

Employment Policies

I N S T I T U T E

March 25, 2026

Illinois House of Representatives
Labor & Commerce Committee
Room 114 Capitol Building
Springfield, IL

Dear Members of the Committee:

My name is Rebekah Paxton, I am the Director of Research at the Employment Policies Institute (EPI), a nonprofit studying minimum wage and tip credit issues across the country for over three decades.

This proposal to increase the minimum wage to \$27 and eliminate Illinois' tip credit in House Bill 5367 is an unprecedented, extreme mandate that would backfire on Illinois employees and local businesses.

Illinois' minimum wage increases enacted in 2019 have already decimated the state's restaurant industry. Since then, the state minimum wage has doubled to reach \$15, and the tipped minimum wage has doubled as well.

- Since the first wage hike took effect in January 2020, the state has lost roughly 20,600 restaurant industry jobs, which represents a 5.5% decline through January 2025.¹
- Over 14,400 of those job losses came from the full-service industry, which includes tipped servers and bartenders.
- These losses were roughly 9 times larger than the national restaurant industry losses over the same period.

Economic research suggests that a proposal to nearly double the state minimum wage and fully eliminate the tip credit would continue these negative consequences for Illinois' workers and local businesses.

- The large majority of economists (nearly 80%) find minimum wage hikes cause job losses, based on a compilation of three decades of wage studies by economists David Neumark and Peter Shirley.²
- An EPI analysis of minimum wage impacts on affordability found that every \$1 increase in the minimum wage can cause up to 5.5% increase in inflation, and even higher for basic necessities such as rent or childcare.³
- A Harvard Business School/Mathematica Research study on San Francisco wage hikes found that a \$1 increase in the minimum wage raises the likelihood of business closure by up to 14%.⁴

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These consequences aren't just hypothetical, places that have already tried some of the highest minimum wage mandates in the country are feeling the negative impacts. California's \$20 minimum wage mandate for fast food workers – beginning April 2024 – triggered nearly 20,000 job losses⁵, 7 week schedule reductions for the median affected employee⁶, and more than 14% increases in fast food prices⁷. Los Angeles' \$30 minimum wage mandate for hotel and airport workers – which just went into place in September 2025 – has already caused hotels to downsize, with 6% of jobs already eliminated or at risk of being eliminated.⁸ HB 5367 would not be immune to these consequences.

Eliminating the tip credit would make matters even worse for full-service restaurant and bar employees. Economic research shows:

- Every \$1 increase in the tipped wage causes a 6.1% decrease in restaurant employment.⁹
- A Cornell University study finds that as state tipped wages rise, tip percentages left by customers decline.¹⁰ States that do not allow tip credits have some of the lowest tipping percentages in the country.¹¹
- As a result, tipped workers' overall earnings fall. Economists estimate that every \$1 increase in the tipped wage causes a 5.6% decline in total earnings for tipped employees.¹²

Chicago City Council just voted 30-18 to reverse the city's tip credit elimination law less than two years after it took effect. City lawmakers cited concerns from restaurants that the law would force them to raise prices or eliminate staff.¹³ Since the law went into place in July 2024, restaurant license applications and renewal rates stagnated¹⁴, new business applications have declined¹⁵, and hundreds of restaurants have closed their doors.¹⁶

This proposal is unprecedented across the country and would push thousands of Illinois workers out of a job, shutter local businesses, and drive up prices for residents. I urge the committee to consider the consequences of similar policies across the country, including right here in Chicago, before applying them statewide.

Sincerely,

Rebekah Paxton
Director of Research, Employment Policies Institute

Citations

¹ Employment Policies Institute analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages data:

https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2020&to=2025&qtr=1&own=5&in_d=722511&area=17000&supp=1 ;

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² National Bureau of Economic Research: <https://www.nber.org/papers/w28388>

³ Employment Policies Institute: https://epionline.org/wp-content/uploads/2026/02/260202_EPI_Minimum-Wage-Hikes-Will-Worsen-Affordability-Crisis.pdf

⁴ Harvard Business School: https://www.hbs.edu/ris/Publication%20Files/17-088_9f5c63e3-fcb7-4144-b9cf-74bf594cc308.pdf

⁵ Employment Policies Institute analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages: <https://minimumwage.com/2025/09/california-nears-20k-job-losses-after-20-fast-food-wage/>

⁶ Employment Policies Institute analysis of Census Bureau data: <https://minimumwage.com/2025/05/new-data-ca-restaurant-workers-lost-nearly-2-months-of-work-annually-after-ab-1228/>

⁷ Employment Policies Institute: https://epionline.org/app/uploads/2025/03/04012025_AB1228Anniversary_1.pdf

⁸ Hotel Association of Los Angeles: <https://www.hotelassociationla.com/>

⁹ David Neumark and Maysen Yen: https://epionline.org/wp-content/uploads/2025/03/220502_EPI_Study_NeumarkTippedWorkers.pdf

¹⁰ Lynn, M. (2020, March). The Effects of Minimum Wages on Tipping: A State-Level Analysis. *Compensation & Benefits Review*, 52(3): <https://journals.sagepub.com/doi/abs/10.1177/0886368720908959>

¹¹ Toast. (2023, March 2). *Valentine's Date Night at a Restaurant Costs \$121 on Average, up More Than 75% in 5 Years*. Retrieved from Toast News: <https://pos.toasttab.com/news/q4-2022-restaurant-trends-report-valentines-super-bowl-tipping-data>

¹² David Neumark and Maysen Yen: https://epionline.org/wp-content/uploads/2025/03/220502_EPI_Study_NeumarkTippedWorkers.pdf

¹³ Illinois Restaurant Association: <https://www.prnewswire.com/news-releases/mayor-brandon-johnson-threatens-to-veto-ordinance-that-would-protect-thousands-of-jobs-and-restaurants-across-chicago-302718187.html>

¹⁴ Employment Policies Institute analysis of City of Chicago business license data: <https://minimumwage.com/2025/06/early-data-shows-chicago-tip-credit-elimination-is-not-a-success/>

¹⁵ Employment Policies Institute analysis of City of Chicago business license data: <https://minimumwage.com/2026/03/chicago-halts-its-tip-credit-elimination-experiment/>

¹⁶ Illinois Restaurant Association: <https://chicago.suntimes.com/city-hall/2026/03/11/samantha-nugent-freeze-phaseout-chicago-subminimum-wage-tipped-workers>