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Business and Labor Committee  
February 03, 2014

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[LB765 LB800 LB903 LB943 LB947 LB1085]

The Committee on Business and Labor met at 1:30 p.m. on Monday, January 27, 2014, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB765, LB903, LB943, LB947, LB800, and LB1085. Senators present: Steve Lathrop, Chairperson; Burke Harr, Vice Chairperson; Brad Ashford; Ernie Chambers; Tom Hansen; Amanda McGill; and Norm Wallman. Senators absent: None.

SENATOR LATHROP: Good afternoon, my name is Steve Lathrop. I am the state senator from District 12 and the Chair of the Business and Labor Committee. We have six bills to be heard today as we often do on Mondays. And maybe I'll start with this offer if any of you are interested. We do have an overflow room where they will be streaming this hearing into, and we may have to have people go there after more people show up. It is in Room 1023 which is down on the first floor. Since you have a seat, I doubt many of you are going to get up. But for those people who joining us from the overflow room, we appreciate your interest in the bills we're hearing today. Just a couple of housekeeping matters or a few of the rules that we observe in the committee so that we can get through all of the bills today. We take the bills up in the order that they're posted outside which means we'll start with LB765 and Senator Conrad momentarily. The process is that the senator that's going to introduce the bill will introduce the bill. Then we'll hear from proponents, people that are for the bill. We'll hear from the opponents, and then we'll hear from people that are neutral. People that are neutral are generally the folks that are coming up to tell us about problems that they see with the bill. They're not really...they don't really care if it passes or doesn't pass so much as they're concerned about some of the things that are in the bill. So if you're opposed to it, come up when the opponents are testifying and not when they're taking neutral testimony if you wouldn't mind. When you testify we'll ask you to fill out or have completed a testifier sheet. They are sitting on the corner. That lets us keep a good record so it requires things like your name and that sort of thing and whether you're for or against. I'll also make this offer to you since we have six bills and an awful lot of interest in the hearings today. If you want to express your opposition or your support but you don't want to testify, you may fill the form out and turn it into the clerk and your opposition will be noted in the record without your testimony. And finally, we use the light system here. In front of the testifiers there are three lights, green, yellow, and red. And they are run by this fellow right here, our committee clerk Dan Jenkins. Generally, you get three minutes to testify before the committee. I appreciate that you may have more than that to say, but in order for us to get through six bills and have people get home at a decent hour, we observe the light system. You'll have a green light for two minutes, then a yellow light. When the yellow light comes on, that means you have one minute so you can kind of start wrapping things up or summarizing if you need to. And then when it gets to red we'll ask you to finish your thought perhaps. But wrap it up so that we can keep moving through the testifiers. You may be asked questions when you testify. That doesn't count on the time. And other than that I guess I'll introduce those of us that are here. Senator

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Wallman and Senator Hansen are here as well as Senator Chambers. Molly Burton is committee counsel, and Dan Jenkins is our committee clerk. And Kent is our page. If you need anything or you want to hand anything out or you want it passed around to the committee members, if you just get Kent's attention he will come get the copies from you and share them with the committee members. And with that, we'll turn to Senator Conrad who will open on LB765. Welcome. [LB765]

SENATOR CONRAD: Good afternoon, thank you. Thank you, Chairman Lathrop, members of the committee. My name is Danielle Conrad; that's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d, and I proudly represent the "Fighting 46th" Legislative District of north Lincoln. I'm here today to introduce LB765. LB765 makes changes to the Nebraska Wage Payment and Collection Act and requires employers who elect to pay their employees with a debit card to allow the employee at least one means of funds access withdrawal per pay period at no cost to the employee for the full amount of wages paid. I introduced this legislation after being contacted by a constituent this interim period who had a son that was working at Applebee's. He was paid wages by debit card and was incurring a number of fees every time he accessed his wages. Our office started to look into the issue, and our research identified that this issue has presented itself in a number of states as large employers like McDonald's, Burger King, Walmart, and others are finding that paying by debit card is a less expensive business practice. However, in other states oftentimes the employee has the option of choosing how they would like to be paid. In Nebraska, the employer determines how wages will be paid. That is one reason why this bill is necessary and critical to ensuring that employees are able to access their pay. It is my opinion that this practice is a form of wage theft, and that our law needs to be changed to guarantee that all employees can access all of their wages without penalties. We have received communications from Baird Holm, and they provided some helpful language to make an improvement to the legislation. We ran that through learned counsel of this committee, and she has been very helpful in helping us to work through technical aspects of this legislation. I am fine to move forward with that proposed amendment or change if the committee chooses to proceed on this important legislation. With that, thank you for your time and consideration. I know you have a very full day in front of you here, but I am more than happy to answer any questions. And now would probably be the time to do it because I'm planning to waive my closing so I can run to another committee hearing this afternoon. [LB765]

SENATOR LATHROP: Can you tell us, Senator Conrad, basically what those fees look like? Is it a dime or is it 2 percent or is...what? Give us... [LB765]

SENATOR CONRAD: It depends. [LB765]

SENATOR LATHROP: Give us some sense of what the fees range... [LB765]

SENATOR CONRAD: It depends, and like I said, I started to look into this issue after a

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constituent had contacted my office. And so the situation I'm most familiar with is limited to the information that she provided me as to her son's experience with Applebee's. But the fees do range. They run the gamut. And that's something that you might want to look a little bit more into. But I think the bottom line is regardless of if it's a penny, it's \$1, or \$100, those are wages that the employee earned, and that they should have the ability to access the wages they earned without incurring fees or penalties. [LB765]

SENATOR LATHROP: And the one access opportunity that your bill would afford, if I'm an employee that gets a debit card, I assume it's connected to some bank. And I'll use First National Bank debit card. And I bank over at U.S. Bank. I can, with that one transaction, just move the money to my own checking account? [LB765]

SENATOR CONRAD: Yeah, I think a lot of times where these can come into play is of course there is a business benefit where it can be cheaper than traditional payroll. But then also it can have great benefit for employees that are unbanked as well because not all employees have an existing relationship with a financial institution. And because of some of those individual characteristics, our bill simply says that the employee should be allowed at least one point of access to make the withdrawal without incurring a fee or a penalty. [LB765]

SENATOR LATHROP: Do you know if that...the debit card has got to be associated with a bank, right? [LB765]

SENATOR CONRAD: That's correct. [LB765]

SENATOR LATHROP: If a creditor served a garnishment on that particular bank, do they actually have an account there the bank has to respond to with respect to a garnishment? Do you know? [LB765]

SENATOR CONRAD: I don't know. [LB765]

SENATOR LATHROP: Okay. [LB765]

SENATOR CONRAD: We'd be happy to get that information and follow up with the committee though. [LB765]

SENATOR LATHROP: Okay, I appreciate that. Any other questions for Senator Conrad? I see none. [LB765]

SENATOR CONRAD: Thank you. Thank you very much. [LB765]

SENATOR LATHROP: Thank you very much for being here. [LB765]

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SENATOR CONRAD: (Exhibits 1 and 3) Oh, also for the record we did want to introduce letters of support that our office has received from the American Payroll Association and NAPE/AFSCME Local 61 that I think have been distributed prior to the hearing. [LB765]

SENATOR LATHROP: Okay, they will be made part of the record. [LB765]

SENATOR CONRAD: Thank you. [LB765]

SENATOR LATHROP: Thank you very much, Senator Conrad. Anyone here to testify in favor of LB765? Welcome. [LB765]

RON SEDLACEK: Yes, Chairman Lathrop and members of the Business and Labor Committee, for the record my name is Ron Sedlacek, S-e-d-l-a-c-e-k. I'm here before the committee on behalf of the Nebraska Chamber of Commerce. And our labor relations council did review this legislation in particular and asked that...and our board of directors approved a position of support for this particular type of legislation because it's a situation that if it grows on, you know, there's just going to be other regulation. And it's going to have to be...it should be addressed, and it should not be encouraged in that regard. As long as it's voluntary on the part of the employee...let's say the employee does not have a banking relationship but would like to have a preloaded card, debit card, to use. They don't want a checking account, they don't want to have that. So if that's their option and they understand that it's going to cost, that would be fine as far as we're concerned. But to just require it across the board...we'd rather see this legislation. So with that I... [LB765]

SENATOR LATHROP: Ron, do you know how prevalent this practice is and what the fees are like? [LB765]

RON SEDLACEK: I don't believe it's that prevalent... [LB765]

SENATOR LATHROP: Okay. [LB765]

RON SEDLACEK: ...at this point, but it could become more so. [LB765]

SENATOR LATHROP: Okay. Senator Chambers. [LB765]

SENATOR CHAMBERS: You know, politics is a funny business, and what happens in politics is often surprising. And I listen to everybody, and this is one of those times that I was surprised. You always make a good presentation. Sometimes I disagree with you, but I am pleased to see that on some issues businesses can see the need to support something like this before it proliferates and creates problems that are unforeseen at the moment. So I'm glad you came here today. [LB765]

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RON SEDLACEK: Thank you, Senator. [LB765]

SENATOR LATHROP: Senator Hansen. [LB765]

SENATOR HANSEN: Thank you, Mr. Sedlacek. Does the employee right now have the choice whether he wants it in debit card or an automatic deposit or in a checking account which I know not very many young folks use a checking deposit, but do they choose? [LB765]

RON SEDLACEK: It really depends. It really depends on the employer-employee relationship, and it can really vary from either, and I'm somewhat speculating which can be dangerous at this point...but there may be some employers that would require this, let's say. But then there may be others where it's negotiated in saying, you know, this is how I'd like to have payroll. It's deviating from the direct deposit, but I don't want direct deposit as an employee. I sure wish there was an alternative method in which to be paid. But... [LB765]

SENATOR HANSEN: Thank you. [LB765]

SENATOR LATHROP: Okay, I see no other questions. Thanks for your appearance today and your testimony. Anyone else here in support of LB765? [LB765]

MOLLY McCLEERY: (Exhibit 2) Chairman Lathrop, members of the committee, my name is Molly McCleery; first name is M-o-l-l-y, last name M-c-C-l-e-e-r-y, and I'm a staff attorney in the Economic Justice Program at Nebraska Appleseed. Nebraska Appleseed is a nonprofit organization that fights for justice and opportunity for all Nebraskans. And I am here today to testify in support of LB765. In recent years, nationally, payroll cards have become increasing in popularity among employers. An estimated \$34 billion was preloaded onto 4.6 million payroll cards in 2012. And that's estimated to increase. It's understandable from an employer perspective and from an unbanked employee perspective why this practice could be attractive. As other proponents have mentioned, for employers it could be cheaper than cutting checks every month or easier to pay employees that might not have access to direct deposit. For an employee who is unbanked it might be an attractive option in that they wouldn't have to pay check-cashing fees or carry around large amounts of cash. However, payroll cards can be used in a way that disadvantages employees. This has been seen in a recent Pennsylvania class action by a McDonald's employee who brought the action alleging that she was forced to use a payroll card and pay what looked like what...a fee that looked like what would happen if you used an out-of-network ATM each time she accessed her account or checked her bank balances. And then this is also being investigated by the New York Attorney General who issued letters to 20 large employers such as Walmart, McDonald's, Walgreens, some of your larger corporations.

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As I mentioned, these investigations and litigations center around employees being required to use these cards and facing significant fees to either access their funds or do things like check their balances. In order to ensure that this is a practice that is advantageous for both employees and employers, there has to be sufficient protections. And LB765 incorporates these by bringing in the protections under federal law, and then also allowing employees to access the entirety of their wages one time in the pay period without facing fees. And for those reasons, we would ask that you vote to advance this bill. [LB765]

SENATOR LATHROP: Okay. [LB765]

MOLLY McCLEERY: If there are any questions, I can try to answer. [LB765]

SENATOR LATHROP: I see no questions. [LB765]

MOLLY McCLEERY: Okay. [LB765]

SENATOR LATHROP: But thanks for your testimony. [LB765]

MOLLY McCLEERY: Thank you. [LB765]

SENATOR LATHROP: (Exhibits 1 and 3) Anyone else here to testify in support of LB765? Anyone here in opposition to LB765? Anyone here in a neutral capacity? Seeing none, we have some things to announce. We are going to make a part of the record a letter from the American Payroll Association dated February 3, 2014, in support of LB765. And we have a letter from NAPE/AFSCME that will also be entered into the record as a letter in support. And with that we'll close the hearing on LB765 and go to LB903 which is my bill. [LB765]

SENATOR HANSEN: Senator Lathrop, welcome to the Business and Labor Committee. (Laugh) [LB765]

SENATOR LATHROP: Thank you very much, Senator Hansen. Members of the Business and Labor Committee, my name is Steve Lathrop, L-a-t-h-r-o-p. I'm the state senator from District 12 here today for the purposes of introducing LB903. LB903 requires employers to deliver to their employees by mail or electronically or at the employer's place of business wage statements detailing the employer's name, hours worked, wages earned, and deductions from pay. An employer is not required to provide an employee exempt under the federal Fair Labor Standards Act a statement reflecting the number of hours worked. Exempt employees are normally professional salaried employees who are exempt from the federal act's overtime requirements. Current law provides that employers need only to provide an earnings statement within ten days of a written request. LB903 is intended to protect workers, especially those

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paid on an hourly basis from discrepancies in hours worked and the pay rate. Regularly provided pay statements ensure proper compensation and timely resolution of payroll errors. I understand from the fiscal note the term "delivery" may need to be defined to include the current practice of the state and the university. Both provide electronic access to earnings statements but do not electronically send individual statements via e-mail. Employees can obtain a copy of their earnings statement from a Web site, and I believe this practice is sufficient to satisfy LB903's concerns and will propose an amendment to address that issue in the fiscal note. And with that I'd be happy to take any questions. [LB903]

SENATOR HANSEN: Are there any questions? Seeing none. As for proponents of LB903, welcome. And I'd ask you to state your name and spell it, please, for the record. [LB903]

KIM QUICK: Okay. Members of the committee, my name is Kim Quick; that's spelled K-i-m Q-u-i-c-k. I'm the president of Teamsters Local Union 554 in Omaha, Nebraska. On behalf of the Teamsters I'm here to testify in support of LB903. The International Brotherhood of Teamsters Local 554 is the collective representative for over 3,000 Nebraska families, many of whom have workers in the construction, manufacturing, bakery, dairy, small parcel, healthcare, public sector, freight hauling industries. Our members provide goods and services throughout Nebraska that are invaluable to our communities. LB903 is a rather simple bill but one which I come to realize is rather important. LB903 simply adds a degree of certainty and transparency for employees so that they can be assured of what is going into and coming out of their paychecks. These simple provisions are ones that might seem like common sense, but there have been times where our workers have been hurt, and we've had problems with employers due to lack of transparency that LB903 would provide. Also today I have with me one of our members who will be able to testify as to problems that they have experienced in their industry. Mr. Pat Sweaney, he'll be following me up here. But any reputable employer should be completely willing to list all the deductions, the wages, or other simple paycheck items. Providing this information would not create an undue cost for employers, and it will only help to foster a more positive environment of trust between them and their employees. In closing, the Teamsters support LB903, and we thank Senator Lathrop for introducing it. At this time we urge the committee to support LB903 and to advance it to General File to give this bill the proper opportunity for floor debate that it deserves. Thank you. If there's any questions... [LB903]

SENATOR HANSEN: Are there any questions? I might have one. On page 2, of the underlined on line 20 it says, "On each regular payday, the employer shall deliver to each employee, by mail or electronically, or shall provide at the employee's normal place of employment during normal employment hours..." Are some of your members hard to find? I mean, they're not at a normal place of employment...off site. [LB903]

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KIM QUICK: One of the things we've experienced that is a problem is that we have salesmen, route salesmen, which they are not provided their statement. And one of the things is is they have to track down their manager, their supervisor. Essentially it becomes a hide and go seek a lot of times as to when you can find your superintendent in an attempt to...where the employees become disenchanting with the system. And the employees just go on their way and think, well, it's close on their paycheck for this week, but never really know definitely if it's there. That's become a problem when it's not provided to them at their normal workplace. [LB903]

SENATOR HANSEN: Thank you. Any other questions? If not, thank you. Any other proponents? [LB903]

PATRICK J. SWEANEY: Thank you. My name is Patrick J. Sweaney, P-a-t-r-i-c-k J. S-w-e-a-n-e-y, and I am a recently retired employee from Roberts Hiland Dairy in Omaha, Nebraska, where I worked for 30 years, 25 of which I served as a union steward. Among the many issues we would have as a union steward, one of them that came up quite frequently was when people would come up to me and say, they messed up my check. And so we'd have to go to management, tell them there was a problem with the employee's check, and sometimes we'd have to go up to payroll. And eventually we'd get the situation straightened out. But they might be shorted on their paycheck for a period of up to two or three weeks at a time. And in support of LB903, we feel that this would go a long way to cleaning up some of these problems. One of the other problems we had was on our paychecks there was never...sometimes on different places they have a problem with the paycheck doesn't have the rate of pay, such as if you're making \$17.50 an hour or whatever. And this would cause a lot of confusion because at certain workplaces people might be getting paid different amount of money for doing different jobs, shift premiums, overtimes, and things such as that. And as Kim Quick had also mentioned about the problem with the route sales, they're in commission sales. Maybe they're on some drop shipment sales, things like that where they're getting paid differently. And we feel that this would go a long ways to clearing up some of those problems. [LB903]

SENATOR HANSEN: Is there any questions for Mr. Sweaney? Seeing none, thank you very much. [LB903]

PATRICK J. SWEANEY: Thank you very much. [LB903]

SENATOR HANSEN: Next proponent. Welcome. [LB903]

KEVIN HILTON: Thank you for your time. Thank you. My name is Kevin Hilton, K-e-v-i-n H-i-l-t-o-n, representative of North Central States Regional Council of Carpenters. We represent 1,000 union carpenters and millwrights in the state of Nebraska. We're supporters of LB903, and we will be providing testimony as well through Steve Mulcahy



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who is a business representative of the North Central States...that he can provide in detailed accounts of daily occurrences where this legislation would be helpful in resolving or reducing wage claims. And that's one of the reasons why we support this bill, probably the most strongest reason why we support this bill. We believe that it will be effective in reducing or resolving wage claims. In fact, in some research that we've done there was an article that was published by the Texas Workforce Commission. And that article, titled Minimizing the Risk of Wage Claims, advice given to employers by the Texas commission said that, I quote: The riskiest practice for employers is to pay cash or go without a pay stub or receipt of payment. We believe that this would be beneficial also for employers to maintain records to reduce those wage claims. But also our reasoning is for the employees' sake. Our members and workers in the construction industry are often...work for multiple employers, have multiple wage rates, and different benefit packages and trust funds that they have deductions go directly into. For their personal financial records, it's important that they have opportunity to have a pay stub so that they can keep track of these. Also, it's important for us so that if wage claims do arise, that they have the sufficient amount of information and best evidence in those cases to be able to provide information necessary to resolve the claim. That's why we support it. We think it'll be beneficial for workers and employers in the state. So if there's any questions... [LB903]

SENATOR HANSEN: Thank you. Does anybody have any questions for Mr. Hilton? If not, thank you. [LB903]

KEVIN HILTON: Thank you. [LB903]

SENATOR HANSEN: Welcome. [LB903]

STEVEN MULCAHY: Thank you. Good afternoon. My name is Steven Mulcahy, S-t-e-v-e-n M-u-l-c-a-h-y, a representative of the North Central States Regional Council of Carpenters as well as the thousand members that my colleague said we represent. We represent any worker that comes to us for advice, and they do because this is a common practice. We have teams that visit job sites and visit approximately 240 job sites throughout the week in areas of Nebraska and southwest Iowa. Rarely a day goes by that we don't witness it. In fact, I think the closest place it occurred was over here across the street at McPhee Elementary. It's happening down at the Canopy Lofts. It happens on a majority of the university projects in Omaha and Nebraska and in Lincoln. So it is prevalent. Workers oftentimes don't know who they work for, believe it or not. There are sometimes where they're not paid accurately, they get a lump sum. They don't know if they're an employee or a subcontractor because they have nothing from the GC to prove to them. So we would be in favor of this commonsense paycheck stub bill. It's good for business. What legitimate business would not want their name out there on a paycheck stub circulating amongst the best workers? Think of what they pay for marketing, business cards, memberships to chambers of commerce. Good for the

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workers, it provides them, as my colleague said. They work for many contractors throughout the year. In construction, you're always working yourself out of a job. You go to the next one. So it's not the fact that they might not be a good employee, it's the fact that they work themselves out of a job every day. It gives them a tangible document that they can keep in their shoebox at the end of the year to accurately match it up with their 1099s or whatever it is they received, the W2s from their employers. And it's good for the state of Nebraska because it allows them to better file their taxes. Again, we do stand in support of this. In fact, I visited a job site last Thursday. I received a call Sunday, and I received a call right before I come in here from two gentlemen from that job site who had this issue that I will be helping. If there's any questions, I'd attempt to answer them for you. [LB903]

SENATOR HANSEN: Are there any questions? If not, thank you. [LB903]

STEVEN MULCAHY: Thank you. [LB903]

SENATOR HANSEN: Any other proponents? [LB903]

ABBIE KRETZ: Good afternoon. [LB903]

SENATOR HANSEN: Welcome. [LB903]

