

NEIL ABERCROMBIE
GOVERNOR



DWIGHT TAKAMINE
DIRECTOR

JADE T. BUTAY
DEPUTY DIRECTOR

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

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

March 18, 2014

To: The Honorable Mark M. Nakashima, Chair,
The Honorable Kyle T. Yamashita, Vice Chair, and
Members of the House Committee Labor and Public Employment

Date: Wednesday, March 18, 2014
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

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

Re: S.B. No. 2609 SD1 Relating to Minimum Hourly Wage

Many of today's labor laws and worker protections have their roots in the Great Depression. The late 19th and early 20th centuries were a time of economic and social instability that included labor strife and violence. In Hawaii, the struggle to organize the plantations included disruptive strikes and violence, including incidents in Hanapepe where 16 workers and 4 sheriffs perished in 1924 and in Hilo in 1938 when police injured 50 people in firing their riot guns.

During the Great Depression Americans' view of unions changed as widespread economic hardship created sympathy for working people. When Franklin Delano Roosevelt took office, he initiated a series of important laws that advanced labor's cause: the National Recovery Act provided for collective bargaining, the National Labor Relations Act established the National Labor Relations Board to punish unfair labor practices and to organize elections when employees wanted to form unions, and the Social Security Act that initiated the development of the states' unemployment insurance programs.

The last significant piece of New Deal legislation was the Fair Labor Standards Act (FLSA). The FLSA provided minimum wage and overtime protections for workers to alleviate labor disputes and promote the, "...health, efficiency, and general well-being of workers." I believe it is important to remember our history, to provide the context for the debate over the minimum wage as the discussion continues into the second half of this year's Legislative session.

The DLIR has supplied the Legislature with ample statistical information to support deliberations on the minimum wage during this session. The consensus appears to indicate that we will see a minimum wage increase pass this year. The vigorous debate and sticking points are about the tip credit and tying future raises to the CPI. Pertinent

facts include that the average tipped worker earns just \$9.87 per hour including tips, and tipped workers are more likely to live under the federal poverty guidelines.

By increasing the minimum wage and providing a mechanism for it to keep up with the cost of inflation, the purchasing power of minimum wage workers would be preserved while providing employers with predictable, smaller increases in the minimum wage over time.

On the 50th anniversary of the 'War on Poverty', the growing economic inequality in the U.S. is a concern shared across the political spectrum and is the subject of much public policy analysis and debate. An Organization for Economic Co-operation and Development (OECD) study recently found that the U.S. had the highest income inequality in the developed world and countries with comparable income inequalities include Cameroon, Madagascar, Rwanda, Uganda and Ecuador.

If the Committee intends to insert the House position in the measure, the DLIR suggests amending the tip credit provision to specify when the employer could use the tip credit, which poverty level measurement is used, and other language changes that clarify the intent of the original amendment.

"§387-2 **Minimum wages** . (a) Except as provided in section 387-9 and this section, every employer shall pay to each employee employed by the employer, wages at the rate of not less than:

- (1) \$6.25 per hour beginning January 1, 2003;
- (2) \$6.75 per hour beginning January 1, 2006; [~~and~~]
- (3) \$7.25 per hour beginning January 1, 2007[~~;~~];;
- (4) \$7.75 per hour beginning January 1, 2015;
- (5) \$8.50 per hour beginning January 1, 2016;
- (6) \$9.25 per hour beginning January 1, 2017; and
- (7) \$10.00 per hour beginning January 1, 2018.

(b) The hourly wage of a tipped employee may be deemed to be increased on account of tips if the employee is paid not less than:

- (1) 25 cents;

- (2) 50 cents per hour beginning January 1, 2015;
- (3) 75 cents per hour beginning January 1, 2016; and
- (4) \$1.00 beginning on January 1, 2017;

below the applicable minimum wage by the employee's employer ~~[and the combined amount the employee receives from the employee's employer and in tips is at least 50 cents more than the applicable minimum wage.];~~ provided that for each taxable year, the tip credit provided by this subsection becomes available in the calendar week after the employee has received gross wages and tips in excess of two hundred fifty per cent of the poverty level threshold as determined by the director pursuant to subsection (c) and shall remain available for the remainder of that tax year.

(c) By March 1 of each year, the director shall establish the poverty level, using that year's United States Department of Health & Human Services Poverty Guidelines for Hawaii, to be used that calendar year to calculate the tip credit under subsection (b)."

The DLIR notes that Act 70 (SLH, 2013) requires employers to provide employees with specific wage and employer information in employees' pay records and requires employers to maintain accurate and timely wage recordkeeping. Act 70 increased the information that is required to be provided on pay statements of employees, which gives greater clarity and transparency to the worker on what he or she is being paid, at what rates and for how many hours. Employers are also required to maintain accurate records of the same information provided to the employee. Further, Act 70 enhanced the investigatory and enforcement capabilities of the Wage Standards Division, which enabled the department to be more efficient and effective in assisting members of the public in the recovery of unpaid wages.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 18, 2014

MEMORANDUM

TO: The Honorable Mark M. Nakashima, Chair
House Committee on Labor and Public Employment

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2609, S.D.1 - RELATING TO MINIMUM WAGE**

Hearing: Tuesday, March 18, 2014; 9:00 a.m.
Conference Room 309, State Capitol

PURPOSE: The purpose of the measure is to increase the minimum wage to \$8.20 starting 01/01/15, \$9.15 starting 01/01/16, and \$10.10 starting 01/01/17 and changes the tip credit and tip credit deactivation trigger amounts to unspecified amounts.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports increasing the minimum wage in Hawaii.

According to the United States Department of Labor, Bureau for Labor Statistics, of the 321,000 hourly workers in Hawaii, 8,000 were paid the minimum wage of \$7.25 in 2011 while an additional 7,000 residents were paid below the minimum wage. For those workers earning minimum wage at a full-time job, annual earnings total \$15,080. This measure will ensure that Hawaii's lowest paid workers will earn wages that will at least support their basic needs.

Importantly, with this measure Hawaii will also join the 10 other states across the nation that adjust their minimum wages annually to keep pace with the rising cost of living – a policy known as indexing. Indexing to inflation ensures that real wages for our lowest paid workers do not fall even further behind.

If we accept the figures used by the United States Census Bureau to apportion cost of living expenses then 13% of an individual's earnings are applied towards grocery items, 29% towards housing, 10% towards utilities, 12% towards transportation, 4% towards healthcare, and 32% towards other miscellaneous items. Applying the United States Census Bureau's formula, a family earning \$7.25 per hour would allocate \$350 per month towards housing, \$120 towards utilities, \$145 towards transportation, and \$157 towards groceries. In urban Honolulu's housing market it is a stretch to find apartments renting for below \$1,000 per month and difficult to imagine utility bills including electricity, water, and telephone at costs below \$120 per month.

