

TESTIMONY

SB 2244

LINDA LINGLE
GOVERNOR



DARWIN L.D. CHING
DIRECTOR

COLLEEN Y. LaCLAIR
DEPUTY DIRECTOR

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

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February 8, 2010

To: The Honorable Dwight Y. Takamine, Chair
And Members of the Senate Committee on Labor

Date: Thursday, February 09, 2010
Time: 3:00 p.m.
Place: Conference Room 224
State Capitol

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

Re: S.B. No. 2244 Relating to Minimum Hourly Wage

I. OVERVIEW OF PROPOSED LEGISLATION

S.B. No. 2244 increases the minimum wage to \$8.50 beginning July 1, 2010 for 18 months. Beginning January 1, 2012 adjusts minimum wage rate in accordance with the consumer prices index.

This Act is effective July 1, 2010.

II. CURRENT LAW

As of January 1, 2007, the Hawaii minimum wage is \$7.25. As of July 24, 2009, the federal minimum wage is also \$7.25.

III. SENATE BILL

The Department opposes S.B. 2244 for the following reasons:

1. When the State is working hard to rebound from the current economy, adding a 17% increase to the minimum wage effective July 1, 2010 does not assist employers in the recovery effort. Higher costs will limit the creation of job opportunities.

2. Using the consumer price index for urban workers and clerical workers does not reflect the situation in Hawaii, simply the national average. Using a scale to adjust minimum wage that does not correlate with our island economy will not be helpful or reflective of the needs in Hawaii.
3. Increasing the minimum wage without making appropriate adjustments in the tip credit as in S.B. 2744, produces the unintended result of giving some of the highest tip earners a raise and burdening employers with higher costs without the balance of the tip credit.

Date: 02/09/2010

Committee: Senate Labor

Department: Education

Person Testifying: Kathryn Matayoshi, Interim Superintendent of Education

Title of Bill: SB 2244 RELATING TO MINIMUM HOURLY WAGE.

Purpose of Bill: Increases the minimum hourly wage to \$8.50 per hour beginning July 1, 2010 and ending January 1, 2012. Adjusts the minimum hourly wage thereafter in accordance with consumer price index.

Department's Position: The department supports SB 2244. This bill provides for an increase in the minimum hourly wage.

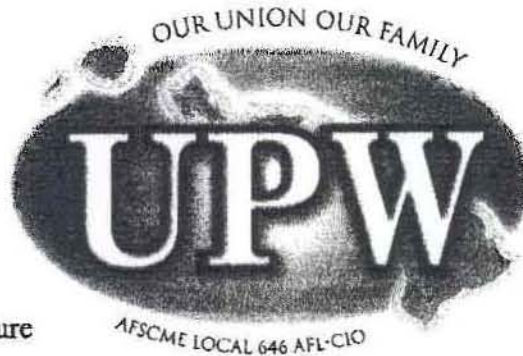
- The following jobs have hourly wages that are tied to the minimum wage:
- Student Helper I - \$7.25 per hour
- Student Helper II - \$8.00 per hour
- Classroom Cleaner - \$8.00 per hour
- Adult Supervisor - \$8.00 per hour
- Meal Count Assistants - \$7.25 per hour
- Classroom Cleaner in Summer School/Intercession Programs - \$7.25
- Adult Supervisors in Summer School/Intercession Programs - \$7.25

Section 302a-641 of Hawaii Revised Statutes (HRS) requires that the wages of meal count assistants, adult supervisors, and classroom cleaners shall be no less than the current state minimum wage as required in section 387-2. The current \$8.00 rate for classroom cleaners and adult supervisors was effective July 1, 2007 per Act 213, SLH 2007, appropriations bill, as an adjustment to retain the \$0.75 added compensation paid to these jobs above the minimum wage.

The department set its current rates for student helpers following the increase of the minimum wage to \$7.25 beginning January 1, 2007. Per section 387-9, HRS, the Director of Labor and Industrial Relations may allow for student helper hourly rates to fall below the minimum wage.

The department will change the rate of pay to match the minimum wage for those jobs that are set at minimum wage, and should maintain the \$0.75 higher rate for student helper II, classroom cleaner, and adult supervisor. The department acknowledges that the minimum wage has not increased in three years. Although we face a budget shortfall, periodic adjustments to compensation are necessary for the department to attract applicants and reduce turnover. Funding the added hourly cost can be controlled by the number of positions filled or hours worked.

The general fund budget for hourly hires has been reduced by 12% across the board as part of the \$127.7 million in budget reductions approved by the Board of Education for Supplemental Fiscal Year 2010-11. Any increase in wage rates will further reduce the number of positions and hours that can be funded.