ABBIE KRETZ: (Exhibit 1) My name is Abbie Kretz spelled A-b-b-i-e K-r-e-t-z. I'm the senior organizer with the Heartland Workers Center which is in Omaha, Nebraska. Our overall mission is to improve the quality of life of Latino, Latina immigrant workers and their families through organizing and training. And I'm obviously here today to testify in favor of LB903. Requiring employers to provide employees with wage statements for each payday, which would include hours worked, wages and deductions, can ensure that the employer and employee are on the same page regarding these matters. It also provides the workers with the necessary paperwork so they can ensure that they are being paid for all the hours worked. We have met with workers who have not been paid. Oftentimes, they're the ones who have to go back and reconstruct the story about the hours that they have not worked. Now the burden of proof falls with...on the employer. A 2012 report by the Progressive States Network which examined state statutes including Nebraska, gave Nebraska an overall F for not effectively combating wage theft, which is basically a new term for exploitation of workers. We were here last year to discuss some of those bills as well. And part of the report included good transparency and accountability laws that keep employers honest. Again, it allows the employers to keep a paper trail of business transactions protecting them from unsubstantiated wage theft claims. Providing a wage statement to employees will not be more burdensome than basically making a copy of the calculations that you've probably already made. But even more importantly, it would ensure that workers can track crucial information from week to week and reconcile any discrepancies with initial employment agreements and

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hopefully will begin to decrease the occurrences of wage theft in Nebraska. [LB903]

SENATOR HANSEN: Thank you. Are there any questions for Mrs. Kretz? If not, thank you. [LB903]

ABBIE KRETZ: All right. Thank you. [LB903]

SENATOR HANSEN: Any other proponents of LB903? Are there any opponents of LB903? Seeing none, Senator Lathrop to close. [LB903]

SENATOR LATHROP: Very briefly. My very first job I had I got paid with a paycheck and a pay stub accompanied that check. And you could tell how many hours you worked and where the money went and how much Uncle Sam was taking and the state of Nebraska and the Unemployment Compensation Fund. Now we pay with debit cards, we pay with direct deposit, and the employee still needs to be able to look and make sure. They may know how many hours they worked, how much overtime they worked, and then all they get is a number which is their net pay. And the bill would basically require employers to make available to them, and a Web site is fine, like the university does...make available to them so that an employee can look at it and say, sure, I agree. The calculation of my wages is fine and appropriate and accurate. And that's the reasons for LB903, and I would encourage your support. [LB903]

SENATOR HANSEN: (Exhibit 2) There is one letter to read from the National Federation of Independent Business in opposition to LB903. [LB903]

SENATOR LATHROP: Okay. [LB903]

SENATOR HANSEN: With that, I think we'll close the hearing on LB903. [LB903]

SENATOR LATHROP: All right. And I think I have the next bill...or we have two bills. [LB943 LB947]

SENATOR HANSEN: Okay. [LB943 LB947]

SENATOR LATHROP: Okay. And I'll introduce mine. My intention as the Chair of the committee is to have these next two bills introduced and then take testimony for and against on both of them at the same time since they both deal with increasing the minimum wage. And since I'm sitting here, I'll go first. [LB943 LB947]

SENATOR HANSEN: Okay. Senator Lathrop. [LB943 LB947]

SENATOR LATHROP: And then we'll follow up by Senator Nordquist, who probably will generate more questions and testifiers. Good afternoon. Members of the Business and

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Labor Committee, my name is Steve Lathrop, L-a-t-h-r-o-p. I represent District 12 in Douglas County, and I'm here today for the purpose of introducing LB947. LB947 would increase tip earner minimum wage until it reaches 70 percent of the regular minimum wage. Specifically, the wage rate will increase from \$2.13 to \$3.00 an hour in the first year, and each year thereafter the lesser of 95 cents or the amount necessary to equal 70 percent of the regular minimum wage. Neither the federal government nor the state of Nebraska has increased the tipped minimum wage since 1991. Both are currently set at \$2.13 an hour. While the regular minimum wage has increased with inflation, the tipped minimum wage has remained stagnant. More than 30 states have increased the tipped minimum wage to a dollar amount above \$2.13. In Nebraska, employers are allowed to credit an employee's tips towards the employer's minimum wage obligations. Employers must pay tip workers a cash wage of \$2.13 an hour and can apply the workers tips to make up the difference between \$2.13 an hour and the regular minimum wage of \$7.25. Accordingly, if a worker's tips plus \$2.13 an hour total at least the regular minimum wage of \$7.25 an hour, the employer's wage obligation has been met. But if tips plus \$2.13 an hour equal less than \$7.25 an hour, the employer must make up the difference. As long as a tipped worker makes at least \$5.12 an hour in tips, the employer's obligation is simply \$2.13 an hour. Raising an employer's minimum obligation will allow workers currently earning less than \$5.12 an hour in tips to earn an hourly wage above the minimum wage. Now is an appropriate time to consider this issue alongside of LB943. And I'm happy to answer any questions. [LB943 LB947]

SENATOR HANSEN: Are there any questions? Senator Wallman. [LB943 LB947]

SENATOR WALLMAN: Thank you, Chairman and Senator Lathrop. This has always kind of bothered me about the restaurant...you know, the waitress pay...or waiter. If I pay cash, do they keep track of that separate than the owner of the restaurant? [LB943 LB947]

SENATOR LATHROP: I don't know. That practice probably varies from one restaurant to the next. So I don't know the answer to that other than I expect it's probably dependent on the restaurant. [LB943 LB947]

SENATOR WALLMAN: Okay, thank you. [LB943 LB947]

SENATOR HANSEN: Senator Chambers. [LB943 LB947]

SENATOR CHAMBERS: I just want Senator Lathrop to know that when we get our pay stub, such as they are around here, our hourly wage is calculated at about \$5.76 an hour. And some people think we're overpaid. (Laughter) [LB943 LB947]

SENATOR LATHROP: There are some days when it's about four cents an hour, I think. But okay. [LB943 LB947]

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SENATOR HANSEN: Do you want to open on the other bill, too, then? Same time?  
[LB943 LB947]

SENATOR LATHROP: Well, yeah. I'm going to have Nordquist open, and I'll take over from there. [LB943 LB947]

SENATOR HANSEN: Okay. [LB943 LB947]

SENATOR LATHROP: Next is Senator Nordquist to open on LB943. [LB943 LB947]

SENATOR NORDQUIST: Thank you, Mr. Chairman and members of the Business and Labor Committee. Thanks for your time today. Again, my name is Senator Jeremy Nordquist, N-o-r-d-q-u-i-s-t, and I represent District 7 which includes downtown and south Omaha. And I'm here today to introduce LB943 which would increase the minimum wage incrementally from \$7.25 per hour to \$9.00 per hour over the course of three years from 2014 to 2017. The purpose of this bill is to make hard work pay in Nebraska. In 2012, 32,000 hourly workers in Nebraska earned minimum wage. This is the second highest in our region of all of our neighboring states, and it's the 13th highest percentage in the country of hourly workers earning at or below the minimum wage. Contrary to the argument you may hear, these numbers don't just reflect teenagers in the work force. Increasingly, it's educated adults that are working in minimum and low-wage jobs. Nationally, 76 percent of workers earning at or below the minimum wage were 20 years of age or older. And 67 percent are women. At \$7.25 an hour, a worker working 40 hours a week, 52 weeks a year makes about \$15,000 annually which is below the federal poverty line for a family of two or more. The fact of the matter is our middle class is shrinking. The median household income in Nebraska has declined by 5 percent over the last decade. In 2012, nearly 18 percent of Nebraska children lived in poverty. And even though 80 percent of those children's parents are working, our poverty rate still continues to increase. We have one of the highest percentages of working parents in the nation, and we have one of the lowest unemployment rates in the nation. For a number of years, I've requested a report from the state Department of Health and Human Services that details Nebraska businesses that have a significant number of employees or their families that are receiving Medicaid or CHIP. In 2012, on that report one corporation in particular operating in Nebraska had 839 families that were receiving Medicaid or CHIP public benefits. This doesn't include benefits they were receiving through food stamps or childcare subsidy as well, but 839 families were receiving at least health benefits paid for by the taxpayers. This same corporation boasted in its 2013 annual report to shareholders that there was a 123 percent increase in cash flow, a 59 percent increase in earnings per share, and that more than \$60 billion was returned to shareholders through dividends. This corporation's CEO also made over \$20 million last year while Nebraska taxpayers picked up the difference between the low wages that corporation was paying and the cost to support a family. This is one

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of the arguments why we need to raise the minimum wage. I'm sure you'll hear arguments that this will hurt small businesses. Well, the fact of the matter is a vast majority of workers, 66 percent nationally, are working for large corporations. But also we have a number of exemptions. First of all, the state has an exemption if you have less than four employees, you do not have to pay the minimum wage. Under federal law, if you have gross receipts of under \$500,000, you don't have to pay minimum wage. There's a number of other exclusions to the minimum wage including tipped workers Senator Lathrop's bill mentioned; certain educational nonprofit organizations; student learners; new employees under the age of 20; ag and farm employees all do not have to earn the minimum wage; Senator Chambers, state and federal government employees don't have to earn the minimum wage, so that's why they get by paying us \$5 an hour; babysitters in private homes; and employment of physically or mentally disabled workers also are exemptions. Rigorous research has shown that increasing the minimum wage does not result in increased unemployment. Recent metastudies, which are studies of studies, show no employment impact. Rather, research shows out of the Chicago Federal Reserve that if an employee made an extra \$1 an hour above minimum wage, that next year they were going to spend on average \$2,800 more in the economy because not only were they spending the extra \$2,000 that they earned, \$1 for every 2,000 hours, but they also were able to access credit. And these families would take that money and spend it right back into the economy. Employers in states that have increased the minimum wage have continued to flourish even when bordering states have lower minimum wages which is evidence that increasing the minimum wage does not cause employer flight out of the state. Twenty-one states and D.C. have moved forward with increases above the federal minimum wage which is not...that wage rate has not increased in four years. The last law that increased it was signed by George W. Bush in 2007, and it increased it to \$7.25 an hour in 2009. We're running out of excuses not to support Nebraskans who want to provide for their families. Working hard and providing for your family are truly Nebraska values, but unfortunately more and more families are finding that difficult to meet. By raising the minimum wage, we can affirm the dignity in a hard day's work, help rebuild the middle class, and help families earn enough to meet their basic needs. Hard work should pay in Nebraska. Thank you. [LB943 LB947]

SENATOR LATHROP: Thank you, Senator Nordquist. Any questions for Senator Nordquist on LB943? I see none. Are you going to stay to close? [LB943 LB947]

SENATOR NORDQUIST: I will be here to close. [LB943 LB947]

SENATOR LATHROP: Okay, very good. We'll look forward to that. We are next going to take proponents, and if you intend to testify in favor of both bills you're still limited to three minutes. That's the good news, I guess, or the news I'm going to share with you. But if you're here on a particular bill or on both of them, if you can indicate that as well as you give us your name and tell us what organization you're here to represent. And

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with that, we'll take the first proponent. [LB943 LB947]

AUBREY MANCUSO: (Exhibit 1) Thank you, Senator Lathrop. Members of the committee, my name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I'm here on behalf of Voices for Children in Nebraska. Nebraska is a state that values family and work, and we believe that LB943 and LB947 are good bills because they support those Nebraska values. We believe that parents working full time should be able to meet all of their children's basic needs without assistance. Attached to my testimony is an updated version of a report called The Family Bottom Line that presents data on what Nebraska families need to make these basic needs based on county of residence, family size, and the ages of children. The costs presented in the report are based on the basic need standard called the Family Economic Self-Sufficiency Standard which measures minimum average costs of things like housing, childcare, food, and transportation. In every region of Nebraska, a family with one or two working adults and children would not be able to meet all of their basic needs without assistance working full time on \$7.25 an hour. I'd like to draw your attention to pages 5 and 6 of the report which present aggregate costs of living in different regions of Nebraska. The regions are based on USDA rurality codes. Metropolitan counties are the larger counties and counties adjacent to larger counties like Lancaster. Nonmetropolitan urban counties have a population of at least 2,500 like Adams County. And rural counties are less than 2,500 like Banner County. The data presented in the charts provide the basic costs for both a single-parent and a two-parent family in the regions described. You can see the wage needed to support a family without assistance range from a minimum of \$8.70 per adult per hour for a two-parent family in rural Nebraska to \$22.06 per hour for a single parent with two young children in metropolitan Nebraska. None of these families would be able to meet their basic needs without assistance working full time on minimum wage. I would also like to draw your attention to the graph on page 8 of the report that shows median household income in Nebraska since 2000 updated for inflation. And as you can see in this chart, median income in the state has fallen by 28 percent since 2000. And over that same time, the costs of goods and services has increased by 33 percent. I'll move quickly. We often hear that the solution to low wages is for parents to work more, but there's research that shows that isn't actually good for children. And as someone who is advocated before this body for programs and services for economically struggling families, I've often heard it said that parents need to take care of their own children. We can't just tell parents to take care of their own children if we don't ensure that we have policies in place that allow them to both earn enough to meet the basic needs and be the strong and stable role models that children need in their lives. We would respectfully urge the committee to advance LB943 and LB947. Thank you. [LB943 LB947]

SENATOR LATHROP: Very good. Any questions for the witness? Senator Chambers. [LB943 LB947]

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SENATOR CHAMBERS: I'm looking at one of the pages in the booklet attached to your testimony, and it shows some baskets with groceries. And then it gives Official Poverty Line: 1 person, \$11,170 a year. That's \$170 more than we make. So do they say official poverty to refer to us in the Legislature? [LB943 LB947]

AUBREY MANCUSO: I think you would be close to the official poverty line, yes. (Laugh) [LB943 LB947]

SENATOR CHAMBERS: Okay, thank you. [LB943 LB947]

SENATOR LATHROP: I see no other questions. Thanks for your testimony. We appreciate hearing from Voices for Children. [LB943 LB947]

AUBREY MANCUSO: Thank you. [LB943 LB947]

SENATOR LATHROP: The next proponent. Welcome. [LB943 LB947]

DAVID PIESTER: (Exhibit 2) Thank you. Senator Lathrop and members of the committee, my name is David Piester. I live in Lincoln. I'm here as an individual and also as a representative of the Center for People in Need. The center is a nonprofit organization in Lincoln that provides poor and low-income people, mostly in Lancaster County, with food, clothing, educational courses, ESL classes for refugees, computer skills training, job skills training, and direct services to assist people in their day-to-day struggles to self-sufficiency. In 2013, the center was visited over 23,000 times by clients for one service or another. Over 10,000 of those clients were children. To be eligible for services from the center, a client must be living on less than 150 percent of the federal poverty guidelines. At various times during the year, the center surveys its clients to learn more about their issues as they confront them day to day. And I compiled some information that might be relevant to the committee's consideration of these bills here today. First, the average age of those surveyed was 30-34; this is not teenagers. Ninety percent of the respondent households included at least one adult who in some fashion was employed. A majority of those who were employed were employed in one full-time job, and over a third were employed in one part-time job. Even with employment considered however, a majority of respondents were living on household incomes of less than \$1,000 a month. In other words, about 90 percent of households surveyed had at least one adult in the household employed and most of those employed had one full-time job. Even so, such households were living on a very low income, usually well below the federal poverty guidelines. These people were not poor because they didn't have jobs. They were poor because the jobs they had paid too little. I will skip forward. I want to call to your attention...the attachment at the end is a table prepared by a professor at MIT regarding living wage requirements. On the left-hand side are the various requirements for Lancaster County, also for Nebraska and the poverty wage which is the poverty level broken down to an hourly rate. And then the minimum wage of



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course goes \$7.25 all the way across. For various sized families, you can see that the red numbers are those hourly rates which would provide less than a living wage. And you can compare the numbers with the others. But it's clear that nobody is going to get rich by raising the minimum wages as these bills propose. In fact, they would not even rise up to making what's referred to as a living wage. So I'd urge you to support both of these bills on behalf of the Center for People in Need as well as myself. [LB943 LB947]

SENATOR LATHROP: Very good. We appreciate having you here. Any questions?  
Senator Chambers. [LB943 LB947]

SENATOR CHAMBERS: Just a comment. [LB943 LB947]

SENATOR LATHROP: Okay. [LB943 LB947]

SENATOR CHAMBERS: I knew this young whippersnapper when he and I both wore a younger man's clothes. And it's good to see you again. You're doing the same good work, and I'm pleased. [LB943 LB947]

DAVID PIESTER: (Laugh) Thank you. [LB943 LB947]

SENATOR LATHROP: Very good. Thanks for coming. We appreciate hearing from you. Good afternoon. Welcome to the Business and Labor Committee. [LB943 LB947]

ALVIN GUENTHER: (Exhibit 3) Thank you, Senator Lathrop. I'd like to thank the members of the committee for allowing me the opportunity to come in and speak today. My name is Alvin Guenther, A-l-v-i-n G-u-e-n-t-h-e-r, and I am a semiretired rancher/educator that worked for minimum wage for 35 years and currently living on the family ranch at Dunbar, Nebraska. Relative to minimum wage, I'm here today to challenge a longstanding concept, and that most economists and some individuals we read say that increasing minimum wage would result in inflation and a higher unemployment rate. And I respect that. However, there's an economic model that challenges that, and that's why I'm here today to say that that would be challenged if everything would be held equal or ceteris paribus. And we all know that that's not true. And to argue ceteris paribus would probably be an ill-advised argument. Point being, and Senator Nordquist mentioned it several times...first of all, I know that the Dow Jones Industrial Average was at 9,034 in 2009. It's up hovering around 16,000 today. I also know that this was due to low interest rates, Federal Reserve stimulus, and I also know that we've had economic growth in the last quarter of last year at 3.2 percent. I know that labor force job opportunities have moved from the once strong manufacturing sector and now into the lower-paying service sector. Some of the additional information in that paragraph Senator Nordquist has already said so I won't repeat that. Moving on, I know that since 2009 gasoline prices have risen from \$1.79 to today's average prices representing approximately 83 percent price increase. According to the U.S. Bureau of

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Labor Statistics, food prices inflated 3.9 percent during one month in 2011. I also know that food prices have inflated at other periods at a pace of 1.6 percent monthly during the last five years. Questions: Have you checked the hourly rate charged for automobile repair lately? Have you checked your local property tax statement lately? Have you checked the price of propane lately? It's hovering in some places in Nebraska at \$5 a gallon today. Have you checked the price of your rural water bill lately? I also know that Nebraska has done nothing except play partisan politics...to the frightening statistic that since 2000, the number of healthcare uninsured, 225,000 in Nebraska has risen 68 percent. I also know that there are approximately 15,000 healthcare-related bankruptcies annually. I also know that according to the National Association of Child Care Resource and Referral Agencies childcare for babies and toddlers can range from \$300 to \$1,564, while childcare for pre-aged children is generally lower range from \$333 to \$1,100 per month. Nebraska is a right-to-work state and also a free will state. With the given arguments, would you conclude that the benefits, possible reduction in welfare recipients, of increasing the minimum wage would exceed the opportunity cost and implicit costs of not increasing the minimum wage? Or would you conclude that the opportunity and implicit costs, possible increase in unemployment and underemployment, of increasing the minimum wage are too great? The decision is yours. Just remember, the Nebraska taxpayer will be held responsible for the errors of your decision. [LB943 LB947]

SENATOR LATHROP: Okay. [LB943 LB947]

ALVIN GUENTHER: Are there any questions? [LB943 LB947]

SENATOR LATHROP: Thank you, Mr. Guenther. I see no questions. We appreciate you coming all the way from Dunbar. [LB943 LB947]

ALVIN GUENTHER: Thank you. [LB943 LB947]

SENATOR LATHROP: Next proponent. If you want, and you intend to testify, you can move towards the front rows if you'd like so you can kind of get in line. Welcome. [LB943 LB947]

JAY SCHMIDT: Thank you. Jay Schmidt, J-a-y, and Schmidt, S-c-h-m-i-d-t. Committee Chair Senator Lathrop and members of the committee, the bill before you, LB934 (sic) isn't any great jump in the minimum wage. It doesn't make it up to a living wage. But it will help ease the pain of many low-income workers, and it is pain. It will also help our whole economy. I have a son who is in management in home improvement sales. The state where he lives passed a minimum wage bill that is higher than the federal minimum wage. He said their sales soon went up. People had enough money to do some needed home repair. I have worked among low-income families in Nebraska. More money in their hands won't go off to some offshore bank or spent on a vacation to

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some exotic retreat. I urge you to back this bill. It's the moral and just thing to do. Thank you. [LB943 LB947]

SENATOR LATHROP: Thank you very much for your testimony. [LB943 LB947]

JAY SCHMIDT: It's short. [LB943 LB947]

SENATOR LATHROP: Yeah. We appreciate that as well. Are there any questions for...is it Reverend? Reverend Schmidt? Yes? [LB943 LB947]

JAY SCHMIDT: I worked at a community...one of our United Methodist Community Centers for a time. [LB943 LB947]

SENATOR LATHROP: Very good. [LB943 LB947]

JAY SCHMIDT: It's not running anymore. Too bad. [LB943 LB947]

SENATOR LATHROP: Okay. Well, thank you for testimony and your point of view. [LB943 LB947]

