



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

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813  
[www.hawaii.gov/labor](http://www.hawaii.gov/labor)  
Phone: (808) 586-8842 / Fax: (808) 586-9099  
Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

January 23, 2012

To: The Honorable Karl Rhoads, Chair, Kyle Yamashita, Vice Chair  
and Members of the House Committee on Labor & Public Employment

Date: Tuesday, March 24, 2010  
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. 1691 Relating to Labor**

**I. OVERVIEW OF PROPOSED LEGISLATION**

H.B. No. 1691 proposes to increase the Hawai'i minimum wage, currently at \$7.25 per hour, as follows:

- \$8.14 per hour beginning January 1, 2013; and
- Beginning July 1, 2013, adjusted annually for inflation by dividing the federal poverty level for a family of two persons for Hawai'i by 2,080.

The DLIR "is responsible for ensuring and increasing the economic security, well-being, and productivity of Hawai'i's workers,"<sup>1</sup> and therefore strongly supports increasing the minimum wage.

**II. CURRENT LAW**

The current minimum wage matches the federal minimum wage and is set at \$7.25 per hour beginning January 1, 2007.

**III. COMMENTS ON HOUSE BILL**

- The Department advocates that minimum wage is appropriate to prevent certain employers from exploiting their employees by establishing a wage floor for Hawai'i's workers. Hawai'i's workers deserve to regain some of the lost

<sup>1</sup>§26-20, Hawaii Revised Statutes.

purchasing power since the last rise in the minimum wage on January 1, 2007. Should the legislature choose to tie the minimum wage to an index, DLIR notes this would be fairer to workers who usually lose purchasing power in between rises in the minimum wage when not tied to an index.

- If the legislature chooses to tie the minimum wage to an index, the department suggests tying the minimum wage to the Consumer Price Index (CPI-W Urban Wage Earners and Clerical Workers), which may be more appropriate considering the high cost of housing in Hawai'i. The table below illustrates the loss of buying power since the last rise in the minimum wage as well as projections, both tied to the CPI-W.

| Year | Honolulu CPI-W First Half | CPI-W Percent Increase | Hawai'i Minimum Wage | \$7.25 MW Inflated by CPI-W | Current/Proposed MW minus Inflated \$7.25 |
|------|---------------------------|------------------------|----------------------|-----------------------------|---|
| 2006 | 205.6                     | 5.7%                   | \$6.75               |                             |   |
| 2007 | 215.681                   | 4.9%                   | \$7.25               |                             |   |
| 2008 | 226.738                   | 5.1%                   | \$7.25               | \$7.62                      | (\$0.37)                                  |
| 2009 | 226.462                   | -0.1%                  | \$7.25               | \$7.61                      | (\$0.36)                                  |
| 2010 | 233.089                   | 2.9%                   | \$7.25               | \$7.83                      | (\$0.58)                                  |
| 2011 | 240.874                   | 3.3%                   | \$7.25               | \$8.09                      | (\$0.84)                                  |
| 2012 |                           | 2.8%                   | \$7.25               | \$8.32                      | (\$1.07)                                  |
| 2013 |                           | 2.5%                   | \$8.14               | \$8.53                      | (\$0.39)                                  |

- The department notes that the following eighteen states and the District of Columbia have higher minimum wages than Hawai'i :

|               |        |
|---------------|--------|
| Alaska        | \$7.75 |
| Arizona       | \$7.65 |
| California    | \$8.00 |
| Colorado      | \$7.64 |
| Connecticut   | \$8.25 |
| D.C.          | \$8.25 |
| Florida       | \$7.67 |
| Illinois      | \$8.25 |
| Maine         | \$7.50 |
| Massachusetts | \$8.00 |
| Michigan      | \$7.40 |
| Montana       | \$7.65 |
| Nevada        | \$8.25 |
| New Mexico    | \$7.50 |
| Ohio          | \$7.70 |
| Oregon        | \$8.80 |
| Rhode Island  | \$7.40 |

|            |        |
|------------|--------|
| Vermont    | \$8.46 |
| Washington | \$9.04 |

- Guam and the U.S. Virgin Islands have the same rate as Hawai'i's current minimum wage rate.
- The department believes that the higher wages earned by the minimum wage workers will likely be spent and therefore contribute to the economic recovery of the state. This measure would also allow families to make more purchases from small businesses in Hawaii that survive on the ability of workers to purchase their goods and services.
- DLIR suggests that due to planning considerations the effective date of this measure should be changed to October 1, 2012.



