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OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL MAYOR

July 30, 2014

TO THE HONORABLE, THE CITY COUNCIL OF THE
CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Business Affairs and Consumer Protection, I transmit herewith, together with Alderrrien Burns, Harris, Beale, Balcer, Cardenas, Burke, Thompson, Lane, Cochran, Brookins, Chandler, Solis, Maldonado, Burnett, Graham, Reboyras, Austin, Colon, Sposato, Mitts, Cullerton, Pat O'Connor, Pawar, and Moore, an ordinance adding a new Chapter 1 -24 and associated Code amendments regarding wages.

Your favorable consideration of this ordinance will be appreciated.

ORDINANCE

WHEREAS, The City of Chicago is a home-rule unit of government under Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and, as such, may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, Promoting the welfare of those who work within the City's borders is an endeavor that plainly meets this criterion; and

WHEREAS, After years of inaction by the United States Congress, it is time for cities and states to lift families out of poverty and stimulate the economy by raising the minimum wage; and

WHEREAS, A coalition of advocates and elected Illinois officials are leading an effort in Springfield to raise the state minimum wage, but, due to Chicago's higher cost of living, the proposed state increase is not enough; and

WHEREAS, Enacting a minimum wage for workers in Chicago that exceeds the state minimum wage is entirely consistent with the Illinois General Assembly's finding that it "is against public policy for an employer to pay to his employees an amount less than that fixed by" the Illinois Minimum Wage Law, 820 ILCS 105/2; and

WHEREAS, On May 20, 2014, Mayor Rahm Emanuel appointed a diverse group of community, labor, and business leaders, representing a cross-section of the numerous perspectives on this issue, and tasked them with developing a balanced proposal to raise the minimum wage for Chicago's workers; and

WHEREAS, The Minimum Wage Working Group held a series of meetings to hear evidence from and discuss the issue with a wide array of experts and stakeholders, convened five community meetings attended by hundreds of City residents, and received more than 200 public comments via the City's website; and

WHEREAS, On July 8, 2014, the Minimum Wage Working Group released its report, finding, among other things, that rising inflation has outpaced the growth in the minimum wage, leaving the true value of Illinois's current minimum wage of \$8.25 per hour 32% below the 1968 level of \$10.71 per hour (in 2013 dollars); and

WHEREAS, As the value of wages decline, the Great Recession has brought more families to the brink of economic collapse - according to the U.S. Census, 22.1% of Chicagoans live below the poverty level, compared to 13.7% of the Illinois population and 14.9% of the national population; and

WHEREAS, In Chicago, rent as a percentage of income has risen to 31%, from a historical average of 21%, and, according to U.S. Commerce Department data, Chicagoland is the only metropolitan region in Illinois that ranks above the national average in cost-of-living expenses; and

WHEREAS, Nearly 31% of the Chicago workforce makes \$13.00 per hour or less - the median age of these workers is 33, two-thirds are over the age of 25, and a disproportionate share are women and/or minorities; and

WHEREAS, The increasing unaffordability of life in Chicago for so many of its residents illustrates the profound degree of wage inequality that President Barack Obama has described as "the defining issue of our time;" and

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WHEREAS, The weight of research on previous minimum wage increases shows that raising the minimum wage has little or no adverse impact on employment and prices - to the contrary, according to the Economic Policy Institute, raising the minimum wage will help the economy at large, because workers' increased spending power will increase our nation's gross domestic product by about \$33 billion and create approximately 140,000 jobs; and

WHEREAS, The Minimum Wage Working Group found that a 45% increase in the local minimum wage to \$13.00 per hour, phased in over four years, will increase earnings for 31% of Chicago workers and boost the local economy by \$800 million; and

WHEREAS, The Minimum Wage Working Group further found that phasing in the wage increase over time will allow businesses to adjust, and result in reasonable annual increases in expenses, ranging from approximately 1% to 2% each year; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. The foregoing recitals, as well as the report of Mayor Rahm Emanuel's Minimum Wage Working Group - "A Fair Deal for Chicago's Working Families: A Proposal To Increase the Minimum Wage" - are hereby incorporated as the findings of the City Council.

SECTION 2. Section 2-25-050 of the Municipal Code of Chicago is hereby amended by deleting the language stricken and inserting the language underscored, as follows:

2-25-050 Powers and duties of the department.