RODNEY VLCEK: (Exhibit 4) Chairman Lathrop, members of this committee, my name is Rodney D. Vlcek spelled R-o-d-n-e-y D. V-l-c-e-k. I'm here on behalf of the Nebraska American Federation of Labor and Congress of Industrial Organizations, and I'm here to testify in favor of both LB943 and LB947 to provide a much needed and long overdue increase in Nebraska's minimum wage rates. Nebraska's base minimum wage last increased in 2009, and our subminimum rate has not increased since 1991. Since the recession, we have seen a disturbing employment trend. Of those jobs lost due to the recession, a majority provided a middle class income with corresponding benefits. However, during the recovery a disproportionate share of jobs created have been low wage predominantly in the service sector. According to the Bureau of Labor Statistics, minimum and subminimum wage incomes have made up their smallest share of hourly workers in 2006. Today that share is more than double pre-recession low point and disproportionately affects female workers. These numbers are significant for two major reasons. First and foremost, requiring a legislative action to increase the minimum wage leads to the gradual erosion of its purchasing power. Had the minimum wage kept pace with inflation, it would stand at \$10.56 today. Had it kept pace with worker productivity, its 2000 (sic--2012) rate would have been \$21.72. Workers today are producing more and receiving less. Recipients of subminimum wage are also twice times as likely to rely on public assistance, a number that has significantly increased in the 23 years since it was last raised. Second, an increase in the minimum and subminimum wages has an outsized impact on consumer spending made only greater by these workers' increased share of total working population. The Federal Reserve Bank of Chicago has estimated that every dollar per hour increase in the minimum wage leads to \$3,500 of an

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additional economic output. Opponents traditionally make two major arguments against increasing in either the minimum or subminimum wage. First, they argue that increasing the minimum wage will result in job losses through either flight or layoffs. Recent research has found that the modest increases in the minimum and subminimum wages have little to no impact on employment. According to the Center for Economic and Policy Research, the most likely reason for this outcome is that the cost shock of the minimum wage is small relative to the firms' overall costs and only modest relative to wages paid to low workers. The risk of flight is similarly low due to the nature of the industries affected. According to the Bureau of Labor Statistics, 83.8 percent of businesses in this category are either service sector or sales and office support. For these sectors, proximity to the consumer is a substantially more important factor in determining location than the bottom wage rate. These businesses stand to lose more revenue by relocating to lower-wage environments than they gain from decreased costs of production. Simply put, it's unlikely that a customer will drive from west Omaha to Council Bluffs for a Big Mac. The other argument is that the wage gains are offset by inflation. This argument is flawed for several reasons. First of all, it takes a microeconomic condition that tries to attribute a macroeconomic effect without taking into account the benefits of increased consumerism. Second, the CEPR analysis finds that businesses are more likely to offset increased costs through lower employee turnover, increased productivity than they are through increased prices. Third, this assumes a zero-sum relationship between the wage floor and the inflation. Given the propensity of the earning power of this floor to erode over time, it cannot be for sole controlling factor for inflation. For these reasons the Nebraska State AFL-CIO asks for your support in both LB943 and LB947. [LB943 LB947]

SENATOR LATHROP: Very good. Thank you. Senator Wallman has a question. [LB943 LB947]

SENATOR WALLMAN: Thank you, Chairman Lathrop. Yeah, thanks for coming, Rodney. [LB943 LB947]

RODNEY VLCEK: Thank you. [LB943 LB947]

SENATOR WALLMAN: Do you have any idea what percentage of the work force is getting paid minimum wage now? [LB943 LB947]

RODNEY VLCEK: I do not. I don't, but I can get that information for you. [LB943 LB947]

SENATOR WALLMAN: Thank you. [LB943 LB947]

RODNEY VLCEK: It's such a vast number of people depending on what the environment is, whether it be public sector and what the job is, service or whatever. But I can get that information for you. [LB943 LB947]

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SENATOR WALLMAN: Thank you. [LB943 LB947]

SENATOR LATHROP: I see no other questions. Thanks for your testimony, Rod. [LB943 LB947]

RODNEY VLCEK: Thank you. [LB943 LB947]

SENATOR LATHROP: While the next person is coming up, can I see by a show of hands how many people are here to testify on this bill? Okay. And I don't know if there's people in the overflow room, but if there are and they care to testify on this bill, I suppose you can come up so that we can make sure we don't overlook you in the overflow room. And with that, feel free to proceed. [LB943 LB947]

JAMES GODDARD: (Exhibits 5, 6, and 7) Thank you, Senator. My name is James Goddard; that's J-a-m-e-s G-o-d-d-a-r-d, and I'm the director of the Economic Justice and Healthcare Access Programs at Nebraska Appleseed. I think the committee has already heard a bit from others why this is important, particularly for low-income families and workers. So I'd like to spend my time talking about how the proposals would benefit employers through increased employee retention and without causing job losses. I will endeavor to do that quickly through some examples of studies that have been done. Firstly, the bill would benefit employers by reducing turnover, training, and staffing costs. This is in part based on a University of California-Berkeley study looking at the San Francisco Airport where security screeners saw an increase in their minimum wage. They saw a decrease in turnover from 95 percent to 19 percent with an increase from \$6.45 up to \$10. Restaffing costs on the other hand would have been \$4,000 at least per hire. We've also seen similar benefits like this for large employers. At Costco, wages start at about \$11 an hour, and they have 17 percent turnover; while at Walmart there's 44 percent turnover with lower starting wages. Minimum wage increase can bring benefits to workers and employers without causing job losses for teens or adults. There was a 1994 landmark study by Card and Krueger that looked at fast food jobs on the border between Pennsylvania and New Jersey where New Jersey raised its minimum wage. They found no evidence of job losses as a result of the wage increase. Other research that's more recent has confirmed that a modest minimum wage increase has little or no impact on employment. A 2011 study from the University of California found even during hard economic times like 2007 to 2009, wage increases did not result in job losses or slower hiring. In 2013, there was a report from the Center for Economic Policy and Research that came to similar conclusions. Finally, the minimum wage increases can help employees and employers without significant price increases. In a recent study by a researcher named Aaronson and others, they looked at the impact of wage increases on restaurant pricing, a sector with high minimum wage workers. They found a 10 percent increase resulted in a price increase of only .7 percent. Other studies have come to similar conclusions. For these reasons, we're in support of LB943

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and LB947. I did just want to mention I had my testimony sent around. There are also two additional sheets, one with some resources on some of the studies that I discussed as well as other facts. The other is a document signed by at least 600 economists urging the federal government to raise the minimum wage. Lastly, I would just say to your question, Senator Wallman, I believe there are about 32,000 workers in Nebraska that are currently working for the minimum wage. And there should be some additional information in the sheet that I sent around. Thank you. [LB943 LB947]

SENATOR LATHROP: Very good. Thanks, James. Any questions for the witness? I see none. Thanks for your testimony today. [LB943 LB947]

SONIA BENTLEY: My name is Sonia Bentley, S-o-n-i-a B-e-n-t-l-e-y. I'm here today in support of both bills but to speak about LB947. I'm a waitress, and I have been all my life. Some might consider that menial labor, but I am not ashamed of the hard work that I do every day to try and make ends meet and to take care of my family. Sometimes that means working two full-time jobs, other times, seven days a week. We're not complaining about the hard work, but when a person works two full-time jobs and can still not even manage to squeak by then there is an injustice being committed. I am not alone in my struggle. There are thousands upon thousands of people in this state who are breaking their backs to put food in the mouths of their families, to keep the lights on, and to put shoes on their children's feet. We are the working poor, the working poor. We are not lazy. We are not asking for handouts. We are working as hard as we possibly can just to keep our heads above water, but we are starting to drown out here. We only want you to do what you already know is right. It is your job to protect the working people of this state and to stop huge corporations from taking advantage of decent hardworking Nebraskans. If this Legislature wants to subsidize big business, please do it in another way and not by forcing us to live on starvation wages. I've always told my son that there is no shame in doing any honest job in order to pay your own way; it's not to have to depend on anyone; that every person, every person that works hard, pays their taxes and does their part is a valuable part of this community. But our wages do not reflect that. No employer should be able to pay a person \$2.13 an hour. We only want what is fair. Because LB947 requires employers to pay their service staff 70 percent of full minimum wage, incrementally of course, it's a much more sensible application of subminimum wage law. Instead of corporations expecting their customers to make up the majority of the server's salary--mind you, that's on top of what they charge you for food and taxes--it makes the gratuity what it is intended to be, a thank you for extra good service. We know that our customers work hard too. We appreciate them sharing their hard, hard earned money with us, but they should not be expected to pay the biggest part of the salary of the employees of a multimillion or billion dollar corporation. There are people here today that will try and convince you that raising service minimum wage is somehow bad for consumers or bad for the economy or bad for small business, but that is simply not true. If you'll take the time to see who these people represent you will understand why they are trying to mislead the public with their

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scare tactics and their smokescreens. We are asking you to be strong and brave and to stand up for the rights of the blue-collar workers of the state and the working poor and not to do the easy thing and side with the corporate lobbyists and the big connections and the deep pockets. Thank you very much for taking the time to hear me out. [LB943 LB947]

SENATOR LATHROP: Thank you for your testimony. We've heard from a lot of organizations. It's great to have somebody who comes forward in response to the bills we introduce. Senator Wallman has a question for you. [LB943 LB947]

SENATOR WALLMAN: Yeah, thank you, Chairman Lathrop. Thank you for testifying. [LB943 LB947]

SONIA BENTLEY: Thank you. [LB943 LB947]

SENATOR WALLMAN: I think you've increased my tips when I eat out now. So you did a good thing. [LB943 LB947]

SONIA BENTLEY: Oh, well, thank you very much, but it's not your responsibility as a customer. It's the responsibility of corporations who are making billions on the backs of hardworking Nebraskans and other Americans. Thank you. [LB943 LB947]

SENATOR WALLMAN: Thanks. [LB943 LB947]

SENATOR LATHROP: Senator Chambers has...wait a minute. Senator Chambers has a question for you. [LB943 LB947]

SENATOR CHAMBERS: Sometimes I feel like Rip Van Winkle who went to sleep and woke up many, many decades later. This is 2014. How much did you say the wage is, two-something an hour? [LB943 LB947]

SONIA BENTLEY: I make \$2.13 an hour, sir, and this is a copy of my check... [LB943 LB947]

SENATOR CHAMBERS: I believe you. [LB943 LB947]

SONIA BENTLEY: ...that I receive from my employer. It says, this is not a check. [LB943 LB947]

SENATOR CHAMBERS: I wish I didn't have to accept what you say is true, but I know it. And then to have us be told to be strong and brave, to bring justice in a situation like this really shows how the status of a public official has diminished. It doesn't take bravery. It doesn't take strength. It shouldn't. It's just common ordinary decency. And I'm

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using you as a sounding board. I go to restaurants. [LB943 LB947]

SONIA BENTLEY: That's quite all right. [LB943 LB947]

SENATOR CHAMBERS: I always tip a lot because... [LB943 LB947]

SONIA BENTLEY: I've waited on you before, Senator Chambers. (Laughter) [LB943 LB947]

SENATOR CHAMBERS: This woman is working with and for the public. People who work for the public are taken for granted, sometimes viewed as a part of the backdrop or the furniture, don't think about people as having a family, bills to pay and so forth. So I'm very glad that you came today. And as my colleagues know, there are times when I, on the floor, will make comments that some of them are very offended by. But you've given me much grist for my mill, and I'm going to use what the minister said, too, when he introduced the word morality and justice to what we're talking about. And I don't think your coming here was in vain. We may not get what we ought to get for the people who work, but some of us are surely going to try. So thank you for coming. [LB943 LB947]

SONIA BENTLEY: We appreciate that very much. Thank you. [LB943 LB947]

SENATOR LATHROP: Thank you, Mrs. Bentley. [LB943 LB947]

CRAIG HOWELL: (Exhibit 8) Good afternoon. My name is Craig Howell, C-r-a-i-g H-o-w-e-l-l. I am the services coordinator for the Hunger Collaborative, and I am here on my individual basis. Thank you for this opportunity. I know you know the numbers that quantify and set the foundation for our need to raise the minimum wage. We know that 32,000 Nebraskans work for only \$7.25 an hour, which at full time is \$15,000 per year. And that is below the poverty line. We know that 88 percent of minimum wage earners are adults with the median age at 34.9 years and that the impact of a poverty minimum wage is clear when 25 percent of Omaha households earn less than \$25,000 per year. In fact, 4,500 Omaha families make less than \$10,000 per year. But, Your Honors, I am numb to those numbers. Those numbers are important only to the extent that those households have children, and a child cannot be fed and clothed with such low wages. I work every day at the three largest Omaha food pantries. I work to improve services all across the three pantries to increase collaborations and to help return food pantries to what they are meant to be, emergency food relief. Today, it is a place for chronic food relief. I meet and talk with our food pantry clients every day. I know their story, and I know their feelings. I deal with them, and I see them apologize for what they do not have to apologize for. And I see them struggle, and I see them cry. Mostly, I see workers and spouses of workers. I see the working poor that make too much for food stamps that have been cut far too much. I see the working poor that cannot afford mortgage, food, clothes, and life's unexpected challenges. The strongest statement,



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though, I can give to you is that our food pantries are now open in the evening, and they're open on Saturdays. That tells you what you need to know. It used to not be that way. When we provided emergency food relief, it was different. But with so many working to live in poverty, we need to have the pantries open at night and on weekends so that full-time workers can obtain food, clothing, maybe receive housing assistance, maybe receive a donated furniture item. I also observe the first-time volunteers are surprised by what they see. We feed families that are proud and remember living middle class. But that cost of living kept rising, and their wages were stagnant. Last week, I talked with a young woman at our food pantry. For the first time she was at our food pantry. She was there because her husband left her with her child. And after her minimum wage job at a restaurant is not able to keep her and her child housed so she added a night job, and her friends are taking care of her child. I helped her apply for food stamps when she started crying. And I told her that it's okay. Everyone...most people here are working poor. And that's when she stared at me and she said, is that what I am now? Is that what I am? The minimum wage is about dignity. The minimum wage is about our children, and the minimum wage is about an honest day's work getting an honest day's pay. So we ask...on my behalf, I ask that you raise the minimum wage above the poverty line. Now that won't change everything, but it's a darn good place to start. And for the sake of our hungry children, which we have too many of, and for the sake of people seeking dignity and a little bit of hope, we ask that you support these bills. Thank you. [LB943 LB947]

SENATOR LATHROP: Thanks, Mr. Howell. Any questions for Mr. Howell? I see none. Thank you for coming down here today. [LB943 LB947]

ABBIE KRETZ: (Exhibit 9) Good afternoon again. My name is Abbie Kretz, A-b-b-i-e K-r-e-t-z. I am the senior organizer with the Heartland Workers Center in Omaha, Nebraska, and here to testify in favor of LB943 and LB947. I would like to share the story of two workers who I spoke with who have worked for minimum wage. They would have liked to have been here to testify but unfortunately they are working and because they earn minimum wage are not provided with paid vacation to take and to come and testify in front of you. Marian works at a fast food restaurant in Omaha. While 40 hours is considered a full-time job for the rest of us, the company she works for, they consider 30 hours full-time employment. So in order to make up for the limited hours and wages, she took another job cleaning at a hotel to provide for herself and her two teenage daughters. During this time, she rarely saw her daughters or slept. One early morning after working an overnight shift at the restaurant and having previously worked at the hotel, she found herself asleep in her car, and she didn't get up to go take her kids to school. Her older daughter called worried what if something had happened or not. But again, she had not been sleeping due to her excessive hours of work. Alex worked as a server at a local Mexican restaurant where he earned the current rate of \$2.13 for tipped workers. Aside from attending to customers' tables, he also had to roll silverware, make chips, stock the bar, and clean. You would think he would be able to focus his

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attention on the customers as they provide the majority of his wages. But he had a variety of other duties to do for which the company only paid him \$2.13. They all have expenses like you and I: rent, utilities, car payments, gas, insurance, food, telephone, but had to forgo some of them. Marian told me she once after a payday...she only had \$20 to pay for gas so she basically limited where she was going just because she didn't have money to pay for any more gas. Alex mentioned that he had recently had to get some new tires after one blew out. He had been trying to save some money to pay for his tuition at Metro, but he had to use it for his tires. So again, like a lot of people who work minimum wage don't have that funding for emergencies. So basically, these two workers are willing to work. They want to work. They just want it to be...they want to be paid for the work that they're doing. Thank you. [LB943 LB947]

SENATOR LATHROP: Very good. Thanks, Abbie. Any questions for Abbie Kretz? I see none. [LB943 LB947]

ABBIE KRETZ: Thank you. [LB943 LB947]

SENATOR LATHROP: Thank you for coming down today. Next proponent. [LB943 LB947]

LAUREL MARSH: (Exhibit 10) Good afternoon. My name is Laurel Marsh spelled L-a-u-r-e-l M-a-r-s-h, and I appear today in support of both bills, LB943 and LB947, on behalf of Community Action of Nebraska. For 50 years, Community Action has worked to foster the skills and culture that support low-income families and their attainment of economic stability and to keep the voices and conditions of those in poverty central to the development of public policy. Nebraska's nine Community Action Agencies are private nonprofit organizations. Collectively they serve all 93 counties. Programs you might commonly think of are Head Start, home weatherization, employment assistance, asset development, personal finance, and food, housing, and utility assistance. And last year...in 2012, Community Action Agencies collectively served 15,626 separate families that work. In Nebraska, the income of many working single-parent families and occasionally two-parent families is at or below the federal poverty level. And the current federal poverty levels are attached. Those came out about two weeks ago. This occurs despite the fact that they are working full-time jobs. Even with good budgeting and spending habits, they are not able to meet the basic expenses of their family. In order to make the \$15,730 wage that a family of two is listed at to be at 100 percent of the poverty level, you would need to work 2,169 hours at the current minimum wage of \$7.25. A standard work year at 40 hours a week times 52 weeks would come out to 2,080 hours. So you'd have to pull a little overtime to get yourself up to the federal poverty level. If you're a family of three, you'd need to make \$9.51 or you'd need to work 2,729 hours. And so again, Community Action's purpose is to help people be self-sufficient. And those that have the most problem in doing so are usually employed, low-wage, and no-benefit workers. And this type of an increase would really help. Thank

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you. [LB943 LB947]

SENATOR LATHROP: Very good. Thanks, Laurel. Any questions for the witness? I see none. Thank you for coming down today. Next proponent. Good afternoon. [LB943 LB947]

WILLIE BARNEY: Good afternoon. Thank you for hosting this. Willie Barney, Omaha, Nebraska. I am the president and facilitator of the Empowerment Network, and I come on behalf...to support this bill that's put before you. A couple weeks ago we celebrated Dr. King's birthday, and everybody celebrates the "I Have a Dream" speech and what Dr. King said in Washington, D.C. But also a piece of what Dr. King said all the way back in 1963 is that there are American citizens living on an island of poverty in the midst of vast of ocean of material prosperity. And here we are in 2014 where citizens in this state which celebrates the good life are living on that island of poverty. And make no mistake that Nebraska is that vast ocean of material prosperity; 3.7 unemployment rate across the state of Nebraska, one of the most thriving economic vital states in the whole country, yet we have citizens that are working full time and cannot afford in some cases to buy both medication and keep the lights on. We have kids, as it's been said...are going to school and thank God we have some opportunities to be able to provide food at...but that's what we're asking citizens of this great state to do. We have incredible wealth in this state and the cities across Nebraska. And the fact, as Senator Chambers has mentioned, that we're still having this same discussion again and again and again and again. The reality is we do have citizens that are struggling every single day, let alone the people that are unemployed. But we have people that are employed full time that cannot pay all the expenses that they need to pay to take care of their family. As I mentioned before and was mentioned by one of the other folks, we work with individuals that work in food pantries. Many of the shelves are bare. We have homeless shelters that are just overflowing with people. And one of the reasons why they're not here is they can't afford the gas to get here, and they're working 24/7. So trying to get here to testify, the obstacles and the barriers are unbelievable. But I just stand before you. Again, in 1963 we were having this same conversation, and the Dr. King that we all celebrate stood before America and said that we have citizens that are living in poverty in the midst of vast prosperity. And that's what we're dealing with this in this state. And I encourage this committee and the state to really address this; \$9 really isn't enough. Based on the research, we should be over \$10 to allow these individuals to have the dignity that they deserve when they're working as hard as they are working. So again, we want to thank you for taking this up, and I'm very encouraged that the state is finally looking to address this at a larger level. We have citizens that are purely struggling. Even after they have played by the rules and done everything that they were expected to do, they still are struggling at a very deep rate. Thank you for your time. [LB943 LB947]

SENATOR LATHROP: Thank you. Senator Chambers. [LB943 LB947]

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SENATOR CHAMBERS: Mr. Barney, I'm very glad you came, that you made the comments that you did. And sometimes I wonder what I'm doing in the Legislature. I really know what I'm doing, but it seems surreal. You mentioned something that is very important. Poor people can't afford to get here. They shouldn't have to. We're the representatives of the people. We took an oath. We know what the conditions are under which people live, how they struggle, how they suffer. And as a representative, we shouldn't need people to come and show us the calluses on their hands, show us little sad-eyed babies, raise the child's shirt to show that the ribs are visible. This is America. This is not some what they call Third World country. And when you say...you mentioned the great wealth, the country's foreign policy based on giving billions of dollars sometimes to the most brutal countries to maybe lighten up a little bit on the people who live in those countries. And all they have to do is look out the window where they sit in Washington, D.C., and they can see areas where people are as impoverished in this country. And it's a shame. And every public official should be ashamed. We shouldn't need the people to come here. We know. But it's good that you came and that the other people came to do it anyway. And maybe someday, I won't be here to see it, I know good and well I won't be here to see it...if I live to be 1,000 it's going to be the same thing because the hearts and minds of those who make promises when they run for office are not affected by the promises they make and they don't keep. We are going to have to fight like Trojans to get this piddling amount. Over a period of time, you get up to \$9. The man from the AFL-CIO showed that to keep up with inflation it would be \$10 right now. So if we get the most these bills are talking about, we're still way behind. And these are real people. I use you for a sounding board. I don't really have a question, but I'm appreciative of the fact that you come. [LB943 LB947]