Raising the minimum wage is good for Hawaii's families and good for Hawaii's economy. Money in the pockets of working people will be spent to make ends meet, boosting our economy and creating jobs in our communities. According to the Federal Reserve Bank of Chicago, every \$1.00 in wage increases for a minimum wage worker results in \$2,800 in new consumer spending by the worker's household over the following year.

Raising the minimum wage is also good for Hawaii's working women who, together with their children, will benefit from increased economic security. In Hawaii, 47% of full-time minimum wage workers are women, and 75% of our heads of household for TANF/TAONF programs are women. Across the nation, women workers are concentrated in low-wage industries such as food service, retail, and home health care and despite the progress women have made, women still earn less overall than

men in all occupations – a wage gap that translates into thousands of dollars of unearned income over a lifetime. As applied to Hawaii’s TANF/TAONF beneficiaries, women with children are disproportionately represented in low wage jobs and will accrue the greatest benefits from an increase in the minimum wage.

Raising the minimum wage is the right thing to do. Franklin D. Roosevelt called the minimum wage, “a fair day’s pay for a fair day’s work.” Yet, today’s minimum wage of \$7.25 buys 30% less of what it did 40 years ago. It’s time for Hawaii to ensure that poorest of our wage workers can at least support their most basic needs.

Thank you for the opportunity to provide testimony on this bill.



EXECUTIVE OFFICE ON EARLY LEARNING
HONOLULU

GG WEISENFELD
DIRECTOR

Testimony in **Support of the Intent of**
S.B. 2609 S.D. 1
By GG Weisenfeld, Director

House Committee on Labor & Public Employment
March 18, 2014
9:00 a.m., Room 309

Chair, Vice-Chair, and Members of the Committee:

The Executive Office on Early Learning (EOEL) is in support of the intent of this measure to increase the minimum wage. The Department of Labor and Industrial Relations is the lead on minimum wage issues for the Administration.

EOEL was established by Act 178 in 2012. Its creation provides government-wide authority to guide the development of a comprehensive and integrated statewide early childhood development and learning system. Since our creation, we have engaged over 100 public and private partners across the state to define the desired outcomes for children and families, as well as the critical strategies that are needed to achieve our collective priorities over the next three to five years.

A raise in the minimum wage would not only help many families escape or avoid poverty, but could also significantly boost their children's academic performance and future adult earnings.

Thank you for the opportunity to provide testimony on this measure.

HAWAII
STATE
COMMISSION
ON THE
STATUS
OF
WOMEN

March 18, 2014

To: Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice Chair
Members of the House Committee on Labor and Public Employment

From: Cathy Betts, Executive Director, Hawaii State Commission on the Status of Women

Re: Testimony in Strong Support, SB 2609 Relating to the Minimum Wage



On behalf of the Hawaii State Commission on the Status of Women, I would like to thank the Committee for the opportunity to testify in support of an increase in the minimum wage. The Commission strongly supports an increase in the minimum wage, linked to the CPI, and a freeze or complete repeal of the tip credit (which should be seen as it truly is—a tip deduction).

Current Minimum Wage and Subsidization of the Minimum Wage

Hawaii’s minimum wage has been stuck at \$7.25 per hour since 2007, while the cost of the living and basic expenses (food, housing, utilities, gasoline and childcare) have drastically risen. Average weekly earnings for non minimum wage earners have increased 16% since 2007, while there has been a 0% increase for minimum wage earners.¹ If the minimum wage had kept pace with inflation since 1968, the minimum wage would be over \$10.70 per hour today.²

In Hawaii, this translates to a growing sector of our working population becoming reliant on state and/or federal benefits. Currently, 1 in 5 minimum wage earners receive Supplemental Nutrition Assistance Program (SNAP, i.e. “food stamps”) benefits. 1 in 5 minimum wage workers has someone in the family reliant on Medicaid. Additionally, 1 in 5 minimum wage workers has at least one child that receives free or reduced price school meals.³ Currently, 22,000 of Hawaii’s children under six live in low income working families.⁴ Hawaii’s poverty rate of 17.3% makes Hawaii the 9th poorest in the nation.⁵

How the Minimum Wage Financially Affects Women

A woman working full time, year round at the minimum wage level of \$7.25 per hour earns nearly \$4000.00 below the poverty level for a family of three.⁶ Most female minimum wage earners are the sole breadwinners for their families, which means more women live below the poverty level and are more reliant on state and federal benefits in order to do essential things, like pay their rent and feed their children.⁷ Increasing the minimum wage to **\$10.10** per hour boosts annual earnings and **is enough to pull a family of three out of poverty.**⁸

The majority of women working in minimum wage jobs are tipped workers. The restaurant industry has one of the highest concentrations of workers

Chair
LESLIE WILKINS

COMMISSIONERS:

ELENA CABATU
JUDY KERN
MARILYN B. LEE
CARMILLE LIM
AMY MONK
LISA ELLEN SMITH

Executive Director
CATHY BETTS, JD

Email:
DHS.HSCSW@hawaii.gov

Visit us at:
humanservices.hawaii.gov/hscsw/

235 S. Beretania #407
Honolulu, HI 96813
Phone: 808-586-5758
FAX: 808-586-5756

(39%) earning at or below the minimum wage.⁹ Restaurant servers, the largest group of tipped workers, experience poverty at nearly three times the rate of the workforce as a whole. Of these servers, 71% are women.¹⁰ A female restaurant worker is paid just 79% of what her male counterpart earns. The tip credit exacerbates the hardship of gendered disparities in earnings. In this way, pay inequity stifles the economy, exacerbates poverty and forces more women onto

government assistance. The sad irony is that a majority of the women serving food cannot afford to eat or feed their children.

Increasing the minimum wage has been identified as one of the most important ways we can alleviate the wage gap between men and women. Over a 40 year working career, the average woman is paid \$413,000.00 less than her male counterparts, with the same education, performing the same work. Nationally, that means the United States loses out on close to 477 billion dollars because of the wage gap. Increasing the minimum wage raises the floor so that women can earn more, thereby decreasing the wage gap.

Finally, the Commission supports a repeal of the tip credit. At the very least, we support no increase to the tip credit, which should be seen as it truly is: a tip deduction. Tips rightfully belong to the employee performing a service for the tip. While a few employers of tipped workers will argue otherwise, the majority of tipped workers in Hawaii are not becoming wealthy off of their tips. Their tips are hard earned, paid by customers to the employee for a very specific service performed, and help to subsidize their low minimum wage.

Increasing wages to our lowest paid workers directly leads to lower turnover and encourages employers to invest in their workers.¹¹ Raising the minimum wage has the ability to promote our economic recovery by raising income for Hawaii's workforce and thereby lifting families out of poverty and toward financial security.¹² The Commission strongly supports an increase in the minimum wage. Thank you for this opportunity to testify.

¹ Research and Statistics Office, Department of Labor and Industrial Relations (DLIR).

