

# HB 1028



Randy Perreira  
President

# HAWAII STATE AFL-CIO

320 Ward Avenue, Suite 209 • Honolulu, Hawaii 96814

Telephone: (808) 597-1441

Fax: (808) 593-2149

The Twenty-Seventh Legislature, State of Hawaii  
House of Representatives  
Committee on Labor & Public Employment

Testimony by  
Hawaii State AFL-CIO  
February 1, 2013

## H.B. 1028 – RELATING TO EMPLOYMENT

The Hawaii State AFL-CIO supports the intent of H.B. 1028 and respectfully requests the committee to amend the bill and insert the language from H.B. 916, which increases the minimum hourly wage to \$8.75 per hour beginning January 1, 2014 and adjusts the minimum hourly wage thereafter in accordance with the consumer price index.

Hawaii's cost of living is the highest in the nation; however, Hawaii's minimum wage is still equal to the federal minimum wage of \$7.25 an hour. In fact, the last time Hawaii raised the minimum wage was six year ago in 2007 and if Hawaii's minimum wage had been indexed to the Consumer Price Index (CPI) the minimum wage in 2012 would have been \$8.35 an hour. Even states with a lower cost of living have increased their minimum wage while Hawaii has sat back. States such as California, Washington, Illinois, Oregon, and even Nevada all have a higher minimum wage than Hawaii. In fact, 19 states and the District of Columbia have a higher minimum wage than Hawaii and all of them have a lower cost of living. Additionally, Santa Fe has raised its minimum wage to \$10.29 an hour, and San Francisco has raised its minimum wage to \$10.55 an hour becoming the two highest mandatory minimum wages in the country. Even with the higher minimum wages, a number of studies have indicated San Francisco and Santa Fe's minimum wage hasn't had a negative affect on vital components of their economy, such as job creation and unemployment.

Moreover, the poverty line for a family of two in Hawaii as of 2012, is \$17,410, and is increased to \$21,960 for a family of three. A full-time minimum wage worker in Hawaii who works 40 hours a week for 52 weeks would earn \$58.00 a day, \$290.00 a week, and a disturbingly low \$15,080.00 a year. This, unfortunately for a family of two or more, is well below the poverty level. The truth is, over 17 percent or nearly 229,000 Hawaii residents live in poverty when calculating cost of living and regrettably, according to the National Low Income Housing Coalition, in no state can a minimum wage worker afford a two-bedroom unit at Fair Market Rent, working a standard 40-hour work week. In Hawaii, a minimum wage worker would need to work 175 hours a week to afford rent.

According to a report by the National Economic Council in 2000, increasing the minimum wage does not have a negative effect on employment. The National Economic Council states, "since the (national) minimum wage increase in 1996, the economy has created more than 10 million jobs and the unemployment rate has fallen from 5.2 percent in September 1996 to

4.1 percent in February 2000, near its lowest level in thirty years. Labor market trends for workers most affected by the minimum wage increase—including younger workers, workers with lower educational levels, and minorities—also show no negative impact of the minimum wage on employment. Numerous careful economic studies, including ones by David Card and Alan Krueger, have shown that increasing the minimum wage has no negative effect on employment. Recent research has even suggested that higher wages can increase employment, because they increase employers' ability to attract, retain, and motivate workers. And they benefit workers by increasing the reward to work."

Furthermore, a more recent study conducted in 2010 by University of California, Berkeley, economics professor Michael Reich also concludes that the minimum wage does not lead to the short- or long-term loss of low-paying jobs. Professor Michael Reich proclaims "although increasing the minimum wage can stimulate the economy by putting more money in the pockets of those most likely to spend it on necessities, he said, suggestions to raise minimum wages typically trigger fears. These fears center around the idea that raising the minimum wage would force many employers to reduce job offerings to meet a more expensive payroll, or that a "tipping point" where the minimum wage becomes too high has already been reached."

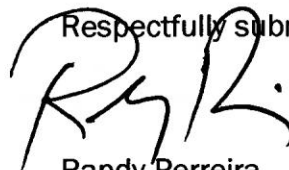
It should also be noted that ten states, some of them conservative have increased their minimum wage this year. The ten states that saw an increase to their minimum wage include Washington, Arizona, Colorado, Florida, Missouri, Montana, Ohio, Oregon, Rhode Island, and Vermont. Even Mayor Bloomberg of New York endorsed a 2012 proposal to increase New York's minimum wage above the federal level of \$7.25 an hour proclaiming "the genius of the free market is not always perfect."

In fact, some economists such as Paul Osterman, an economics professor at MIT maintain raising the minimum wage to get more cash to the working poor is just as crucial as creating a large number of low-wage positions. He asserts "gradually raising the federal minimum wage to something close to that level (\$10 an hour) over the next few years would be an important first step to helping the working poor climb out of poverty, while injecting more money into the economy."

We hope the legislature recognizes the importance of raising the minimum wage and we strongly urge the passage of H.B. 1028 amended to the language of H.B. 916.

Thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Randy Perreira', written over the typed name.

Randy Perreira  
President



**HAWAII CATHOLIC CONFERENCE**

6301 Pali Highway  
Kaneohe, HI 96744-5224

**ONLINE SUBMITTAL**

Hearing on Friday, February 1, 2013 @ 8:00 a.m.  
Conference Room #309

**DATE:** January 30, 2013

**TO:** **House Committee on Labor & Public Employment**  
Rep. Mark Nakashima, Chair  
Rep. Mark Hashem, Vice Chair

**FROM:** Walter Yoshimitsu, Executive Director

**RE:** Support for HB 1028 Relating to Employment

I am Walter Yoshimitsu, **representing the Hawaii Catholic Conference**. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in the State of Hawaii under the leadership of Bishop Larry Silva. We urge the Committee to support HB 916 and increase the minimum wage in Hawaii. We believe such an increase is consistent with the tenets of Catholic social teaching on the dignity of workers, the needs of low income wage earners in our state, and the principles that have driven welfare reform at both the state and federal levels.

For over a century, the Catholic Church has addressed the rights of workers in modern industrial societies in light of the principles of Catholic social teaching. A number of these principles are relevant to a discussion over the minimum wage and I offer them for thought.

**The Dignity of Workers.** Ultimately, the value of work is grounded in the dignity of the human beings who toil in various workplaces across our great state. Every life has value and every worker has dignity. Wages are a critical way by which we recognize that dignity.

**Rights and Responsibilities.** Our rights are grounded in our own personal responsibility as well as to those in our community. Each of us has the twin responsibility of developing our own God given skills to its fullest and being able to provide for the needs of our families. This is why Catholic social teaching has long defined a just wage in terms of a "family wage," or that which is necessary to meet the needs of a family.