WILLIE BARNEY: I want to thank this committee again for taking it up and really truly, as the young woman said, people are not looking for a handout. They're looking for a hand up and an opportunity to do what they have been told to do: go to school, work hard, do what's expected of you, and there's something for you. Right now that promise is not being answered by the state. And I'm encouraged by hopefully this message going forward. But \$9 is not enough. I realize it wasn't a question, but I wanted to answer it anyway. Thank you for your support. [LB943 LB947]

SENATOR LATHROP: Thanks for your testimony and for the work you do with the Empowerment Network. Anyone else here to testify in support of, well, either bill, LB943 or LB947? Okay, is anyone here to testify in opposition to either bill? Good afternoon. [LB943 LB947]

DICK CLARK: (Exhibits 11 and 12) Good afternoon, Chairman Lathrop, members of the Business and Labor Committee. My name is Dick Clark, D-i-c-k C-l-a-r-k. I am director of research for the Platte Institute. Thank you very much for this opportunity to testify in opposition to both LB943 and LB947, legislation that would increase the minimum wage

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in Nebraska. The page has been gracious enough to take my folders with copies of my written testimony just for your information. While minimum wage proponents are well meaning, economic reality cannot be ignored. The vast, vast majority of economists agree that increasing the minimum wage puts low-skilled workers out of work. Employers are often unable to pay a higher minimum wage without falling back on one of four options: cutting back on employees, decreasing hours, increasing prices, or automating jobs that were previously performed by low-skill workers to be kept then by only the most productive workers. Even progressive economist Paul Krugman has noted the detrimental effects of a higher minimum wage saying in an article that any Economics 101 student can tell you the higher wage reduces the quantity of labor demanded and hence leads to unemployment. Krugman even criticized proponents who want to believe that the price of labor, unlike that of gasoline or Manhattan apartments, can be set based on considerations of justice, not supply and demand, without unpleasant side effects. To put it simply, demand curves slope downward as prices increase. A higher minimum wage means fewer jobs. An employer cannot sustainably employ a worker whose cost of employment exceeds the marginal product of that worker's labor. The Bureau of Labor Statistics shows that roughly 1.8 million hourly employees earned the federal minimum in 2010. Of these, 49 percent were teenagers or young adults under 24 years old, and the average income for the families of the teenagers in this group, that subset, is nearly \$70,600, far from the federal poverty level. Of all minimum wage workers, only 4.7 percent match the description of an adult head of household working on minimum wage full time and trying to raise a family. The effects of increasing the minimum wage are most visible among lowest-skilled workers, particularly teenagers. When the minimum wage increased in three stages from \$5.15 to \$7.25 between 2007 and 2009, the unemployment rate for 16- to 19-year-olds increased from 16 percent to 26 percent even when controlling for the changes in general unemployment that occurred at the same time. Greater unemployment is the most evident result of minimum wage increases, but numerous other negative effects may also result. Indirect consequences include longer durations of unemployment for low-wage workers, encouraging employers to cut worker training programs, and encouraging employers to hire workers under the table, a practice which results in less bargaining power and reduced economic mobility for those employees. Economist Henry Hazlitt once observed that government cannot make a man worth a given amount by making it illegal for anyone to offer him less. You merely deprive him of the right to earn the amount that his abilities and situation would permit. In brief, for a low wage you substitute unemployment. That observation is still true. Raising the minimum wage would be detrimental to workers, employers, and consumers alike and could be a real blow to Nebraska's economy. In the end, the population you intend to help will be hurt the most by this bill. Thank you again for the opportunity to speak on both bills. [LB943 LB947]

SENATOR LATHROP: Senator Harr. [LB943 LB947]

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SENATOR HARR: Thank you. And thank you for coming, Mr. Clark. You mentioned Mr. Krugman...recent article in The New York Times. Did he advocate for raising the minimum wage? [LB943 LB947]

DICK CLARK: I believe he did contradict his earlier position, Senator. [LB943 LB947]

SENATOR HARR: Okay. And one of his arguments is, and I happen to have it right here, was that low-wage workers are generally in the field, for instance, in the restaurant business. People aren't going to go to China and get their burger and fries, are they? [LB943 LB947]

DICK CLARK: I agree with that, and I agree with the testifier earlier who made the same point, sir. [LB943 LB947]

SENATOR HARR: Okay. And then one of the issues we have is we say that it causes higher unemployment if we raise minimum wage. Yet there isn't really any data out there that proves that... [LB943 LB947]

DICK CLARK: I beg to differ, sir. [LB943 LB947]

SENATOR HARR: ...that I've been able to find. As a matter of fact, maybe it's time...we have a number of states that have raised their minimum wage. Aren't we able to tell if their unemployment is higher or lower than the national average? [LB943 LB947]

DICK CLARK: Yes, sir. And if you look to the unabridged version of the testimony that I believe the page distributed, I do have some citations to the conclusions of those studies. I can provide you with the citations to the actual published studies if you'd like. [LB943 LB947]

SENATOR HARR: And that is what? [LB943 LB947]

DICK CLARK: I'm sorry, sir. [LB943 LB947]

SENATOR HARR: Well, you said there's data. What is it? [LB943 LB947]

DICK CLARK: Okay, I believe I can go back and find it here. Okay, it is on...let's see, starting at the...well, I read a little bit of it from the bottom of page 2 and then going to the top of page 3. And the full version that I trimmed down on to make the 3-minute mark there I mentioned that also for the three stages of increase between 2007 and 2009, each staged increase was accompanied by at least a 2 percent growth in teenage unemployment. In a comparison of states with minimum wages above the federal \$7.25 level showed that the 19 states above the federal level had average teenage employment of 25.2 percent, while those at the federal level had teenage

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unemployment of only 21.5 percent. These impacts are more pronounced in the black community where teenage unemployment was 43 percent last February. And I can provide you with the citations to studies that support that, sir. [LB943 LB947]

SENATOR HARR: Now teenage unemployment...but isn't it true that we have exceptions for teenage minimum wage? [LB943 LB947]

DICK CLARK: Yes, sir. And I didn't come prepared to discuss all the different exceptions to the minimum wage law today, but I'd love to continue that conversation with you. [LB943 LB947]

SENATOR HARR: Yeah, well, I mean it's one thing to say, it kills...you drew a conclusion. And yet at the same time you understand that there are exceptions. There already is an exception to that conclusion because it wouldn't necessarily affect the minimum wage for teenagers. [LB943 LB947]

DICK CLARK: Well, it's certainly an effect for a number of jobs that teenagers do fill and can fill. [LB943 LB947]

SENATOR HARR: Exactly, and maybe since they don't have to pay...minimum wage would be higher, it might actually decrease their unemployment because they'd be paid less. Under your theory, lower the wage, the more people they would be able to hire. So if a teenager weren't paid minimum wage but at lower than the \$9, wouldn't that actually help them? [LB943 LB947]

DICK CLARK: I'm not sure that I'm tracking, sir, but I think I'll just fall back on the law of supply and demand for my conclusion there, that if you raise the price of something people will buy less of it. And that includes labor. [LB943 LB947]

SENATOR HARR: But you're saying there's an exemption. You would concur there's an exception out there for teenagers, right? [LB943 LB947]

DICK CLARK: Sir, I'm not totally familiar with all the exceptions to the minimum wage laws for different niches in the market. Certainly one that's familiar to many of us is seasonal farm work in this state, but again, that's not something that I prepared to go over in detail in this hearing, sir. [LB943 LB947]

SENATOR HARR: Okay. [LB943 LB947]

SENATOR ASHFORD: Just a couple of questions. [LB943 LB947]

SENATOR LATHROP: Senator Ashford. [LB943 LB947]

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SENATOR ASHFORD: A couple of things, I've always supported increasing the minimum wage. Because I think it's a different...I think you're...the economic analysis that you've given is over here, and then I think the question of what a fair wage is is another piece. And what is interesting is when you look at the polls, most Democrats and a majority of Independents and quite a few Republicans support increasing the minimum wage from...it's not a...it's across the board. And I think it's because it's really a fairness issue for a lot of people. It's if you work full time and you can't make ends meet at all, then the question of rewarding labor or work in this economy kind of loses its efficacy. Let me throw out a couple things to you. First of all, those numbers...there's no question that youth unemployment went up between 2006 and 2009 and there's a pretty good reason for that. I mean, we were in the depths of the greatest recession we've had since the Depression. So when you have youth unemployment at X--19 percent, 16 percent, whatever it is--they're starting at that level and then they are...you're moving to a higher level from that level. So I'm not sure that...I mean, I think we'd have to analyze those situations, compare apples with apples and not take a recession-based economy. But... [LB943 LB947]

DICK CLARK: If I could interject, sir, I did mention that the study on the teenage unemployment bump did control for changes in the general unemployment conditions. [LB943 LB947]

SENATOR ASHFORD: Right, and I'm sure there are control factors in there. But here's my real point. And that is that, you know, just a month ago Macy's laid off how many tens of thousands of employees. JC Penny's just closed 35 stores and laid off any number of employees as well. They made...Macy's and Penny's and Best Buy and major...made those decisions based on other economic factors other than minimum wage because I'm very doubtful that those Macy's employees generally are minimum wage employees. I think the economics of minimum wage would indicate...I mean, in my investigation of it is that economic decisions are made by...every particular employer is different, but economic decisions are based on those economic conditions in that particular set of circumstances. And it's literally impossible to make a judgment that says minimum wage, you know, resulted in higher unemployment when in fact many, many other factors do. The reason that I support minimum wage and always have is years ago...and I can't remember, maybe it was Senator Chambers made this argument, and that is that there are lots of government programs out there that pay people when they aren't working because they're safety net programs. This program is actually paying people who are working. And it's counterintuitive for me to vote on one hand to create a safety net, at the other time not vote to support a living wage for people who are actually engaged in work as long as that minimum wage is at a reasonable level. And you can answer that point if you wish. [LB943 LB947]

DICK CLARK: I would just say that certainly I'd love a world where everyone was better off and, you know, when I go by a big house that is apparently owned by a wealthy



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person, I don't look at it and say, nobody ought to live that way. I look at it and say, everybody ought to live that way. And I would say that while the, you know...while certainly the intent is well meaning, I'd say that the attempt to increase the minimum wage in order to benefit the poor is a little bit like... [LB943 LB947]

SENATOR ASHFORD: But, Dick, it's not even well meaning. It's just pure economics. If you're saying, we want you to work and produce for society, and so you pay your taxes and go buy things and fuel the beast so to say, you have to provide a certain level of income in order to do that. [LB943 LB947]

DICK CLARK: Well, I think you might be referring to the velocity of money and the theory that the velocity of money perhaps is... [LB943 LB947]

SENATOR ASHFORD: Well, I'm referring to somebody that doesn't have any money versus someone that does have money. [LB943 LB947]

DICK CLARK: Sure. [LB943 LB947]

SENATOR ASHFORD: And that person with money generally will spend it. [LB943 LB947]

DICK CLARK: Well, the fact is that an enterprise will not be a going concern if it pays a greater price for its inputs than the marginal revenue product that those inputs, whether labor or otherwise, contribute. [LB943 LB947]

SENATOR ASHFORD: Then Macy's...okay, fine. Then Macy's will close stores. Then Penny's will close stores. McDonald's will close stores. But I think those decisions are made based on the economics of that particular industry and those businesses. [LB943 LB947]

DICK CLARK: I think you're absolutely right that there are many business that fail for nothing to do with what the minimum wage level is. [LB943 LB947]

SENATOR ASHFORD: Yeah, and so I guess my conclusion there is that I think minimum wage is a factor in economic decisions made by a business, but it is infinitesimally small compared to the other factors such as selling more merchandise, getting a product people want to buy. It's like taxes. You know, I love the Platte Institute's position on prison reform, but on taxes and minimum wage I think you're 100 percent wrong. But the...you know, on taxes, people still manufacture, they still sell goods, and they still pay taxes. So, you know, I'm not sure those economic drivers are obfuscated by taxes or minimum wage so much as they are having a product that someone will buy. [LB943 LB947]

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DICK CLARK: Well, I'm grateful for your questions, Senator. And I would just add...my last response to them is that I think that this sort of policy, increasing the minimum wage, helps the folks who are most in need of help in the same way that cutting the bottom rungs off of a ladder helps somebody start out higher up. I think actually it burdens them. It makes it harder to enter the labor force, harder to grow their expertise, and harder to ultimately earn that higher wage that we hope everyone will reach. [LB943 LB947]

SENATOR LATHROP: Senator Chambers. [LB943 LB947]

SENATOR CHAMBERS: Mr. Clark, I'm glad you came. [LB943 LB947]

DICK CLARK: Thank you, Senator. [LB943 LB947]

SENATOR CHAMBERS: You said you're from what organization? [LB943 LB947]

DICK CLARK: From the Platte Institute, sir. [LB943 LB947]

SENATOR CHAMBERS: Is that referred to sometimes as a think tank? [LB943 LB947]

DICK CLARK: I think so, sir. [LB943 LB947]

SENATOR CHAMBERS: Do you work for the minimum wage, or do you work at all? First, do you... [LB943 LB947]

DICK CLARK: No, I don't work for the minimum wage, but I do work, sir. [LB943 LB947]

SENATOR CHAMBERS: Could you...do you have a family? [LB943 LB947]

DICK CLARK: I do, sir. [LB943 LB947]

SENATOR CHAMBERS: Could you make it with your family on the minimum wage? [LB943 LB947]

DICK CLARK: No, sir. And I wouldn't be willing to accept employment at that level. [LB943 LB947]

SENATOR CHAMBERS: But by not having to live under those conditions, you can speak more academically about how the minimum wage increase would hurt people like you and those poor people. Let me change that. You're really interested in the poor people, aren't you? [LB943 LB947]

DICK CLARK: I am, sir. [LB943 LB947]

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SENATOR CHAMBERS: And you're really interested in those who are barely scraping by, aren't you? [LB943 LB947]

DICK CLARK: I sure am. [LB943 LB947]

SENATOR CHAMBERS: Now you talked about Mr. Krugman. He's an economist. [LB943 LB947]

DICK CLARK: Yes, sir. [LB943 LB947]

SENATOR CHAMBERS: Economists do not...that's not a scientific pursuit. Economics is not scientific, is it? [LB943 LB947]

DICK CLARK: I think I would disagree with you depending on the school of economics that we're talking about. I certainly agree that it's not always an area of inquiry where you can use the scientific method. Whether we use the word "science" broadly or narrowly, I guess we could talk about language. [LB943 LB947]

SENATOR CHAMBERS: I am using it narrowly. It's not scientific, is it? Is it scientific like mathematics is scientific? [LB943 LB947]

DICK CLARK: Well, actually I think it's closer to math than something like one of the applied physical sciences where you can actually have controlled experiments. I think it's much harder to have a controlled experiment in economics than those areas. Yes, sir. [LB943 LB947]

SENATOR CHAMBERS: If you are a scientist, you start out with a hypothesis. Then when you get a little bit of information and it seems like it's valid, you can call it a theory. Then when it reaches the point where what you say can be replicated, when you have these points, A, B, C, and D, then you're always going to get E. Whether I put A, B, C, and D there, you put A, B, C, and D there, anybody, you're going to get the same result. Will water boil...will water freeze at 32 degrees? [LB943 LB947]

DICK CLARK: Yes, sir, depending on your altitude and atmospheric pressure. [LB943 LB947]

SENATOR CHAMBERS: Suppose you live on 24th Street, and I live on 30th Street, and we each have water in our house. Will it freeze at 32 degrees? [LB943 LB947]

DICK CLARK: I think that sounds about right. [LB943 LB947]

SENATOR CHAMBERS: Okay. Now if you have all these economists, and they're

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trained. They're educated. They have worked. Why do they all come up with different theories even those who say they hold to the same economic belief? [LB943 LB947]

DICK CLARK: Well, certainly the vast majority of economists do agree with the conclusions that I've presented here. I think the reason that they might differ in part...you don't get published very often if what you're publishing agrees with what is already out there. [LB943 LB947]

SENATOR CHAMBERS: You say the vast majority but not all of them. [LB943 LB947]

DICK CLARK: No, sir. [LB943 LB947]

SENATOR CHAMBERS: What scientist would say water does not freeze at 32 degrees? [LB943 LB947]

DICK CLARK: The ones that I would say aren't very good scientists. [LB943 LB947]

SENATOR CHAMBERS: And how about those who would say the earth is flat. [LB943 LB947]

DICK CLARK: Probably very few of those but similar amount of respect for them, too, I think. [LB943 LB947]

SENATOR CHAMBERS: Are you familiar with robotics? [LB943 LB947]

DICK CLARK: Oh, I... [LB943 LB947]

SENATOR CHAMBERS: I don't mean where you... [LB943 LB947]

DICK CLARK: Not too much, but I know that...I know such a thing exists, of course. [LB943 LB947]

SENATOR CHAMBERS: You know that there is such a thing. And you know right now more and more work done by what you call low-skilled people, but they're really expendable people. [LB943 LB947]

DICK CLARK: Oh, I wouldn't agree with that, sir. [LB943 LB947]

SENATOR CHAMBERS: The work they do can be repeated over and over. It can be reduced to a certain number of activities. And a machine can do more cheaply and faster and in some cases better than those human beings. Isn't that true? [LB943 LB947]

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DICK CLARK: Yes, sir, but the alternative view is that the machine actually makes the workers able to be more productive by magnifying the impact of their labor. So I think it makes the workers better off if they're able to get that sort of position. [LB943 LB947]

SENATOR CHAMBERS: You have fewer workers, though, huh? You make the workers who no longer have a job better off by having a machine that throws them out of work, and then one person instead of a hundred can do it. You help the 1, but do you help the 99? [LB943 LB947]

DICK CLARK: Well, I think that you do because then you open up this resource on the market that can go to other fields that may not have existed prior to that resource's not being available. [LB943 LB947]

SENATOR CHAMBERS: And what fields are open for these low-skilled people which are going to be on the market now when there is unemployment, there's not a living wage? [LB943 LB947]

DICK CLARK: Well, I'd say there's a two-part answer to that. First of all, you hope that if somebody is already acquainted with the business practices of an employer, that when automation comes in then that person gets to learn the automated skills. And they become more valuable and they earn a higher wage. The alternative would be, you have a resource that's available on the market, and that's going to be allocated to its best and highest use if people are allowed to trade freely. And so they'll be able to take their labor someplace where it'll be better rewarded where the margins are higher on that input. [LB943 LB947]

SENATOR CHAMBERS: As they say in England, rubbish. [LB943 LB947]

DICK CLARK: Sorry we disagree, sir. [LB943 LB947]

SENATOR CHAMBERS: Mr. Clark, we more than disagree. If raising the minimum wage hurts the poor, why not reduce it and help the poor? Wouldn't that follow? [LB943 LB947]

DICK CLARK: I like your thinking, sir. [LB943 LB947]

SENATOR CHAMBERS: Wouldn't that follow based on your attitude and your philosophy? [LB943 LB947]

DICK CLARK: Yes, sir, and the price controls that we're talking about. [LB943 LB947]

SENATOR CHAMBERS: And if you can reduce it slavery, then it's even better because now... [LB943 LB947]

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DICK CLARK: Oh, no. [LB943 LB947]

SENATOR CHAMBERS: Wait a minute. You have full employment, don't you? [LB943 LB947]

DICK CLARK: No, sir. I believe in voluntary interactions between adults... [LB943 LB947]

SENATOR CHAMBERS: Wait a minute. [LB943 LB947]

DICK CLARK: ...and of course that would be an offense to people's dignity... [LB943 LB947]

SENATOR CHAMBERS: We're talking about the marketplace. [LB943 LB947]

DICK CLARK: ...to be able to choose. [LB943 LB947]

SENATOR CHAMBERS: Wasn't slavery run in accord with principles of the market rather than humanity? [LB943 LB947]

DICK CLARK: Sir, slavery was propped up by government laws that allowed it to continue... [LB943 LB947]

SENATOR CHAMBERS: You don't want to answer the question, but I'm going to keep asking it. Was not labor very inexpensive when there was slavery? [LB943 LB947]

DICK CLARK: I don't know how to answer your question, sir. [LB943 LB947]

SENATOR CHAMBERS: Okay. [LB943 LB947]

DICK CLARK: I think it was expensive in terms of human dignity, in terms of the affront to justice that it was. [LB943 LB947]

SENATOR CHAMBERS: What school did you go...that doesn't count in what we're talking about. We're talking about the marketplace ruling, and that's why you can say, keep the minimum wage low even though people can't make a living because the principles of the marketplace rule. Now you and the Platte Institute hold to the economic school of Ebenezer Scrooge and Jacob Marley, more or less. Be honest. [LB943 LB947]

DICK CLARK: No, I don't think so because I think they would have... [LB943 LB947]

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SENATOR CHAMBERS: They were too liberal. [LB943 LB947]

DICK CLARK: ...followed the same mistakes of Smith in adopting what later became Marx's labor theory of value. [LB943 LB947]

SENATOR CHAMBERS: They were too liberal. [LB943 LB947]

DICK CLARK: And I would reject a lot of the claims that they probably would have adopted in their place in history. [LB943 LB947]

SENATOR CHAMBERS: They were too liberal for you, huh, and the Platte Institute? [LB943 LB947]

