



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

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February 2, 2011

To: The Honorable Karl Rhoads, Chair
The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Labor & Public Employment
and Members of the House Committee on Economic Revitalization & Business

Date: Friday, February 4, 2011
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations

Re: H.B. No. 1317 Relating to Labor and Industrial Relations

I. OVERVIEW OF PROPOSED LEGISLATION

H.B. 1317 amends the Expenditure of Public Money and Public Contracts Law, Chapters 103 and Wages and Hours of Employees on Public Works Law, Chapter 104, Hawaii Revised Statutes (HRS). H.B. 1317 will require that the wage employees of a contractor providing services to the State of Hawaii and any of the counties be no less than the prorated hourly equivalent of the annual income necessary to meet or surpass the poverty threshold.

II. CURRENT LAW

Chapter 103, HRS currently provides only for wages to be paid wages or salaries not less than the wages paid to public officers and employees for similar work. Chapter 104, HRS requires payment of wages that are prevailing for the classification of workers that are employed on a public construction project.

III. HOUSE BILL

The department defers commenting on the sections amending Chapter 103, HRS to DAGS and other contracting agencies who are directly affected by this amendment.

The department opposes Section 4 amending Chapter 104, HRS. The wages paid to construction workers is already generally higher than the computed annual poverty rates

for a family of four in Hawaii and is thus unnecessary and adds to the department's burden of enforcing an already complicated law.

The majority of the classification and wage rates enforced by Chapter 104, HRS, are of unionized construction workers. Of the few surveyed non-unionized construction workers, only one is currently \$0.40 cents below the 2011 annual Poverty Guidelines for Hawaii for a family of four. The department believes that the difference for only one classification of worker is not significant enough to warrant an amendment to Chapter 104, HRS.

The department issues the Wage Rate Schedule (WRS) of prevailing classifications and wage rates twice a year in February and September. Our understanding is that the annual Poverty Guidelines for Hawaii is generally prepared and issued at the end of January. That may not be enough time to calculate the hourly rate, match it with the surveyed rates and publish it our February WRS. The department would have an added cost of preparing and issuing an addendum to all contractors and contracting agencies every year.

**Testimony to the House Committees on Economic Revitalization & Business
and Labor & Public Employment
Friday, February 4, 2011
9:00 a.m. – 12:00 p.m.
State Capitol - Conference Room 309**

**RE: HOUSE BILL NO. 1317 RELATING TO LABOR AND INDUSTRIAL
RELATIONS**

Chairs Rhoads and McKelvey, Vice Chairs Yamashita and Choy, and members of the committees:

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 opposition to House Bill No. 1317, relating to Labor and Industrial Relations.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 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.

This measure requires that the wage employees of a contractor providing services to the State of Hawaii and any of the counties be no less than the prorated hourly equivalent of the annual income necessary to meet or surpass the poverty threshold.

In 2009 the poverty threshold for a family of 4 in Hawaii was \$25,360. Assuming that a full-time employee works 2040 hours a year (52 x40 hrs), this raises the minimum wage for service workers to \$12.43. We respectfully do not agree that using the poverty threshold for a family of 4 is an appropriate guide. Indeed it would elevate single workers to a level in excess of that for a family of four. The single person poverty level in 2009 was \$12,460 or less than the minimum wage. While we understand that the cost of living in Hawaii is high coupled with the tough economic times, we believe existing law is an appropriate and satisfactory standard.

Also, during our review of the foregoing legislation, The Chamber found that this measure, while only applying specifically to public service contractors, would have the same economic consequences as a mandated wage increase.

Hawaii's businesses, and in particular small businesses as well as non-profits, are in the process of recovering from an economic stagnation. The Chamber firmly believes that the enactment of this mandate at this time will greatly hamper the efforts to improve the economic climate. 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.

On behalf of all our members and the entire business community, The Chamber respectfully requests that the committees hold House Bill 1317.

Thank you for the opportunity to provide testimony.

HOUSE OF REPRESENTATIVES
Committee on Labor & Public Employment
Rep. Karl Rhoads, Chair
Rep. Kyle T. Yamashita, Vice Chair
Committee on Economic Revitalization & Business
Rep. Angus L.K. McKelvey, Chair
Rep. Isaac W. Choy, Vice Chair

State Capitol, Conference Room 309
Friday, February 4, 2011; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1317
RELATING TO LABOR AND INDUSTRIAL RELATIONS**

The ILWU Local 142 supports the intent of H.B. 1317, which requires that the wages of employees of a contractor providing services to the State of Hawaii and any of the counties be no less than the prorated hourly equivalent of the annual income necessary to meet or surpass the poverty threshold.

For workers working under a contract with state and county governments, H.B. 1317 seeks to set a wage floor at the equivalent of the federal poverty level for a family of four or the wages paid to public workers doing similar work. Thus, privatization of public work will not necessarily save money for government since there should be no savings in wages. The bill further requires companies entering into government contracts of \$5,000 or more (with certain exemptions, including nonprofit organizations) to allow their employees to be unionized by card check recognition, to agree to be neutral in any unionization process, and to allow access for unionization purposes.

As a labor union, we fully support the right of all workers to be represented by a union of their choice. Furthermore, we fully support the right of workers to be paid a fair wage that will allow them to support themselves and their families. Whether H.B. 1317 is the vehicle to accomplish these objectives is for the Legislature to decide.

The ILWU supports the intent of H.B. 1317. Thank you for allowing us to testify on this matter.