

Chicago's Restaurants Already Impacted by Tip Credit Elimination

Over 350 Restaurant Jobs Lost in Last Two Months

In the fall of 2023, Chicago's City Council passed a full tip credit elimination bill that will go into effect on July 1, 2024. The law will raise the city's minimum wage for tipped restaurant employees from \$9.48 per hour to \$11.02 per hour on that date, and continue to increase annually until restaurant employers will be required to pay the full minimum wage (currently \$15.80 per hour) – a 66% increase in a few years.

Even before this policy went into effect, restaurants started bracing for effect. A survey of Chicago restaurants found tip credit elimination would force them to raise menu prices potentially sacrificing customer foot traffic, introduce service fees, or lay off staff.¹ Already, Chicagoans are reporting restaurants have begun adding automatic service charges ahead of the new increases beginning July 1.²

The latest federal employment data released June 25, 2024 finds:

- Chicago full-service restaurant employment has **lost 358 jobs in the last two months**. This is while Chicago's **total employment has been rising** – total employment increased by nearly 8,500 (+0.22% over the same period since March);
- **Since City Council passed a full tip credit elimination ordinance last fall, Chicago has experienced a net loss** of hundreds of full-service restaurant jobs representing a -0.23% decline, while during the same period last year, Chicago restaurants saw an increase in employment of nearly 4%; and
- **Chicago's full-service restaurant employment growth rates have stagnated:** while averaging monthly employment increases in the 12 months prior to October 2023, average monthly employment growth starting October 2023 to the present is negative.

¹ Corder, Lloyd. "Impact of Eliminating the Tip Credit for Chicago Restaurants," August 2023, https://cdn.ymaws.com/www.illinoisrestaurants.org/resource/resmgr/2023/tip_credit/Impact_of_Eliminating_Tip_Cr.pdf

² Selvam, Ashok. "Peeved Chicago Diners Create Spreadsheet Tracking Restaurant Service Fees," August 2023, <https://chicago.eater.com/2023/8/9/23826538/chicago-reddit-restaurant-service-fee-spreadsheet-google-doc-minimum-wage-panedemic>

The most recent data shows:

- **Chicago full-service restaurants have lost jobs two months in a row** ahead of the July 1 wage hike: **losing 358** full-service restaurant jobs (**-0.29%** of restaurant employment) since March 2024 (Figure 1).³
 - **This time last year**, Chicago's full-service restaurant industry was adding jobs: From March to May 2023, Chicago **added 85 FSR jobs (+0.07%** of restaurant employment), and from March to May 2022, Chicago **added 2,804 FSR jobs (+2.47%** of restaurant employment).
- **By comparison, Chicago's total nonfarm employment has been steadily increasing** – adding 8,500 total jobs over the same period (March to May 2024), representing a 0.22% total employment increase. (Figure 2)⁴
- **Since City Council passed the tip credit elimination ordinance in October 2023, Chicago's full-service restaurant jobs are down.** Since October 2023, Chicago has experienced a net loss of 282 FSR jobs (a -0.23% decline in FSR employment). (Figure 3)
 - **During this period last year**, Chicago's full-service restaurant industry gained 4,567 jobs (a +3.83% increase in FSR employment from October 2022 to May 2023).
- **Chicago's full-service restaurant employment growth rates have stagnated:** while averaging 0.4% monthly increases in employment in the 12 months prior to October 2023, average monthly employment growth starting October 2023 to the present is negative (-0.1%).

³ U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, All Employees: Leisure and Hospitality: Full-Service Restaurants in Chicago-Naperville-Arlington Heights, IL (MD) [SMU17169747072251101SA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SMU17169747072251101SA>, June 26, 2024.

⁴ U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, All Employees: Total Nonfarm in Chicago-Naperville-Arlington Heights, IL (MD) [SMS17169740000000001], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SMS17169740000000001>, June 26, 2024.