**Strengthening the Family.** Many of these working people are parents. In this context, raising the minimum wage is one way to strengthen the families of Hawaii. We strongly believe that an increase in the minimum wage is a matter of fairness and justice, and we hope it can be addressed as soon as possible so that it will benefit the people in Hawaii that need it most.

In light of these considerations, raising the state minimum wage is good public policy and we encourage you to pass this bill. Mahalo for the opportunity to testify.

**Testimony to the House Committee on Labor and Public Employment  
Friday, February 1, 2013 at 8:00 A.M.  
Conference Room 309, State Capitol**

**RE: HOUSE BILL 1028 RELATING TO EMPLOYMENT**

Chair Nakashima, Vice Chair Hashem, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes the overall effect** of HB 1028 Relating to Employment.

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.

The Chamber supports Section 1 which freezes the unemployment insurance tax rate at schedule F. This will save businesses about \$150 per employee each year.

The Chamber opposes Section 2 of the bill which raises the minimum wage on January 1 of each year to \$8.00 per hour in 2014 and subsequently to \$8.25 in 2015 and \$8.75 in 2016. This will place a large cost increase for business at a time when the economic recovery for many industries and businesses is still fragile.

While only a small percentage of workers make minimum wage, this will greatly impact many businesses as they will be forced to raise the rates of many of their employees. As an example, if John started with the company 2 years ago and earns \$8.50 per hour and Lisa just started and is under the new law at \$8 per hour, the employer will likely have to raise John's hourly rate accordingly. This could increase businesses labor cost by up to 10% in the first year.

Also, workers' compensation, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance tax are all based on wage. This bill will not only increase businesses' direct labor costs but will also increase their mandated benefits costs and taxes.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums which have gone up an average of 7-10% each year. This benefit is almost entirely paid for by small business. With this increase in the minimum wage some businesses may have to cut back hours or possibly lay off employees.

Thank you for this opportunity to express our views.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, January 30, 2013 3:39 PM  
**To:** LABtestimony  
**Cc:** cvancamp3@hawaii.rr.com  
**Subject:** Submitted testimony for HB1028 on Feb 1, 2013 08:00AM

**HB1028**

Submitted on: 1/30/2013

Testimony for LAB on Feb 1, 2013 08:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Carol A. VanCamp	Japanese Chamber of Commerce & Industry of Hawaii	Oppose	No

Comments: This bill would result in employers reducing their staffs rather than hiring more employees.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



Committee: Committee on Labor & Public Employment  
Hearing Date/Time: Friday, February 1, 2013, 8:00 a.m.  
Place: Conference Room 309  
Re: Testimony of the ACLU of Hawaii in Support of H.B. 1028, Relating to Employment

Dear Chair Nakashima and Members of the Committee on Labor & Public Employment:

The American Civil Liberties Union of Hawaii (“ACLU of Hawaii”) writes in support of H.B. 1028, Relating to Employment, which would increase the hourly minimum wage to \$8, \$8.25, and \$8.75 in 2014, 2015, and 2017, respectively.

The ACLU of Hawaii is committed to the defense and preservation of workers’ rights and we support H.B. 1028 primarily because a higher minimum wage allows greater income security and a higher quality of life for employees. Similarly, as prices rise and inflation occurs, previous minimum wages are worth less and less, which places an unreasonable and unjust burden on employees whose cost of living cannot be reasonably met.

We urge you to recognize the importance of employment security and increased minimum wages by supporting H.B. 1028.

Thank you for this opportunity to testify.

Sincerely,  
Laurie A. Temple  
Staff Attorney and Legislative Program Director  
ACLU of Hawaii

*The American Civil Liberties Union of Hawaii (“ACLU”) has been the state’s guardian of liberty for 47 years, working daily in the courts, legislatures and communities to defend and preserve the individual rights and liberties equally guaranteed to all by the Constitutions and laws of the United States and Hawaii. The ACLU works to ensure that the government does not violate our constitutional rights, including, but not limited to, freedom of speech, association and assembly, freedom of the press, freedom of religion, fair and equal treatment, and privacy. The ACLU network of volunteers and staff works throughout the islands to defend these rights, often advocating on behalf of minority groups that are the target of government discrimination. If the rights of society’s most vulnerable members are denied, everyone’s rights are imperiled.*

American Civil Liberties Union of Hawai’i  
P.O. Box 3410  
Honolulu, Hawai’i 96801  
T: 808-522-5900  
F: 808-522-5909  
E: [office@acluhawaii.org](mailto:office@acluhawaii.org)  
[www.acluhawaii.org](http://www.acluhawaii.org)



House of Representatives  
Twenty-Seventh Legislature, 2013  
State of Hawai'i

TO: Honorable Mark Nakashima, Chair  
Honorable Mark Hashem, Vice Chair  
Members of the Committee on Labor & Public Employment

DATE: Friday, February 1, 2013  
TIME: 8:00 AM  
PLACE: Conference Room 309  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

FROM: National Federation of Independent Business (NFIB) Hawai'i

**RE: HOUSE BILL 1028, RELATING TO EMPLOYMENT**

Chair Nakashima, Vice Chair Hashem, and members of the Committee,

Thank you for the opportunity to testify in opposition of HB 1028. NFIB Hawai'i respectfully **opposes** this measure.

This legislation would extend the maximum weekly benefit amount at 75% of the average weekly wage from 12/31/2012 to 12/31/2013. We are concerned that an extension of such benefits will result in a number of adverse effects for business owners. 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. 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.

In addition, NFIB opposes increases in the current minimum wage. Mandatory wage increases hurt not only small businesses, but their employees as well. 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. Mandatory minimum-wage increases end up reducing employment levels for those people with the lowest skills.

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.





Representative Mark M. Nakashima, Chair  
Representative Mark J. Hashem, Vice Chair  
Committee on Labor & Public Employment  
State Capitol, Honolulu, Hawaii 96813

HEARING      Friday, February 01, 2013  
                    8:00 am  
                    Conference Room 309

**RE      HB1028, Relating to Employment**

Chair Nakashima, Vice Chair Hashem, 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 supports Section I**, which extends the maximum weekly benefit amount at 75% of the average weekly wage from 12/31/2012 to 12/31/2013, and sets for calendar year 2013 the employer contribution rate at schedule F. The retail industry has experienced slow but steady growth over the past year or so, with existing companies opening new locations and new retailers entering the marketplace. New jobs at all levels are being created. But there are still hundreds of small retailers hovering on the edge of survival. This tax relief most assuredly will provide greater stability and an unexpected and welcome resource at this critical time.

**RMH opposes Section II**, which raises the hourly minimum wage to \$8.00 on 01/01/14, \$8.25 on 01/01/15 and \$8.75 on 01/01/17.

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.

An additional but generally not considered real benefit within the retail industry is the employee discount which is provided to all employees. Generally in the 25% to 30% range, this discount represents a real savings to employees, particularly in the grocery and apparel categories.

