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**How Will the Minimum Wage Increase Affect Chicago's Restaurants?**

As if rising health care and food costs weren’t troubling enough, now Chicago restaurants can add higher payroll expenses to the list. On December 2, 2014, the Chicago City Council voted to raise the City’s minimum wage to $13 per hour by 2019, which is up from the current rate of $8.25 per hour. The incremental increases are as follows:

- 7/1/2015  $10.00
- 7/1/2016  $10.50
- 7/1/2017  $11.00
- 7/1/2018  $12.00
- 7/1/2019  $13.00

In addition, tipped employees, such as waitstaff and bartenders, will also see an increase in their minimum wage rate which is set to increase to $5.95 per hour over two years, up from $4.95 per hour.

These increases will have a significant impact on the Chicagoland area’s restaurant industry, which will have to find a way to accommodate both of these rate increases. The following are some of the potential effects on restaurants resulting from these changes:

**Higher Menu Prices**
In an effort to absorb higher labor expenses, one of the solutions is to pass the cost on to the customer by raising menu prices. This can be a difficult task as all-time high food costs have already taken their toll on menu pricing. Restaurants are already a part of one of the more competitive industries where their customers notice these increases and have an endless array of other dining options from which to choose.

**Staffing Issues**
Restaurant owners may look to subsidize the increased labor costs by decreasing staff and increasing the responsibilities of their current employees. Increased responsibilities and higher expectations could take a toll on staff morale. In addition, it will be as difficult to hire younger and inexperienced individuals who may not possess the experience or be ready to handle more responsibilities. These hurdles may prove to be too much risk for employers who will be paying the higher rates.

The citywide increases could also have an impact on restaurants in the surrounding areas as well. While employees may enjoy their current job outside of Chicago, a higher minimum wage inside the City may lure them away by presenting a better financial opportunity.
**Business Development**

Startups and other restaurants that are looking to open or expand their operations may start looking to set up shop outside Chicago where the minimum wage rates will remain lower. This may seem extreme, but in restaurants, typical labor costs represent approximately 30% of total sales, which is a significant percentage of total operating expenses. Illinois has considered raising the minimum wage state-wide, but legislation is still in the discussion phase.

The minimum wage increases will be happening regardless of personal opinion. It is important for restaurateurs to plan for these changes and accommodate the increases to mitigate any adverse effects on their restaurant’s bottom line.