Figure 1: Chicago Full-Service Restaurant Employment

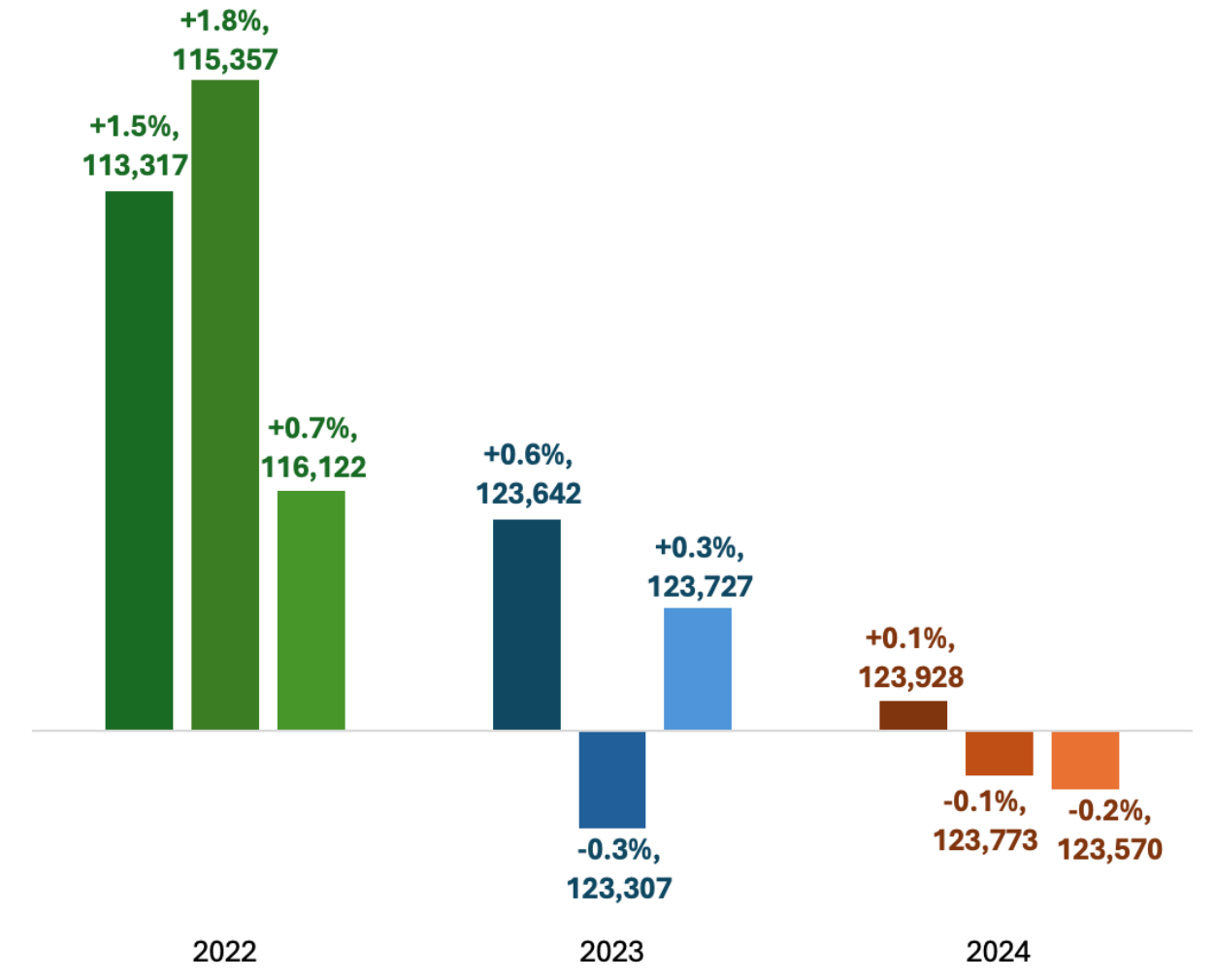


