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February 11, 2019

To: Chair Hansen and Members of the Business & Labor Committee
From: Julia Tse, Policy Coordinator for Economic Stability and Health
RE: Support for LB 383 – Provide for an annual adjustment to the minimum wage

Nebraska parents are working hard, but more and more, hard work isn't enough to make ends meet. As wages stagnate and the cost of living rises, Nebraska families are working harder, but still falling behind. Voices for Children in Nebraska supports LB 383 because it ensures that the state minimum wage is not outpaced by the rising cost of raising a family.

It is estimated that one-fourth of Nebraska workers who would be affected by a minimum wage increase are parents, or 56,000 workers.ⁱ Nebraska's newly-increased minimum wage of \$9.00 per hour is still often an insufficient wage for raising a family in the state. For example, a single mother with a toddler working full-time for minimum wage would still be far from being able to pay for typical living expenses in Nebraska without any forms of assistance. Her annual child care costs would amount to two-thirds of her gross income.ⁱⁱ When wages aren't enough to make ends meet, parents have no choice but to turn to public assistance programs. One recent study estimated that a \$12.00 federal minimum wage would reduce federal public assistance spending by \$17 billion annually.ⁱⁱⁱ

Research shows that boosting the minimum wage has positive indirect effects for other lower-wage workers earning just above the minimum wage. It is estimated that a 10% boost to the minimum wage would result in a 5% decrease in child poverty and would also reduce the share of people living below and just above the federal poverty level.^{iv}

Without annual adjustments, a full-time federal minimum wage of \$7.25 per hour, for example, is \$5,520 less than it would have been in 1968 in today's dollars.^v With the passage of LB 383, our state would join 17 other states and the District of Columbia, including Nebraska's neighbors in Colorado, Missouri, and South Dakota, where the minimum wage is automatically adjusted annually.^{vi}

LB 383 ensures that families with minimum wage workers are able to keep up with the cost of living and maintain adequate purchasing power. We thank Senator Quick for his leadership on this issue and this committee for their time and consideration. We respectfully urge the committee to advance the bill.

ⁱ "State Tables: Demographic Characteristics of Workers Who Would Benefit if the Federal Minimum Wage Were Raised to \$15 by 2024," Economic Policy Institute Minimum Wage Simulation Model, 2019,

https://www.epi.org/files/uploads/EPI_15_by_2024_state_tables.pdf.

ⁱⁱ Assumes market rate home-based child care for a toddler in 2017, as reported in "The US and the High Cost of Child Care: A Review of Prices and Proposed Solutions for a Broken System," Child Care Aware of America, 2018,

https://cdn2.hubspot.net/hubfs/3957809/costofcare2018.pdf?_hstc=&_hssc=&hsCtaTracking=b4367fa6-f3b9-4e6c-acf4-b5d01d0dc570%7C94d3f065-e4fc-4250-a163-bafc3defaf20.

ⁱⁱⁱ David Cooper, “Balancing Paychecks and Public Assistance: How Higher Wages Would Strengthen What Government Can Do,” Economic Policy Institute, February 2016, <https://www.epi.org/publication/wages-and-transfers/>.

^{iv} Arindrajit Dube, “Minimum Wages and the Distribution of Family Incomes,” IZA Institute of Labor Economics, DP No. 10572, February 2017, <http://ftp.iza.org/dp10572.pdf>.

^v Ben Zipperer, “The Erosion of the Federal Minimum Wage Has Increased Poverty, Especially for Black and Hispanic Families,” Economic Policy Institute, June 2018, <https://www.epi.org/publication/the-erosion-of-the-federal-minimum-wage-has-increased-poverty-especially-for-black-and-hispanic-families/>.

^{vi} States that have an annual adjustment to the minimum wage are: Alaska, Arizona, California, Colorado, Florida, Maine, Minnesota, Missouri, Montana, Nevada, New Jersey, New York, Ohio, Oregon, South Dakota, Vermont, Washington, and Washington D.C. “Minimum Wage Tracker,” Economic Policy Institute, January 8, 2019, https://www.epi.org/minimum-wage-tracker/#/min_wage/.