Our economy remains vulnerable. Our focus should be on stabilizing our businesses so as to enable increasing employment and hastening recovery.

Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President



*Hawaii's Finest Macadamia Nuts ~ Chocolates ~ Confections*

---

January 31, 2013

Labor and Public Employment Committee Chair Mr. Nakashima and committee members  
Economic Development and Business Committee Chair Mr. Tsuji and committee members

Regarding HB 1028 and HB 916

Greetings,

My name is Gwendolyn Purdy. I am the Vice President of Island Princess in Honolulu. We own a candy factory in Honolulu and a Macadamia orchard in Hilo. We employ 150 employees. Please allow me a moment to contribute some thoughts on the two bills referenced above being considered by your committees on February 1.

Undoubtedly, you have already surmised that I intend to discourage these committees from moving forward on either of these bills. Both will make extra-ordinarily difficult demands on businesses that are still struggling in the current economic theater. Both will cheapen the hard work and commitment of hourly employees who have lifted themselves from minimum wage to compensation in the range proposed by these bills. Both will discourage employment growth in the state. Both are likely designed simply to fatten the state coffers with additional employment taxes.

While mandated compensation increases at this magnitude will likely benefit some, it will just as easily damage others. Marginal workers, whose performance at \$7.25 per hour is adequate, will probably find themselves unemployed at \$8.75. This is simply because if they were worth \$8.75 per hour, most companies would be compensating them at that level. Unemployed workers and young people with no experience looking to get into the work force will find companies reluctant to expand their ranks due to the additional costs. Workers who have loyally toiled for some time to reach \$8.75 will suddenly find themselves, once again, at the bottom of the wage scale, working next to new hires that the company must, by law, pay this same wage. (Please don't fool yourself into thinking that businesses are going to just give their entire staff a \$1.50 raise simply because the state legislature has determined our current minimum wage is "unfair to the work force".)

The costs to businesses from these proposed changes would be devastating coming on top of recent UI rate increases. It is estimated that a company with 50 workers would need to generate \$150,000 in additional revenue to cover this mandate. My calculator tells me this is equivalent to eight more workers that will likely not be hired. Unfortunately, it cannot calculate how many workers will be let go and how many companies will throw their hands up and shut their doors.

A Division of Purdyco Ltd.

Corporate Office:  
2846 Ualena Street  
Honolulu, Hawaii 96819-1910  
Phone: (808) 839-5222  
Fax: (808) 836-2019  
e-mail: [info@islandprincesshawaii.com](mailto:info@islandprincesshawaii.com)  
Website : [www.IslandPrincessHawaii.com](http://www.IslandPrincessHawaii.com)

Kea'au Location:  
16-261 Shipman Rd.  
Kea'au, HI 96749  
Phone : 808-966-7451  
Fax : 808-966-8507

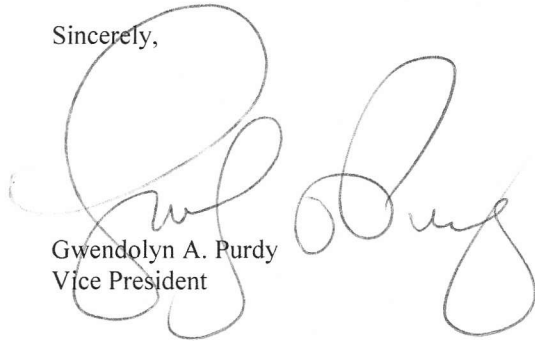
In an economic environment that has our representatives ostensibly encouraging job creation, these measures are undeniably inconsistent with that objective.

The minor change in UI contributions being offered in HB 1028 is a pathetic carrot dangled in the faces of business owners. The link to CPI proposed in HB 916 has been shown in other states to be patently unfair given that it is absurd to assume the government will ever mandate lowering a person's wage if the index were to fall. After all, the same forces that act on business profitability act on an individual's as well.

Finally, as with many other proposals I have found myself obliged to respond to over the years, these two bills have all the characteristics of veiled efforts to raise tax revenue for the state on the back of businesses. Propose a popular notion (that people are suffering), link it to the entrenched animosity the public has for capitalism (that it is all about business greed) and sit back to collect the increases in taxation. If this is not the case, then I challenge you to concurrently amend the state tax code in such a way as to increase the minimum income necessary for individuals to be taxed to a level that corresponds to these proposed minimum wage increases. (Indeed, I think that idea would enjoy equal popularity as these bills.)

Island Princess is not opposed to reasoned and gradual increases in the minimum wage. Show us the evidence that it is necessary for the health of the work force and give us time to adjust to the increases and we won't object. I will tell you, however, I am still hiring people on a regular basis at \$7.25 per hour and I am still getting thanks from them for the opportunity we give them. And, what is more, we continue to give wage increases for productivity, skills development and seniority. Not a single soul, hired at Island Princess at minimum wage last year, passed their probation is still making only minimum wage. We call this personal growth. The process empowers people and makes them strong.

Sincerely,



Gwendolyn A. Purdy  
Vice President

A Division of Purdyco Ltd.

Corporate Office:  
2846 Ualena Street  
Honolulu, Hawaii 96819-1910  
Phone: (808) 839-5222  
Fax: (808) 836-2019  
e-mail: [info@islandprincesshawaii.com](mailto:info@islandprincesshawaii.com)  
Website : [www.IslandPrincessHawaii.com](http://www.IslandPrincessHawaii.com)

Kea'au Location:  
16-261 Shipman Rd.  
Kea'au, HI 96749  
Phone : 808-966-7451  
Fax : 808-966-8507



ISLAND PRINCESS

January 31, 2013

Labor and Public Employment Committee Chair Mr. Nakashima and committee members  
Economic Development and Business Committee Chair Mr. Tsuji and committee members

Regarding HB 1028 and HB 916

Greetings,

My name is David Schell. I manage the agricultural holdings of Island Princess in Kea'au on the Big Island. Please allow me a moment to contribute some thoughts on the two bills referenced above being considered by your committees on February 1.

Undoubtedly, you have already surmised that I intend to discourage these committees from moving forward on either of these bills. Both will make extra-ordinarily difficult demands on businesses that are still struggling in the current economic theater. Both will cheapen the hard work and commitment of hourly employees who have lifted themselves from minimum wage to compensation in the range proposed by these bills. Both will discourage employment growth in the state. Both are likely designed simply to fatten the state coffers with additional employment taxes.

While mandated compensation increases at this magnitude will likely benefit some, it will just as easily damage others. Marginal workers, whose performance at \$7.25 per hour is adequate, will probably find themselves unemployed at \$8.75. This is simply because if they were worth \$8.75 per hour, most companies would be compensating them at that level. Unemployed workers and young people with no experience looking to get into the work force will find companies reluctant to expand their ranks due to the additional costs. Workers who have loyally toiled for some time to reach \$8.75 will suddenly find themselves, once again, at the bottom of the wage scale, working next to new hires that the company must, by law, pay this same wage. (Please don't fool yourself into thinking that businesses are going to just give their entire staff a \$1.50 raise simply because the state legislature has determined our current minimum wage is "unfair to the work force".)

