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WGLT Sound Ideas Interview with Mike Seeborg, February 18, 2019

Charlie Schlenker: The governor's first major campaign promise legislation is now sitting on his desk. With his signature, Illinois workers will be on the path to a \$15 minimum wage by the year 2025. GLT's Mary Cullen speaks with Illinois Wesleyan University Economics Professor Michael Seeborg about what the increase would mean for local economy and the jobs.

Mike Seeborg: Generally, the impact of minimum wages on low-skilled workers is a positive one. We do know from empirical studies of other states that have increased minimum wages, it is sometimes a slight decrease in employment. Those workers clearly are hurt by the – by the increase, but the net effect, I think, on the poor is a positive one.

Mary Cullen: Critics of the measure say a minimum wage increase over the next 6 years will hit small businesses too hard. Four states are on the path or already have a \$15 minimum wage. Now, is there evidence of business stress after increasing the minimum wage to \$15?

Seeborg: Yeah, small businesses do suffer some from increases in the minimum wage. Labor cost for many of them are a major part of the total cost it is producing, so an increase – especially an increase to this amount will have an effect—it will put strain on the budget.

Cullen: Businesses with fewer than 50 full-time employees will be eligible for payroll tax credits starting at 25% next year and eventually lowering to 5% by 2025, and the wage will be fully implemented. That's meaning that businesses will be able to reduce the amount of withheld wages from their employees and keep that money for themselves rather than submitting it with taxes. Now, how much of a boost is that for the small business?

Seeborg: I'm not sure, going through the calculations right now, but – but it sounds like it will relieve some of the pressure on small businesses, for sure. I think the idea is to give this – this as an opportunity to adjust to higher labor cost and this type of system would do that without putting a perpetual burden on the state budget.

Cullen: Right. And now talking about the state there, what would be the impact of those tax breaks on the state itself?

Seeborg: Well, the state is going to have to—with these tax credits and also the impact on some of the social service agencies—the state's gonna have to raise more revenue to accommodate for the minimum wage increase, that's for sure.

Cullen: This is Sound Ideas. I'm Mary Cullen talking with Illinois Wesleyan University Economics Professor Michael Seeborg about Illinois Minimum Wage Increase Bill. When the wage is fully implemented in 2025, Illinois workers will be banking nearly double what the current minimum wage, which is \$8.25. Now, full-time employees working 40 hours a week in 2025 will be

bringing home around \$31,000 per year. What would increased wages do for the local economy?

Seeborg: Well, that depends on the economy, 'cause two things happen with the minimum wages – low skilled workers who maintain their jobs, of course, they have an increase in wages and increase in income, and they spend most of their income, so that has a positive impact on the local economy. But another thing that we know about minimum wage is that they result in some reduction in employment as low wage employers have to cut back on staff a little bit, maybe substitute equipment for labor and to minimize their labor cost, and so, it's unclear about the effect of that on local economy. On the one hand, those who continue to work will realize an income – an increase in income, and will spend more. Those who that are unable to find jobs under the higher minimum will encounter a decrease in income and will spend less. So the net effect probably is near 0 to local economies, maybe a slight increase.

Cullen: Like I mentioned earlier, four states are either already have a minimum wage of \$15 or on the path towards a minimum wage of \$15. Looking at those four states, has there been any evidence into the number of jobs that were actually lost?

Seeborg: Those are the West Coast states, and what was the fourth one, is it – I know-

Cullen: - New Jersey -

Seeborg: Oh, New Jersey! Okay, of course, of course. Yeah, I haven't seen any studies on those – on the impact of those increases on jobs now. I know generally though, the west coast economies have been growing somewhat, and as economies grow, of course, it's easier to implement things like higher minimum wages and it is an economy that's not growing. In that sense it makes it a little tougher for Illinois.

Cullen: At the current wage, workers along the poverty line benefit from government and tax payer funded programs like medicare and SNAP, which was the old food stamp program. So what will the impact be on programs like those now that workers in Illinois will be taking home a bigger paycheck and likely being able to pay for those necessities?

Seeborg: Well, those who take home the bigger paycheck will be less of a burden on government programs, that's for sure, but as I mentioned earlier, another predictable effect of minimum wage is that there will be somewhat of a decrease in employment of less skilled workers.

Charlie Schlenker: That was GLT's Mary Cullen speaking with Illinois Wesleyan University economist, Michael Seeborg. Governor Pritzker has not announced when he will sign the measure but has said he intends to do so before Wednesday's state budget address.