² Julie Vogtman and Katherine Gallagher Robbins, National Women's Law Center, *Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage*, September 2013.

³ Bureau of Statistics from U.S. Census Bureau, Current Population Survey, Hawaii Data (2012).

⁴ The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit, *American Economic Review* (2012).

⁵ Bureau of Statistics from U.S. Census Bureau, Current Population Survey, Hawaii Data (2012).

⁶ Julie Vogtman and Katherine Gallagher Robbins, National Women's Law Center, *Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage*, September 2013.

⁷ Id.

⁸ Id.

⁹ The Restaurant Opportunities Centers United, *Tipped Over the Edge: Gender Inequity in the Restaurant Industry 1* (2012).

¹⁰ Bureau of Statistics from U.S. Census Bureau, 2006-2012 American Community Survey, calculated by Restaurant Opportunities Centers United.

¹¹ T. William Lester, David Madland and Nick Bunker, Ctr. For American Progress, *An Increased Minimum Wage is Good Policy Even During Hard Times* (June 2011).

¹² Research and Statistics Office, DLIR.

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

Telephone (808) 241-4188
Fax (808) 241-6349
Email cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Līhu'e, Kaua'i, Hawai'i 96766

March 14, 2014

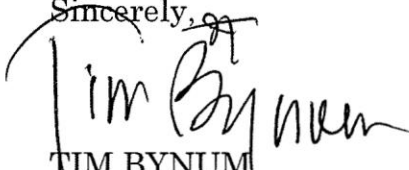
TESTIMONY OF TIM BYNUM
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 2609, SD1, RELATING TO MINIMUM WAGE
Committee on Labor & Public Employment
Tuesday, March 18, 2014
9:00 a.m.
Conference Room 309

Dear Chair Nakashima and Committee Members:

Thank you for this opportunity to submit testimony in strong support of SB 2609, SD1, relating to the increase in the minimum wage. My testimony is submitted in my individual capacity as a Councilmember of the Kaua'i County Council.

Increasing the minimum wage for Hawai'i residents is imperative to assist low-income families who struggle with poverty. Since the last increase in the minimum wage in 2007, the cost of living drastically increased, making it difficult for individuals, especially single parent households, to support their families. In addition, this measure will generate economic activity across our State, as families will have more to spend on goods and services.

For the reasons stated above, I respectfully ask that this Committee approve SB 2609, SD1. Again, thank you for this opportunity to submit testimony.

Sincerely,

TIM BYNUM
Councilmember, Kaua'i County Council

AB:mn



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 202
HONOLULU, HAWAII 96813-3065
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

STANLEY CHANG

Councilmember – District IV

Phone: (808) 768-5004

Fax: (808) 768-5000

ccldistrict4@honolulu.gov

www.honolulu.gov/council/d4

March 17, 2014

TESTIMONY OF STANLEY CHANG
CONCILMEMBER FOR THE CITY AND COUNTY OF HONOLULU

On

S.B. No. 2609, SD1, RELATING TO MINIMUM WAGE

Committee on Labor & Public Employment

Tuesday, March 18, 2014

9:00 a.m.

Conference Room 309

Dear Chair Nakashima and Committee Members:

Thank you for allowing me the opportunity to submit testimony in support of S.B. 2609, SD1 Relating to Minimum Wage in my capacity as Councilmember of the City and County of Honolulu.

S.B. 2609, SD1 increases the minimum wage rate to \$8.20 per hour beginning on 1/1/15, \$9.15 per hour beginning 1/1/16, and \$10.10 per hour beginning 1/1/17. The bill also changes the tip credit and the tip credit deactivation trigger amounts to unspecified amounts.

The minimum wage rate of \$7.25 per hour has been in place for over seven years. Over time the value of the minimum wage has eroded due to inflation. This measure, over a three year period, would raise the minimum wage rate closer to the living wage rate. The increase will provide relief for the lowest earners in Hawaii, the most expensive State in the Nation.

For these reasons, I respectfully ask for your favorable passage of S.B. 2609, SD1 Relating to Minimum Wage, and thank the Committee for allowing me to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley Chang".

Stanley Chang
Councilmember, District IV



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Labor and Public Employment
Tuesday, March 18, 2014 at 9:00 A.M.
Conference Room 309, State Capitol**

RE: SENATE BILL 2609 SD1 RELATING TO MINIMUM WAGE

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

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** SB 2609 SD1 Relating to Minimum Wage.

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 Chamber opposes the bill which repeals the tip credit and raises the minimum wage from the present \$7.25/hour to:

- \$8.20 per hour on January 1, 2015
- \$9.15 per hour on January 1, 2016
- \$10.10 per hour on January 1, 2017
- Blank amount for tip credit

This bill will **increase the minimum wage by \$2.85 per hour in three years**. This is a huge increase for business at a time when the economic recovery for many industries and businesses is still fragile. **This bill harms local businesses, the state economy and job creation because it contains a steep increase in the minimum wage and blanks out the tip credit.**

Hawaii is Different: Prepaid Healthcare Mandated Premium Costs for Employers

There has been much discussion that Hawaii should join the large rise in the minimum wage, similar to other states. Please keep in mind that Hawaii is the only state that mandates employers to provide health care to its employees including part time employees (20 or more hours per week). In addition, 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 benefit costs and taxes.**

The average annual premium for a single employee is about \$5,500. This benefit is almost entirely paid for by business. If you add this cost to the present minimum wage for a full time employee, the actual benefit to a minimum wage employee is **\$9.79 per hour**, or the highest in the country. Including payroll taxes, the present minimum wage cost is about **\$10.87 per hour**. Below is a chart of information for the present wage and proposed increases from SB 2609 SD1.

Cost for a minimum wage employee including health care premiums (\$5,500 annual premium cost 2014, 6% increase per year and then prorated by hour with 1.5% wage cap)											
Present Min. Wage			1st Year Increase			2nd Year Increase			3rd Year Increase		
Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost
\$7.25	\$ 2.54	\$ 9.79	\$8.20	\$ 2.70	\$ 10.90	\$ 9.15	\$ 2.83	\$ 11.98	\$10.10	\$ 3.00	\$13.10
Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost
\$7.25	\$ 3.42	\$ 10.67	\$8.20	\$ 3.61	\$ 11.81	\$ 9.15	\$ 3.82	\$ 12.97	\$10.10	\$ 4.05	\$14.15
Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost
\$7.25	\$ 5.18	\$ 12.43	\$8.20	\$ 5.48	\$ 13.68	\$ 9.15	\$ 5.81	\$ 14.96	\$10.10	\$ 6.15	\$16.25

Keep in mind that premium increases for small businesses are about 6-10% each year. On top of that, ACA federal and state taxes and fees will increase premium amounts this year and next year by about 4%. We expect prepaid premiums for single coverage to be almost \$6,000 per employee per year next year.

