



February 4, 2008

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Chair Alex M. Sonson,
Vice Chair Bob Nakasone,

RE: Opposition to HB2930

LATE TESTIMONY

Chairman Sonson,

I am opposed to an increase in the minimum wage as it will result in higher menu prices for the general public and contribute to inflation. The current economy is very tough for small businesses right now. The result of an increase in the minimum wage at this time will have adverse affects on many small businesses already operating on slim margins.

Gyotaku currently provides jobs for 150 people over half of which earn hourly tips amounting to 2 to 4 times the minimum wage. Mandating that our company pay the tipped employees an even higher minimum wage is counter productive to our desire to pay higher wages to our non-tipped kitchen staff.

The Federal Law and 40 other states recognize the significant contribution that restaurants make by providing highly compensated positions and permit employers to pay tipped employees as much as 50% of the minimum wage, provided the employee makes more than the credit amount in tips.

I urge the committee to increase the Tip Credit to 25% (as in SB 2257) and enable restaurateurs to redirect the savings to the non-tipped kitchen staff. Please consider this approach to helping restaurateurs increase the wages of their lowest paid workers. We can be trusted to do the right thing. The majority of restaurant owners started as minimum wage trainees in the industry and know what it is like.

Sincerely,

Thomas H. Jones
President
REI Food Service, LLC
d.b.a. Gyotaku Japanese Restaurants

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Gyotaku King St. 1824 South King St. Honolulu, HI 96826 T: 808-949-4584 F: 808-946-6529
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The Twenty-Fourth Legislature
Regular Session of 2008

HOUSE OF REPRESENTATIVES
Rep. Alex M. Sonson, Chair
Rep. Bob Nakasone, Vice Chair

State Capitol, Conference Room 309
Tuesday, February 5, 2008; 8:30 a.m.

LATE TESTIMONY

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2930
RELATING TO THE STATE MINIMUM WAGE**

The ILWU Local 142 supports H.B. 2930, which increases the state minimum wage to \$8.00 beginning 7/1/2008, to \$8.50 beginning 7/1/2009, and to \$9.00 beginning 7/1/2010.

Minimum wage is a concept established many years ago to set the minimum amount that workers should be paid for their labor. The basis for this concept is social justice and the belief that a worker should be able to provide a living for himself and his family on the wages earned.

The minimum wage in Hawaii was most recently increased to \$7.25 in January 2007. Some would argue that imposing another increase is too soon. However, no one would argue that our cost of living steadily increases each year. Hawaii's cost of living is among the highest in the nation, especially when housing costs are considered. If wages do not keep pace with the cost of living, workers cannot hope to live and work in Hawaii.

This is not to say that anyone earning a minimum wage can comfortably support a family on minimum wages alone. As it is today, workers earning the minimum must have multiple jobs to pay the price for living in Hawaii.

Each time the Legislature has proposed an increase in the minimum wage, opponents have raised the spectre of businesses closing and fewer jobs for the young and the unskilled. However, each time the minimum wage has been increased, the disastrous predictions have not come true. In fact, the economy has thrived and more jobs (albeit low-wage) have been available than there were applicants to take them.

An increase in the minimum wage would boost consumption and stimulate the economy. Those who help to create the wealth for a business should be allowed to share in that wealth. We do not believe any employer would begrudge the small increase that a minimum-wage worker will receive as compared to the profits generated from that worker's labor.

The ILWU urges passage of S.B. 2930. Thank you for the opportunity to share our views on this important matter.



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 4, 2008

LATE TESTIMONY

To: The Honorable Alex M. Sonson, Chair
and Members of the House Committee on Labor and Public Employment

Date: February 5, 2008

Time: 8:30 a.m.

Place: Conference Room 309, State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

**Testimony citing Concerns
to
H.B. 2930 - Relating to the State Minimum Wage**

I. OVERVIEW OF PROPOSED LEGISLATION

House Bill 2930 proposes to increase the Hawaii minimum wage in three steps as follows:

- \$8.00 per hour beginning July 1, 2008;
- \$8.50 per hour beginning July 1, 2009; and
- \$9.00 per hour beginning July 1, 2010.