**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. 1691 RELATING TO LABOR**

Chair Rhoads, Vice Chair Yamashita, 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 opposition to House Bill No. 1691 relating to Labor.

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 concept of this measure 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.

The enactment of a minimum wage increase at this time, however, 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.

The real cost to business includes all of the other employee benefits and taxes that are tied to the employee's wages. Those basic costs include, but not limited to:

- Social Security tax
- Unemployment tax
  - The unemployment insurance fund is 100% employer funded.
- Pre-paid Health Care
- Workers Compensation premiums
  - Employers pay the full cost of the premium.

- Temporary Disability Insurance premiums
  - Employers pay either the entire premium, or may charge 50% of the premium (not to exceed .5% of weekly wages) to eligible employees).

Increasing the minimum wage will require employers to pay additional costs after adding the additional taxes of FICA, Medicare and FUTA. In addition, employers are required to pay a number of other taxes including GET, to run their business.

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.

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.
- Most employees earn far more than the minimum wage
- 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 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.

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

Thank you for the opportunity to testify.

**yamashita2 ---Aulii**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, January 22, 2012 11:34 PM  
**To:** LABtestimony  
**Cc:** bill@ejlounge.com  
**Subject:** Testimony for HB1691 on 1/24/2012 9:30:00 AM

Testimony for LAB 1/24/2012 9:30:00 AM HB1691

Conference room: 309  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: William Comerford  
Organization: Hawaii Bar Owners Association  
E-mail: [bill@ejlounge.com](mailto:bill@ejlounge.com)  
Submitted on: 1/22/2012

**Comments:**

Please defer this bill. Our economy faces too many uncertainties at this time to support any rate being tied to rising costs as wage increases of themselves contribute hugely to increased costs across the board.

Representative Karl Rhoads, Chair  
Representative Kyle Yamashita, Vice Chair  
Committee on Labor & Public Employment  
State Capitol, Honolulu, Hawaii 96813



HEARING      Tuesday, January 24, 2012  
                  9:00 am  
                  Conference Room 309

**RE      HB1691, Relating to Labor**

Chair Rhoads, Vice Chair Yamashita, 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 25% of the labor force.

**RMH strongly opposes HB1691**, which bases the minimum wage on the federal poverty level for a family of 2 persons for Hawaii, beginning on 1/1/13.

When the economy faltered, retailers took significant measures to maintain employment levels by containing employment costs through across-the-board wage and salary reductions, while keeping benefits intact.

Three years later, the retail industry is growing, with existing companies opening new locations and new retailers entering the marketplace. Hundreds of new retail jobs are being created, with compensation levels based on the current economic conditions and employment regulations. Increasing the minimum wage is counterproductive to this growth.

An increase in the minimum wage causes a compression of wages between newly hired, inexperienced workers and veteran, experienced employees. An attempt to mandate scheduled but indeterminate adjustments at the lowest tier of the employment scale would cause a tremendous and prohibitive increase in overall employment costs. Furthermore, an increase in payroll costs would also lead to increases in benefit costs that are based on wages, including vacation and holiday pay, unemployment insurance, social security and Medicare, and workers' compensation premiums.

Businesses are preparing for the expected increases in Unemployment Insurance. Marketing, advertising and travel budgets remain at reduced levels, while basic operating expenses, particularly shipping and fuel costs, have significantly increased.

Our economy remains tenuous. 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 HB1691. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII  
1240 Ala Moana Boulevard, Suite 215  
Honolulu, HI 96814  
ph: 808-592-4200 / fax: 808-592-4202



## Before the House Committee on Labor & Employment

DATE: Tuesday, January 24  
TIME: 9:00 a.m.  
PLACE: Conference Room 309

HB 1691: Relating to Labor  
Testimony of NFIB Hawaii

Thank you for the opportunity to testify in opposition of HB 1691. NFIB Hawaii respectfully **opposes** this measure.