The costs to businesses from these proposed changes would be devastating coming on top of recent UI rate increases. It is estimated that a company with 50 workers would need to generate \$150,000 in additional revenue to cover this mandate. My calculator tells me this is equivalent to eight more workers that will likely not be hired. Unfortunately, it cannot calculate how many workers will be let go and how many companies will throw their hands up and shut their doors.

16-261 Shipman Road, P.O. Box 340, Keaau HI 96749  
Phone(808)966-7451 Fax(808)966-8507

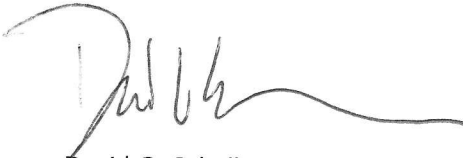
In an economic environment that has our representatives ostensibly encouraging job creation, these measures are undeniably inconsistent with that objective.

The minor change in UI contributions being offered in HB 1028 is a pathetic carrot dangled in the faces of business owners. The link to CPI proposed in HB 916 has been shown in other states to be patently unfair given that it is absurd to assume the government will ever mandate lowering a person's wage if the index were to fall. After all, the same forces that act on business profitability act on an individual's as well.

Finally, as with many other proposals I have found myself obliged to respond to over the years, these two bills have all the characteristics of veiled efforts to raise tax revenue for the state on the back of businesses. Propose a popular notion (that people are suffering), link it to the entrenched animosity the public has for capitalism (that it is all about business greed) and sit back to collect the increases in taxation. If this is not the case, then I challenge you to concurrently amend the state tax code in such a way as to increase the minimum income necessary for individuals to be taxed to a level that corresponds to these proposed minimum wage increases. (Indeed, I think that idea would enjoy equal popularity as these bills.)

Island Princess is not opposed to reasoned and gradual increases in the minimum wage. Show us the evidence that it is necessary for the health of the work force and give us time to adjust to the increases and we won't object. I will tell you, however, I am still hiring people on a regular basis at \$7.25 per hour and I am still getting thanks from them for the opportunity we give them. And, what is more, we continue to give wage increases for productivity, skills development and seniority. Not a single soul, hired at minimum wage last year, passed their probation and is still with us at Island Princess in Kea'au, is making only minimum wage. We call this personal growth. The process empowers people and makes them strong.

Sincerely,



David G. Schell  
GM, Island Princess Kea'au Farm Operations

16-261 Shipman Road, P.O. Box 340, Keaau HI 96749  
Phone(808)966-7451 Fax(808)966-8507

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, January 30, 2013 10:58 AM  
**To:** LABtestimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for HB1028 on Feb 1, 2013 08:00AM\*

**HB1028**

Submitted on: 1/30/2013

Testimony for LAB on Feb 1, 2013 08:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

**hashem1 - Kenneth**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, January 31, 2013 9:44 AM  
**To:** LABtestimony  
**Cc:** rbzmiso1@gmail.com  
**Subject:** Submitted testimony for HB1028 on Feb 1, 2013 08:00AM

**HB1028**

Submitted on: 1/31/2013

Testimony for LAB on Feb 1, 2013 08:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
rbz	Individual	Comments Only	No

Comments: Raising the Minimum wages is good but the businesses will just raise their prices to keep up with the "rising cost" to operate. AND to pay the employees or REDUCE staffing. IF CAN, CAN...IF NO CAN..NO CAN....

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

**FORM LETTER**

**From:** Duane Char [DChar@hitechsupport.net]  
**Sent:** Thursday, January 31, 2013 11:25 AM  
**To:** LABtestimony  
**Subject:** Chairs and My Legislator, I OPPOSE HB 1028 & HB 916

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Dear Chairs & Committee Members,

I OPPOSE HB 1028 and HB 916 dealing with the unemployment insurance and minimum wage increase.

Although I am in support of the unemployment insurance tax section, I oppose the steep increase in the minimum wage as it would negatively impact my business. These bills could increase my labor costs by 10-20%. Please do not pass these bills out as the economic recovery for many industries and businesses is still fragile.

While only a small percentage of workers make minimum wage, this will greatly impact many businesses as they will be forced to raise the rates of many of their employees.

Also, workers' compensation, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance tax are all based on wage. This bill will not only increase businesses' direct labor costs but will also increase their mandated benefits costs and taxes.

It is unfair to view small businesses as a cash cow to be milked whenever wages or state revenue needs to be increased. It raises the cost of everything here in Hawaii when the minimum wage is increased. Clearly, some legislators do not understand that some of those people who live off a minimum wage job cannot afford to live here in Hawaii and should be making plans to move to the continent where the cost of living would be much lower.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums which have gone up an average of 7-10% each year. This benefit is almost entirely paid for by small business. With this increase in the minimum wage some businesses may have to cut back hours or possibly lay off employees.

Please OPPOSE both these bills. Mahalo.

CC: My Legislator

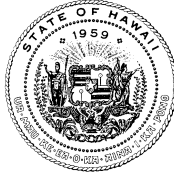
Sincerely,

Duane Char  
45-760 PUUPELE ST  
KANE OHE, HI 96744



The following individuals submitted testimony in  
Opposition to **HB 1028** and HB 916

- 1 Duane Char
- 2 Stephanie Suzuki
- 3 Betty Prahler
- 4 Todd Hedrick
- 5 Tami Joslin
- 6 Terry Johnson
- 7 Ken Sanders
- 8 Marshall Joy
- 9 David Howle
- 10 Keith Robbins
- 11 Carolyn Matsutani
- 12 Lori Wong
- 13 Laura Valhuerdi
- 14 Joseph Zuiker
- 15 Jo Ann Konys
- 16 William Smith
- 17 Lane Muraoka
- 18 Charles Ota
- 19 Debra Finkiewicz
- 20 Gordon Inouye
- 21 Timon Leong
- 22 Kenneth Marcus
- 23 Kelly Zeek
- 24 Fiona Bland
- 25 Sandra Bangerter
- 26 Jerry Bangerter
- 27 Marietta Fujio
- 28 Dean Okimoto
- 29 Jan Kaeo - Dale Carnegie Training Hawaii
- 30 Gordon Takaki
- 31 Bernard Balsis
- 32 Jerry Gibson
- 33 Noelle Condon
- 34 Robert Stephenson
- 35 Sharon Amoroso - Oceanside Hawaii Assisted Living
- 36 Patrick Ching
- 37 Tessie Faustino
- 38 Phoebe Lambeth
- 39 Jerome Furukawa
- 40 Samrit Ounyoung