Many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums. The average annual premium for a single employee is almost \$5,500. This benefit is almost entirely paid for by business. With premiums rising 7-10% each year, and employers paying on average 90% of the premium, this represents a 2.7% to 3% increase in compensation to the employee.

Job Growth Data Unclear

There is a great deal of data and studies on whether or not an increase in minimum wage affects job growth. Much of the research is based on national studies. Below is a chart that shows some data that reflects some business concerns. Keep in mind that this is not part of a longitudinal data survey but some snap shot stats of some of the low end wage occupations that the increase hopes to help. As you can see, while there is 3% growth for all sectors during the last minimum wage increase, **low wage earners in the food industry lost jobs**.

Hawaii								
Occupation	2005	Med. Hrly.	2006	% Change	Med. Hrly.	2007	% Change	Med. Hrly.
All occupations	583,630	\$14.39	599,130	3%	\$14.97	610,310	2%	\$15.54
Food prep and serving	70,850	\$8.92	71,290	1%	\$9.14	72,070	1%	\$9.75
Combined food prep and serving workers	10,120	\$7.24	9,710	-4%	\$7.39	9,270	-5%	\$8.26
Counter attendants, cafeteria, food and coffee shop	6,360	\$7.32	5,630	-11%	\$8.03	5,280	-6%	\$8.63
Dining room and cafeteria attendants and bar helpers	4,440	\$9.59	4,540	2%	\$9.30	3,880	-15%	\$10.15
Source: www.bls.gov								

Minimum Wage is Floor Wage

We would also like to point out that the minimum wage is a floor wage. For many employees, it is their first job and generally, entry-level positions. Employers must invest time and money to train these individuals. Also in the food and beverage industry, there are many at this wage who earn tips which allow them to earn anywhere from \$18-30 per hour.

We appreciate the blanking of the tip credit but would **oppose the repeal of it**. We feel that if there is an increase in minimum wage, there should likewise an equivalent increase in the tip credit.

Large increases would negatively impact business

While only a small percentage of workers make minimum wage, a large increase would 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 1 year ago and earns \$8.50 per hour and Lisa just started and is under the new law at \$8.00 per hour, the employer will have to raise John's hourly to compensate for those at the lower part of the pay scale being increased. This could increase businesses labor cost by up to 15-20% in the first year alone.

Important Considerations

With this large increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit hiring of new employees.

Furthermore, the Council on Revenues recently lowered the forecast for the next couple of years because of the projected slowdown, along with recent study by the Congressional Budget Office that shows some job loss with minimum wage at \$10.10 and a survey by CFO's that showed reduced hiring, we hope would add to the discussion of limiting the increases in the minimum wage.

Thank you for this opportunity to express our views.



Executive Officers:
Stanley Brown, ConAgra Foods - Chairperson
John Schilf, RSM Hawaii - Vice Chair
Derek Kurisu, KTA Superstores - Treasurer
Lisa DeCoito, Aloha Petroleum - Secretary
Lauren Zirbel, Executive Director

1050 Bishop St. PMB 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

TO: House Committee on Labor and Public Employment

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

Tuesday, March 18, 2014 at 9:00 A.M.

Conference Room 309

RE: SB2609

Position: Strong Opposition

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers and distributors of food and beverage related products in the State of Hawaii.

Senate Bill 2609 contains elements, which could put many retailers out of business; cost jobs for workers here in Hawaii; and **dramatically increase the price of food for everyone.**

Increasing the minimum wage by \$2.85 per hour in three years is a huge increase for businesses. This harms local businesses the most as they do not have reserves to cover these unanticipated increase.

Increasing the minimum wage by so much so quickly makes it almost impossible for food retailers to budget these new wages for their businesses.

The Prepaid Healthcare Act already makes Hawaii the most expensive state in the nation to do business. Prepaid Healthcare Act already sets Hawaii's true current minimum wage at \$10.87. The effect of this measure will be to raise that cost to \$16.25 an hour by the end of the third year of increases for an employee that works 20 hours per week.

Hawaii has one of the lowest unemployment rates in the nation. Economists uniformly agree that most employees earn far more than the minimum wage; and that a 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 real cost to business includes all of the other employee benefits and taxes that are tied to the employee wages. Those include, social security tax, unemployment tax and workers compensation premiums. These increase the cost of employing workers, which reduces the number of available jobs. Increasing the minimum

wage will require employers to pay additional costs after adding the additional taxes of FICA, Medicare and FUTA. The end result of this is that businesses will have to get rid of employees in order to stay open.

If this measure, or one like it, is passed it will not only have negative consequences for the businesses that have to shut down, and the employees who can't afford to be kept on the payroll; this will affect food prices for all residents of Hawaii.

Such a dramatic increase in labor costs will create inflation and will inevitably drive up the cost of food. Due to the fact that we live in an isolated island state with extremely expensive labor and healthcare regulations we already pay high prices for food and other goods. Some of these food cost factors are unavoidable, but arbitrarily skyrocketing the cost of labor is something that can be avoided. Making it so much more expensive to do business is a cost that will ultimately be borne by the consumers.

Due to the highly competitive nature of the food industry, food retailers operate at a **profit margin of around 1 percent.** These retailers are valuable parts of our communities and our economy and are not in a position to shoulder drastic and unpredictable increases. If you are intent on passing this bill please lower the increase per year to no more than 25 cents a year over three years and do not tie the minimum wage to CPI.

If enacted in its current form this bill 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. Arbitrarily raising the minimum wage will hurt businesses in Hawaii at a time when we should be looking to grow our economy, support local businesses, keep our unemployment rate low, and keep food costs down.

On behalf of our members we strongly encourage you to vote no on this measure.

Thank you for the opportunity to testify.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

Board of Directors

*Howard Garval, Chair
Nanci Kreidman, Vice Chair
Joanne Lundstrom, Vice Chair
Jerry Rauckhorst, Treasurer
Liz Chun, Secretary
Susan Chandler
Jan Dill
Victor Geminiani
Auli'i George
Marya Grambs
John McComas
Robert Naniole
Ruthann Quitiquit
Darcie Scharfenstein
Alan Shinn
Laura Smith*

TO: Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice Chair
Members, Committee on Labor & Public Employment

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Labor & Public Employment
Tuesday, March 18, 2014 at 9:00 a.m. in Conf. Rm. 309

Testimony in Support of SB2609 SD1, Relating to Minimum Wage

Thank you for the opportunity to provide testimony **in strong support** of SB2609, which would increase the minimum wage to \$10.10 in three stages by January 2017. PHOCUSED is a statewide coalition of health, housing, and human services organizations committed to strengthening policies and programs that benefit the marginalized and underserved in Hawaii. While we support this bill, we respectfully request that the tip credit language from HB2580 HD1 that specifies that a tip credit is allowed only when and after the gross amount the employee receives from their employer and in tips are at least 250% of the federal poverty level. We also request that this committee restore language that would tie the minimum wage to the consumer price index.