DICK CLARK: They were too incorrect for me. They were too incorrect for me. Yes, sir. [LB943 LB947]

SENATOR CHAMBERS: Now Scrooge said, aren't there work houses for the poor? Would you like to see that done? [LB943 LB947]

DICK CLARK: Yes, see he was intending to rely on public assistance to subsidize his enterprise. And I'd say that's not a free market condition. I'd say that that is corporate welfare, right? [LB943 LB947]

SENATOR CHAMBERS: In farming, it's not run on the basis of free market conditions, is it, in this country? [LB943 LB947]

DICK CLARK: I don't believe that we are in a pure free market economy right now. Certainly I believe that we'd all be better off if we moved in that direction, sir. [LB943 LB947]

SENATOR CHAMBERS: What is a price support? Is there a price that the government sets, and then there is a market price, and if the market price doesn't meet the target price, then the government makes up the difference? [LB943 LB947]

DICK CLARK: There are a number of interventions by the market in different areas where price controls are enforced. [LB943 LB947]

SENATOR CHAMBERS: But is what I'm saying correct because you know far more about economics than I do? [LB943 LB947]

DICK CLARK: I don't know if I'd make that claim, sir. [LB943 LB947]

SENATOR CHAMBERS: Well, I'm telling you because I've listened to you. And I know

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what little I know, and I can tell how much you know. And you know far more about it than I do, and I want you to improve my education. Did the statement that I make about price supports accord with the facts? [LB943 LB947]

DICK CLARK: If you're asking, do price controls exist in some areas, yes, sir, I believe they do. And this is one of them. [LB943 LB947]

SENATOR CHAMBERS: Are there farmers who, if they know that a target price is up here, and the market price is down here, then they can go into a type of farming where the market price is down here. You don't have to be efficient. And the government money is going to make sure you get this amount of money that is the target price, isn't that true? [LB943 LB947]

DICK CLARK: Yes, sir, and it's distortionary to the market, absolutely. [LB943 LB947]

SENATOR CHAMBERS: So I know the Platte Institute had their lobbyist in Washington lobbying against the current farm bill, didn't they? [LB943 LB947]

DICK CLARK: Oh, we don't have any lobbyists in Washington, sir. We're a pretty small operation. [LB943 LB947]

SENATOR CHAMBERS: Do you speak against it? [LB943 LB947]

DICK CLARK: I'm against government interventions in the marketplace, sir, yeah. [LB943 LB947]

SENATOR CHAMBERS: Are you... [LB943 LB947]

DICK CLARK: I believe those are distortionary and they're harmful, yes. That's my position. [LB943 LB947]

SENATOR CHAMBERS: They're distortionary and what? [LB943 LB947]

DICK CLARK: Harmful. [LB943 LB947]

SENATOR CHAMBERS: Where did you get that from? You don't have experience in that. Have you been a farmer? [LB943 LB947]

DICK CLARK: Well, sir, it's...I mean, it's like I don't have to know whether we're counting apples or bananas to know that one plus one equals two, sir. [LB943 LB947]

SENATOR CHAMBERS: Have you been a farmer? [LB943 LB947]



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DICK CLARK: No, sir, I have not. [LB943 LB947]

SENATOR CHAMBERS: Now where did you get the knowledge that you have in talking about the government interventions that are not good? Why are they not good? They help the farmers who benefit from it, don't they? [LB943 LB947]

DICK CLARK: Well...but again, there's the opportunity cost for those dollars. There's the questions of, what the better and higher uses of those resources would have been in the absence of distortionary market intervention... [LB943 LB947]

SENATOR CHAMBERS: Do they benefit the farmers who get them? [LB943 LB947]

DICK CLARK: I think in the short term they do, and I think unfortunately in the long term it probably harms their competitiveness. [LB943 LB947]

SENATOR CHAMBERS: Would an increase in the minimum wage help the people who get that increase? [LB943 LB947]

DICK CLARK: The folks who get to keep their jobs, it's possible that somebody on the margins could, but I think... [LB943 LB947]

SENATOR CHAMBERS: Let me ask you to...it's so hard for you geniuses to understand a question from an ordinary working man. Let me ask you this. If bread costs \$2.20 a loaf and I have \$2, if I get 20 more cents and I can buy a loaf of bread, does that help me? [LB943 LB947]

DICK CLARK: Does it help you, all things being equal, if bread is cheaper? I imagine it probably does, sir, if you're a bread consumer. [LB943 LB947]

SENATOR CHAMBERS: You are amazing to me. As I listen to you, I feel like Mr. Spock, fascinating. I have one or two more questions. When you came here, you came here to speak against raising the minimum wage, correct? [LB943 LB947]

DICK CLARK: Yes, sir. [LB943 LB947]

SENATOR CHAMBERS: If the minimum wage is raised, you see virtual catastrophe befalling the economy. [LB943 LB947]

DICK CLARK: No, sir. I don't think I'd go that far. I think I see negative repercussions. I don't think it'd be a catastrophe, but I think it would harmful. And I think it disproportionately is going to harm the folks that most people here today are trying to help. [LB943 LB947]

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SENATOR CHAMBERS: When was the last time you donated to a food pantry? [LB943 LB947]

DICK CLARK: Well, you know, I've donated to the People's City Mission on occasion, sir. I'm a regular donor of theirs. Also I do occasionally have the opportunity to bring extra food from one of my wife's workplace's events. And we always try to bring that to the City Mission. Both my parents were professional social workers, and that population is near and dear to my heart, sir. And I say that sincerely. [LB943 LB947]

SENATOR CHAMBERS: So why do you do that? [LB943 LB947]

DICK CLARK: Why do I do it? [LB943 LB947]

SENATOR CHAMBERS: Wouldn't it better if those people... [LB943 LB947]

DICK CLARK: Because it makes...because I know that I am doing the right thing, that it makes me feel better off when I give of what I have freely. And to quote a book that you quote a lot, sir, the Lord loveth a cheerful giver, not one who gives begrudgingly or out of necessity. [LB943 LB947]

SENATOR CHAMBERS: But you should help those who are poor. [LB943 LB947]

DICK CLARK: I think that's a virtuous position. Yes, sir. [LB943 LB947]

SENATOR CHAMBERS: And you don't believe though in raising the minimum wage. [LB943 LB947]

DICK CLARK: I don't believe this will help the poor, sir. No, sir, especially not in the long term, especially not in that...talking about that figurative tide that raises all ships. [LB943 LB947]

SENATOR CHAMBERS: You've helped me a great deal in understanding a certain class of people, an understanding which I didn't have before you came. I have a much better understanding of this Platte Institute now. And I appreciate you being so--well, more or less straightforward, as straightforward as you could be. And you can't ask people to do more than what they know how to do. And you know how to do whatever it is you've been doing, and that was the best you could do. And I did learn from it. I want you to know that. [LB943 LB947]

DICK CLARK: Thank you for your questions, Senator. [LB943 LB947]

SENATOR LATHROP: Senator Wallman. [LB943 LB947]

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SENATOR WALLMAN: Thank you, Chairman Lathrop. Yeah, thanks for coming. The Detroit area, you know, which manufacturer didn't take government bailouts? [LB943 LB947]

DICK CLARK: That would be Ford, I believe. [LB943 LB947]

SENATOR WALLMAN: And what did he recommend years back? [LB943 LB947]

DICK CLARK: I'm sorry? [LB943 LB947]

SENATOR WALLMAN: When he was going good, he raised the salary of every employee. Why? [LB943 LB947]

DICK CLARK: You know, I think I heard something about this on the radio, but that's all I'd be going off of. I'd hate to act as if I'm an authority on the topic. But I believe that he felt that there was a business advantage to paying a certain class of his employees more because he got to retain them longer, got to build up the skills that they had learned, and he had a better work force because of it. Isn't that right? [LB943 LB947]

SENATOR WALLMAN: So they could actually buy his product. General Motors and some of them, they didn't have enough money to buy the product they were making. And so this economics thing is complicated. But just say automation, he mentioned automation. Does a corporation get a tax break if they automate something on the assembly line? [LB943 LB947]

DICK CLARK: Sir, I'm afraid I'm not prepared to speak to the tax incentives that might be in place for a thing like that, but they may in some cases. [LB943 LB947]

SENATOR WALLMAN: Sure, they get paid for automation to lay people off. So we're all paying for this. So I think we've got to go try to help them out if we can. Thank you. [LB943 LB947]

SENATOR LATHROP: I see no other questions. Thank you for your testimony. [LB943 LB947]

DICK CLARK: Thank you very much. [LB943 LB947]

JERRY STILMOCK: Good afternoon, Senators. My name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying on behalf of the National Federation of Independent Business in opposition to LB843 (sic--943). I don't come to you with any studies. I don't come to you being able to recite what an economist said, but I want to tell you a quick story, a couple stories. And what I do want to bring to you are Terry and Jay. Jay is a business owner. He runs a boot and shoe repair business, does a little bit of retail. And

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anticipating my appearance before the committee this afternoon, I visited with Jay. I said, Jay, this is what we're going to talk about. And what would this do to your business? He said, you know, I spend about three to six months training somebody that...if they don't have any knowledge in sewing or leather repair, I spend about three to six months. And if minimum wage was increased in Nebraska I think that would impact me. I think it'd impact me in a negative way, said Jay. And I said, in what way? And he said, well, if a business, not my business, but if a business paid more in minimum wage I think that would impact me because my people would come to me and they would expect more and the ripple effect of what he would feel in his business. It wasn't a long conversation, but it was one that fit what some of the materials for those opposed to minimum wage have to say and that was the ripple effect. And I wanted to share with you that a small businessman, about 11 employees if I recall correctly, what his take on LB943 was. The other is Terry, Terry operates a small grocery store. And I said, Terry...same topic, going to present to the senators. I'm not equipped to get into studies and economists, so tell me what you think. What would happen to your store? I said, Terry, how many employees do you have. He says, well, I have nine employees. I said, tell me, do you know about the minimum wage, and do you know about it being brought up in the Nebraska Legislature? And he said he was. He was familiar with it. And I said, what would it do to you? And he says, well, I believe it would impact me that I'd have to lay off two to three of my employees. And I said, how do you do that? He said, well, just like I did when I was taking your phone call. I had a semitrailer that I was unloading, and it took about three minutes for him to come to the telephone. And I explained the purposed of why I was calling, and invited him to visit with me a little bit. And he was out unloading the semitrailer as the owner along with the other employees. And I said, you know, what would happen? He said, Jerry, I think I'd have to lay off two or three employees. And I said, well, how do you get along if you lay them off? He said, well, everybody else is going to have to work a little harder, a little quicker, a little more knowledgeable. Senator, I only have couple more comments. May I conclude? [LB943 LB947]

SENATOR LATHROP: Briefly, please. [LB943 LB947]

JERRY STILMOCK: Thank you. Thank you. But so much of my time on the beginning employees is spent just how to be an...with the employees, how to be an employee, how to follow directions, how to maintain productivity, how to stay on task. If you have to go up front and tend to a customer, when you come back to work at the work that you were doing in the back room, I don't want to have to remind you time and time again. And it's just to process of becoming a better employee that he used it as an example in his situation with me, Senators. So I share that with you, and the NFIB is opposed to this legislation. [LB943 LB947]

SENATOR LATHROP: Senator Ashford. [LB943 LB947]

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SENATOR ASHFORD: What country are you in? I mean, I've been in...our family was in the clothing business for over a hundred years. In my store, when I ran it for 15 years, we had no problem paying above the minimum wage. And if we had to pay our employees more, we would raise the price of a tie by 50 cents, or by 25 cents. What country are you guys living in? Now hold tight, hold tight. [LB943 LB947]

JERRY STILMOCK: I understand. [LB943 LB947]

SENATOR ASHFORD: No, no, no. No, no. Here's the question I'd like answered. I hear this from Jay and all these people. Of course you ask Jay if you had to pay your employees more would you...do you want to do that? Maybe some employers will say no. But the laws of economics are such that if you pay your employees slightly more, and we're not talking about a lot more, and they then have the ability to take that money and go to Jay and get their shoes repaired where they might not be able to get their shoes repaired before, then Jay makes more money. If your second friend has to lay off three employees, possibly he doesn't have a very good business. If he has to lay off three employees because of the minimum wage, then he's obviously not pricing his product correctly. We're in a period in Nebraska...we're in a place where it is...of full employment, 3.7 percent, 3.7 percent. But we still have a substantial...over 200,000 people live in poverty in our state. How, under any economic model, does over 220,000 or 230,000 people living in poverty help the business world? You can't buy as much. You can't buy that extra tie. You can't buy that extra gift because you don't have the money to do that. I don't understand. If we were talking about a \$10 increase in the minimum wage, I'd say, that's counter to good, sound economic principles and it's going to price labor out of the market. But we're talking about a very small incremental amount. You know, money is fungible. It goes around and around and around. And if we wanted to live in Japan that has a depressed economy where we're actually working with deflation rather than inflation, then that's fine. But a little bit of inflation, a little bit of return for the employee as well as the employer is critical to our economy. I don't get where you're coming from. I understand Jay doesn't want to pay more, but where are you coming from? What theory are you...you don't have theories, but other than talking to Jay, what is the economic model that's driving your thought pattern here? [LB943 LB947]

JERRY STILMOCK: Senator, first of all, when I closed my notebook I meant no disrespect. I listened to every word you said. [LB943 LB947]

SENATOR ASHFORD: I am trying to find an answer because it seems to me if that if you're in the retail which is a lot of minimum wage, if you're in the food business which is a lot of minimum wage, you want your workers to be able to be part of that consumer society just like everybody else. We're not talking about a massive increase in minimum wage. And if...answer me this, if your other friend who has to lay off 3 out of 11 employees by raising the minimum wage, what is his business? What business is he in

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that he has to do that? [LB943 LB947]

JERRY STILMOCK: He's a grocer in a small town, Syracuse, located close to Lincoln competing with Walmart and other stores, in my belief, trying to keep the people in Syracuse shopping in Syracuse rather than going somewhere else, sir. [LB943 LB947]

SENATOR ASHFORD: Also the grocery business has very low margins, correct? [LB943 LB947]

JERRY STILMOCK: Yes, sir. Well, I assume, yes. [LB943 LB947]

SENATOR ASHFORD: Well, it does. It's less than 1 percent in many cases, 1 and 2 percent. So if the...I don't want your buddy to go out of business, but at some point if he can't make a go of it, if he can't raise his prices just enough to cover three employees, then I wonder what the economics of that are. [LB943 LB947]

JERRY STILMOCK: Yeah, you know, I don't know, Senator. I mean, he's not my buddy. He's somebody I went to because I wanted his opinion. [LB943 LB947]

SENATOR ASHFORD: I didn't mean that in a derisive way. [LB943 LB947]

JERRY STILMOCK: No, and I didn't think you had been. But it's like, you know, Jerry brought in a couple of his buddies to come in and testify. They couldn't be here. I just wanted... [LB943 LB947]

SENATOR ASHFORD: No, no. I'm just trying to understand the economics of not giving your employees a slight increase in wages. [LB943 LB947]

JERRY STILMOCK: Sir, Senator Ashford, all I did was try to tell you what the impact would be in this gentleman's business. That's all. [LB943 LB947]

SENATOR ASHFORD: He's going to lose three employees in Syracuse because he's going raise the minimum wage...or he's going to pay another whatever it is on top of what he pays now. So he has to pay an extra \$200 a month, and he's going to lose...he's going to have to fire three people. [LB943 LB947]

JERRY STILMOCK: All I'm telling you, sir, is there's a guy out there trying to hump it like you and I, and he's trying to compete with other people. And that's my message to you, sir. [LB943 LB947]

SENATOR ASHFORD: We just don't want low-cost labor running around with...with over 200,000 people living in poverty in the state, we want to be able to pay people a living wage so that they can become more productive and be part of the consumer

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society. I think that's the American dream myself. [LB943 LB947]

SENATOR LATHROP: Senator Harr. [LB943 LB947]

SENATOR HARR: Thank you, Chairman Lathrop. So I just have a...I know we're trying to personalize this and...first of all, thanks for coming in today. So my question is, how much is he paying those employees right now? Let's go with Terry the grocer. [LB943 LB947]

JERRY STILMOCK: I don't know, Senator. I assume he's at...I don't know. One might assume he's at minimum wage right now. [LB943 LB947]

SENATOR HARR: Yeah, and do you know, if those employees are full time or part time? [LB943 LB947]

JERRY STILMOCK: Part time. [LB943 LB947]

SENATOR HARR: Okay, is he paying right now health insurance for those individuals? [LB943 LB947]

JERRY STILMOCK: I do not know. [LB943 LB947]

SENATOR HARR: Do you know if he's paying... [LB943 LB947]

JERRY STILMOCK: I doubt it. I mean, yeah, I doubt it. [LB943 LB947]

SENATOR HARR: Yeah, yeah. [LB943 LB947]

JERRY STILMOCK: I mean, I can assume that that's a honest answer. Yeah, I doubt it. [LB943 LB947]

SENATOR HARR: Okay, and is he paying retirement for those people either? [LB943 LB947]

JERRY STILMOCK: I don't know, but I doubt it. [LB943 LB947]

SENATOR HARR: Yeah. This is such a tough judgment call because right now I feel as though our...well, not I feel, the data shows our minimum wage is lower than it has been historically. And we're seeing huge income inequalities. Do I think raising the minimum wage will solve that problem? No, I do not. Do I think it might cause some unemployment? Maybe. But, you know, I look at what these industries are where minimum wage is paid, and it's retail, and it's food. And it's areas where I don't see a great amount of foreign competition because I just don't see us going to China to buy

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our clothes. We might go there to make them. We already do, but to actually buy them or to buy our hamburger and fries, I don't see that happening. Does that mean I'll probably have to pay a little bit more? You bet. I bet. How much? I don't have an answer, and I haven't heard anyone give a number of how much more I personally have to pay so that others can have a living wage, and I'm not even sure that this is a living wage. All I know is it seems like a great program. It's what Senator Chambers talked about earlier. We're helping the poor who are working. I always hear this: don't give a handout, give a hand up. Well, by presenting a real wage for the work you do, I think it's a good thing. And I'm not sure if...I mean, sure I would love to pay anybody...heck, I'd love to pay my lawyer less. [LB943 LB947]

SENATOR ASHFORD: You are a lawyer. [LB943 LB947]

SENATOR HARR: I know, and I still want pay him less...but my doctor less. I mean, I get that. I get it. We always want to pay less. No one wants to pay more, whether it's taxes or whatever. No one voluntarily offers to pay more. But we also have to look at the what the effect we're having on these workers and what kind of society we want to live in. You know, we judge those ourselves by how we take care of those who don't necessarily...can't take care of themselves. I look at this and think, no one is getting rich off of \$9 an hour. As a matter of fact it's just the opposite. What happens is these people don't get rich so then they fall back on government programs. And then we say we want to cut taxes. Well, we can't cut taxes because a large portion of our state economy is going to HHS. And so I don't know. It's very confusing to me. And I'll be...I'd like to hear some more testimony I guess is what I'm getting at. Thank you. [LB943 LB947]

JERRY STILMOCK: Yes, sir. [LB943 LB947]

SENATOR LATHROP: Senator Chambers, you're recognized. [LB943 LB947]

SENATOR CHAMBERS: Thank you. Mr. Stilmock, my questions are what they are because people who may read the transcript of proceedings in the Business and Labor Committee may not read the proceedings that occur in the Judiciary Committee. You're a lobbyist, correct? [LB943 LB947]

JERRY STILMOCK: Yes. [LB943 LB947]

SENATOR CHAMBERS: And you have different clients. [LB943 LB947]

JERRY STILMOCK: Yes. [LB943 LB947]

SENATOR CHAMBERS: You have come before committees on which I sit speaking in behalf of volunteer firefighters and others. [LB943 LB947]



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JERRY STILMOCK: Yes. [LB943 LB947]

SENATOR CHAMBERS: And today you're here speaking for this organization of businesses. [LB943 LB947]

JERRY STILMOCK: Yes, sir. [LB943 LB947]

SENATOR CHAMBERS: And do you see their interests as conflicting? The businesses don't want to pay, and the people you represent want more in the way of pay. But you represent both of them. [LB943 LB947]

JERRY STILMOCK: I do not. [LB943 LB947]

SENATOR CHAMBERS: You represent the business...what group did you say you're here representing today? [LB943 LB947]

JERRY STILMOCK: National Federation of Independent Business. [LB943 LB947]

SENATOR CHAMBERS: Business, okay. [LB943 LB947]

JERRY STILMOCK: Mom and pop companies is the way I try to describe it when I'm talking outside of the Legislature. [LB943 LB947]

SENATOR CHAMBERS: What would be one of the largest businesses in that organization? Some of them make considerable money, don't they. [LB943 LB947]

JERRY STILMOCK: I would assume, sir. I... [LB943 LB947]

SENATOR CHAMBERS: But you really don't know. [LB943 LB947]

JERRY STILMOCK: I don't know. [LB943 LB947]

SENATOR CHAMBERS: All I'm going to say, Mr. Stilmock, you seem to be like a man riding two horses at the same time going in different directions. That's the way it seems to me. And I've heard your presentations. I'm not going to go through them all here, but I will view those differently now as a result of what I've heard you say here today. And the reason I'm saying it, you've done both the public forum, you're a lobbyist, you're paid to say what you say. But I thought that there was more involved than just that. And I just want to let you know the impact, what you said...the guy from the...that institute, Platte Institute. That's just...that's nothing. That's just a guy beating his gums, saying what the party line is out there. But you were different in my opinion. And that's all that I have to say. [LB943 LB947]