(Omitted text is not affected by this ordinance)

(b) Powers and duties of the commissioner and the department. The powers and duties of the commissioner and department shall be as follows:

(Omitted text is not affected by this ordinance)

(19) To supervise the investigation, execution and enforcement of the Chicago Minimum Wage Ordinance. Chapter 1-24 of this Code, the Toy Safety Ordinance, Chapter 7-36 of this Code, -aftd the Condominium Ordinance, Chapter 13-72 of this Code, and any other ordinance administered or enforced by the department, including all rules or regulations pertaining thereto or promulgated thereunder;

(Omitted text is not affected by this ordinance)

SECTION 3. Section 2-92-320 of the Municipal Code of Chicago is hereby amended by deleting the language stricken and inserting the language underscored, as follows:

2-92-320 Ineligibility for city transactions - Other offenses.

(a) No person or business entity shall participate in a transaction as defined herein, and may have its current transactions permanently or temporarily suspended or canceled, if that person or business entity:

(Omitted text is not affected by this ordinance)

5) has violated any regulation promulgated by the chief procurement officer that includes ineligibility as a consequence of its violations or

6) has committed, within a 24-month period, three or more violations of Chapter 1-24 of this Code.

(Omitted text is not affected by this ordinance)

SECTION 4. Section 2-92-610 of the Municipal Code of Chicago is hereby amended by inserting the language underscored, as follows:

2-92-610 Contracts requiring a base wage.

(Omitted text is not affected by this ordinance)

B. Every contract of every eligible contractor shall contain a provision or provisions stipulating the wages required to be paid to the employees listed under paragraph A.1., and each such j contract shall further contain provisions obligating the contractor or subcontractor of such contractor to l pay its employees on work thereunder not less than the base wage, or the minimum hourly wage j required under chapter 1-24 of this Code, whichever is greater.

(Omitted text is not affected by this ordinance)

SECTION 5. Title 1 of the Municipal Code of Chicago is hereby amended by adding a new chapter 1-24, as follows:

CHAPTER 1-24 THE CHICAGO MINIMUM WAGE

ORDINANCE

1-24-010 Definitions.

For purposes of this chapter, the following definitions apply:

"Commissioner" means the commissioner of business affairs and consumer protection.

"Covered Employee" means any Employee who is not subject to any of the exclusions set out in Section 1-24-050 below, and who, in any particular two-week period, performs at least two hours of work for an Employer while physically present within the geographic boundaries of the City. For purposes of this definition, time a person spends traveling in the City that is uncompensated commuting time, or that is compensated time, but unrelated to deliveries, sales calls, or other business activity taking place within the City, shall not constitute work while physically present within the geographic boundaries of the City.

"Employee," "Occupation," and "Gratuities" have the meanings ascribed to those terms in the Minimum Wage Law.

"Employer" means any individual, partnership, association, corporation, limited liability company, business trust, or any person or group of persons that gainfully employs at least one Covered Employee. To qualify as an Employer, such individual, group, or entity must: (1) be subject to one or

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more of the license requirements in Title 4 of this Code; and/or (2) maintain a business facility within the geographic boundaries of the City.

"Fair Labor Standards Act" means the United States Fair Labor Standards Act of 1938, 29 U.S.C. § 201 et seq., in force on the effective date of this chapter and as thereafter amended.

"Minimum Wage Law" means the Illinois Minimum Wage Law, 820 ILCS 105/1 et seq., in force on the effective date of this chapter and as thereafter amended.

"Sister Agency" means the Chicago Public Schools, the Chicago Park District, the Chicago Transit Authority, the City Colleges of Chicago, the Chicago Housing Authority, and the Public Building Commission.

"Subsidized Temporary Youth Employment Program" means any publicly subsidized summer or other temporary youth employment program through which persons aged 24 or younger are employed by, or engaged in employment coordinated by, a nonprofit organization or governmental entity.

"Subsidized Transitional Employment Program" means any publicly subsidized temporary employment program through which persons with unsuccessful employment histories and/or members of statistically hard-to-employ populations (such as formerly homeless persons, the long-term unemployed, and formerly incarcerated persons) are provided temporary paid employment and case-managed services under a program administered by a nonprofit organization or governmental entity, with the goal of transitioning program participants into unsubsidized employment.

"Tipped Employee" has the meaning ascribed that term in the Fair Labor Standards Act.