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

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813

<http://labor.hawaii.gov>

January 31, 2013

**LATE TESTIMONY**

To: The Honorable Mark Nakashima, Chair,  
The Honorable Mark J. Hashem, Vice Chair, and  
Members of the House Committee on Labor & Public Employment, and  
  
The Honorable Clift Tsuji, Chair,  
The Honorable Gene Ward, Vice Chair, and  
Members of the House Committee on Economic Development & Business

Date: February 1, 2013  
Time: 8:00 a.m.  
Place: Conference Room 309, State Capitol

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

**Re: H.B. No. 1028 Relating to Employment**

**I. OVERVIEW OF PROPOSED LEGISLATION**

H.B. No. 1028 proposes to do the following:

- Amend section 383-22, Hawaii Revised Statutes (HRS), to retain the maximum weekly benefit amount (MWBA) at 75% of the average weekly wage (AWW) from 1/1/2013 to 12/31/2013 and return the MWBA to 70% of the AWW on 1/1/2014.
- Amend section 383-68, HRS, to extend the employer contribution rate at schedule F for calendar year 2013.
- Increases the hourly minimum wage to \$8 on 01/01/14, \$8.25 on 01/01/15, and \$8.75 on 01/01/17

The Department has major concerns with Section 1 as the Unemployment Insurance (UI) trust fund is still below the adequate reserve level prescribed by law. The DLIR recognizes the importance of providing an increase in the minimum wage that would improve the quality of life for current minimum wage workers. However, the DLIR prefers the Administration's bill (HB0916), which restores the 20% erosion in the buying power lost since the minimum rate was last raised over six years ago. The Administration proposal will also improve the quality of life for minimum wage workers

by adjusting the minimum wage for inflation to give workers more purchasing power. It will also provide an incentive for those moving from welfare to work to earn wages that will enable them to become self-sufficient.

## **II. CURRENT LAW**

Effective 1/1/2013, the MWBA is 70% of the state AWW. From 2008 through 2012, several laws were enacted to temporarily increase jobless benefits by raising the MWBA from 70% to 75% of the state and concurrently reduce income to the UI trust fund by lowering employer taxes.

Section 383-68, HRS, provides that the contribution rate schedule for each calendar year shall be determined by the ratio of the current reserve fund to the adequate reserve fund. However, since calendar year 2008, the statutorily determined rate schedules have been artificially lowered by legislative actions, resulting in savings of \$350 million to employers. Under current law, Schedule G should be in effect for calendar year 2013.

The current minimum wage is \$7.25. Employers are allowed to claim a tip credit of 25 cents for tipped employees, i.e. pay them \$7.00, provided the tipped employee actually makes at least \$7.75 an hour, or 50 cents above the minimum wage.

## **III. COMMENTS ON THE HOUSE BILL**

The Department has major concerns about the repeated disregard of the original intent of the legislature in defining and maintaining the UI trust fund at the “adequate reserve level” despite the experience of insolvency in 2010. The Department was forced to request federal advances from December 2010 to July 2011 and from March 2012 to April 2012. At the present balance of \$92 million, the trust fund level is only at one-fourth of the adequate reserve level of \$384 million.

While Hawaii has been fortunate to be able to repay its outstanding loans without additional borrowing, the commitment to start rebuilding the trust fund is critical when our jobless rates are steadily declining. Recently, Hawaii’s unemployment rate is at 5.2%, one of the lowest in the U.S., and at pre-recession level. Financing of the UI trust fund is countercyclical, thus UI reserves should be accumulated during periods of economic expansion to withstand recession level benefit outgo that results in higher tax liabilities for employers when they can least afford it.

Moreover, because there is always an element of uncertainty in the future, like the “fiscal cliff” and the continuing challenges in the European economy, it is always important and prudent to adhere to the intent in the establishment of the trust fund, which was to ensure there are adequate reserves capable of paying benefits to cushion economic downturns and provide income for those individuals unemployed through no fault of their own. Currently, there is only 3 months of benefits at the highest benefit cost ratio.

The Department is opposed to retroactively modifying the MWBA provision, which will not only detrimentally affect trust fund solvency but also impose a heavy administrative burden to identify and make retroactive payment adjustments to January 1, 2013.

Any amendments to tax provisions, such as those proposed in this measure, must be enacted prior to March 8, 2013 due to scheduling of the annual experience rating programs. Any delay beyond this date will interfere with providing employers with timely notice of their tax rates, their appeal rights and filing of the first quarter contributions due.

Regarding the minimum wage provision in the measure, the DLIR prefers the Administration's bill (HB0916) that restores the buying power lost by minimum wage workers since 2007, adjusts the rate to account for inflation and provides a proportional increase in the tip credit.

The purpose of the Administration proposal is to raise the minimum wage to further the economic recovery of Hawaii and lift Hawaii residents out of poverty and to match the minimum wage to the cost of inflation on an annual basis. An increase in the minimum wage will boost consumer demand and jobs because minimum and low-wage workers spend most if not all of their increased wages and therefore will generate economic activity to support our continued recovery from the recession.

### **Minimum Wage is higher in 19 states and D.C. despite higher cost of living in Hawaii**

The following twenty states or jurisdictions have a higher minimum wage than Hawaii as of January 1 2013; ten of these states index their minimum wage to inflation so that the real value of the minimum wage does not fall every year.

\$9.19	Washington*
\$8.95	Oregon*
\$8.60	Vermont*
\$8.25	Connecticut*, District of Columbia*, Nevada*, Illinois
\$8.00	California, Massachusetts*
\$7.75	Alaska, Rhode Island
\$7.85	Ohio*
\$7.79	Florida*
\$7.80	Arizona*, Montana*
\$7.78	Colorado*
\$7.50	Maine*, New Mexico
\$7.40	Michigan, Rhode Island

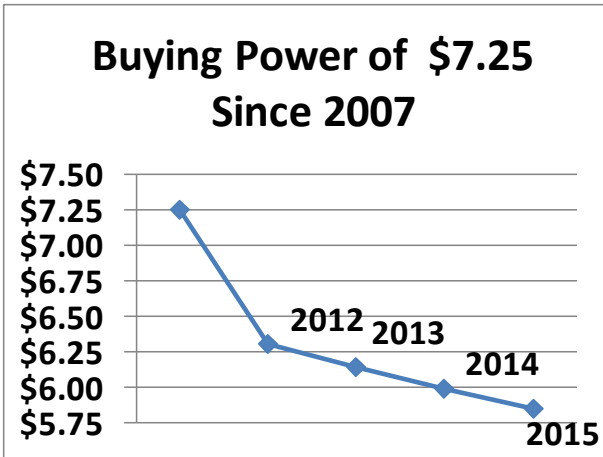
\*Denotes indexed to a cost of living or other indexing mechanism.