Figure 2: Chicago Total Employment

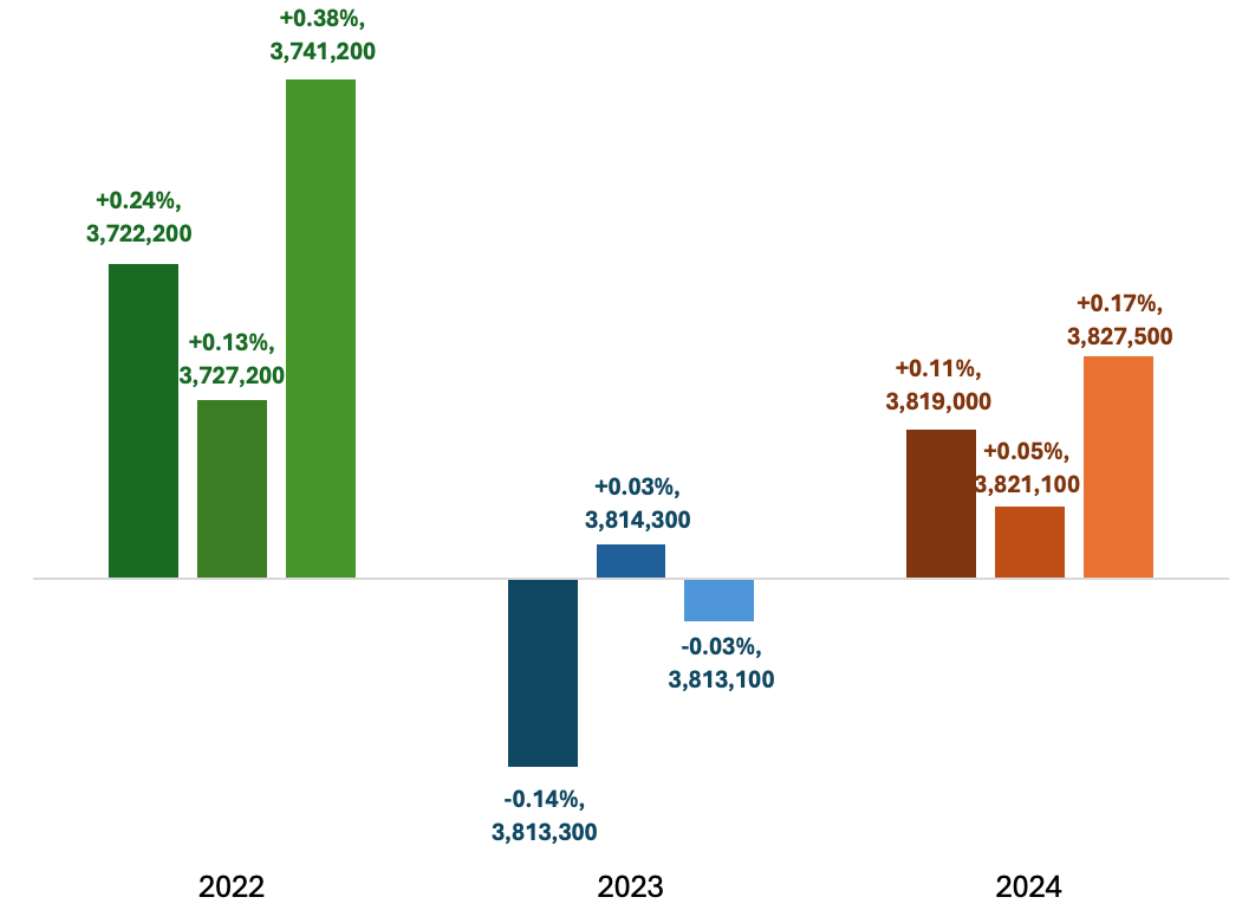
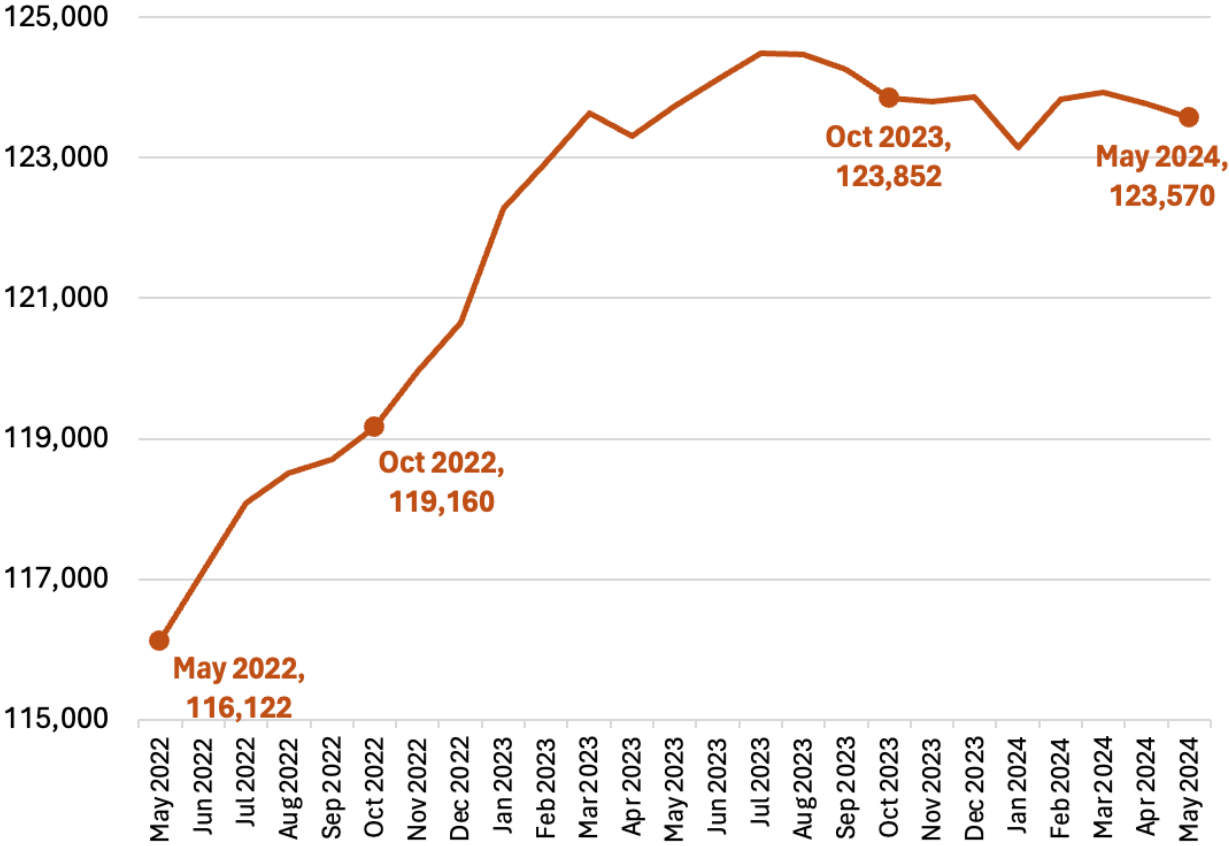


