

## **Increased Wages at No Cost to Taxpayers!**

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On March 1, 2004 the City of Lincoln enacted the Living Wage Ordinance. The law is intended to ensure that taxpayer dollars are only awarded to businesses that provide quality jobs. A recent study conducted by Nebraska Appleseed regarding the impact of the living wage ordinance has found that the ordinance has resulted in no unwanted costs to taxpayers.

The Nebraska Appleseed Center for Law in the Public Interest is a non-profit, non-partisan law project, committed to equal justice for all Nebraskans. It focuses on policies impacting working poor families, welfare recipients, new immigrants, family farmers, and struggling communities seeking justice for their citizens. Appleseed's mission is to effect and enable constructive systemic change leading to a more just and equitable society through public interest solutions.

An extensive review of Lincoln's City projected budget and actual expenditures indicates that while the number of dollars devoted to service increased between FY 2003-2004 and FY 2005-2006, the percentage of total expenditures committed to service payments actually decreased by 1.90%. Within the contractual service payments, budgeted costs actually decreased over the two year period. This results in a .80% decrease in service payments devoted to contractual expenses, and a .25% decrease in the proportion of total costs used for contractual service expenditures. These numbers would be even more significant if inflation were considered.

Such figures indicate that overall service payments, as a percentage of the budget, decreased over the past three finance periods. Even though these decreases were minimal, this data provides evidence that the Lincoln Living Wage Ordinance has not caused an increase in service payments or contract costs for the government.

While there have been individual contracts that have seen increased costs, such increased costs for certain contracts demonstrate the need for the living wage ordinance. Employees for these entities are now either being paid a higher wage, or such businesses are no longer being subsidized by the city through their contract.

Other unwanted effects anticipated by critics of the living wage have also not been seen. Prior to enactment of the ordinance critics had warned that unemployment would ensue if employers were forced to pay a higher wage. However, the United States Bureau of Labor Statistics shows that unemployment in Nebraska was at 4% in February 2004, just before the living wage was enacted, and has since declined to 3.4% in February 2006.

The living wage for Lincoln is measured as the Federal Poverty Level for a family of four which is adjusted on July 1 every year. For firms covered by the living wage ordinance, from July 1, 2005 – June 30, 2006 the annual rate that employers should pay their workers is \$9.30 per hour with health benefits, or \$10.23 per hour without health benefits. The ordinance applies to all city employees, as well as some services contracted and subcontracted by the city.

The Lincoln Living Wage Ordinance ensures that the limited public dollars that are paid to public employees are not poverty-wage salaries. It has had a positive effect on Lincoln's working poor, at no additional cost to taxpayers.