Community Bankers Association of Illinois
Department of Governmental Relations

Community Bankers React to $15 Minimum Wage Legislation

Democrat leaders and the Governor are working to pass a minimum wage hike before the Governor's scheduled Budget Address on Feb. 20. The bill (SB 1) sponsored by Senate Majority Leader Kimberly Lightford (D, Westchester) will phase in an increase to the minimum wage to $15 (currently $8.25) by January 1, 2025. Employers with 50 or fewer employees will receive a 25 percent tax credit on the difference between pre-increase and post-increase wages in year one. The credit than drops by four percentage points every year until it reaches five percent and is then eventually phased out for most employers. Economic and geographical differences are not currently addressed in this legislation. The bill passed the Senate 39-18 and now heads to the House for consideration. (A more detailed analysis is available in this week's edition of News from the Front)

Reaction from community bankers to the proposal has been swift. The CBAI governmental relations team appreciates all the members who have reached out to us and to their local legislators to discuss the impact a $15 statewide minimum wage would have on their banks and on their customers. Here is a sample of the comments we have received and have shared with legislators (without identifying individual banks or bankers);

- *My concerns are for our local small business owners and governmental bodies that currently provide the majority of employment opportunities in our area. These small business owners are already struggling to make ends meet, and this may be the final straw that pushes them out of business. Some will manage by cutting benefits, cutting hours, reducing bonus payments…none of these are options that will provide any type of long-term economic benefit that would justify the hourly wage increase. How is the City going to afford the extra expense that comes from almost doubling the hourly wage for the majority of their employees? Do they raise rates, reduce staff, reduce services, raise taxes, or just quit providing these services altogether? While the higher hourly wage may benefit the few people who retain their jobs, I just can't see anything in this proposal that will create a stronger economy in rural Illinois.*

- *This would cost our small bank well over $100,000 if it increases to $15.00. That is a huge increase in our wage cost that is going to have an impact on costs to our customer base. That cost increase doesn't take into consideration the compression it will have on those who make over $15.00/hour and our cost to increase their wages too. What a nightmare for employers!*

- *I think it will be devastating for our local industrial customers. They have already stated that they will be forced to move to more automation and eliminate jobs. This in turn will affect housing, retail and the other services provided to the people who won't have jobs and will leave. I see moving to more automation in the banking industry as well. Self-service kiosks, a workforce made up of fewer people, more part time employees to cut the cost of benefits, etc. But how many customers will leave because they are unemployed?*

- *It will make us and other businesses eliminate other perks such as paid sick days, vacation days and holidays that are not mandatory. Another big concern would be decreasing pension benefits and group insurance that may only be requiring employers to pay a small amount, if any.*

- *I believe raising the minimum wage too quickly to $15 per hour will cause a negative impact for all employees (all industries) in the long run. The government may control minimum wage, but the employer will have to adjust the added expense either by cutting benefits or cutting employees. Another concern would be overall consumer price increases to offset wages – service charges, fees, etc.*

- *That is a 180% increase to the existing rate and would pretty much crush small business (including community banks) here in Illinois. We only have 4 of our 30 hourly employees over that level right now. Rough math reflects an incremental increase to gross wages of about $300,000 or 10% of our budgeted net income. This does not even include the impact on employer payroll taxes, 401(k) match, and workman's compensation premiums (driven by payroll)!*

- *I think government-controlled wages is bad policy. Different businesses have different needs and geographic location is certainly a big factor. The lower and longer phase in the better.*

In addition to the perspectives of community bankers, CBAI has also been discussing a series of talking points with lawmakers;

Illinois is economically diverse. No other location in Illinois has the same economic dynamics as the City of Chicago. Not even the suburbs. No other location has 55 million tourists each year, millions commuting into its city center every day spending millions daily on food and beverages, no other location has the concentration of business headquarters with their higher salaries and tens of thousands more spending on hotels and more food and beverages, and the concentration of wealth. Even the economist who did the study on Seattle noted that you cannot take the experience of Seattle and extrapolate it statewide because of the types of dynamics described above.

Suburban and downstate employers are being neglected. If a $15 minimum wage is passed statewide as currently proposed, City of Chicago employers will have had 10 years to go from $8.25 to $15. Suburban and downstate employers are only being given 6 years.

The tax credit is a mere talking point. Consider who is not eligible for the tax credit:

1. Any employer with more than 50 employees total. Many employers including call and IT centers, a restaurant, grocery store, movie theater or other entertainment option, dry cleaner, etc. can easily have more than 50 at a single location. They would not be eligible for the tax credit.
2. Any employer who is a franchisee is not eligible. This demonstrates a fundamental lack of understanding between a franchisee and a franchisor.
3. Any employer who pays more than the minimum wage at the time is not eligible. For example, if an employee is currently paid $9.50 per hour, and the wage increases January 1, 2020 from $8.25 to $9.25, that employer is not eligible.
4. The effort to really help small employers by extending the credit an extra two years helps almost no one. IDOR is claiming 48% of all employers have fewer than five employees. In fact, that includes employers who work for themselves and are the only employee. They account for nearly 80% of all employers with fewer than five employees. IDES reports that in the City of Chicago, 6.6% of all employers fit this category. When reduced by 80%, only 1.4% of all small employers would be eligible for the credit.

With Illinois losing population at a rapid rate, where are employers supposed to find additional revenue? Lost population means lost consumers, which equals lost spending. Two-thirds of Illinois's population lives within a 40-minute drive of a border. With higher gas, liquor and tobacco prices, Illinois has created a shopping-cart full of reasons to shop elsewhere. Second, everyone competes with remote sellers who are not located in Illinois. That gives Illinois consumers readily available lower priced options. Third, there is only so much a consumer is willing to pay for a pair of shoes or a meal.

Where is the compromise? Much has been made since last November of a new atmosphere in Springfield and forging genuine compromise. Yet on the first tough issue, genuine compromise has been neglected and Springfield is on the verge of returning to the divisiveness of the last four years. "Compromise" – the settlement of dispute by mutual concessions – is available for those who earnestly desire it.

The CBAI governmental relations team encourages all community bankers to reach out to your local legislators, especially members of the Illinois House of Representatives who could be called upon to vote on this legislation as early as this week. Also, please continue to share your perspectives and guidance with us. It very helpful and greatly appreciated.

For more information, or if you have any questions or comments, please contact Jerry Peck or Megan Peck at 800/736-2224.