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SENATOR LATHROP: Okay, thanks, Jerry. [LB943 LB947]

JERRY STILMOCK: Yes, Senators, thank you. [LB943 LB947]

SENATOR LATHROP: Appreciate your testimony. Next opponent. [LB943 LB947]

COBY MACH: Welcome to the hot seat. I am...good afternoon, Senator Lathrop, members of the Business and Labor Committee. My name is Coby Mach, C-o-b-y M-a-c-h. I'm here on behalf of the Lincoln Independent Business Association to express our opposition to increasing the minimum wage. LIBA would be just as happy as anyone else if Nebraska could pass a law that mandates everyone make more money with no adverse consequences. However, actions do have consequences, and raising the minimum wage we believe will cause wage inflation as well as limit employers' economic ability to hire low-skilled and inexperienced workers. A minimum wage increase will limit the amount of work available in our opinion. Employers cannot pay their workers more than the value they produce. If the cost of a job increases while the value of that position remains stagnant, that job will no longer exist. The employer can no longer afford to hire employees with little experience because the starting value will be less than the initial cost. Thus, when wages are increased hiring may decrease, and jobs could be cut at entry-level positions. I spoke with a florist last week who trains his staff. They are not familiar with what he does. He trains them, provides good jobs, and he believes that he would be forced to cut a position, maybe two, and pick up some of the work himself. Minimum wage jobs operate at a pathway into the work force; 55 percent of Americans begin their careers earning within a dollar of the minimum wage. Those jobs are just a starting point of those workers earning minimum wage with...two-thirds will make more than minimum wage within the first year. An increase in the minimum wage will not only decrease hiring but also could cause hardship within an existing organization. The increase can force employers, including those who hire at rates above minimum wage, to increase wages across the organization. For example, a LIBA member in waste hauling pays above minimum wage for entry-level positions. If the minimum wage were increased, he feels he would be forced to raise entry-level wages to attract the same caliber of applicant. Further, this results in wage compression and necessitates salary increases throughout the business. Even the state of Nebraska has a fiscal note on this bill which warns of wage compression for the Nebraska Game and Parks Commission. The perception is that business owners are rich. This isn't just about business owners though. I talked with nonprofits and one of our nonprofit organizations that believes that this would cause them to reduce employees as well. I talk with business owners every month who are struggling to make ends meet, business owners who some of them themselves will make only \$20,000 or \$30,000 during a given year. They understand as well what it is to struggle. And I will...I see I'm out of time. [LB943 LB947]

SENATOR LATHROP: I appreciate your observing the lights. [LB943 LB947]

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COBY MACH: Yes. [LB943 LB947]

SENATOR LATHROP: Senator Ashford. [LB943 LB947]

SENATOR ASHFORD: Coby, a couple macro questions. Would you support going back to the gold standard? [LB943 LB947]

COBY MACH: I would have to study that, sir. No. [LB943 LB947]

SENATOR ASHFORD: What do you think a reasonable increase in gross domestic product for our country should be? Is it 3 percent, 4 percent, 5 percent? [LB943 LB947]

COBY MACH: I would be happy to visit with my board of directors and get back with you on that, Senator. [LB943 LB947]

SENATOR ASHFORD: Well, I mean, you know this stuff. I mean, you're good at this. I mean, and that's not a criticism, that...it seems to me that if you don't want to be Japan where you're basically...you've got a yen that's decreasing in value. You've got depressed wages. We have depressed wages here...have had...even though we have good employment we have depressed wages. At what point, aside from minimum wage for a moment, at what point in your view does a depression in wages become negative to the economy or becomes a deflationary sort of pressure that retards growth? [LB943 LB947]

COBY MACH: Senator, we're not here asking you to lower the minimum wage. [LB943 LB947]

SENATOR ASHFORD: No, I understand. My concern is really in a macroeconomic sense, is if we don't increase wages to some extent, and we haven't on the minimum wage side for some time...if we don't increase, we're going to get into a situation where we do get stagnant. We already have wage stagnation and wage depression in this state, and we do across the country. And we have GNP that's below 3 percent, and to me I think we're...I think that has a negative...I mean philosophically, economically I think that has a negative impact on our growth. And even the small business guy, and I get it because I was one and always have been...is that if you have to raise prices, it's tough. But at the same time it's part of the price of doing business in order to get employees, keep them happy, keep them productive, and hopefully make them part of...and if you're paying below the minimum wage, in my experience that just doesn't work. So, I'm... [LB943 LB947]

COBY MACH: And right now, Senator, we do have businesses that are just starting to come out of what was a pretty bad recessionary period. [LB943 LB947]

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SENATOR ASHFORD: Right. [LB943 LB947]

COBY MACH: And this is one more thing that they're seeing that could make things difficult. [LB943 LB947]

SENATOR LATHROP: Senator Wallman, did you...okay. [LB943 LB947]

SENATOR WALLMAN: Thank you, Senator Lathrop. Yeah, thank you for coming down, Coby, and always appreciate your wisdom. This minimum wage thing, do you think the fuel prices affect businesses here, the gas prices, propane, natural gas? [LB943 LB947]

COBY MACH: I know they do. [LB943 LB947]

SENATOR WALLMAN: I wish you'd come here and gripe about that, you know. And so, thanks for coming. [LB943 LB947]

COBY MACH: Could you help us lower those fuel prices? [LB943 LB947]

SENATOR WALLMAN: I tried. (Laugh) [LB943 LB947]

COBY MACH: Okay, all right. [LB943 LB947]

SENATOR ASHFORD: They're lower than they've been in years. [LB943 LB947]

SENATOR HANSEN: That's what propane does. [LB943 LB947]

COBY MACH: Propane is not. [LB943 LB947]

SENATOR ASHFORD: Not propane, but gasoline. [LB943 LB947]

COBY MACH: Yes. [LB943 LB947]

SENATOR LATHROP: Senator Hansen, you're recognized. [LB943 LB947]

SENATOR HANSEN: Thank you, Senator Lathrop. Coby, I'd like to ask you a little bit about the supply side, on the supply side of labor. What's the difference between Lincoln, Nebraska, and Williston, North Dakota? [LB943 LB947]

COBY MACH: I don't know that difference, Senator. [LB943 LB947]

SENATOR HANSEN: You've heard of Williston, North Dakota, where they have an oil boom? [LB943 LB947]

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COBY MACH: I have not heard of Williston, North Dakota. I've been to North Dakota. [LB943 LB947]

SENATOR HANSEN: The starting wage at a McDonald's in Williston, North Dakota, is over \$15 an hour because the supply is small. And they have worse weather than we do. I mean, it's not a good place to live. So the people in Lincoln, in order to raise wages, it has nothing to do with the minimum wage. If there were less people, they would have a higher wage. What we're trying to do today is to artificially raise the minimum wage. That's not based on supply and demand, is it? [LB943 LB947]

COBY MACH: Well, Senator, I think in any business you can find...and in any area you may find employees that are making more than compared with another city. For example, I talked with a 17-year-old girl last week that is working the drive-through window of a fast food restaurant and is making \$8.25 an hour. So I'm not sure that that addresses your question. [LB943 LB947]

SENATOR HANSEN: It does because my conclusion to this whole questioning is that in North Platte where I come from I don't think there's any fast food worker makes less than \$7.25 an hour. I don't know if there's any that make \$9, but none of them...very, very few of them start at that very minimum level. If they do it's maybe like six months until they get trained, and then they go on up. So the law of supply and demand generally works. But what we're trying to do is to hold that artificial. [LB943 LB947]

SENATOR LATHROP: Okay, I think that's it. Thank you, Mr. Mach. [LB943 LB947]

COBY MACH: Thank you. [LB943 LB947]

SENATOR LATHROP: Any other opponents to either bill care to be heard today? Good afternoon. [LB943 LB947]

HARVEY SANKEY: (Exhibit 13) Chairman Lathrop, members of the Business and Labor Committee, my name is Harvey Sankey, H-a-r-v-e-y S-a-n-k-e-y, 3204 North 157th Street, Omaha, Nebraska. We've heard already...and I'm for LB947 by the way, but I'm against LB943. [LB943 LB947]

SENATOR LATHROP: You're for the tip...LB947. [LB943 LB947]

HARVEY SANKEY: Yes, I agree with that. [LB943 LB947]

SENATOR LATHROP: Okay, I appreciate you clarifying that. [LB943 LB947]

HARVEY SANKEY: But LB943 I'm against as it is written, okay? [LB943 LB947]

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SENATOR LATHROP: Okay, let's hear your reasoning. [LB943 LB947]

HARVEY SANKEY: Okay. I have some facts here. Everybody has brought facts and studies. I just want to put in something here, and indicate...I read an article by David Brooks of The New York Times, and it's called "Wage hike is poor poverty reform." So if this wage hike here is to help poverty, it may but probably won't. And I'll tell you why. By raising the minimum wage it may not be an effective way to help those least well off. Joseph Sabia of the San Diego State University and Richard Burkhauser of Cornell looked at the effects of increases in the minimum wage between 2003 and 2007. Consistent with some other studies, they found no evidence that such raises had any effect on the poverty rates. That's because the raises in the minimum wage are not targeted at the right people. Only 11 percent of the workers affected by such an increase come from poor households. Nearly two-thirds of such workers are the second or third earners living in households at twice the poverty level line or above. The primary problem for the poor is not that they are getting paid too little for the hours that they work, it's that they are not working full time or at all. Raising the minimum wage is popular politics. It is not effective policy. There is a very strong correlation between single motherhood and low social mobility. There is a very strong correlation between high school dropout rates and low mobility. There is a strong correlation between the fraying of social fabric and low economic mobility. There is a strong correlation between deindustrialization and low social mobility. It is also true that many men, especially young men, are engaging in behaviors that damage their long-term earnings prospect much more than comparable women. Low income is the outcome of these interrelated problems but is not the problem. To say it is a problem is to confuse cause and effect. To say it is the problem is to give yourself a pass from exploring complex and morally fraught social and cultural roots of the problem. It is to give yourself permission to ignore the parts that are uncomfortable to talk about but that are really the inescapable core of the thing. If we're going to mobilize a policy revolution, we should focus on the real concrete issues: bad schools, no jobs for young men, broken families, neighborhoods without mediating institutions. We should not be focused on a secondary issue and a statistical by-product. [LB943 LB947]

SENATOR LATHROP: Okay. Did you want to speak briefly as to why you support LB947? [LB943 LB947]

HARVEY SANKEY: I think that \$2.13 is too low. [LB943 LB947]

SENATOR LATHROP: Okay, and do you come here for an organization or just as an individual today? [LB943 LB947]

HARVEY SANKEY: I represent Printing Industries of the Midlands. [LB943 LB947]

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SENATOR LATHROP: I'm sorry, what... [LB943 LB947]

HARVEY SANKEY: Printing Industries of Midlands which is the printing industries of Nebraska. [LB943 LB947]

SENATOR LATHROP: Oh, the printers. Oh, okay. Very good. [LB943 LB947]

HARVEY SANKEY: Yes. [LB943 LB947]

SENATOR LATHROP: Is that the industry you came from or you work in? [LB943 LB947]

HARVEY SANKEY: Yes, I worked in there for 40 years. I'm retired now. [LB943 LB947]

SENATOR LATHROP: All right, very good. Okay. [LB943 LB947]

HARVEY SANKEY: As it is written now, you have a 5.5 percent increase from \$7.25 cents to \$7.65 cents. That's fine. I don't have a problem with that. All right. However, how did you arrive at that? That's a 5.5 percent increase. Is that good enough, or is it not? I mean, where did that come from? And my other solution here is that when you add onto that later on...index future increases, the cost increases due to inflation in the state of Nebraska. [LB943 LB947]

SENATOR LATHROP: Okay, and perhaps Senator Nordquist will answer your question when he comes up to close on the bill. [LB943 LB947]

HARVEY SANKEY: Okay. [LB943 LB947]

SENATOR LATHROP: Senator Harr. [LB943 LB947]

SENATOR HARR: Thank you, Senator Lathrop. I read that same David Brooks article. I love David Brooks. You know, but one thing he talks about is the subsidy for young male workers in that article. Would you advocate for that to help them get in the work force? [LB943 LB947]

HARVEY SANKEY: If it's to improve their education in order to get a skilled job, yes. [LB943 LB947]

SENATOR HARR: I think...and you have the article in front of you. [LB943 LB947]

HARVEY SANKEY: Yeah. [LB943 LB947]

SENATOR HARR: I think he talks about a subsidy for when they first start to help them

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get the work experience they need. And then this article you presented here today...I don't know who David Henderson is, but I noticed on the back it states, nothing written here should be construed as necessarily reflecting the views of the National Center for Policy Analysis or as an attempt to aid or hinder the passage of any legislation. [LB943 LB947]

HARVEY SANKEY: Right. [LB943 LB947]

SENATOR HARR: Okay, I just wanted make sure that was clear. [LB943 LB947]

SENATOR MCGILL: (Laugh) [LB943 LB947]

HARVEY SANKEY: I'm just proposing...my information here is based on what you think minimum wage may do, and it won't do it. It won't help the poor. [LB943 LB947]

SENATOR HARR: No, it won't alone. It can't alone. It won't alone. You're right. Thank you. [LB943 LB947]

SENATOR LATHROP: Okay. I think that's it. Thank you for your testimony. I know you've waited a long time to share it with us... [LB943 LB947]

HARVEY SANKEY: Thanks. [LB943 LB947]

SENATOR LATHROP: (Exhibits 14, 15, 16, and 17) ...and we appreciate your patience. Anyone else here to testify in opposition to either bill? Is there anyone here in a neutral capacity on either LB943 or LB947? Seeing none, as the introducer of LB947 I'll waive a close. And before Senator Nordquist shares his final thoughts, I want to put a few things into the record. We have a letter from the city of Lincoln dated February 3, 2014, in support of LB943. We have a letter from the Nebraska Grocery Industry Association also dated today in opposition to LB943. And we have a letter from the State Chamber, the Lincoln Chamber, and the Omaha Chamber in opposition to LB943. Those letters will be made, and their opposition and support will be made in the record...noted in the record. And with that we'll have Senator Nordquist close on LB943. Good hearing. [LB943 LB947]

SENATOR NORDQUIST: Thank you, Mr. Chairman. Thanks for everyone who testified. I appreciate your patience with the length of the testimony, but this certainly is an important issue that we're going to have a discussion on this year. In preparation for the bill...just the question, where the numbers came from. I talked to a number of businesses in my district, mainly small businesses, and just about the minimum wage in general and their thoughts. And the two things that came up, a number of them said, we are paying above the minimum wage now, but we're competing. We're competing against corporations that aren't. A number of retail establishments in the Old Market that



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I talked to have said that. We're competing against big boxes coming in from out of state paying low wages, and essentially the taxpayers are subsidizing those employees. The other thing they said as we talked about numbers, they said, phase it in. Obviously, and I agree with them, an increase to \$10 an hour starting July 1 would be very detrimental to the employment status in our state, but a 5 to 7 percent increase as this bill makes over a 3-year period...when I took it back to them, they made it sound like, yes, they could absorb it. They're absorbing price increases now. Our minimum wage hasn't increased in four years, but prices are, prices for everything you buy are. Beef prices...when people go to the grocery store and buy beef and buy whatever groceries at the grocery store, when that minimum wage worker goes home they have to pay those higher prices. And the bottom line here is that it takes so much no matter how frugal you are to support a family. And more and more families are falling below that line. And we have a couple choices. Either we can require the corporations to pay a little bit more to try to move more people above that line, we can continue to pick up the tab for those families through a mix of government programs, or we can turn a blind eye to them which I don't think anyone in this room wants to do. If anyone has other options, I'd like to discuss those. But the question really is, who is going to pay at the end of the day, to make sure that our families can meet their basic needs? As far as the research is concerned, you know, a vast majority of economists...that's a broad statement I didn't see any evidence of it, I don't know if you have. But there just in the last month was a letter signed by 600 economists, a number of Nobel Prize laureates saying raise the minimum wage federally to \$10.10 an hour, and it was signed by four economists from the University of Nebraska-Lincoln. When we talk about the law of supply and demand, that's usually chapter one in an economics textbook. And I went back and grabbed my textbook off the shelf from the grad class I completed a couple semesters ago. And chapter two is about the inelasticity of supply and demand, that it's not a 1:1 ratio. A number of these jobs we're talking about...if you're running a restaurant, a fast food restaurant, you have to pretty much have somebody pull the fries out of the fryer. You pretty much have to have a number of people working the front counter. It's not a simple, "you raise the wages, we're going to get rid of a bunch of people." Those businesses will absorb much like they've absorbed higher food prices over the last two years. Senator Ashford made a great point about the set of circumstances that each individual business has. We heard research thrown around that, well, if you look at national states that have higher minimum wages versus those that don't there's some difference. Well, coming out of the recession there has not been a difference. But secondly, there's been research that looks at the borders between states. And that's where you really get to the individual regional circumstances. And a study that was published in...it was in the Review of Economics and Statistics which is a publication of Harvard and MIT; specifically states for cross-state contiguous counties we find strong earnings effects and no employment effects by minimum wage increases. They looked at 13,000 (sic--1,381) out of the 3,000 counties in the United States with that data. And counties across the border from states that have a higher minimum wage versus lower, again, they said strong earnings effects and no employment effects. So, you know, we

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can look at some research that looks nationally at a state, but all of those circumstances are different. You really need to look at the regional variation across borders. And finally, we also heard about productivity cannot exceed the cost of marginal production, the cost of that worker. Well, that is a true statement of economics, but our wages haven't kept up with production though. If you would think on the other side that wages would keep pace with production then, if the worker produces this much more, they'll get that much more in a paycheck. Our minimum wage peaked in real earning power about 1968. Had we indexed that to inflation at that point it'd be about \$10.52 an hour. If we would have tied it to production, the minimum wage today would be between \$17 and \$21 an hour. Workers are working harder and producing more, but their wages aren't reflecting that. And finally, I just want to highlight one business in south Omaha. It was in the World-Herald back in November, a company called Skinner Baking that was founded in 1911. And Audie Keaton, the CEO, "said his goal is to employ '1,000 families,' phrased that way because he sees Skinner as an 'old-fashioned employer' that pays a living wage and supports local families." These are the type of businesses that we should be looking out for, the type of businesses that respect their employees, pay them a decent wage. And these are the type of businesses that are competing against employers that don't pay those wages. Thank you. [LB943 LB947]

SENATOR LATHROP: Very good. Thanks, Jeremy. That will close our hearings on LB947 and LB943 and bring us to LB800. You'll notice Senator Mello is not here. Trevor Fitzgerald, his legislative assistant, is standing in. Senator Mello is a new father. [LB943 LB947]

SENATOR HANSEN: What's the name?

SENATOR LATHROP: Angelina.

SENATOR MCGILL: Angelina.

TREVOR FITZGERALD: Angelina Margaret.

SENATOR LATHROP: Yeah, Angelina Margaret. So we're all happy for Senator Mello and Catherine and glad to have Trevor here pitching LB800. Welcome to the Business and Labor Committee. If you want to wait just a second for the crowd to clear out.

TREVOR FITZGERALD: We'll let everybody clear out.

SENATOR LATHROP: Okay, at 4:05, Trevor Fitzgerald, you're good to open on LB800. Welcome.