II. CURRENT LAW

The current state minimum wage is \$7.25 per hour, which took effect on January 1, 2007. Section 387-2, HRS, allows employers to offset 25 cents per hour against the minimum wage paid to tipped employees if their combined income of hourly wages and tips is at least 50 cents more than the applicable minimum wage.

The Fair Labor Standards Act (FLSA) was amended last year to increase the federal minimum wage in three steps: to \$5.85 per hour effective July 24, 2007; to \$6.55 per hour effective July 24, 2008; and to \$7.25 per hour effective July 24, 2009. The FLSA provides that if a state

minimum wage is higher than the federal, the higher standard applies, so most employers in Hawaii must already pay at least \$7.25 per hour.

III. HOUSE BILL

The Department offers the following concerns regarding this bill:

1. The Department advocates that minimum wage is appropriate to prevent employers from exploiting their employees by establishing a wage floor for unskilled and part-time workers. The Department, however, does not believe that raising the minimum wage, year after year, will reduce poverty in Hawaii. It has not been demonstrated that previous minimum wage increases have reduced poverty among Hawaii's working families.
2. Instead of a minimum wage increase, the Department proposes that this committee consider legislation that will reduce the cost of doing business in Hawaii or provide significant tax reforms targeting this population. Lowering the costs of doing business will encourage businesses to expand, creating a more vibrant and diverse economy. The state's ability to assist the poor, such as paying for their health care and job training programs, depends on an expanding and sustainable economy. A healthy economy means an increase in the standard of living for every person in Hawaii.



**The Chamber of
Commerce of Hawaii**

Since 1850

LATE TESTIMONY

**Testimony to the House Committee on Labor and Public Employment
Tuesday, February 8, 2008 at 8:30 a.m.
Conference Room 309, State Capitol**

RE: HOUSE BILL NO. 2930 RELATING TO THE STATE MINIMUM WAGE

Chair Sonson, Vice Chair Nakasone, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber does not support House Bill 2930.

The Chamber is the largest business organization in Hawaii, representing over 1100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This measure increases the state minimum wage to \$8.00 beginning 7/1/2008; to \$8.50 beginning 7/1/2009; and to \$9.00 beginning 7/1/2010.

The intent of this bill is to increase the wage for the lowest paying jobs to ensure that the minimum wage keeps up with inflation. The bill is justified by the speculation that it will help employees earning an annual income below the poverty line to earn an income which helps them to make ends meet.

Businesses recognize and emphasize the hardships that many employees face especially as the cost of living continues to rise. However, we believe this bill will not improve the quality of life for minimum wage earners and will actually hurt those who are seeking entry level jobs. Economists uniformly agree that most employees earn far more than the minimum wage and that a minimum wage increase actually causes a reduction in the number of entry level jobs because of the increased cost to employers to maintain such jobs. The real cost to business includes all of the other employee benefits and taxes that are tied to the employees wages. Those include, social security tax, unemployment tax and workers compensation premiums, which increases the cost of employing workers, which reduces the number of available jobs.

Furthermore, due to the workforce shortage and the low unemployment rate, employers are increasingly recognizing the need to offer benefits and wages far above the minimum wage in order to retain their workers. In fact, Hawaii's minimum wage is much higher compared to other states.

The enactment of a minimum wage increase at this time will greatly hamper the efforts made over the past ten years to turn Hawaii's economy around. Hawaii's business community is at a critical point -- where any additional mandates could mean the difference between continued existence or bankruptcy. As evidenced by recent media

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mandates could mean the difference between continued existence or bankruptcy. As evidenced by recent media accounts, many local establishments, some of which have faithfully served consumers for generations, are going out of business.

Finally, The Chamber continues to believe that increases in the minimum wage fall disproportionately on small businesses who are the least able to absorb such a dramatic increase in their labor costs. This measure, which will take effect July 1, 2008, will hurt small businesses as many operate on budgets on a short-term basis or do not have the type of cash flow available. The automatic annual increase in the minimum wage will compound the problem.

A majority of the employers in Hawaii are small businesses. They create many of the jobs that are available today, providing the entry-level and/or first real job experience. Adding to the cost of doing business during a time when the economy is expected to slow down, will undermine the overall job market in Hawaii and hurt small businesses.

On behalf of all our members and the entire business community, The Chamber strongly urges your Committee to hold this bill. Thank you for the opportunity to testify.