This legislation would based the minimum wage on the federal poverty level for a family of two persons for Hawaii, beginning 1/1/13. It does not take into account any factors other than the federal poverty level and does not allow for a full and fair discussion of the rate relative to its impact on employers, employees and the economy.

No one has greater incentive, responsibility or ability to lead an economic recovery than America's small business owners - 350,000 of whom are NFIB members. Therefore, we ask lawmakers to help ensure that public policies help spur economic growth by taking into account the unique perspective of those who own and operate a small business in America. We note that small businesses play a major role in the American economy, representing 99% of all employer firms, employing about half of private-sector employees and generating 60 – 80 percent of net new jobs annually over the last decade. Mandatory minimum-wage increases end up reducing employment levels for those people with the lowest skills. Most minimum-wage jobs are offered by small businesses. The overwhelming majority of economists continue to affirm the negative impact of mandatory wage increases on jobs.

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 more than 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.

**841 Bishop Street, Suite 2100, Honolulu, Hawaii 96813 (808) 447-1840**





Labor Caucus

January 30, 2011

Representative Karl Rhodes  
Hawaii State Capital  
Labor & Public Employment  
415 South Beretania Street, Room 329  
Honolulu, Hawaii 96813

Subject: H.B. No.1691 Hearing January 24, 2012 Testimony in Support

To: Representative Karl Rhodes and Labor & Public Employment committee

Aloha, my name is Steve Canales. I strongly support H.B. 1691; increase in the minimum wage.

The time is now to increase the minimum wage. Families in our state, who lost their jobs in 2011, are finding work, which only pays minimum wage. There are those who contemplate between taking a minimum wage job, or collecting unemployment insurance. The reason is, unemployment insurance pays a higher weekly amount; many of these workers are optimistic about finding a higher paying job.

I would like to make a friendly amendment and request a \$1 increase for the current minimum wage.

I strongly support H.B. 1691. I would like to thank the Economic Labor & Public Employment committee for this opportunity to testify.

Sincerely,

Steve Canales  
Labor Caucus Chair  
Democratic Party of Hawaii  
1050 Ala Moana Blvd. Ste. #2150  
Honolulu, Hawaii 96814

**HB 1691**

Hearing on January 24, 2012

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The Hawaii Restaurant Association stands in opposition to this bill.

Many news reports, both locally and nationally, comment that the economy may improve in 2012. We hope that that is correct and willingly work hard to make it so. However, any increases in operating costs will be detrimental to the overall impact of any positive changes that may take place..

Companies in Hawaii are severely burdened with astronomical cost increases based on the price of oil. As well, also related to skyrocketing costs of oil are our utility costs. A recent report by Hawaii Energy shows that an astounding 79% of Hawaii electricity generation comes from oil. Nationally, electricity generation from oil is a mere 2%.

Any increase in the minimum wage in 2012 would be counterproductive to the vitality, if any, of the State's economic recovery.

Respectfully submitted,

Roger Morey  
Executive Director  
Hawaii Restaurant Association

**yamashita2 ----Aulii**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, January 23, 2012 5:40 PM  
**To:** LABtestimony  
**Cc:** tomjones@reihawaii.com  
**Subject:** Testimony for HB1691 on 1/24/2012 9:30:00 AM

Testimony for LAB 1/24/2012 9:30:00 AM HB1691

Conference room: 309  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Thomas H Jones  
Organization: Individual  
E-mail: [tomjones@reihawaii.com](mailto:tomjones@reihawaii.com)  
Submitted on: 1/23/2012

**Comments:**

I strongly urge the committee to defer this bill. Linking the minimum wage to any index is inflationary and impractical. It will create difficulty for businesses to plan and budget effectively. The Tip Credit needs to be increased significantly in order for restaurants to be able to increase the wages of non-tipped employees. Hawaii is way behind in helping restaurateurs be able to increase the wages of kitchen staff by legislating mandatory min wage increases to highly compensated tipped employees. The tip credit should be at least 25% of the hourly amount of tips an employee claims as income. That would guarantee they earn 3 times over the minimum wage the amount of the credit the employer can reduce their wages on account of tips.