TREVOR FITZGERALD: (Exhibit 1) Well, thank you. Good afternoon, Chairman Lathrop and members of the Business and Labor Committee. For the record, my name is Trevor

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Fitzgerald, T-r-e-v-o-r F-i-t-z-g-e-r-a-l-d. I am legislative aide for Senator Heath Mello. As you've mentioned, Senator Lathrop, Senator Mello is unable to be here today as the Mello family welcomed their first child this weekend. Senator Mello represents the 5th Legislative District in south Omaha. Designed to encourage investment and economic growth in distressed communities, some type of zone-based economic development initiative, most commonly called enterprise zones, is present in the vast majority of states. Nebraska's enterprise zone statutes were passed in '92 and '93. But the original enterprise zones designated under these bills were allowed to expire after a decade, and the statutes have gone unused since that time. Similarly, the business incentive program that was previously tied to the Enterprise Zone Act, the Employment Expansion and Investment Incentive Act, was repealed in 1997. LB800 would reactivate and modernize the Enterprise Zone Act allowing the creation of up to five new enterprise zone by the Department of Economic Development. Under the act, any city, village, tribal government area, or county may apply for designation of an area within its boundaries to be designated as an enterprise zone. Upon formal adoption of new rules and regulations by DED, the department would take applications for 180 days and could then designate new enterprise zones within 60 days following the application deadline. Similar to the application periods in the 1990s, no more than one enterprise zone could be established within the boundaries of either a city of the metropolitan class or a city of the primary class. Under LB800, newly designated enterprise zones would receive preferences under a variety of existing business incentives and grant programs. The bill specifically includes the Affordable Housing Trust Fund, the Business Innovation Act, the Job Training Cash Fund, the Nebraska Advantage Microenterprise Tax Credit Act, and the Site and Building Development Fund as incentives which would give preference to projects and businesses located in whole or in part within an enterprise zone. With the exception of the Microenterprise Tax Credit Act, each of these programs are administered by the Department of Economic of Development. In most cases, the department is already required to develop an allocation plan or action plan for these programs. So the specific details of the preferences given to an enterprise zone would be developed by the department as part of that plan. Since the bill reuses much of the existing statutory framework and doesn't amend several sections of the Enterprise Zone Act, I've distributed a copy of those sections which are not amended by LB800. Specifically I would draw the committee's attention to the definition of enterprise zone, which is on the second page which includes the criteria that an application must meet in order to qualify. Under this language an application must meet at least two of the following three criteria as measured by data from the United States Census Bureau. First, population in the area or within a reasonable proximity to the area has decreased by at least 10 percent between the date of the most recent census and the date of the immediately preceding census. Two, the average rate of unemployment in the area or within a reasonable proximity to the area is at least 200 percent of the average rate of unemployment in the state during the same period covered by the most recent census. Or three, the average poverty rate in the area exceeds 20 percent in the area or within a reasonable proximity to the area. At the beginning of the legislative session, Senator

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Mello made a request through the Legislative Research Office for some GIS maps that would give senators a good idea of which areas of the state would be eligible to apply based off these existing definitions. Copies of those maps for each of the three criteria including a detailed area map for Omaha and Lincoln have been distributed. Looking at the first set of maps here for population change, eligible census tracts under that criteria would have a population loss of more than 10 percent and are either a dark orange or red color. For the second map which is unemployment rates, eligible census tracts under that criteria would have an unemployment rate that roughly exceeds 8 percent, and are one of the three darkest shades of pink. Finally, the third set of maps which is poverty rates, eligible census tracts under that criteria would have a poverty rate that exceeds 20 percent and similarly would be one of the three darkest shades in that set of maps as well. In recent years, a handful of states have made changes to their enterprise zone statutes with the state of California even repealing theirs and replacing it with a different type of program. While each state's enterprise zone statutes are markedly different, most of the recent changes tend to be either restricting the eligible parts of the state which could be designated as an enterprise zone or adding new reporting requirements for businesses which receive enterprise zone benefits. For the most part, Nebraska's current enterprise zone statute doesn't need those type of changes as the existing definitions and limitations ensure that enterprise zones in Nebraska are narrowly tailored to impact high-poverty and high-unemployment areas, not to serve as a virtual statewide program as other states have seen. Senator Mello introduced LB800 with the goal of creating greater economic opportunity in high-poverty areas. As you'll see from the maps, there's significant portions of eastern Omaha with higher than average rates of unemployment both in and surrounding Senator Mello's district in south Omaha and in other parts of northeast and central Omaha. LB800 is an attempt to focus existing and somewhat limited resources where the need is greatest. In drafting the bill, our office tried to limit enterprise zone preferences to those programs which we thought were most compatible and which were largely grant based. Senator Mello is more than happy to work with the committee as well as the Department of Economic Development to address any concerns about the including or not including particular programs in the bill. Thank you for your time, and I would be happy to answer any questions. [LB800]

SENATOR LATHROP: Very good. Any questions for Trevor? I see none. Thank you for your introduction. [LB800]

TREVOR FITZGERALD: Thank you. [LB800]

SENATOR LATHROP: We will take proponents. Anyone here to testify in favor of LB800? [LB800]

WILLIE BARNEY: (Exhibit 4) Good afternoon again. Willie Barney, 12333 Cuming Street, Omaha, Nebraska. I come in support of LB800. As I mentioned before, the

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Empowerment Network has worked over the last seven years specifically in areas of high poverty, high unemployment and also areas where gun violence and lack of housing ownership have been major issues. LB800 would allow the targeting of resources to help address issues in distressed communities across the state of Nebraska that meet the guidelines that have been introduced. Throughout the United States, success stories like the Harlem Children's Zone and others are showing that focused, intentional efforts and investments can revive struggling communities. LB800 is a critical piece of providing that opportunity for citizens in Nebraska. As I mentioned before, the Empowerment Network over the last seven years has worked in specific targeted areas that are identified as a part of this initiative. And as I mentioned before, Omaha has a 3.7 percent unemployment rate. The state of Nebraska has one of the lowest unemployment rates in the country. The unemployment rate for African Americans in Omaha is at 12 percent and higher, and there are parts of north and south Omaha that have unemployment rates exceeding 25 percent. And we have to address this as a state. We literally have census tracts that will be identified in those maps that had higher than 25 percent unemployment and very high levels of poverty. One of the things that's encouraging about addressing this is that we can move the dial. Over the last seven years, we've worked with residents, community organizations, churches, and businesses to begin a revival in some of these targeted areas. But I can say to you it's not quick enough to address some of the larger-scale issues that could be addressed with the assistance of LB800. In the areas of job training, employment, business development, entrepreneurship, and home ownership, with the funds that could potentially be targeted to these areas it would accelerate the pace of progress that we have made. With the support of the state, in some cases we've been able to hire over 2,400 youth and young adults through summer employment programs. We need some year-round employment programs that will truly address some of these issues. We have worked with partners to develop hundreds of housing units, but again, we're...in one area of our particular city there are 3,500 vacant lots that need to be addressed. And again, home ownership where it may be 70 percent on average across the state, there are targeted neighborhoods where home ownership is less than 35 percent. So again, we have significant gaps that can be addressed. And the progress that we have made over the last seven to eight years can be accelerated with the support of legislation like LB800. We are really on the edge of making some substantial progress not only in Omaha but as we looked at research across the state of Nebraska, there are other areas as you see on the map that are also struggling with employment, business development, entrepreneurship. And the biggest factor is this concentrated poverty that we believe with LB800 we can really begin to accelerate the pace of the progress that we have made. So I'll pause for any questions that you may have. [LB800]

SENATOR LATHROP: Very good. Thank you for your testimony. Any questions for Willie? Norm. [LB800]

SENATOR WALLMAN: Thank you, Chairman Lathrop. Yeah, thanks for coming. On

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these vacant properties, is that owned by individuals or...? [LB800]

WILLIE BARNEY: The vacant lots are a mixture. There are some owned by individuals and some that are city owned. More and more are publicly owned. [LB800]

SENATOR WALLMAN Okay, thank you. [LB800]

WILLIE BARNEY Yes, sir. [LB800]

SENATOR LATHROP: I see no other questions. Thanks for your testimony. We appreciate it and the work you do. [LB800]

WILLIE BARNEY: Thank you. Thank you for your time. [LB800]

SENATOR LATHROP: Anyone else here to testify as a proponent of LB800? [LB800]

JAMES GODDARD: Good afternoon again. My name is James Goddard; that's J-a-m-e-s G-o-d-d-a-r-d, and I'm the director of the economic justice and healthcare access programs at Nebraska Appleseed. I don't have written comments prepared for you to look at, but hearing about this bill, the reasons for it and purpose of it, I wanted to make sure Appleseed was on the record in support of LB800. As I understand, it would create more enterprise zones than under current legislation and a more clear way for zones to be prioritized for specific incentive funding. These zones can be effective tools to create jobs and economic activity in depressed areas, particularly in areas where there's a high concentration of low-income individuals. So for those reasons we'd like to be on record in support of LB800. [LB800]

SENATOR LATHROP: (Exhibits 2, 3, and 5) Very good. Any questions for James? I see none. Thanks for your testimony and your presentation today. Anyone else here in support of LB800? Seeing none, anyone here in opposition to LB800? No opponents. Anyone here in a neutral capacity? Seeing none? We have some letters to be included in the record: one from Douglas County Treasurer John Ewing in support of LB800; another from Pete Festersen on behalf of the Omaha City Council in support of LB800. The Family Housing Advisory Services sent a letter in support dated April (sic--February) 3, 2014, and that will likewise be included in the record. And with that, that will close our hearing on LB800. Thank you to those who have testified and appeared here today on LB800. And with that, we'll go to our last bill of the day which brings us to Senator Cook, a former member of the committee, and LB1085. [LB800]

SENATOR COOK: Thank you, Senator Lathrop and members of the committee. My name is Tanya Cook, T-a-n-y-a C-o-o-k, and I appear before you as the state senator representing Legislative District 13 and the introducer of LB1085. Advancement of LB1085 will recognize the importance of transparency for fairly negotiated salaries, help

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cease wage discrimination in our state, and aid reinforcement of existing antiwage discrimination laws. I would like to take this opportunity to thank Senator McGill for introducing in last year's legislative session LR295 which brought this issue to fore and also hosting statewide town hall meetings on this issue. The bill as introduced would require that Nebraska employers of 50 or more employees disclose a listing of individual salaries of their employees annually to their employees and the Nebraska Equal Opportunity Commission. Importantly, LB1085 would require that disclosed salary information be made without any name or other information that would make any employee readily identifiable. Here's the problem being addressed by this legislation: Women are earning only 77 cents on the male dollar in the work force. Our country has three federal statutes that outlaw gender discrimination for wages: the Equal Pay Act of 1963, the Civil Rights Act of 1964, and the Lilly Ledbetter Fair Pay Act of 2009. Despite this federal legislation, women continue to earn only three-fourths of what a man earns for comparable work. Over the course of a working lifetime, 77 cents for every dollar that a male makes equates to more than \$1 million in reduced earnings. Women have made great strides in my lifetime. We have moved from a world where women were considered suitable only as secretaries to a world where women are suitable as Secretaries of State. Our country has three women on the Supreme Court. Janet Yellen was just confirmed as the first female U.S. Treasury Secretary...actually chair of the Federal Reserve Board. Ten of the forty-nine state senators in Nebraska are women. The work of a woman is no less valuable than the work of a man. We live in a world where women are often the primary breadwinners in their homes. Most two-parent households are two-income households, so wage discrimination impacts nearly every working Nebraskan. Also, with the number of single mothers in our state, fair compensation for women is crucial for the support of our state's children, too many of whom live in poverty. Wage secrecy provides a veil under which discrimination persists. Where wage disparities exist, disclosures will give employees the necessary information to negotiate fair wages. Where wage discrimination persists, this disclosure law will provide the information needed to pursue fair pay and enjoy their rights under existing antidiscrimination laws. The United States Department of Labor Women's Bureau proposes moving towards an open-pay policy and makes a case for wage disclosure. According to their work, wage disclosure stops speculation about pay. Workers will know they are being fairly paid. It will make it clear that top performers are rewarded which creates an incentive to work harder. It will stop meritless complaints about unequal pay, and will identify pay disparities so that they can be fixed. Business interests will undoubtedly testify in opposition to this proposal. When they do please consider the balancing of interests under examination in this hearing. Balancing personal privacy and business freedom with the need for real, enforceable antiwage discrimination in Nebraska. LB1085 is a proposed solution to a real problem. In considering this legislation I ask that this committee and anyone testifying in opposition to this bill answer these questions. What other remedies to the problem of wage discrimination exists? And are there alternative means to shine light on wage discrimination? I would like to address some expected opposition to this proposal.

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Those in opposition may claim that passage of this bill will breed resentment and discontent within their businesses. They may claim that mandatory wage disclosure will create a need for them to justify wages to their employees. They will likely point out that merely removing identifying information will not completely protect individual privacy. Finally, I expect to hear some opposition to LB1085 that characterizes the bill as intrusive and burdensome government overreach into private contractual matters. I'll take a moment to address these concerns. To the point that wage disclosure may cause resentment within a business atmosphere: Is there crippling resentment between employees in the public sector? Wages are a public record for both federal and state employees including all of our staff members here in the Legislature. Wage disclosure has not created resentment or discontent in the public sector. Alternatively, if there is discontent due to wage disclosure, an employer might have to ask themselves why. That brings up the second concern about the bill: the increased need to justify pay to employees. If wages are being paid on the basis of experience, productivity, and merit, no employer should find justifying wages burdensome. In fact, a business culture that is based on productivity and merit should be extremely healthy in a competitive enterprise, encouraging employees that the way to success is clearly defined and fair. There is evidence that private companies such as Costco, Dell, and Whole Foods that engage in voluntary wage transparency, that these policies actually improve morale and increase the efficiency of the labor market. There are already wage disclosure laws for state and federal government employees as well as those for private higher education employers. Issues surrounding privacy, morale, and difficulty justifying compensation do not arise in a disruptive way in any institutions, public or private, that are feared by opponents of this legislation. Although many of the opponents' arguments can be addressed, LB1085 no doubt proposes a drastic change in wage practices in Nebraska. A balanced policy must be considered between government involvement into private contractual relationships versus an employee's due freedom from what according to the facts is a systemic and lasting discrimination based on gender. LB1085's open-pay policy will end employee speculation about pay. Workers will know that they are being paid fairly. It will make it clear that top performers are rewarded which creates an incentive to work harder. Wage disclosure will stop meritless complaints about equal pay, and will identify pay disparities where they exist so they can be fixed. I want to...most importantly however, the wage disclosure policy proposed by LB1085 will surge Nebraska forward in the fight for equal pay for equal work. I want to thank the committee in advance for its thoughtful consideration of this bill and for promoting the state motto: equality before the law. I look forward to working with you to address any concerns. Thank you. [LB1085]

SENATOR LATHROP: Very good. Thank you, Senator Cook. Senator Hansen has a question for you. [LB1085]

SENATOR HANSEN: Thank you. Senator Cook, glad to have you here. [LB1085]

SENATOR COOK: Thank you. [LB1085]



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SENATOR HANSEN: I agree with the premise of the bill. I really do. But what about if we just bit around the edge a little bit and go with the state employees, the, you know, Department of Roads, the people that work here at the Capitol, the teachers, the, you know, HHS. I mean, it's going to be a really long list anyway, and I'm not sure who's going...where's it going to be presented? Who's going to be able to see the list? And why would anybody look at the list? [LB1085]

SENATOR COOK: Thank you for that question, Senator Hansen. I agree that I'm looking forward to committee input such as that to clarify some of the issues in terms of where the information might be published. And I'd absolutely be open to starting perhaps with a population such as state employees and seeing how that is executed and going from there. I'm really looking for continued input from the committee and from testifiers to make the bill most workable in the state. [LB1085]

SENATOR HANSEN: It seems like it would be a good place to start with those who are paid by taxes...paid for by taxpayers to see that that is in any...I mean, if we can't meet the threshold of state employees then I don't know if we can really expect the general population to do so. I could give you my wages, my wife's wages, and a little magnet I bought the other day that's just a naked baby with the boots on and a hat. Just remind me, who wears the jeans in this family? It's my wife. (Laughter) [LB1085]

SENATOR COOK: Thank you, Senator. [LB1085]

SENATOR LATHROP: Okay, I think that's all the questions. Are you going to stay to close? [LB1085]

SENATOR COOK: Yes, absolutely. [LB1085]

SENATOR LATHROP: Okay, very good. We will take proponents first so if you are here to testify in support, we'll have you come up in an orderly fashion. [LB1085]

KATHLEEN NEARY: Senator Lathrop, members of the committee, my name is Kathleen Neary. I am a lawyer. I work here in Lincoln. I work mainly in the area of employment discrimination, have done it for about 20 years. I am here to testify in support of LB1085. And just as a little historical background, in 1969 this body enacted the Discriminatory Wage Act. The law prohibits the practice of discrimination on the basis of sex by paying a wage to employees of one sex at a lesser rate than the rate paid to the opposite gender for comparable work. The statute...very interesting...also said, "It is therefor declared to be the policy of this state through exercise of its police power to correct and, as rapidly as possible, to eliminate discriminatory wage practices based on sex." That's the law of our state. It's been about 45 years since that law was enacted. But significant pay disparities still exist in this state. A significant barrier, and I

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don't have any statistics to back this up but I have 20 years of law practice and I do plaintiff's employment work and talking to dozens of people a week, and what I find more often than not is that companies have a practice that says, if you discuss your wages you will be fired. It is a terminable offense to discuss wages or salary with coemployees. This is a significant barrier to actually finding out about the pay disparities in the workplace. LB1085 is that exact piece of legislation that we need to start working using the police powers to as rapidly as possible eliminate the discriminatory pay practices. Even if an employee has a very good and strong suspicion that they are being paid less than a similarly situated employee of the opposite gender or race or ethnicity or age...doesn't just deal with gender discrimination here. This would help all persons who work to eradicate discrimination based on age, pregnancy, national origin, ethnicity. Now what is really interesting, somebody might say it's burdensome. But under state law right now under Nebraska Revised Statute 48-1225: every employer shall make, keep, and maintain such records of the wages and wage rates, job classifications, and other terms and conditions of the persons employed by them. So they're not going to have to make up this list. It should already exist under state law. And pursuant to state law, the EEOC currently has the authority to inspect and copy payrolls and other employment records to enforce or confirm the discriminatory wage statute. And with that, I would urge passage LB1085. [LB1085]

SENATOR LATHROP: Okay, thanks, Kathleen. I don't see any questions. Next testifier. [LB1085]

MARY HERRES: (Exhibit 1) Good afternoon. Mary Herres, M-a-r-y H-e-r-r-e-s. I'm here representing the Nebraska Democratic Women's Caucus in support of LB1085. Making positive changes towards equality to women in the workplace is not just the right thing to do, it's the smart thing to do. One such way of achieving equality is through closing loopholes in the federal and Nebraska equal pay laws. LB1085 will take an important first step in that direction by requiring employers to report annually pay levels by job title, gender, age, and years of service in the Nebraska Equal Opportunity Commission and allow employees to view their data in their place of employment. Today in Nebraska the typical full-time working woman is paid only 78 cents to every dollar her male counterpart is paid according to the U.S. Census Bureau. According to National Women's Law Center calculations from the American Community Survey for Nebraska, the gap is even more substantial for African American and Hispanic women. African American women working full time year round in Nebraska were paid only 63 cents, and Hispanic women working full time year round only 54 percent to every dollar paid to a white non-Hispanic man working full time year round in 2012. The wage gap persists across the occupations and at all levels of education. In 2010, Nebraska women with high school diplomas were paid only 63 cents to every dollar a man with a high school diploma was paid. And the typical woman with a bachelor's degree still wasn't paid as much as a man who had completed only a little college or had received an associate's degree. Even in fields traditionally dominated by women, such as nursing, pay inequality

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occurs believe it or not. Though men only make up 9.6 percent of the nursing work force, women are still paid only 93 cents for every dollar earned by their male counterparts according to the 2011 U.S. Census. In a survey taken in November 2013 at the Center for People in Need, a nonprofit in Lancaster County, Nebraska, that serves residents with incomes at or below 150 percent of the poverty level--and that would be \$29,295 for a family of three--and serves more than 47,000 low-income residents annually, 76.49 percent of those responding were women. Those women reported household incomes at 4 percent less than the men that were reporting. Over 90 percent of these women have at least one child and report that they sometimes, rarely, or never can afford to buy enough food for their families. And 57 percent also reported that they always, often, or sometimes have to choose between buying food and paying a bill. According to a 2011 McKinsey study, 70 percent of Medicaid recipients and 80 percent of welfare recipients are women. In Nebraska, 71 percent of Medicaid recipients are nonelderly women. Closing the wage gap would improve the financial security of many women and their families and reduce the need for safety-net programs to get by on. The Lilly Ledbetter Fair Pay Act signed by President Obama in 2009 kept the courthouse doors open for women to be able to sue their employers for sex-based wage discrimination but does not do much to address the underlying problems of loopholes used by employers to circumvent the law. How does the closing of...oh, yeah. [LB1085]

SENATOR LATHROP: Mary, you've got a red light. [LB1085]

MARY HERRES: Oh, I'm sorry. [LB1085]

SENATOR LATHROP: No, that's okay. You were engrossed in your testimony...(laughter)... [LB1085]

MARY HERRES: I was. [LB1085]

SENATOR LATHROP: ...which is a good thing. And we appreciate hearing from the Nebraska Democratic Women's Caucus. Let's see if anybody has any questions for you, okay? [LB1085]

MARY HERRES: Oh, okay. [LB1085]

SENATOR LATHROP: I see none. [LB1085]

MARY HERRES: That's it? [LB1085]

SENATOR LATHROP: That's it. [LB1085]

MARY HERRES: Okay, thank you. [LB1085]

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SENATOR LATHROP: Thanks, Mary. [LB1085]

SENATOR MCGILL: Thank you. [LB1085]

SENATOR LATHROP: Anyone else here to testify in support of LB1085? Good afternoon. [LB1085]

CHRISTA YOAKUM: (Exhibit 2) Thank you. My name is Christa Yoakum, and I am the president of the board of the YWCA of Lincoln. And I just want it be on record that the YWCA USA and YWCA of Lincoln both support initiatives like this to increase the income of women including policies that raise minimum wage and strengthen equal pay for all women from all socioeconomic and racial backgrounds. We believe this bill will strengthen equal pay. And as mentioned before, even though we have had some important federal legislation, we still need stronger legislation to address wage discrimination. And I have a personal story. I'm glad that Mary brought up nursing. I worked in nursing for over 30 years and felt well-treated for the most part in that occupation. But I do have a short story of one place that I worked and an employee that I worked with. He was a male. We shared the same job title. We worked on the same floor. We supervised the same employees. But there were a few differences. We lived in the same neighborhood. We lived a couple of blocks from each other. A few differences: I had four children, he had two. We both had spouses working as well, so that was another similarity. I had worked there longer than he had. Because we both had good relationships with our supervisors, I would expect that he probably always had positive evaluations, work evaluations. I know that I did. And so I always received the maximum, you know, increase when I had my annual reviews. Because we were polite Nebraskans and we were told, don't discuss your wages, we didn't. However, one day his childcare provider was ill and I was available because we worked opposite each other. We shared that. The job shared that way. And so after he got off work and we were having a beer as he was picking up his children from my house, we started talking about how much money we made. And I found out that even though I had worked there longer and I had always had positive reviews, he was making more money for the same job I was doing. There was no way for me to know that had we not had that conversation over beers. There was no way for me to go legally and say, hey, we're in the same position and he's making more money than me. And so that is a good example. And healthcare is a very good example of where those things can happen. Thank you. [LB1085]