Figure 3: Chicago Full-Service Restaurant Employment



Month	Total Chicago Employment	Chicago Full-Service Restaurant Employment
Jan 2022	3,707,800	111,209
Feb 2022	3,713,400	111,653
Mar 2022	3,722,200	113,317
Apr 2022	3,727,200	115,357
May 2022	3,741,200	116,122
Jun 2022	3,737,800	117,120
Jul 2022	3,774,500	118,090
Aug 2022	3,778,800	118,517
Sep 2022	3,783,900	118,714
Oct 2022	3,789,100	119,160
Nov 2022	3,790,400	119,945
Dec 2022	3,786,900	120,662
Jan 2023	3,824,200	122,270
Feb 2023	3,818,700	122,925
Mar 2023	3,813,300	123,642
Apr 2023	3,814,300	123,307
May 2023	3,813,100	123,727
Jun 2023	3,825,000	124,102
Jul 2023	3,819,800	124,491
Aug 2023	3,817,700	124,463
Sep 2023	3,823,100	124,253
Oct 2023	3,803,900	123,852
Nov 2023	3,811,300	123,803
Dec 2023	3,813,100	123,870
Jan 2024	3,806,900	123,145
Feb 2024	3,814,700	123,828
Mar 2024	3,819,000	123,928
Apr 2024	3,821,100	123,773
May 2024	3,827,500	123,570

Data Notes

There are several ways to measure the impact of this policy on employment. The U.S. Bureau of Labor Statistics (BLS) releases job data every month. These releases all provide important insight on how policy affects job growth in Chicago.

Monthly data comes from the Current Employment Statistics (CES) survey, which is based on a sample of American employers.⁵ This data is released in two forms: the first release includes preliminary numbers, and the second release is adjusted for regular seasonal variations, like summer and holiday hiring movements, that don't pertain to business cycle or policy changes (called "seasonally adjusted").⁶ Seasonally adjusted data provides a more accurate picture of abnormal changes in employment that aren't just a product of seasonal trends, compared to releases that are not seasonally adjusted.

The area used to measure Chicago trends is the Chicago-Naperville-Arlington Heights metro division as it contains seasonal adjustments. This provides a snapshot of trends in the Chicago area, but may include trends in surrounding suburbs.

Every monthly release, these numbers typically get revised by the Bureau of Labor Statistics to better reflect the true employment situation. Thus, reports from previous months may be higher or lower than the revised actual totals.⁷

⁵ Bureau of Labor Statistics Current Employment Statistics-State and Area (CES-SA) program.
<https://www.bls.gov/opub/hom/sae/>

⁶ Bureau of Labor Statistics State and Metro Employment, Hours, & Earnings: Seasonal Adjustment,
<https://www.bls.gov/sae/seasonal-adjustment/>

⁷ Bureau of Labor Statistics Current Employment Statistics-State and Area Revisions by State,
<https://www.bls.gov/sae/tables/revisions/home.htm>