Hawaii's residents experience the highest cost of living in the nation – paying more for food, utilities and shelter than comparable families on the mainland. And, they pay these elevated costs while earning the lowest adjusted income among all of the mainland states. In addition, Hawaii's poverty rate of 17.3% makes Hawaii the 9th poorest State in the nation according to 2012 U.S. Census Bureau data. Despite these facts, 21 other states currently have a higher minimum wage than Hawaii, and Hawaii's minimum wage has not been increased since 2007.

Increasing the minimum wage would not only lift thousands of Hawaii's residents out of poverty, but would also boost consumer spending since most low income people spend most of their income locally. This is likely to result in more jobs due to increased economic activity.

Once again, PHOCUSED strongly urges your support of this bill, and believes that now is the time to increase our minimum wage for Hawaii's working families. Thank you for the opportunity to testify on this very important issue. If you have any questions, please do not hesitate to contact me at PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.



March 14, 2014

COMMITTEE ON LABOR

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Senator Suzanne Chun Oakland
Senator Ronald D. Kouchi
Senator Donovan M. Dela Cruz
Senator Russell E. Ruderman
Senator J. Kalani English
Senator Laura H. Thielen
Senator Will Espero
Senator Jill N. Tokuda
Senator Gilbert Kahele
Senator Sam Slom
Senator Gilbert S.C. Keith-Agaran

NOTICE OF HEARING

DATE: Tuesday, March 18, 2014
TIME: 9:00am
PLACE: Conference Room 309, State Capitol, 415 South Beretania Street

**RE: TESTIMONY IN SUPPORT OF SB2609 SD1 WITH AMENDMENTS
RELATING TO MINIMUM WAGE**

Aloha, Committee on Labor:

I have an ongoing petition of over 2800 signers, mostly voters in the State of Hawaii, who are in support of SB2609 in its original version. You may view the petition here: <http://change.org/petitions/1364985>

Also, on behalf of the Pacific Alliance to Stop Slavery (PASS), I strongly support SB2609 and kindly urge the committee to pass this measure which would directly reduce poverty and allow for a living wage for Hawaii's hard-working citizens. According to the MIT Minimum Wage Calculator for Honolulu County, the minimum wage should be \$12.91 for a single person and \$25.83 for a single parent with one child¹.

PASS also strongly urges the committee to amend SB2609 to its original language seeking to repeal the tip credit and automatically linking future increases of the minimum wage to inflation (CPI). This language was removed in the SD1 version of the bill. We also strongly advise the committee not to align this bill with HB2580 which increases the minimum wage to \$10.10 by 2018. I have included information with this testimony on what \$10.10 would be worth by 2018.

¹ Poverty in America: Living Wage Calculator. Massachusetts Institute of Technology. Retrieved on January 23, 2014, from: <http://livingwage.mit.edu/counties/15003>

It is an economic principle that increasing income increases the demand for natural goods, which directly benefit businesses; however, not all business persons realize this as they do not require macroeconomics in business school.

Some may not quickly make the connection between raising the minimum wage and preventing human trafficking, but there is indeed a strong connection. Economists on both sides of the argument both agree that raising the minimum wage is [directly linked to reducing poverty](#)². Reducing poverty by acts such as raising the minimum wage, **prevent** serious travesties of justice such as trafficking.

It is in a state of poverty and desperation when human trafficking offenses flourish. Demand and supply for trafficking spikes when communities fall into poverty. According to the State Department of Human Services, between 2012 and 2013, Hawaii's rate of houseless persons increased 4.6% on Oahu. What's worse, our rate of unsheltered houseless families with children increased 5% on Oahu.

Children in poverty are highly vulnerable to both sex and labor trafficking. Additionally, it is incredibly difficult, when helping to heal a survivor and reintegrate them into the workforce, to convince them that working for minimum wage is the path to freedom. All of Hawaii's people, especially our survivors, deserve to be able to maintain a basic standard of living on minimum wage.

These are the reasons why PASS urges you to pass SB2609 SD1 with amendments reverting the bill to its original language included in SB2609.

Sincerely,

Kathryn Xian
Executive Director

Encl.

FAQ on SB2609

² Konczal, M. (2014) *Economists agree: Raising the minimum wage reduces poverty*. The Washington Post. Retrieved on January 23, 2014, from: <http://www.washingtonpost.com/blogs/wonkblog/wp/2014/01/04/economists-agree-raising-the-minimum-wage-reduces-poverty/>

FAQ ABOUT HAWAI‘I’S MINIMUM WAGE

1) WHAT WILL \$10.10 BE WORTH IN 2018?

To retain the purchasing power that **\$7.25** had in **2007**, the minimum wage must be at least **\$8.55 in 2014** and **\$10.11 by 2019¹**, steadily increasing thereafter. Therefore, a minimum wage of \$10.10 by 2018 without a link to CPI would leave workers with less purchasing power than in 2007 within one year of implementation. See Figure 1:



2) WHAT IF THE CPI GOES DOWN?

Since 1983, annual CPI for Honolulu has increased **every year** except between 1997 and 1998, when it dipped by 0.5 index points (-0.2% change).²

Language can easily be added to proposals to raise the minimum wage to specify that adjustments to the minimum wage with respect to CPI will be made only in periods where CPI has increased and remain unchanged in periods where CPI has decreased.

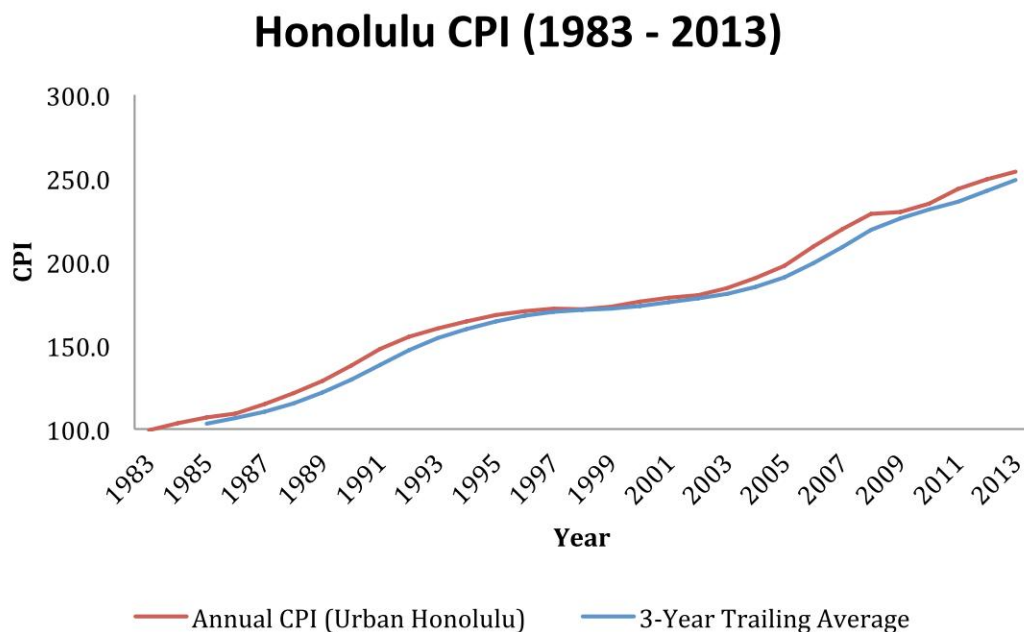
¹ Real wage estimates based on Hawai'i State Department of Business, Economic Development and Tourism projections (4th Quarter, 2013) for 2014-2016 and independent projections, assuming linear growth in inflation (1.45x) year-over-year for 2017-2025.

