28.7 percent) of those who would be affected by an increase are parents supporting at least one child."

Even more egregiously, she next attempts to make an argument that raising the minimum wage will disproportionately harm young *black* residents. Again, as one would expect, the opposite is true based on an EPI analysis of the demographics of minimum wage and near minimum wage workers in Illinois in 2011:

"An increase also would disproportionately benefit women, who, although comprising 47.4 percent3 of the workforce, make up 55.9 percent of workers who would experience a rise in pay; *and racial and ethnic minorities*, who, although comprising about a third (33.1 percent) of the workforce, make up more than two-fifths (41.3 percent) of affected workers."(*italics mine*).

We found similar results from CPS analysis of low wage workers in Illinois leading to the increase in the state's minimum wage in 2003.

Conclusion

The vote for poverty was motivated by business self-interest and/or misguided ideology that has no basis in fact. Claims that raising wages and mandating requiring sick leave (not talked about much in Korte's article) will *hurt* low-income workers *are spurious and insulting* and have no credible basis outside of the self-referencing libertarian policy bubble of "alternative facts".

While claims that some businesses may have lower margins, or may have to modestly raise prices, and some may even have to close – the real cause of the push back by the Chambers of Commerce and pro-business elected officials, may be accurate, this is no reason to condemn the more than 1.1 million, or 1/6 of all workers who are minimum wage and near minimum wage workers (based on 2011 data) in Illinois, to poverty wages and no paid sick leave. Moreover, as we pointed out at length in our 2003 study, the highest percentages of low-wage workers are *in local place-bound service sectors that are driven more by local demand than by labor cost*. Thus raising minimum wages will generally not cause significant local employment or hours loss, and whatever loss may occur, is likely to be compensated by employment linked to the increase in demand for local goods and services they results from the increased income of minimum wage workers who spend most of their income locally. This is probably the reason that most of the studies, and the most rigorous studies, of minimum wage increases have found no, or very little, significant wage or employment loss.

For example, if you're a restaurant or retail owner in a town that has raised its minimum wage, is this going to cause you to reduce hours or scale back your service? Not if you want to keep your customers. Are you going to replace labor with automation? Yes, maybe but this is a big "lumpy" decision that depends on major long run cost changes, not incremental changes. If you're going to do this it would probably have more to do with technological change and the costs of new equipment than an incremental change in wages. Would you raise prices to offset increased labor costs? Perhaps a bit, depending on how well-off and loyal your local customers are (though as noted above studies have found very little evidence of this). If you want to be sure to maintain demand you will not raise prices, or raise them by a very small amount. The major effect of increased labor costs is thus likely to be reduced profit margins. Will this lead to the closure of existing business or serve as a disincentive for new startups? This is possible for businesses that are barely surviving to begin with. The question then is, should a business that cannot pay a living wage and benefits to its employees be in business? The answer is clearly no as such a business is not covering its true costs, the most important of which is supporting its workers at a dignified normal social standard of living. *Thus, the issue is fundamentally about how to divide the value-added produced between labor and capital, as shown in Figures 2 and 3.* This is not complicated. But as is clearly shown in Figures 2-4, we will not have a viable and prosperous economy unless and until we can redistribute more of what we produce back to the workers who actually produce it.

By actively subverting an increase in labor standards in Cook County, the most important and populous County in the state, local officials have acted to perpetuate and increase poverty and sickness for the lowest income and most vulnerable workers and families in the County. They should be ashamed of what they have done.

And Chicago area consumers, please try to shop and eat in Chicago, Berwyn, Evanston, Oak Park, and Skokie, and in other communities at establishments that follow the minimal Cook County wage and benefit standards (hopefully a registry or sticker program will be developed), and (as much as possible) do not patronize businesses in communities that have voted for poverty and super-exploitation if they do not abide by these minimal standards.