"Wage" means compensation due an Employee by reason of his employment.

1-24-020 Minimum Hourly Wage.

Except as provided in Sections 2-92-610 and 1-24-030 of this Code, every Employer shall pay no less than the following Wages to each Covered Employee for each hour of work performed for that Employer while physically present within the geographic boundaries of the City:

a) Beginning on June 1, 2015, the greater of: (1) the minimum hourly Wage set by the Minimum Wage Law; (2) the minimum hourly Wage set by Fair Labor Standards Act; or (3) \$9.50 per hour.

b) Beginning on June 1, 2016, the greater of: (1) the minimum hourly Wage set by the Minimum Wage Law; (2) the minimum hourly Wage set by the Fair Labor Standards Act; or (3) \$10.75 per hour.

c) Beginning on June 1, 2017, the greater of: (1) the minimum hourly Wage set by the Minimum Wage Law; (2) the minimum hourly Wage set by the Fair Labor Standards Act; or (3) \$12.00 per hour.

d) Beginning on June 1, 2018, the greater of: (1) the minimum hourly Wage set by the Minimum Wage Law; (2) the minimum hourly Wage set by the Fair Labor Standards Act; or (3) \$13.00 per hour.

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(e) Beginning on June 1, 2019, and on every June 1 thereafter, the greater of: (1) the minimum hourly Wage set by the Minimum Wage Law; (2) the minimum hourly Wage set by the Fair Labor Standards Act; or (3) the City's minimum hourly Wage from the previous year, increased in proportion to the increase, if any, in the Consumer Price Index for All Urban Consumers most recently published by the Bureau of Labor Statistics of the United States Department of Labor. Any increase in the City's minimum hourly Wage pursuant to this subsection 1-24-020(e) shall be rounded up to the nearest multiple of \$0.05. Such increase shall remain in effect until any subsequent adjustment is made. On or before May 1, 2019, and on or before every May 1 thereafter, the commissioner shall make available to Employers a bulletin announcing the adjusted minimum hourly Wage for the upcoming year.

1-24-030 Minimum Hourly Wage In Occupations Receiving Gratuities.

a) Every Employer of a Covered Employee engaged in an Occupation in which Gratuities have customarily and usually constituted part of the remuneration shall pay no less than the following Wages to each Covered Employee for each hour of work performed for that Employer while physically present within the geographic boundaries of the City:

1) Beginning on June 1, 2015, the greater of: (A) the minimum hourly Wage set by the Fair Labor Standards Act for Tipped Employees: or (B) the minimum hourly Wage set by the Minimum Wage Law for workers who receive Gratuities, plus an additional \$0.50 per hour.

2) Beginning on June 1, 2016, the greater of: (A) the minimum hourly Wage set by the Fair Labor Standards Act for Tipped Employees: or (B) the minimum hourly Wage set by the Minimum Wage Law for workers who receive Gratuities, plus an additional \$1.00 per hour.

3) Beginning on June 1, 2017, and on every June 1 thereafter, the greater of (A) the minimum hourly Wage set by the Fair Labor Standards Act for tipped workers: or (B) the City's minimum hourly Wage from the previous year for workers who receive Gratuities, increased in proportion to the increase, if any, in the Consumer Price Index for All Urban Consumers most recently published by the Bureau of Labor Statistics of the United States Department of Labor. Any increase in the City's minimum hourly Wage pursuant to this subsection 1-24-030(a)(3) shall be rounded up to the nearest multiple of \$0.05. Such increase shall remain in effect until any subsequent adjustment is made. On or before May 1, 2017, and on or before every May 1 thereafter, the commissioner shall make available to Employers a bulletin announcing the adjusted minimum hourly Wage for the upcoming year.

b) Each Employer that pays a Covered Employee the Wage described in subsection 1-24-.030(a) shall transmit to the commissioner, in a manner provided by regulation, substantial evidence establishing: (1) the amount that the Covered Employee received as Gratuities during the relevant pay 'period; and (2) that no part of that amount was returned to the Employer. If an Employer is required by ithe Minimum Wage Law to provide substantially similar data to the Illinois Department of Labor, the 'commissioner may allow the Employer to comply with this subsection 1-24-030(b) by filing a copy of the 'state documentation.

!!-24-040 Overtime compensation.

The Wages set out in Sections 1-24-020 and 1-24-030 are subject to the overtime compensation provisions in the Minimum Wage Law.