² Source: U.S. Bureau of Labor Statistics (Retrieved February 2014)

3) WHAT IF THE CPI LURCHES SUDDENLY?

Although CPI is most often used as an annual measurement, proposals to raise the minimum wage can specify that adjustments to the minimum wage be made using an average of CPI over multiple years.

As shown in Figure 2, using a 3-year trailing average produces a much smoother trend and provides employers significantly more time to plan for wage increases. A 3-year average is most appropriate, as it tempers 1- or 2-year fluctuations while properly reflecting current prices, whereas 4- or 5- year averages lack responsiveness to recent changes. See Figure 2:



4) ISN'T THE HONOLULU CPI INAPPROPRIATE FOR THE NEIGHBOR ISLANDS?

The Consumer Price Index (CPI) is calculated by the U.S. Bureau of Labor Statistics (BLS) for 38 urban areas, including Honolulu. CPI is intended to reflect urban consumer spending. Thus, there is no official CPI for non-urban areas such as Hawai'i's neighbor islands. The BLS states that estimating CPI for non-urban areas would present major sampling errors and render such a figure meaningless.

Thus, the Honolulu CPI is the best possible indicator for statewide adjustments.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwvhawaii.com

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

Tuesday, March 18, 2014 at 9:00 a.m.
Conference Room 309
SB2609, SD1 RELATING TO MINIMUM WAGE
TESTIMONY (Support)
Janet Mason for the League of Women Voters of Hawaii

Chair Nakashima, Vice-Chair Yamashita, Members of the Committee:

The League of Women Voters of Hawaii supports SB2609, SD1 which incrementally increases the amount of the minimum wage from \$8.20 per hour in 2015 to \$10.10 beginning in 2017. Since its founding in February 1920 the League has been working to improve the quality of life for Americans, striving first for child labor laws, a minimum wage and equal opportunity for women in government and industry.

We were disappointed to see the Senate Ways and Means Committee reintroduced the tip credit to this measure, without specifying the size of the credit. In recent years the tip credit has proved a stumbling block to passing a minimum wage increase in Hawaii. We do not want to see this issue again become a barrier to raising the minimum wage. Based on the testimony we have heard this session, it is difficult to see how a tip credit can be fairly and efficiently administered by an employer who has a mix of “back of the house” workers and “front of the house” workers earning tips. For example, if a restaurant bill is paid with a credit card to include the tip, calculating the tip credit is straightforward, but if the customer pays in cash documenting the tip credit is less clear, particularly if tips are not pooled among all workers. Let’s not get distracted with the basic purpose of this measure by haggling over a tip credit.

Excellent testimony from the Department of Labor and Industrial Relations has already shown that Hawaii has a good track record for absorbing minimum wage hikes without jeopardizing job growth. Research comparing similar states and localities in which one has increased the minimum wage while another state or locality has not, shows that increasing the minimum wage does not have much discernible effect on employment – perhaps due to the increased consumer spending referred to above, or to the needs of employers.¹

We expect that nearly every dollar received by current minimum wage workers will be spent on necessities of life, thus adding to consumer spending and tax revenue for the state. We also point out that when the minimum wage is increased, some families will see their household income increase enough so they will no longer receive public benefits such as food stamps, food banks, shelters or public housing or Medicaid. (This would be true for example, for some families where one worker already earns substantially more than the minimum wage, but another earns the minimum wage.) These families will cost the public less than they do now. We hope that the Department of Labor and Industrial Relations or the Department of

¹ Schmitt, John. “Why Does the Minimum Wage Have no Discernible Effect on Employment,” Center for Economic and Policy Research, February 2013.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwvhawaii.com

Taxation will provide some analysis of these effects for the benefit of the Legislature, so that you have a better quantification of the fiscal impact of the measure. We want to move forward with confidence that the changes proposed by this bill will provide additional tax revenue to the State while reducing public welfare costs.

Not having an index virtually guarantees periodic reconsideration of the minimum wage by the Legislature, and also means sudden surges in wages when an adjustment is first made. If this Committee concurs with eliminating indexing, we hope you will document your rationale in the Committee report, for the benefit of the public.

We urge you to pass this bill without a tip credit. Thank you for the opportunity to submit testimony.



House of Representatives
Twenty-Seventh Legislature, 2014
State of Hawai'i

TO: Honorable Mark M. Nakashima, Chair
Honorable Kyle T. Yamashita, Vice Chair
Members of the Committee on Labor & Public Employment

DATE: Tuesday, March 18, 2014

TIME: 9:00 a.m.

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: SENATE BILL 2609, SD1 RELATING TO MINIMUM WAGE

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

Thank you for the opportunity to testify in opposition of SB 2609, SD1. NFIB Hawai'i respectfully **opposes** this measure.

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.



3375 Koapaka Street, D-108
Honolulu, HI 96819

Phone: (808) 831-0811
Fax: (808) 831-0833

Tuesday, March 18, 2014

Committee on Labor & Public Employment

RE: Senate Bill 2609, SD1 Relating to Minimum Wage

Dear Chair Nakashima, Vice Chair Yamashita, and members of the Committee:

We appreciate the opportunity to testify on SB 2609, SD1, and respectfully submit the following written testimony in opposition to the bill. Times Supermarket is based on Oahu and operates 26 stores with locations in Maui, Kauai and Oahu.

SB 2609, SD1 increases minimum wage rates to \$8.20 per hour beginning on 01/01/15, \$9.15 per hour beginning on 01/01/16, and \$10.10 per hour beginning on 01/01/17. This measure changes the tip credit and tip credit deactivation trigger amounts to unspecified amounts.

SB 2609, SD1 has the potential to seriously harm businesses and consumers alike. Thus, we ask that you hold this bill for further discussion.

Thank you for the opportunity to testify.

Respectfully,

Bob Gutierrez
Director of Government Affairs
Times Supermarket

**Board of Directors**

Sherry Broder, Esq.
David Derauf, M.D.
Naomi C. Fujimoto, Esq.
Patrick Gardner, Esq.
John H. Johnson
Nathan Nelson, Esq.
David J. Reber, Esq.