### **Give Hawaii's minimum wage earners more buying power**

This Administration proposal will improve the quality of life for current minimum wage workers by adjusting the minimum wage for inflation to give workers more purchasing

power. The majority of minimum wage workers in such occupations as waitperson, food service counter worker, and bus person, will also see an improvement in their economic sustainability.

The last minimum wage increase was in 2007. Using that as the base year, and adjusting



the current \$7.25 minimum wage for inflation based on the most recent Consumer Price Index that is updated semi-annually and using the Department of Business Economic Development and Tourism's (DBEDT) CPI-U forecast for 2013 to 2014, a worker would have to be paid \$8.78 by 2014 to have the same purchasing power that the worker had in 2007 at \$7.25 an hour. Conversely, if the current minimum wage were deflated to 2007 dollars, it would be worth only \$5.99 in 2014.

By increasing the minimum wage and providing a mechanism for it to keep up with the cost of inflation, the number of Hawaii residents living in poverty will decrease. The U.S. Census Bureau recently estimated that 17.4 percent of state residents live in poverty, or about one-fifth of Hawaii residents, and that makes Hawaii the seventh highest state with the percentage of people living in poverty. Minimum wage earners in Hawaii currently earn \$15,080 annually working 40 hours a week for 52 weeks.

**2013 Hawaii Poverty Guidelines**

Household size	100%	133%	150%	200%	300%	400%
1	\$12,860	\$17,104	\$19,290	\$25,720	\$38,580	\$51,440
2	17,410	23,155	26,115	34,820	52,230	69,640
3	21,960	29,207	32,940	43,920	65,880	87,840
4	26,510	35,258	39,765	53,020	79,530	106,040
5	31,060	41,310	46,590	62,120	93,180	124,240
6	35,610	47,361	53,415	71,220	106,830	142,440
7	40,160	53,413	60,240	80,320	120,480	160,640
8	44,710	59,464	67,065	89,420	134,130	178,840

Source: Calculations by Families USA based on data from the U.S. Department of Health and Human Services

It is also desirable for Hawaii to maintain a minimum wage standard that reflects the increase in the cost of living, especially considering Hawaii is the most expensive state to live in. (See

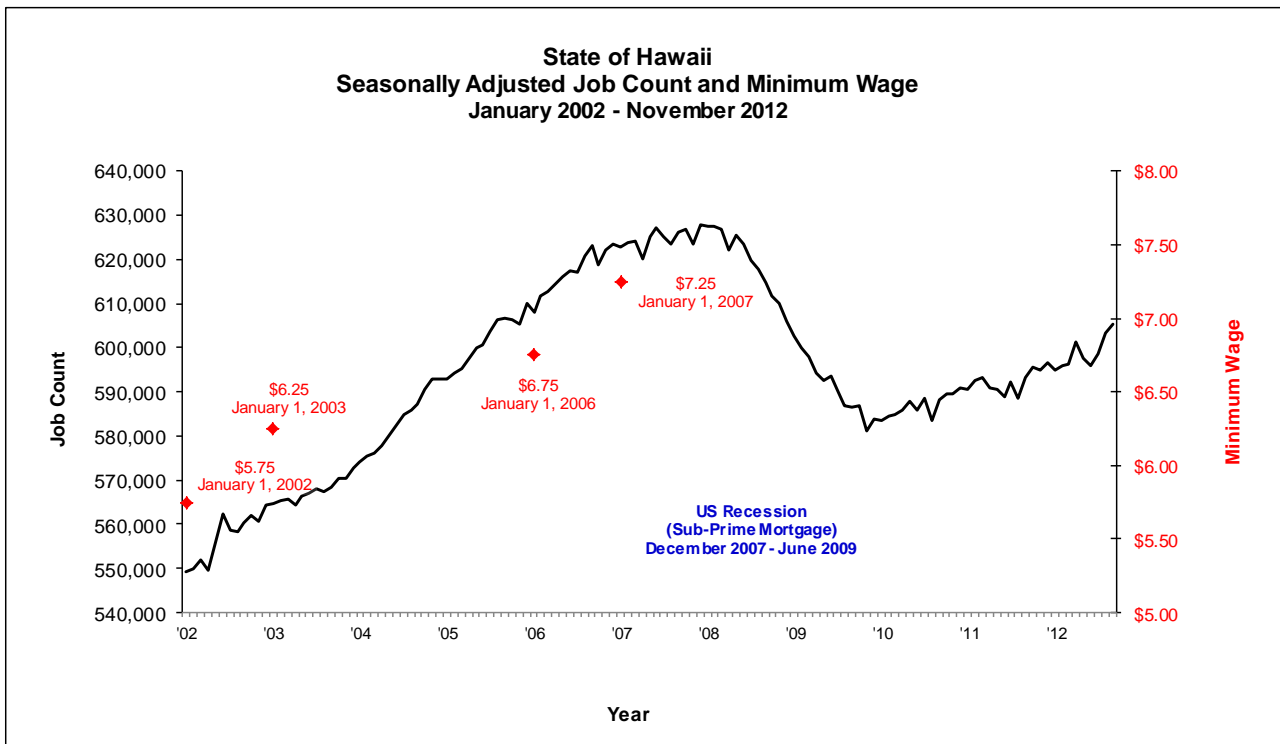
2012 ACCRA Third Quarter 2012 Cost of Living Data as published by the Missouri Economic Research and Information Center at [http://www.missourieconomy.org/indicators/cost\\_of\\_living/index.stm](http://www.missourieconomy.org/indicators/cost_of_living/index.stm)).

- ✓ The cost of living is twelve per cent higher than the next highest area (Washington, D.C.) and eighty-nine per cent higher than in Oklahoma, which is the least expensive area.
- ✓ The cost of groceries is fifteen per cent higher than in Alaska, which is the state with the second highest grocery costs, and seventy-one per cent higher than Kansas, which has the lowest grocery costs in the nation.
- ✓ Similarly, the cost of transportation is twelve per cent higher than Connecticut, which is the state with the second highest transportation costs, and forty-seven per cent higher than Mississippi, which has the lowest transportation costs in the nation.

### Increased tip credit balances increase in minimum wage

The twenty per cent increase in the tip credit in the Administration proposal is proportional to the proposed increase in the minimum wage rate. The increase in tip credit will allow employers with tipped employees to pay their tipped employees \$8.45 per hour as long as they earn \$9.25 per hour including tips.

### Increase in minimum wage does not affect job count



Since 2002, the minimum wage has increased four times and on each of those occasions, the seasonally adjusted job count continued to grow.