1-24-050 Exclusions.

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This chapter shall not apply to hours worked:

a) By any person subject to subsection 4(a)(2) of the Minimum Wage Law, with the exception that the categories of Employees described in subsections 4(a)(2)(A) and 4(a)(2)(B) of the Minimum Wage Law shall be entitled to the Wages described in Sections 1-24-020 and 1-24-030 above, whichever applies.

b) By any person to subsection 4(a)(3), subsection 4(d), subsection 4(e), Section 5, or Section 6 of the Minimum Wage Law.

c) For any governmental entity other than the City, a category that, for purposes of this chapter, includes, but is not limited to, any Sister Agency, any unit of local government, the Illinois state government,

and the government of the United States, as well as any other federal, state, or local governmental agency or department;

- d) For any Subsidized Temporary Youth Employment Program; or
- e) For any Subsidized Transitional Employment Program.

1-24-060 Application to Collective Bargaining Agreements.

Nothing in this chapter shall be deemed to interfere with, impede, or in any way diminish the right of employees to bargain collectively with their employers through representatives of their own choosing in order to establish wages or other conditions of work in excess of the applicable minimum standards of the provisions of this Act. The requirements of this chapter may be waived in a bona fide collective bargaining agreement, but only if the waiver is set forth explicitly in such agreement in clear and unambiguous terms.

1-24-070 Notice and Posting.

Every Employer shall post in a conspicuous place at any facility where any Covered Employee works that is located within the geographic boundaries of the City a notice advising the Covered Employee of the current minimum Wages under this chapter, and of his rights under this chapter. The commissioner shall prepare and make available a form notice that satisfies the requirements of this Section 1-24-070.

1-24-080 Retaliation Prohibited.

It shall be unlawful for any Employer to discriminate in any manner or take any adverse action against any Covered Employee in retaliation for exercising any right under this chapter, including disclosing, reporting, or testifying about any violation of this chapter or regulations promulgated thereunder.

1-24-090 Enforcement - Regulations.

The department of business affairs and consumer protection shall enforce this chapter, and the commissioner is authorized to adopt regulations for the proper administration and enforcement of its provisions.

1-24-100 Violation - Penalty.

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Any Employer who violates this chapter or any regulation promulgated thereunder shall be subject to a fine of not less than \$500.00 nor more than \$1,000.00 for each offense. Each day that a violation continues shall constitute a separate and distinct offense to which a separate fine shall apply.

1-24-110 Private Cause of Action.

If any Covered Employee is paid by his Employer less than the Wage to which he is entitled under this chapter, the Covered Employee may recover in a civil action two times the amount of any such underpayments, together with costs and such reasonable attorney's fees as the court allows. An agreement by the Covered Employee to work for less than the Wage required under this chapter is no defense to such action.

SECTION 6. Section 4-4-320 of the Municipal Code of Chicago is hereby amended by deleting the language struck through and by adding the language underscored, as follows:

4-4-320 License denial, revocation or suspension for certain offenses.

(a) The commissioner, for good and sufficient cause, may deny an application for any license issued under this Title 4 if, ~~during the 5-year period prior to the date of the application, the applicant admitted guilt or liability or has been found guilty or liable in any judicial or administrative proceeding of committing or attempting to commit:~~

1) ~~during the 5-year period prior to the date of the application, the applicant admitted guilt or liability or has been found guilty or liable in any judicial or administrative proceeding of committing or attempting to commit a wilful violation, or two or more violations which do not include a wilful violation, of the Illinois Wage Payment and Collection Act, 820 ILCS 115/1, or any other federal or state law regulating the payment of wages; ©f~~

2) ~~during the 5-year period prior to the date of the application, the applicant admitted guilt or liability or has been found guilty or liable in any judicial or administrative proceeding of committing or attempting to commit a violation of the Fair Debt Collection Practices Act, 15 U.S.C. §1692 or the Collection Agency Act, 225 ILCS 425/1, or any other federal or state law regulating the collection of debts or~~

3) during the 24-month period prior to the date of the application, the applicant admitted guilt or liability or has been found guilty or liable in any judicial or administrative proceeding of committing three or more violations of Chapter 1-24 of this Code.

(Omitted text is not affected by this ordinance)

SECTION 7. This ordinance shall take effect 10 days after its passage and publication.