

LATE

**Testimony to the House Committee on Labor & Public Employment
Tuesday, January 24, 2012
9:00 a.m. – 12:00 p.m.
State Capitol - Conference Room 309
RE: HOUSE BILL NO. 1682 RELATING TO LABOR**

Chair Rhoads, Vice Chair Yamashita, and members of the committee:

My name is Monica Toguchi, and I am the vice-president of a 65 year old restaurant company named Highway Inn. As a small business owner in the food & hospitality industry (which is well known to employ minimum wage earners), I am in opposition of this bill given our current economic situation and the high cost of already doing business in Hawaii.

I am not in opposition of this bill because I disagree that my employees should be denied an opportunity to earn a livable wage. On the contrary, I would be the first to argue that my employees actually deserve a lot more than what I can afford to pay. But consumers (like me and you) do not support this viewpoint by the value we place on food preparation in comparison to other professional services such as medicine, construction and legal services. This intrinsic, institutionalized social value prevents food service providers from paying our employees a higher wage – even when we think they deserve it without question.

While others can argue that states such as Oregon pay a higher minimum wage than Hawaii, I would argue that business owners in Oregon are compensated by other benefits such as lower land prices (I paid \$900 for my 3 bedroom apartment in Eugene), lower food prices, and less regulation practices such as pre-paid healthcare. In Hawaii, everything is expensive and there is no financial relief to compensate for the higher wage practice being proposed.

For example, I currently pay \$4500.00 in health insurance to HMSA a month. Next month, my cost will increase by another \$1600.00 to \$6100.00 a month. This is a 35% increase to the cost of doing business because four (4) of my employees qualify for health insurance. This means that I have to at least attract an additional 175 customers or more next month and the months proceeding to maintain the same profit margin that allows me to exist (which is in the one digit range) or risk being unable to pay my bills. This situation forces me to raise prices for the consumer (you and me) and possibly lose customer traffic. Alternatively, if I were in Oregon, I could use what I pay in health insurance toward higher wages albeit healthcare is a necessary commodity for most people to have.

In regards to unemployment tax: In 2009, I paid \$400 in unemployment tax, in 2010, \$4000.00, and in 2011, I paid over \$15,000 in taxes because I terminated two employees during this time for performance issues. Guided by the sound advice from the non-profit agency, Hawaii Employers Council and my personal legal counsel, these two employees cost me more to retain and so I terminated. Personally, I would prefer (without question) to use the money to reward my current employees for a job well done rather than the two employees who are collecting unemployment checks for a job NOT DONE.

The main point I am hoping to illustrate is that an increase in minimum wage should be left to each employer to decide. Every business has a different set of economic limitations and cost/profit structure that allows it to sustain itself - but for most small businesses such as mine - this bill may have deleterious implications because it is not a straight forward cost. As the Chamber of Commerce indicated in their testimony, it triggers many other costs such as healthcare, unemployment and payroll taxes in addition to TDI and workers' compensation insurance premiums which are based on our payroll numbers. This means the higher the payroll, the higher the premium businesses must pay.

If protecting and creating jobs is a priority for the legislature this year, I humbly request that you hold this bill until the economy stabilizes and balance legislation that support small, local companies who are perhaps most susceptible to this type of legislation. Thank you for the opportunity to testify.

Unlike Oregon state which has a minimum wage rate of \$8.80,

The minimum wage increase may drive some small companies out of business.