# Hawai'i Island Chamber of Commerce

117 Keawe Street, Suite 205  
Hilo, Hawai'i 96720-2851  
Phone: (808) 935-7178  
Fax: (808) 961-4435  
E-mail: admin@hicc.biz  
[www.hicc.biz](http://www.hicc.biz)

**LATE TESTIMONY**

## 2012-2013 Board

*President*  
Vaughn Cook

*President-Elect*  
Judith Fox-Goldstein

*Vice President*  
Chuck Erskine

*Treasurer*  
Ka'iu Kimura

*Past President*  
Jon Miyata

## Directors

Howard Ainsley

Jackie De Luz

Watanabe

Jay Ignacio

Michael Kaleikini

Randall Kurohara

Keith Marrack

Tani Matsubara

Donn Mende

Eugene Nishimura

Spencer Oliver

Glenn Santos

Wesley Segawa

Alice Sledge

Donald Straney

Art Taniguchi

Barry Taniguchi

Misti Tyrin

Steve Ueda

Carol VanCamp

William Walter

Noreen Yamane

January 31, 2013

Submitted On-Line at <http://www.capitol.hawaii.gov/submittestimony.aspx>

Honorable Mark M. Nakashima, Chair  
House Committee on Labor & Public Employment  
Honorable Clift Tsuji, Chair  
House Committee on Economic Development & Business  
State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

RE: Testimony in Opposition to HB 1028 and HB 916 dealing with the unemployment insurance and minimum wage increase

Dear Chairs Nakashima and Tsuji and Members of the Committees:

My name is Vaughn Cook and I am the President of the Hawaii Island Chamber of Commerce. With more than 230 member businesses and over 550 member representatives, the Chamber serves as an important voice of business in Hawaii.

The Chamber **strongly opposes** HB 1028 and HB 916, insofar as these bills increase the minimum wage. The Chamber supports the unemployment tax section of HB 1028 which will keep the contribution rate at Schedule F through 2013, preventing a hike in the rate which be harmful to our economic recovery.

However, the Chamber opposes the steep increase proposed in the minimum wage because the negative impact it would have on business and, by extension, our communities. While a small portion of employees actually earn the minimum wage, any increase to the minimum wage will causes wages to rise across the board. Here is the explanation I used on my 11 year old daughter:

Imagine you had a company that hired 2 workers – a high school student, with no experience, earning \$7.25 per hour and a college student, with 2 years experience, earning \$8.50 per hour. If the minimum wage were to increase to \$8.75, she would need to raise the high school student's by \$1.50, a 20%



# Hawai'i Island Chamber of Commerce

117 Keawe Street, Suite 205  
Hilo, Hawai'i 96720-2851  
Phone: (808) 935-7178  
Fax: (808) 961-4435  
E-mail: [admin@hicc.biz](mailto:admin@hicc.biz)  
[www.hicc.biz](http://www.hicc.biz)

increase. Because the less experienced worker is making more than the more experienced worker, she would need to raise the other worker's pay – probably to at least \$10.00 (a 17.6% increase) or even \$10.20, a matching 20% increase. Her costs have now increased by between \$3.00 to \$3.20 per hour (19% - 20%) with no increase in income. If she were operating at breakeven, she would need to increase what she charges her customers by 19% - 20%. If she cannot pass on that cost without reducing her revenues, she may need to cut costs to stay afloat. Even if she were able to pass along the costs to her customers, that cost increase would hurt the consumers by increasing inflation.

Also, workers' compensation, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance tax are all based on wage. These bills will not only increase businesses' direct labor costs but will also increase their mandated benefits costs and taxes.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums which have gone up an average of 7-10% each year. This benefit is almost entirely paid for by small business. With this increase in the minimum wage some businesses may have to cut back hours or possibly lay off employees.

Our Chamber members are suffering. They are trying to recover from a prolonged economic downturn. The last thing we need is to burden them with more costs that will either harm their businesses or increase inflation. Both results are bad for our employers and bad for Hawaii.

My 11 year old daughter understood. I hope you understand. PLEASE DO NOT INCREASE THE MINIMUM WAGE. PLEASE ALLOW OUR ECONOMY TO RECOVER.

We appreciate your consideration of this testimony and ask for the support of both Committees to OPPOSE ANY INCREASE IN THE MINIMUM WAGE.

Very Truly Yours

Vaughn G. T. Cook  
President



**Testimony to the House Committee on Labor and Public Employment  
Friday, February 1, 2013 at 8:00 A.M.  
Conference Room 309, State Capitol**

**RE: HOUSE BILL 1028 RELATING TO EMPLOYMENT**

Chair Nakashima, Vice Chair Hashem, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes the overall effect** of HB 1028 Relating to Employment.

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.

The Chamber supports the efforts in Section 1 which freezes the unemployment insurance tax rate at schedule F. This will save businesses about \$150 per employee each year. However, we have a concern with the increase of the maximum benefit rate to 75% and think it should revert back to 70%.

The Chamber opposes Section 2 of the bill which raises the minimum wage on January 1 of each year to \$8.00 per hour in 2014 and subsequently to \$8.25 in 2015 and \$8.75 in 2016. This will place a large cost increase for business at a time when the economic recovery for many industries and businesses is still fragile.

While only a small percentage of workers make minimum wage, this will greatly impact many businesses as they will be forced to raise the rates of many of their employees. As an example, if John started with the company 2 years ago and earns \$8.50 per hour and Lisa just started and is under the new law at \$8 per hour, the employer will likely have to raise John's hourly rate accordingly. This could increase businesses labor cost by up to 10% in the first year.

Also, workers' compensation, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance tax are all based on wage. This bill will not only increase businesses' direct labor costs but will also increase their mandated benefits costs and taxes.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums which have gone up an average of 7-10% each year. This benefit is almost entirely paid for by small business. With this increase in the minimum wage many businesses may have to cut back hours or possibly lay off employees.

Thank you for this opportunity to express our views.

Twenty-Seventh Legislature  
Regular Session of 2013

HOUSE OF REPRESENTATIVES  
Committee on Labor & Public Employment  
Rep. Mark M. Nakashima, Chair  
Rep. Mark J. Hashem, Vice Chair  
State Capitol, Conference Room 309  
Friday, February 1, 2013; 8:00 a.m.

**LATE TESTIMONY**

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1028  
RELATING TO EMPLOYMENT**

The ILWU Local 142 opposes H.B. 1028, which increases the minimum hourly wage to \$8.00 on 1/1/14, \$8.25 on 1/1/15, and \$8.75 on 1/1/17 and extends the maximum weekly benefit amount for unemployment insurance at 75% of the average weekly wage from 12/31/12 to 12/31/13 and sets the employer contribution rate at Schedule F for 2013.

Although we strongly support an increase in the minimum wage, we believe the gradual increase in the minimum wage proposed in H.B. 1028, while better than no increase, will not provide the boost needed for minimum wage earners to catch up to the rising cost of living. Increasing the minimum wage will directly benefit Hawaii's economy as every minimum wage dollar earned will be spent on goods and services in Hawaii. We believe the proposal in H.B. 916 to increase the minimum to \$8.75 on January 1, 2014 is a better vehicle—although we strongly oppose an increase in the tip credit.