SENATOR LATHROP: Very good. Thank you so much for your testimony. I see no questions. [LB1085]

SENATOR MCGILL: Can I just...? [LB1085]

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SENATOR LATHROP: Oh, wait a minute. Wait. Senator McGill does. [LB1085]

SENATOR MCGILL: And this really isn't a question for Christa. I have to go because I have a speaking engagement. But I just wanted to thank Senator Cook for bringing this. I did do a series of town hall meetings. Christa, you were at one of them. And Senator Lathrop attended one of them. And, you know, we heard stories everywhere we went that were just like yours, a woman who left a job after several years, the man who was hired to follow her making tens of thousands of dollars more than she had been making. This is a serious problem. And I'm glad that Senator Cook has brought this bill to eat away at it. And we know that there are other issues, too, like teaching women to better negotiate for their salaries. But that also means needing to understand what their value is for a particular job so that women can get those skills and ask for the right dollar amount when they're going in for a job. So thank you very much. [LB1085]

SENATOR LATHROP: Any other proponents here to testify today on LB1085? Anyone here to testify in opposition to LB1085, those opposed? [LB1085]

DICK CLARK: (Exhibit 3) Chairman Lathrop, members of the Business and Labor Committee, my name for the record is Dick Clark, D-i-c-k C-l-a-r-k, director of research for the Platte Institute. Thank you for this opportunity to testify again today, this time in opposition to LB1085 legislation that would require employers of 50 or more to disclose sensitive salary and other personnel information. In their fiscal note, the Equal Opportunity Commission indicated that LB1085 would cost something in terms of document storage and employee time but believes that this cost could be absorbed within the commission's existing appropriation. The marginal cost of this bill for the EOC is not why I am here today. I am testifying in opposition to this bill because it would mandate more government intrusion in the marketplace. It further invades the employer-employee relationship. It imposes some additional cost on employers, and it's premised on the idea, most importantly, that a wage voluntarily negotiated between a willing employer and a willing employee is somehow unfair. This bill promotes the idea that employers prey on their employees. Instead of recognizing that employees and employers benefit each other through their voluntary working relationship, this presumes guilt and without due process invades proprietary business records to a greater extent than we already do. What is more, it would reveal sensitive information about employees without their consent. The bill states that the listing shall be made without any name or other information that would make an employee readily identifiable, but this is essentially contradicted by the plain language of the bill. It's unthinkable that any records that include, as this bill would require, individual salaries, job title, gender, age, and years of service wouldn't allow the ready identification of employees. Finally, the information required would often suggest unfairness where differences in shifts, work, and other relevant factors may have resulted in differences in compensation. Thank you again for this opportunity to testify today. [LB1085]

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SENATOR LATHROP: Very good. Any questions? [LB1085]

SENATOR ASHFORD: Dick, just one. What's fair about 73 percent for an equal job? I mean what is fair about a woman making 73 percent of what a man makes for the same job? [LB1085]

DICK CLARK: Well, sir, I would actually say that I think that's bad science. I think that when you control for college majors, I think the discrepancy all but disappears. I read a report just yesterday that came to that conclusion. [LB1085]

SENATOR ASHFORD: But that's the number for the general population, college and everybody else. I mean... [LB1085]

DICK CLARK: I'm sorry, I'm not sure... [LB1085]

SENATOR ASHFORD: Well, I think it...I don't have the numbers off the top of my head, but I think it's generally well accepted that women make, in this country, less for the same job. I mean, I... [LB1085]

DICK CLARK: I think it's generally well accepted, but I think that's fallacious. I think it's incorrect. [LB1085]

SENATOR ASHFORD: You think that's fallacious? [LB1085]

DICK CLARK: Yes, sir. [LB1085]

SENATOR ASHFORD: Okay. [LB1085]

DICK CLARK: Yeah. I think when adjust for college majors and things like that then the discrepancy all but disappears. I'd be happy to forward you the study that I just read yesterday on this topic. [LB1085]

SENATOR ASHFORD: Well, I don't...but not everybody goes to college. [LB1085]

DICK CLARK: That's true. Although women do actually tend to go to college at a higher rate than men, certainly for undergraduate, yeah. [LB1085]

SENATOR ASHFORD: Well, that's fine. But we're also worried about...I mean, I think it's the policy of the state and the policy of this country that we strive for equal pay for equal work throughout the entire spectrum of jobs, not just women and men that go to college. I mean I fully expect those numbers to come together quicker, but not everybody goes to college. And with... [LB1085]

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DICK CLARK: Well, again I would say that the American principle is our liberty and the individual autonomy to make important decisions about where your life is going to go. And to me, that is the American dream. [LB1085]

SENATOR ASHFORD: Well, if you're a woman, you can't help the fact you're a woman. [LB1085]

DICK CLARK: That's...I'm not going to speak to that, sir. [LB1085]

SENATOR ASHFORD: I mean, I understand your point that liberty trumps everything and that we shouldn't have any policy that tries to bring equality into the workplace. I get your point. Hopefully, that's not the prevalent view in this country and that government policy does have a role in bringing equality to...certainly, gender equality and racial equality to wages. I mean...okay, that's fine. [LB1085]

SENATOR LATHROP: The Platte Institute. [LB1085]

DICK CLARK: Yes, sir. [LB1085]

SENATOR LATHROP: Okay. [LB1085]

SENATOR ASHFORD: Thanks, Dick. [LB1085]

SENATOR LATHROP: Thank you. [LB1085]

DICK CLARK: Thank you. [LB1085]

SENATOR LATHROP: All right. We may need a traffic cop for this one. (Laughter)  
Welcome. [LB1085]

CHARLOTTE RALSTON: Thank you. It's getting cloudy out there. You can feel it in here, can't you? My name is Charlotte Ralston. I'm here as a citizen. I'm also a former employee and now an employer, and I'm a woman. I have been discriminated against in the workplace. I was wondering if this bill will apply to nonprofits as well because that's where I was discriminated in receiving about probably 50 percent of the pay that my male coworker was getting. However, in my opinion I don't believe that where wage discrimination exists this bill will fix it if current law isn't working. But I do feel this bill may cause more problems. I believe there's confidentiality issues, privacy issues. I'm actually here to represent my employees. I don't think employees should have this forced upon them posting private information publicly in the workplace. What if they don't want their wages posted? I cannot ask age when I am interviewing. That is discrimination. Soon I probably won't be able to ask gender either, but you're asking me to post these things publicly. I think it's opening a Pandora's box, and it's bad policy.

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The stated intent of this bill is confidentiality, but it doesn't take employees long at all to go down that chart and figure out who is what by age, by gender, by salary, by title and know exactly who's making what. So I don't think the intent of the bill is also being reached by what it's doing. Skill level, speed, efficiency, and many factors impact the way I pay people. Their productivity is what I look at. I don't look at anything else. And I give wage increases based on productivity and what they can bring to the company. That productivity might be how well they treat a customer. Thank you. The bottom line is, I think the employees should sign a release if they're required to do this so that they have the option. Thank you. [LB1085]

SENATOR LATHROP: Very good. Thank you, Mrs. Ralston. Next opponent. [LB1085]

RON SEDLACEK: Good afternoon, Chairman Lathrop and members of the Business and Labor Committee. My name is Ron Sedlacek. That's spelled R-o-n S-e-d-l-a-c-e-k. I'm here on behalf of the Nebraska Chamber of Commerce; and Jim Otto who I believe has an appointment elsewhere today asked if I would please include the Nebraska Retail Federation as well as the Nebraska Restaurant Association in this testimony. But I'm going to speak from the Chamber point of view at this point. When the bill was first introduced, didn't really have an idea as to what the motivation or the objective or the intent of the bill was. And if anything, I kind of thought when I read it, it had to do with age discrimination because it talks about age and length of service and the fact that perhaps people are getting more because they've...longevity with the company and so forth and new people coming in are not or something to that effect. But I did not understand the motivation that we were talking here today. However, the phone has been ringing quite a bit over at our office from members as well as other employers or employer groups asking about the legislation and asking if we're going to testify in opposition. Our board discussed it, and I would quote one board member who said, you know, I really kind of like this bill because I'd like to see what my competition is paying their employees. But he says, I don't want my competition knowing what I'm paying mine. And that's really the heart of the issue is that this is a posting essentially, publicly whether the employee consents or not, that's going to be circulated all over town perhaps, all over the state, on the Web. It's going to be at the Equal Opportunity Commission where you can get it there as well. And essentially it's...we're talking about competitive businesses looking at the payroll and then the way maybe they're organized internally and what they're getting paid and so forth. So it...I'm not sure it really accomplishes anything in regard to what it's actually trying to get at. The fact that it doesn't talk about commission sales where there's bonus pay, is that included in that or is it base pay? Is the gross or the net or is an employee negotiating a lower salary for a larger retirement benefit because of age to accelerate that program? It doesn't get to the issue that I think that the intent of the legislation is what they're trying to get to. There's got to be a better way, a better mousetrap. And we just don't think that this is the appropriate vehicle. [LB1085]



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SENATOR LATHROP: Okay. I couldn't help but smile when you were testifying because we heard about the virtues of an open market and probably the biggest hang-up to the open market working perfectly is information. And so if I work at one printing shop and I find out the guy across the street is paying a little bit more, in a perfect market I just walk across the street and take a job over there. I don't know. I certainly appreciate you coming here today and expressing your concerns, the idea that you'd know what the competition is making I understand from a business point of view, the concern you're expressing. But if we're extolling the virtues of an open market, information is king, right, so you can decide whether to stay or go? [LB1085]

RON SEDLACEK: Well, there's open market, but there's also trade secrets. And that's one of the keys. And that is that you're doing something better than the competition. You don't want your competition to necessarily know that. You have invented a better way of processing something or delivering a product. [LB1085]

SENATOR LATHROP: Yeah, and I suppose that's the fallout from this kind of a...it may be the downside to this kind of a bill, which is your competition can find out what you're paying. And so they can call up your help, or one of these headhunters can. But at the same time... [LB1085]

RON SEDLACEK: You may be finding out you're overpaying your employees, and maybe you ought to take a look at the adjustments from now on. [LB1085]

SENATOR LATHROP: Yeah, at the same...well, that might be too. [LB1085]

RON SEDLACEK: Yeah, it goes both ways. [LB1085]

SENATOR LATHROP: The same time the concern...I did go to one of Senator McGill's hearings. And boy, I'm impressed, after three federal statutes on wage discrimination, that it's still prevalent. And I don't know if there's a perfect way to get to the bottom of it, but if you have a person who is in a protected class, whether it is based on race, religion, gender, national origin, whatever it is, you never find out you're the guy not making as much as somebody doing the same job. And that...there are people whose skills may vary, and the difference in skill may be important and worthy of difference in compensation. But two people working on the factory line, right... [LB1085]

RON SEDLACEK: In that setting, I understand. Sure. [LB1085]

SENATOR LATHROP: ...doing the same thing. Everybody has got to do a hundred widgets an hour, and you find out that somebody's getting less because...I don't know. [LB1085]

RON SEDLACEK: Exactly. [LB1085]

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SENATOR LATHROP: I think it presents an interesting question. And of course there's certain perhaps downsides to the information getting turned loose. But I appreciate your testimony, Ron... [LB1085]

RON SEDLACEK: Okay, thank you. [LB1085]

SENATOR LATHROP: ...and the point of view of the Chamber of Commerce. [LB1085]

RON SEDLACEK Thank you. [LB1085]

SENATOR LATHROP And with that, we'll go to the next opponent. [LB1085]

CHRISTOPHER HEDICAN: Good afternoon. [LB1085]

SENATOR LATHROP: Good afternoon. [LB1085]

CHRISTOPHER HEDICAN: (Exhibit 4) Senator Lathrop, committee, thank you for having me here. My name is Chris Hedican, C-h-r-i-s H-e-d-i-c-a-n. I am here as the legislative director of Nebraska Society for Human Resource Management also known as Nebraska SHRM. Our organization is one chapter of the national organization of SHRM which has over 250,000 members, and we represent various human resource organizations and the professionals in that area. We had a leadership meeting on Friday, and we opposed this bill, LB1085, for various reasons, some of which have already been articulated. The concern about the knowledge of the information is a huge concern because of the competitive disadvantage that it would put the individual companies at, particularly border communities. If this were a national requirement, it would be one thing. But this will be one state based deal. So Omaha employers, Sioux City (sic) employers, Nebraska employers would have cross-border competitors that would know their information, but they wouldn't have the same luxury. It would also be a tool that companies choosing to come in and explore opportunities to come to communities in Nebraska would also have available to them that information. It would also be a problem with the dissension that it would foment within small organizations. There are a very limited number of positions typically in small organizations over 50. It would be very easy to tell who is getting paid what. Senator Cook said that this has not been a problem in large industries such as federal government as well as union-based organizations. But those all have very structured wage systems where those pay grades are known in advance, and employers have very different ways of paying people. There's numerous factors. I've defended many, many employment claims involving wage issues, and you have issues, a difference of tenure, difference of experience, difference of certifications. You have issues of difference in job functions which might nominally seem to be the same, but they are not. You have differences in shifts, working conditions in other aspects of the job that all have to be considered in pay. There's

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different timing of evaluations and wage increases where one person may appear to be paid more at one year but not at the other. My point is is that this is a lofty objective: to eradicate discrimination. We support that. However, this bill will not do this. This bill frankly would create problems and would not provide the information that I think it's hoping to, to resolve these issues. And most importantly, I'd ask that the Senate and the committee undertake the research to figure out is the discrimination in Nebraska as prevalent as is asserted with the 77 percent statistic. There's been a lot published since the President's speech on that point. When you control for factors, not just of education, but if you look at the particular industries where you have individuals who enter unions, men are skewed toward union membership which tends to negotiate better compensation rates. You have different career choices that also have different compensation rates and individuals who leave the work force and return at different times. I would be happy to answer any questions and point out that I've submitted to you a paper from SHRM that was submitted to the federal government in response to the Office of Federal Contract Compliance proposal to have a rule similar to this. [LB1085]

SENATOR LATHROP: Okay, very good. Thanks, Chris. I see no questions. Appreciate your testimony and your patience. Is it Mr. Carney (phonetically)? [LB1085]

HARVEY SANKEY: Harvey Sankey. [LB1085]

SENATOR LATHROP: Pardon me? [LB1085]

HARVEY SANKEY: My name is Harvey Sankey... [LB1085]

SENATOR LATHROP: Oh, I'm sorry. [LB1085]

HARVEY SANKEY: ...H-a-r-v-e-y S-a-n-k-e-y. I represent Printing Industries of the Midwest and specifically printing industries here in Nebraska. I'm against gender discrimination, okay? And I was unaware of the reasons behind this bill before I came here. And what I found out is I think that if there are loopholes in the current law, let's change them. This is too simple a solution to take care of the problems in the laws that are currently in existence right now. Let's get to the loopholes and get rid of those loopholes, okay? And the other thing is, is this information open to the public? And if it is, that's a big problem because of competition, okay? The other thing, if one printer working for a printing company wants to go across the street and work for the other because they have higher wages, okay, that may not happen because that company is paying higher wages because of how they work their people: a lot of overtime. You know, they may have better benefits over here also. And they might not be a stable company over there too. So there's a lot of reasons why people won't go over for higher wages. The other thing is, when people get paid for doing a job, either a bindery worker or a printer, they're...you know, person who's getting a general helper, for example, they may be doing a hundred widgets an hour. But there might be a person doing 80 widgets

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an hour. And we find other ways to employ that person when we don't need them up on the machine. So I think what you have to do is look at...and I've done this for 40 years. And I've negotiated contracts, both union and nonunion, and the thing is it's kind of fair when the employees are there because they know what the others are making, believe me they know. Now you tell them not to tell, but they know what they're making. And it's up to the company to give a fair wage out in order to keep everybody happy, all right? And what information do we have on gender discrimination that indicates we have a problem here in Nebraska? Well, I didn't hear that. This is going to be another restrictive intrusion into private companies, and I don't think it's necessary to bring out what everybody is getting paid in a private company. Change the loopholes that exist, don't use this as the mechanism to change any problems. [LB1085]

SENATOR LATHROP: Okay. [LB1085]

HARVEY SANKEY: That's all I have. [LB1085]

SENATOR LATHROP: Thank you for your testimony. I see no questions? None. Thank you for coming down today. I don't think you've been here before, have you? [LB1085]

HARVEY SANKEY: Last year I was here. [LB1085]

SENATOR LATHROP: Were you? Okay. [LB1085]

HARVEY SANKEY: And I was here the year before on the CIR too. [LB1085]

SENATOR LATHROP: Oh, all right. Yes, next opponent if any. [LB1085]

ANN POST: Good afternoon. [LB1085]

SENATOR LATHROP: Good afternoon. [LB1085]

ANN POST: My name is Ann Post. I'm here on behalf of the Lincoln Independent Business Association. Coby couldn't stay any longer, so I'm here for him today. First, LIBA is opposed to LB1085 because the reporting requirements are largely unnecessary. They would serve to foster dissatisfaction and instability in the workplace. As has been pointed out, this information is collected by other governmental entities. If the purpose is for statistical information to observe trends in the workplace, we already have that information available. And so this bill itself is not necessary. Further, to educate employees in the workplace, there are several Web sites that actually give information about general salary within a career field for a certain gender and certain occupations. Now this doesn't give you the exact numbers, but it does give a vital piece of information for potential employees negotiating salary and to know if they're being fairly paid. Employee compensation, it's a complex determination. It's based on a

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myriad of factors including knowledge, aptitude, skills, productivity, and more that can't easily be encapsulated in just one line of statistical information. However, once this one line of information is available in the workplace, it can lead to upheaval in the workplace. Other employees will draw conclusions based on this one line of incomplete information. With their coworkers reduced to this line of external characteristics, employees make judgments based on...about their own value, about their workplace, about their management. And this is...without that information of education, previous experience, certifications, and more that all go into factoring compensation. These conclusions based on incomplete information can lead to resentment between employees and will lead to lower job satisfaction overall. Finally, this information gives salary discussions an unhealthy focus. Instead of focusing on employee achievements and skills, it'll be focused on comparing one employee against another. This can only further lead to resentment instead of inspiring greater achievement. Finally, because LB1085 makes privileged information public as we've heard other testifiers before me talk about, it creates little value while causing hostility in the workplace. The Lincoln Independent Business Association is testifying today in me in opposition to LB1085. Thank you. [LB1085]

SENATOR LATHROP: (Exhibits 5-13) Thank you. I see no questions. Thanks for your testimony, Ms. Post. Okay, anyone else here to testify in opposition? Anyone here in a neutral capacity? We do have a note from Tami Lewis-Ahrend who is with the Lincoln Human Resource Management Association who did not testify live but did indicate by filling out a testifier sheet that she is an opponent, and that will be made part of the record. We do have some other letters that I want to read into the record before Senator Cook closes: a letter from the Women's Foundation of Lincoln and Lancaster County in support; a letter from Susan Ann Koenig in support of LB1085; a letter from the NFIB in opposition to LB1085; as well as the Nebraska Cooperative Council likewise in opposition; as is the Nebraska Building Chapter of the Associated General Contractors who submitted a letter; the Nebraska Hospital Association opposes LB1085; and the Equal Opportunity Commission has a letter in a neutral capacity; and finally, the Women's Fund of Omaha submitted a letter in a neutral capacity on LB1085. Each of those will be made a part of our record. And with that, Senator Cook, if you care to close. [LB1085]

SENATOR COOK: Thank you very much, Mr. Chairman. And thanks to all the testifiers, almost especially the ones who testified in opposition because you built my case. You probably didn't realize that, but you did point out the fact that there are differences between and among salaries within organizations. That's been a fact in the state of Nebraska for a long time. What did not come out in that opposition testimony is why it always seems, given controlling for productivity, controlling for tenure of service, degrees, why women are still paid less than men in the workplace in Nebraska. One of the testifiers asked the question relating to whether or not these were local statistics. I would offer a reference to a report called Nebraska Women and the Wage Gap. And

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that was published with the help of the National Partnership for Women and Families. I think this has been a good hearing. I think we came out with lots of different ideas about how to make wage equality and salary equality in the state of Nebraska a reality. I won't spent any time speculating as to why people don't believe that it is a fact in the United States and particularly in the state of Nebraska. But here's what I would offer because just some things have occurred in the last few weeks. For example, I realized that my alma mater, Georgetown University won the national basketball championship 30 years ago this spring. So I was feeling maybe like rather a dinosaur over the last couple of weeks. That's very kind of you to shake your head, but here is some encouragement whether we work on this together, and I invite the opposition to especially come to the table and offer their input into how we can address this very real issue. But here's something that we can look forward to. I love it when demographics point me in the direction of justice. This is an article that was published in The Atlantic very recently. And of course right now I can't find the date on the article, but it's a January 2014 article published in The Atlantic and the closing paragraph reads thusly. "Salary transparency will be an interesting trend to watch over the next few decades. We could see a dramatic shift in its favor. The Facebook generation has a far more liberal attitude towards sharing personal information than previous generations. As it begins to dominate the workforce, more pay disclosure could become very common. If it does, the economy will benefit. Even employers may learn to love pay disclosure once they begin to experience a more efficient labor market." With that, I would close my testimony. Thank you very much to the committee. [LB1085]

SENATOR LATHROP: Very good. Thank you, Senator Cook. Appreciate your presentation of LB1085. And with that, we will close the hearing on LB1085. And that will complete our work for the day. Thanks for coming. [LB1085]