The Senate
The Twenty-Fifth Legislature
Regular Session of 2010

Committee on Labor
Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair

DATE: Tuesday, February 9, 2010
TIME: 3:00 pm
PLACE: Conference Room 224

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON SB 2244,
RELATING TO MINIMUM HOURLY WAGE**

SB 2244 increases the minimum hourly wage to \$8.50 per hour beginning July 1, 2010 and ending January 1, 2012; and adjusts the minimum hourly wage thereafter in accordance with the consumer price index. **The UPW, Local 646 strongly supports this measure.**

Despite Hawaii having a 30% higher cost of living than on the continent, our state's minimum wage, at \$7.50 per hour, is currently the same as the federal minimum wage. Thirteen states have higher minimum wages including all four pacific coast states.

The earnings of minimum wage workers are crucial to their families' well-being. Evidence from an analysis of the 1996-97 minimum wage increase shows that the average minimum wage worker brings home more than half (54%) of the family's weekly earnings. And these earnings help stimulate the local economy as most are pumped back through consumer spending.

A 1998 Economic Policy Institute study found no systemic, significant job loss associated with the 1996-97 wage increase. In fact, the low-wage labor market performed better than it had in decades (lower unemployment rates, increased average hourly wages, increased family income, and decreased poverty rates).

Adjusting the hourly minimum wage to the consumer price index will ensure that inflation will not erode the value of workers' earnings and help our working families bear Hawaii's high cost of living. For these reasons we urge this measure's passage.

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1-866-454-4166 (Toll Free, Molokai/Lanai only)



Before the Senate Committee on Labor

DATE: February 9, 2010

TIME: 3:00 p.m.

PLACE: Conference Room 224

Re: SB 2244 Relating to Minimum Hourly Wage

Thank you for the opportunity to submit our comments.

We oppose SB2244 Relating to Minimum Hourly Wage in its current form. In light of the current challenging economic times, we believe such legislation will result in adverse effects for employers and employees.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents 1,200 members and works with and on behalf of employers across the state.

Testimony on Senate Bill #2244
 Proposing an Increase in the Minimum Wage

Lawrence W. Boyd Ph. D.

University of Hawaii at West Oahu Center for Labor Education and Research
 (For Identification Purposes Only)

Senate Bill # 2244 proposes an increase in the minimum wage from \$7.25 to \$8.50. There are two aspects that I wish to cover my testimony. First, how many people current earn the minimum wage or below and how many would be affected by the increase in the minimum wage. And secondly what effect has past increases in the minimum wage had on economic growth and unemployment.

The table below contains data from the Current Population Survey conducted by the United States Bureau of Labor Statistics on the number of people earning the current minimum wage and those earning below \$8.50. Because coverage of the minimum wage is not universal and some can earn below it, the numbers of employed include all of those earning \$7.25 or below.

Number of People Employed at Minimum Wage and Below Proposed Minimum Wage				
PERIOD	\$7.25 OR BELOW	BELOW \$8.50	PROPORTION OF EMPLOYED AT OR BELOW MINIMUM WAGE	PROPORTION OF EMPLOYED BELOW \$8.50
Fourth Quarter 2009	9,930	37,623	1.7%	6.3%

Source Outgoing Reference Group, Current Population Survey

Currently less than 2 percent of the total employed earn the minimum wage or below. The proposal would affect approximately twenty seven thousand additional people. In effect the proposal would raise the wages of 37,623 workers. These statistics are very similar to previous statistics when minimum wages were raised.

Many people consider minimum wage workers to be teenagers. Below are statistics on the age composition of the workers cited above.

Age Composition of Minimum Wage Workers	
18 or Below	10%
18 to 21	31%
21 to 40	23%
40 to 50	9%
50 to 60	19%
Older than 60	9%

Source: Outgoing Reference Group, Current Population Survey

Note that only 10 percent would be considered teenagers. On the other hand 28 percent are fifty or older.

Arguments have been made that minimum wage hikes either increase unemployment or reduce growth. Below is a table that compares the minimum wage to economic growth and unemployment. In the eight instances cited where the minimum wage was raised, economic growth was positive in six of those years. In terms of unemployment, the unemployment rate decreased in four of the years and increased in four.