In addition, we strongly oppose coupling of the minimum wage proposal with a proposal to reduce the unemployment insurance (UI) tax burden for employers, even if it will slightly increase the maximum weekly benefit. In response to the recession and a weak economy, employers were already provided relief for several years now. That resulted in the UI Trust Fund going bankrupt in 2010 and the State having to borrow money from the federal government to meet its UI obligations.

As Hawaii's economy continues to grow and looks healthier than it has in a while, the time is now for the UI Trust Fund to be rebuilt to full adequacy. Once the Trust Fund is restored, employers will naturally see UI contribution rates decline. The artificial relief provided to employers for the past few years has been detrimental to the UI Trust Fund and must be stopped.

For these reasons, the ILWU opposes H.B. 1028. Thank you for considering the ILWU's views and concerns on this matter.

## **LATE TESTIMONY**

RE: I OPPOSE HB 1028 and HB 916 dealing with the unemployment insurance and minimum wage increase.

My name is Carol Ai May and I am a resident of Oahu and Owner/Vice President of City Mill Company, Ltd, a 114-year old kama'aina family business. We employ about 500 Oahu residents and would be severely impacted financially with the passing of a bill like this one. We are facing tough times with our slow economy, fierce mainland competition and quickly escalating costs to do business with rate increases on freight, cost of goods and the generous health benefits we already provide our employees. Now is NOT the time to increase the difficulty to do business in this state.

Although I am in support of the unemployment insurance tax section, I oppose the steep increase in the minimum wage as it would negatively impact my business. These bills could increase my labor costs by 10-20%. Please do not pass these bills out as the economic recovery for many industries and businesses is still fragile.

While only a small percentage of workers make minimum wage, this will greatly impact many businesses as they will be forced to raise the rates of many of their employees.

Also, workers' compensation, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance tax are all based on wage. This bill will not only increase businesses' direct labor costs but will also increase their mandated benefits costs and taxes.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums which have gone up an average of 7-10% each year. This benefit is almost entirely paid for by small business. With this increase in the minimum wage some businesses may have to cut back hours or possibly lay off employees.

Please OPPOSE both these bills. Mahalo.

Carol Ai May  
Vice President  
City Mill Company, Ltd.

CC: My Legislator

## **LATE TESTIMONY**

January 31, 2013

### COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Mark M. Nakashima, Chair

Rep. Mark J. Hashem, Vice Chair

RE: HB1028 Unemployment Insurance & Minimum Wage.

Committee Chair Nakashima, Vice Chair Hashem and Committee members

I am opposed to both parts of HB1028.

With respect to continued unemployment benefits, currently all three of our Gyotaku Japanese restaurants are continually understaffed. We routinely take applications from candidates that have not worked for some time, yet do not return calls for interviews. It is commonly known in the industry that many of those collecting unemployment benefits who previously earned under \$10 per hour are not highly motivated to accept employment offers since unemployment benefits are fairly close to their normal pay. It seems as though they just fill out the application in order to meet minimum job search requirements for the State Unemployment Office.

Would it be possible for the State Unemployment Office be required to do more follow up and job placement for benefit recipients. We could hire at least 6 people tomorrow if they showed up for work.

As for increasing the minimum wage, I have long been a very vocal proponent of increasing the tip credit provision of the minimum wage law. The current low tip credit is actually counter productive to increasing the wages of our lowest paid staff. We currently do not have a single dishwasher, kitchen helper or janitor making less than \$8 per hour. Gyotaku would be paying substantially more than that if we were not required to pay \$7.00 per hour to tipped employees making \$20 to \$30 per hour in tips.

The number of tipped employees to the untipped employees in most restaurant is about 2 to 1. So every \$1 per hour paid to on the front of the house employees in the minimum wage could mean a \$2 per hour pay increase to a cook or dishwasher. Not taking tip income into account when calculating the minimum wage forces business owners into the position of trimming cost where we can.

28 states have a \$7.25 per hour minimum wage. So we are currently with the majority on that point. Interestingly however, 19 states have per hour tip credits of \$5.12 to \$5.48, 5 states have tip credits of between \$4.36 to \$4.98, 13 states have tip credits of \$3.00 to \$3.99, 5 states have tip credits of \$2.25 to 2.90; while Hawaii's tip credit is 25 cents. Some 42 states recognize that tipped employees do not need the same minimum wage as untipped employees as long as they make up the difference in tips.

The HRA has asked for a tip credit of not more than 25% of the hourly tips claimed by the employee as tip income and an employer paid wage of not less than \$5 per hour. That means that a tipped employee being paid a tip credit wage of \$5 per hour (\$7.25 less \$2.25) by the employer would have to be making at least a combined \$14 per hour in tips and the employer paid "tip credit minimum wage" ( \$5 wage + \$9 in tips). Does a \$2.25 cent tip credit against a guaranteed \$9 per hour tip income sound unfair? That is still well below the norm for tip credits nation wide.

Legislator truly interested in helping to increase the wages of thousands of restaurant industry employees above the minimum wage need to take a serious look at increasing the current 25 tip credit to a reasonable level.

Respectfully,

Thomas H Jones  
President & CO-Owner  
Gyotaku Japanese Restaurants.

FORM LETTER

**From:** maria watanabe [mariawatanabe@hotmail.com]  
**Sent:** Friday, February 01, 2013 12:30 AM  
**To:** LABtestimony  
**Subject:** Chairs and My Legislator, I OPPOSE HB 1028 & HB 916

**LATE TESTIMONY**

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Dear Chairs & Committee Members,

I OPPOSE HB 1028 and HB 916 dealing with the unemployment insurance and minimum wage increase.

Although I am in support of the unemployment insurance tax section, I oppose the steep increase in the minimum wage as it would negatively impact my business. These bills could increase my labor costs by 10-20%. Please do not pass these bills out as the economic recovery for many industries and businesses is still fragile.

While only a small percentage of workers make minimum wage, this will greatly impact many businesses as they will be forced to raise the rates of many of their employees.

Also, workers' compensation, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance tax are all based on wage. This bill will not only increase businesses' direct labor costs but will also increase their mandated benefits costs and taxes.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums which have gone up an average of 7-10% each year. This benefit is almost entirely paid for by small business. With this increase in the minimum wage some businesses may have to cut back hours or possibly lay off employees.

Please OPPOSE both these bills. Mahalo.

CC: My Legislator

Sincerely,

maria watanabe  
PO Box 828  
Kaunakakai, HI 96748

Individual Small Business Owners' Testimony in  
**Opposition to HB 1028 and HB 916 - LATE.**

**LATE TESTIMONY**

1	Maria Watanabe
2	Kawika Ruddle
3	Antya Miller
4	Holly Kessler
5	Monica Toguchi
6	Mike Dixon
7	David Buehler