Executive Director

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 2609 Relating to Minimum Wage
House Committee on Labor
Scheduled for Hearing March 18, 2014, 9:00 AM, Room 309

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Thank you for the opportunity to testify in **strong support** of incrementally raising the minimum wage to \$10.10 by 2017. We respectfully urge that the Committee amend SB 2609 to **repeal the tip credit automatically index future increases in the minimum wage to increases in the Consumer Price Index.**

Our minimum wage workers work hard at jobs that are essential to our economy, but they haven't seen a raise going into eight years, while the average weekly income of all workers has grown 16% during this time. We should be sharing our state's prosperity with our minimum wage workers. Raising the wage makes sense: a growing body of research has established that raising the minimum wage does not decrease jobs (as evidenced by Hawai'i's own experience), but that it does reduce poverty and stimulate the economy.

Hawai'i has the highest cost of living in the nation, at almost 60 percent above the national average, yet our minimum wage of \$7.25 is as low as the federal level. Our housing, transportation, utilities, and food costs are all considered the highest in the country. Meanwhile, we have the ninth highest rate of poverty as determined by the Supplemental Poverty Measure. It's virtually impossible for a single person to survive working full-time on minimum wage, let alone a family with children: a household with one minimum wage worker and one child falls 16% below the federal poverty guidelines. As a result, public expenditures must subsidize these low wages so families can make ends meet. However, a minimum wage of \$10.10 would lift this same family out of poverty and closer to financial stability. The impact of poverty on children's education, health, and overall well-being is clear, and thousands of Hawai'i's low-income workers who would be affected by an increase in the wage to \$10.10 contribute substantially to the household's income.

We would also like to expand on other issues that raised during discussions on the minimum wage.

Tip credit: We strongly support the repeal of the tip credit so that workers keep all of the gratuities that they have earned for their service. Customers' appreciation of quality service should go to the worker who provided this service, not to subsidize the employer's ability to pay below the minimum wage. And as a matter of principle, there is no reason to begrudge hard-working tipped employees who are able to earn a living wage through the quality of their service.

While we oppose the tip credit as a policy matter, we are open to the provision in HB 2580 HD1, which would allow a tip credit only if the employee earned at least 250 percent of the poverty level. This provision would help strike a balance between the concerns of employers and the needs of service workers to make a modest living. This proposal rightly refocuses the minimum wage as a measure to address poverty.

Further on the issue of the tip credit, restaurant owners are not justified in pitting “back of the house” against “front of the house” employees by demanding an increase in the tip credit. It has been argued that any increase in the minimum wage requires an increase in the tip credit so that they can pay a higher wage to untipped workers. However, employers with this goal can require a “tip pool,” in which tipped workers contribute the gratuities they have received to a pool which is then redistributed to other restaurant employees, including to those at the “back of the house” such as dishwashers, who are customarily untipped. *Cumbie v. Woody Woo, Inc.* (596 F.3d 577), a 2010 ruling from the Ninth Circuit (whose rulings are binding on Hawaii), held that when no tip credit is taken, the Fair Labor Standards Act (FLSA) contains no language prohibiting a tip pool and therefore, a valid tip pool is legal under the FLSA. Further interpretation of the Ninth Circuit’s ruling have affirmed that U.S. Department of Labor regulations prohibiting tip pools were clearly invalid under the plain interpretation of the FLSA (*Oregon Restaurant and Lodging v. Solis*, 948 F.Supp.2d 1217, 2013).

Should a restaurant owner genuinely feel that they cannot afford to pay its tipped and untipped employees a higher minimum wage, they have the option under the FLSA to impose a tip pool and increase the earnings of untipped employees through this redistribution of gratuities.

Indexing to the Consumer Price Index: In order to ensure that our workers do not lose ground again, we support maintaining the buying power of minimum wage workers by tying future increases in the wage to the Consumer Price Index. This will also spare the legislature from having to regularly revisit the minimum wage—and from workers going years without a raise, as they have for almost the last eight years.

Business owners have frequently explained that indexing future increases in the minimum wage to the CPI would be too unpredictable. However, this argument makes little sense in light of the alternative—legislation setting increases at a numerical amount well in advance of implementation. If the minimum wage were to be raised by a total amount of \$0.95 over the course eight years, businesses would have been incremental increases of \$0.12 annually. Instead, any minimum wage increase now will require a much larger increase in a far shorter time period. If anything, the CPI, which is calculated using a representative basket of goods, would be more predictable than fixed increases set by the legislature years prior to implementation. It is much harder to anticipate 2017’s economic climate and what the optimal increase would be than it would be to predict annual changes in the CPI.

Similarly, businesses must account for variations in other costs that are beyond their control and may also be unpredictable, such as electricity, fuel, or food. Adjusting to these costs is part of running a business, and there is no reason that the minimum wage should not be similarly adaptive so that low-income workers can survive. Workers face the same unpredictability when trying to afford basic necessities, but all too often have limited opportunities for increased earnings. A business will pass along increased costs to its customers. When a minimum wage worker faces these same increases, she will need to hope for government or charitable assistance to fill the gap or else face the consequences of not being able to afford basic necessities: hunger, homelessness, poor health, and the many other devastating results of poverty.

Schedule of the wage increase: Some have argued that the additional labor costs in Hawai‘i mean that an employer cannot possibly pay a larger nominal wage. Yet these opponents of raising the minimum wage do not present the full picture of the costs they are facing. A nominal dollar amount does not give policymakers or the public any real information about the potential impact of a wage increase. During this discussion, we have heard much speculation from some business owners, but little if any concrete information about what the circumstances really what percentage of a business’s expenses are for labor, benefits, and related costs. Nor do we know their profit margins or what these are relative to those in other states with different minimum wage levels. What we *do* know are the real numbers that workers struggle with, but virtually nothing about the actual financial impact of minimum wage increase on a business.

It is also critical that the minimum wage reaches \$10.10 over the course of **three years**, with a significant increase of \$0.95 in the first year. This schedule is critical because workers have gone eight years without a raise and lost buying power. Testimony from business owners has argued that this increase would impose a severe hardship on the industry. However, this burden is largely overstated. Because it has been so many years without a raise, market forces have resulted in many workers receiving slightly above minimum wage. For example, one restaurant owner has indicated in testimony that they can only fill dishwasher positions by paying around a dollar above the current minimum wage. These market effects, where wages in low-paying jobs have gradually inched up, mean that the initial hikes in the minimum wage—while still below what they should be—should not impose a dramatic hardship on employers. Meanwhile, those working at the minimum wage have no ability to unilaterally raise their own earnings and seen their buying power decrease.

