

TESTIMONY

SB2244

LATE



**Testimony to the Senate Committee on Labor  
Conference Room 224, State Capitol  
Tuesday, February 09, 2010, 3:00 p.m.**

**RE: SENATE BILL NO. 2244 RELATING TO MINIMUM HOURLY WAGE**

Chair Takamine, Vice Chair Taniguchi, 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"). I am here to state The Chamber's concern regarding Senate Bill No. 2244 relating to Minimum Hourly Wage.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

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 intends to have the minimum wage raised in proportion to the rate of inflation Hawaii experienced over the past few years. The concept is to ensure that workers earning a minimum wage can make ends meet and we truly understand and emphasize especially given this current economic situation.

Economists have argued, however, that raising the minimum wage will not improve the quality of life for minimum wage earners and will actually hurt those who are seeking entry level jobs. Also, 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 increase the cost of employing workers, which reduces the number of available jobs. Increasing the minimum wage will require employers to pay additional costs after adding the additional taxes of FICA, Medicare and FUTA.

The Chamber opposes an increase in the minimum wage because there is no evidence to suggest that an increase is necessary. An increase in the minimum wage will cause inflation and a reduction in

the number of available entry level jobs. That is an economic reality. Unless the legislature can properly analyze the impact of the proposed increases, the consequence could be far more damaging and will not have the beneficial impact the bill intends.

The damaging effect of a minimum wage increase will be an increase in the rate of inflation. The cost of goods produced and sold will go up because of increased labor cost. The segment of our population that will be most greatly impacted will be those very poor people this bill claims it seeks to help. Goods and services will cost more so, while the minimum wage earners will earn more, the actual purchasing power of that income may stay the same. Another large sector of our population it will hurt will be our seniors who are on a fixed income. Their income will not increase, and any inflation caused by an increase in the minimum wage will shrink the value of their fixed income.

In addition, the economy will be better served if the minimum wage is kept at its current level because if employers can afford to hire workers at the minimum wage, more employees will be able to find employment. Once employed, the employee can improve their economic position by performing well on the job and receiving raises. If fewer jobs are available, the population this bill seeks to assist will find it harder to secure an entry level job.

The enactment of a minimum wage increase at this time will undermine efforts made 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 accounts, many local establishments, some of which have faithfully served consumers for generations, are going out of business.

While we understand the intent of the bill, **the Chamber urges your Committee to hold this bill.**

Thank you for the opportunity to testify.

The Twenty-Fifth Legislature  
Regular Session of 2010

THE SENATE  
Committee on Labor  
Senator Dwight Y. Takamine, Chair  
Senator Brian T. Taniguchi, Vice Chair

State Capitol, Conference Room 224  
Tuesday, February 9, 2010; 3:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2244  
RELATING TO MINIMUM HOURLY WAGE**

The ILWU Local 142 supports S.B. 2244, which 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.

In theory, increasing the minimum wage does not make sense at a time when unemployment is high and workers are desperate for a job. However, increasing the minimum wage and providing workers at the bottom of the wage scale with greater spending power actually may be a boost to the economy. When workers have money in their pockets, they will spend it. Money will circulate in the local economy, even at the very establishments that will be forced to pay higher wages because of the increase in the minimum wage.

Yet, restaurants, fast food operations, and other small businesses will no doubt argue that an increase in the minimum wage will put them out of business or, at the very least, force them to lay off the very workers the increase minimum is seeking to help. But history has shown that this has not happened in the past when the minimum was increased and will not likely occur with another increase--even with an increase tied to the Consumer Price Index.

Businesses who pay minimum wages, or just slightly above them, want to maximize their profits, and paying their workers less will do that. But good businessmen know that paying their employees a living wage fosters good will and loyalty to the company and allows workers to have money to eat out, buy goods, and pay for services. In the long run, this benefits the individual business as well as the entire community..

One suggestion that always comes up when an increase in the minimum wage is proposed is to increase the tip credit. However, the tip credit has very little effect on the company's bottom line--unless the company is seeking to maximize its profits by exploiting its tipped employees. Legislators must remember that tips (or gratuities, as they are sometimes called) are not provided by the employer but by the customer.. Having tipped employees earn more as a result of the tips should not be a concern for the employer, who should, in fact, be grateful to the customers who subsidize his employees' wages. The ILWU is opposed to any increase in the tip credit.

The ILWU urges passage of S.B. 2244 as is. We believe this measure will help to stimulate economic growth and inspire worker confidence in our recovery. Thank you for the opportunity to testify.

# DUKE'S CANOE CLUB WAIKIKI

February 8, 2010

Testimony in Opposition to SB 2244

Chair, Vice-Chair and Members of the Committee:

TS Restaurants of Hawaii (Duke's Waikiki, Kauai and Maui. Hula Grill Waikiki and Maui, Kimo's, Leilani's, Keoki's) respectfully opposes SB 2244 that would increase the minimum wage to \$8.50. TS Restaurants would consider withdrawing its opposition, however, if the exceptions contained within the bill are broadened to cover a Tip Credit component which would off-set the increase.

TS Restaurants appreciates the intent of this bill, which is to help entry level employees earn a wage which allows them to live in Hawaii. HOWEVER, for the restaurant business the vast majority of the increase would go to Servers and Bartenders who are already making upwards of \$30 per hour in tips. This takes money away from the 'bottom line' at a time when the industry can least afford it. It will also make it more difficult to increase wages in the Kitchen where many restaurant employees are Heads of Households and are those really in need. Currently, we do not have Kitchen Employees earning less than \$9.00 per hour.  
ULTIMATELY THIS BILL IF PASSED WILL COST THE STATE JOBS!

In summary, the TS Restaurant Strongly reiterates its opposition to SB 2244.

Very truly yours,

Chris Colgate  
Oahu Regional Manager  
Chair - Hawaii Restaurant Association



**RESTAURANT AND BAREFOOT BAR**

2335 KALAKAUA AVENUE, SUITE 116, HONOLULU, HI 96815 • (808) 922-2268 • FAX: (808) 923-4204

TO: COMMITTEE ON LABOR  
Senator Dwight Y. Takamine, Chair  
Senator Brian T. Taniguchi, Vice Chair

BILL SB 2244 RELATING TO MINIMUM HOURLY WAGE

FROM: JOSE MENDEZ

I believe that the minimum wage should be raised. In this hard times where everything seems to be going shy High in price we need to make enough money to be able to pay our bills and take care of our families. Some people choose to be in unemployment because they make as much as they did when they were working a minimum wage job.

The price of gas discourages others from seeking working because the minimum wage does not cover the gas expense it takes for them to get to their jobs. We need people to be able to feel like there are making improvements in their lives by working. Higher pay also means better working employees. When people feel good about the money they are making in their jobs they work harder.

i agree with the plan that has been brought forward by this bill of how to carry on the raising of the minimum wages and how to maintain it fair for all minimum wage workers.

Thank you for a concerned citizen. Jose Mendez