



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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LATE

The Twenty-Seventh Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 21, 2013

H.B. 1028, HD1 – RELATING TO EMPLOYMENT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the intent of H.B. 1028 which will increase the minimum wage. We believe by increasing the minimum wage it would help working families with daily life necessities.

Respectfully submitted,

Randy Perreira
Executive Director

HOUSE OF REPRESENTATIVES
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair
Rep. Aaron Ling Johanson, Vice Chair
State Capitol, Conference Room 308
Friday, February 22, 2013; 11:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1028, HD1
RELATING TO EMPLOYMENT**

The ILWU Local 142 supports H.B. 1028, HD1, which increases the minimum hourly wage to \$7.75 on 1/1/14, \$8.25 on 1/1/15, and \$8.75 on 1/1/15 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.

The ILWU strongly supports increasing the minimum wage, which was last increased in Hawaii on January 1, 2007, more than six years ago. During that time, Hawaii's cost of living continued to climb, making it among the highest in the nation. The high cost of food, housing, and health care has forced many working poor to turn to public and private resources for assistance.

While Hawaii's minimum wage has languished at \$7.25 an hour, other states and jurisdictions have increased their minimum far beyond ours. Oregon's minimum is currently at \$8.95 and adjusts annually for inflation. Washington's minimum wage is \$9.19 and also adjusts annually. The minimum wage in San Francisco is \$10.55, the highest in the country, and is also tied to the Consumer Price Index and adjusts annually.

The opposition will argue that increasing the minimum is a job killer. They will say that the increase will force employers, particularly small ones, to lay off employees to pay the increase. We respectfully reject this argument as shibai. The very same argument was raised each and every time an increase has been proposed, yet there have been no mass layoffs as a result of the increases. We do not expect layoffs if the minimum is raised now, simply because employers consider their business needs in determining staffing needs, not how much the minimum wage is.

Minimum wage earners spend every dollar they earn. If they manage to work two or more minimum wage jobs, maybe they can save some money. But in general, minimum wage earners plow their earnings back into Hawaii's economy and help to keep employers—both big and small--in business.

H.B. 1028, HD1 also proposes to keep the unemployment insurance rate Schedule at F instead of moving it to Schedule G as the current law requires based on the rate of unemployment. We believe this is not a prudent step, especially given the fact that the Unemployment Insurance Trust Fund became insolvent in 2010, requiring the State to borrow from the federal government to meet their obligations to unemployed workers and even pay interest on the loan.

Employers have requested—and received—relief from UI contributions each year for the past five years. For some of those years, Hawaii was in a recession, but we are now on the road to recovery. While economic recovery is not complete, it is imperative that UI contributions adhere to the law that was carefully and wisely crafted to ensure adequacy of the UI Trust Fund, which is slowly rebuilding but has yet to reach full adequacy. Once it does, employers will naturally see their UI contribution rates decline. Artificial relief provided to employers for the past few years has been detrimental to the UI Trust Fund and is bad public policy.

In addition, we have concerns about how the Department of Labor and Industrial Relations will be able to provide for changes in the UI Schedule at this late date. They have prepared for Schedule G, and shifting to Schedule F will require considerable work that will be both costly and time-consuming.

However, despite our concerns about retaining Schedule F, the ILWU strongly supports an increase in the minimum wage. We do, therefore, support H.B. 1028, HD1 and urge its passage.

Thank you for the opportunity to share our views and concerns on this matter.

People
Serving
People



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Submitted in Support of HB1028

February 21, 2013

The Association supports HB1028 which extends the maximum weekly benefit amount at seventy-five per cent of the average weekly wage from December 31, 2012, to December 31, 2013. The bill sets, for calendar year 2013, the employer contribution rate at schedule F; Increases the hourly minimum wage to \$7.75 on January 1, 2014, \$8.25 on January 1, 2015, and \$8.75 on January 1, 2016; and applies retroactively to January 1, 2013. (HB1028 HD1)

Respectfully submitted,

A handwritten signature in black ink that reads "Roger Morey". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Roger Morey
Executive Director

**Testimony to the House Committee on Finance
Friday, February 22, 2013 at 11:00 A.M.
Conference Room 308, State Capitol**

RE: HOUSE BILL 1028 HD 1 RELATING TO EMPLOYMENT

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes the overall effect** of HB 1028 HD 1 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 we understand the need to raise the minimum wage at some point, we are concerned on its impact on the economy.

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. Ninety percent of the premium is paid for by the employer and in many cases the entire premium.

Thank you for this opportunity to express our views.