Minimum Wage, Economic Growth, Unemployment Rate and Change in the Unemployment Rate				
Date	Minimum Wage	Economic Growth	Unemployment	Change
1981	3.35	0.6%	5.1	0.3
1988	3.85	6.6%	3	-0.6
1992	4.75	-0.8%	4.2	1.4
1993	5.25	-1.5%	4.4	0.2
2002	5.75	3.6%	4	-0.2
2003	6.25	4.8%	3.9	-0.1
2006	6.75	3.8%	2.5	-0.2
2007	7.25	0.7%	2.6	0.1

Source: Hawaii State Data Book

In conclusion, a minimum wage increase will affect about 35,000 workers. This is a relatively small proportion of the employed workforce and will have little effect on overall measures of unemployment and job growth. Estimates of minimum wage increases have largely focused on employment effects among teenagers and have found a negative impact of between one and three percent on employment. Others have actually found a small increase in employment among fast food workers. If the negative impact were to be believed then approximately seven hundred jobs would be lost. On the other hand 500 jobs could be created. In either case the impact is minimal.



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February 8, 2010

Senator Dwight Y. Takamine, Chair
Committee on Labor
Senate
Honolulu, Hawaii 96813

Dear Chair Takamine and Committee Members,

The Hawaii Restaurant Association stands in opposition to SB 2244 increasing the minimum wage to \$8.50.

- A 17% increase in the minimum wage would be an unbearable burden for restaurants at any time. In this economy it would certainly be the final straw for many.
- It will result in fewer work hours for all employees.
- Without a commensurate increase in the tip credit, in the restaurant industry, the increase would go mainly to highly compensated tipped employees, who already earn 2 to 4 times the minimum wage in tips. Waiters & waitresses represent about 50% of a restaurant's staffing. Thus the impact disproportionately and needlessly affects restaurants.
- Mandatory wage increases to tipped employees is counterproductive for restaurants that already do and want to continue to pay their lowest wage earners above the minimum wage.
- The CPI index does not reflect a business's or industry's financial strength.
- Basing the minimum wage on the CPI is problematic for the annual budgeting process and will certainly create menu price inflation as restaurants try to cope with increased wages.
- Restaurants are one of the few business segments that provide many living wage jobs to persons without a college education, when tip income is taken into account.
- The restaurant & hospitality industry is the third largest provider of jobs in the US and Hawaii.
- Changing the Tip Credit to 25% of tips claimed by the employee as income on an hourly basis would be fair to all tipped employees and ensure that tipped employees would earn three times more than the tip credit over the prevailing minimum wage.

Thank you for giving us the opportunity to share our views.

Sincerely,

Thomas H. Jones
Past Chair
Hawaii Restaurant Association

UNITE HERE! LOCAL 5 HAWAII

Eric Gill, Financial Secretary-Treasurer

Hernando Ramos Tan, President

Godfrey Maeshiro, Senior Vice-President

Monday, February 08, 2010

Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair
Senate Committee on Labor

Testimony regarding SB 2244; *relating to Minimum Hourly Wage*

Chair Takamine, Vice Chair Taniguchi, members of the Senate Committee on Labor:

I submit this testimony on behalf of UNITE HERE! Local 5 – a local labor organization representing nearly 11,000 hotel and health care workers throughout our State.

Senate Bill 2244 would increase the minimum hourly wage to \$8.50 per hour beginning July 1, 2010 and ending January 1, 2012.

I hereby register our organization's position supporting the intent of SB 2244.

Sincerely,



Cade M. Watanabe
Community/Political Organizer



Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice Chair
Committee on Labor
State Capitol, Honolulu, Hawaii 96813

HEARING Tuesday, February 09, 2010
3:00 pm
Conference Room 224

RE SB2244, Relating to Minimum Hourly Wage

Chair Takamine, Vice Chair Taniguchi, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing 23% of the labor force.

RMH strongly opposes SB2244, which increases the minimum hourly wage to \$8.50 per hour beginning July 1, 2010 and ending January 1, 2010, and adjusts the minimum hourly wage thereafter in accordance with consumer price index.

Since the economic downturn, retailers have taken significant measures to maintain employment levels by containing employment costs through across-the-board wage and salary reductions, while keeping benefits intact. Increasing the minimum wage is counterproductive to these efforts.

Businesses are preparing for the inevitable increases in Unemployment Insurance. Marketing, advertising and travel budgets have been cut; basic operating expenses remain fixed or have increased. There are absolutely no resources to implement a wage increase.

Retail sales revenues are down. GET reports for Fiscal Year 2009 from the Department of Taxation indicate an almost \$2 billion decline in retail sales from the previous year. Sales for the first three months of this current fiscal are almost three quarters of a billion dollars lower than last year. Holiday figures are not available; early reports ranged from flat to double-digit decreases.

Our economy is tenuous at best. Our focus should be on stabilizing our businesses so as to enable increasing employment and hastening recovery.

The members of the Retail Merchants of Hawaii respectfully request that you hold SB2244. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President