In conclusion, the claims that the provisions of SB 2609 as originally introduced—an increase to \$10.10 over three years, repeal of the tip credit, and indexing future increases to the CPI—will have a devastating impact on business owners has clearly been refuted. Pure speculation about the negative impact of these provisions has not been substantiated, but the economic evidence on an increase in the minimum wage to help lift workers above the poverty guidelines is clear.

Hawaii can do better—and we must. It's time to raise the minimum wage so that our workers receive a fair day's pay for a fair day's work. Again, thank you for the testify in strong support of increasing of the minimum wage to **\$10.10** over three years and amendments to **eliminate the tip credit** and index **future increases to the CPI**.

Cable and phone: Oceanic offers basic cable and a land line for \$38. Low-speed internet is another \$25, and a very basic cell phone plan would tack on about \$35.

Electricity: Electricity costs are consistently the highest in the country. For a household of one, we estimate a bill of approximately \$70 per month.

Food: Food will cost a single adult in Hawai‘i approximately \$293 per month based on the Thrifty Food Plan. This is the USDA’s standard for a nutritious diet at a minimal cost and is used as the basis for SNAP benefits.

Savings and asset building: Almost 15% of families in Hawai‘i are considered asset poor, meaning that they do not have sufficient net worth to survive three months at the poverty level in the absence of other income. Total net worth includes not only cash and savings, but also “durable assets,” such as a home, car, or business, that would need to be liquidated to cover everyday needs. When only cash or other monetary assets are considered, 30% of Hawai‘i’s households do not have enough to live at the poverty level for three months without any other income.

For more information, please see hiappleseed.org/min-wage.



TESTIMONY IN SUPPORT OF SB 2609: Relating to Minimum Wage

TO: Representative Mark M. Nakashima, Chair, Representative Kyle T. Yamashita, Vice Chair, Members, Committee on Labor and Public Employment

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawai'i

Hearing: Tuesday, March 18, 2014; 9:00 am; Conference Room 309

Thank you for the opportunity to testify on SB 2609, which increases the minimum wage rate to \$10.10 per hour beginning 1/1/17, changes the tip credit and includes a tip credit deactivation trigger based on the employee's income level. **I am testifying in support of SB 2609: Relating to Minimum Wage**, with comments.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai'i.

Many of the vulnerable in Hawai'i are the working poor, people who earn low wages through hard work but due to our high cost of living struggle to make ends meet. We serve these low-income workers in our programs. They are sometimes homeless, often barely able to avoid homelessness, or working several jobs to juggle the basic expenses of their families. These workers are parents who try very hard to support their own families but often must also rely on some type of public or charitable assistance to raise their children.

The proposed minimum wage increase to \$10.10 beginning 1/1/17 will help to restore the dignity of the working poor, people who are currently not being paid wages that allow them a decent level of economic stability. We strongly support the implementation date of the \$10.10 rate as 1/1/17 and ask you not to delay it further. Our minimum wage workers have waited too long for a raise, and they should not have to wait longer than that.

We support the tip credit deactivation trigger at 250% of the federal poverty level or higher. We agree with the House version of the minimum wage bill (HB 2580) on this component, that it will protect the lowest wage earners, who are most vulnerable to poverty and its harmful effects. In regards to the tip credit, we support an increase in the tip credit that is proportionate and timed to the sequential increases in minimum wage. We do not think it is fair to increase the minimum wage by approximately 40% and then increase the tip credit by 100% or more.

We ask you also to reconsider tying future changes to the minimum wage to the consumer price index in a way that will address the needs of all islands and allow the wage to be one that respects the dignity of our workforce. Tying the minimum wage to the consumer price index is more likely to result in small, regular increases to the minimum wage than the current legislative process produces. This should be better for both the workforce and employers to cope with.

Thank you for your consideration of this important issue of economic justice. Please contact me at (808)527-4810 or trisha.kajimura@catholiccharitieshawaii.org if you have any questions.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808)527-4810 • trisha.kajimura@catholiccharitieshawaii.org



Dr. Martin Luther King Jr. Coalition Hawai'i
www.mlk-hawaii.com & mrjoy@hawaii.rr.com

Testimony in Strong Support of S.B 2609 SD1

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

DATE: Tuesday, March 18, 2014
TIME: 9:00 AM
PLACE: Conference Room 309
State Capitol
415 South Beretania Street

Aloha Representatives,

The minimum wage is a women's issue

We request that you honor the dignity of work by passing these bills for raising the minimum wage to \$10.10 and amend to include no tip credit and ties to the consumer price index.

The majority of minimum wage workers are women. The majority of tipped workers are women. Some of these women are head of household. Countless numbers of these families are "houseless", because they cannot afford a home of their own. They are sharing a place to live with their parents, other relatives or friends.

A full time **minimum wage** worker in Hawaii working will earn \$290.00 per week, or \$15,080.00 per year. **Hawaii's minimum wage** rate as of January, 2014 is below the National Poverty line. The poverty rate is typically quoted as gross annual income. As you know Hawaii is the most heavily taxed state in the United States. Even food and medicine are taxed. That really puts a family below the poverty line, or the working poor as they are labeled.

The state minimum wage is the same for all individuals, regardless of how many dependents they may have. Therefore, it is easy to see why Hawaii has so many

“houseless families”, multigenerational, multifamily dwellings. Significant numbers of working people simply do not earn enough to feed and house themselves.

A typical family with two adults and two children needs at least \$25.00 an hour. The current \$7.25 is a long way from a living wage.

Since the majority of minimum wage earners are women with families. They are working two jobs just to put food on the table. When Mom is working two jobs what happens to the children? According to HPD statistics, 3:00 pm is the busiest time for the police and has the most incidents in a 24 hour period.

Child care is about \$1,300 a month.

Food is more than \$900 a month.

Housing is more than \$1,500 a month.

Medical care is more than \$500 a month (children always need medical care) Most minimum wage jobs don't provide health insurance to their employees. And none of these costs include out-of-pocket costs like rising deductibles or prescription drugs and visits to the Dentist and prescription eyeglasses.

Have you ever wondered why low income people are over weight? It is simple; they eat the \$1.00 meals at McDonalds. And those meals are fating and not wealthy, thus more trips to the emergency room.

If the minimum wage was raised to where it should be, at least \$10 per hour (which would still put it below the minimum wage in 1968), this would release at least \$60 billion over two years into the economy.

On top of this, an increased minimum wage may also lead to an increase in the hourly pay of other low-wage workers that only make slightly more than the federal minimum wage. This increased purchasing power across the board helps stimulate the economy and benefits small businesses, many of which were hardest hit by the recession.

If we look at realistic figures for expenses incurred by a family of four, the annual budget tops out at about \$37,057.56. Even with two minimum wage earners working 40 hours per week, this family cannot simply afford the basic necessities – in fact they end up in debt by slightly more than \$8,000 each year.

According to U.S. Department of the Census; Current Population Survey March Supplement 2013, Micro Data Set, “a significant number of minimum wage workers and those earning up to \$9.50 receive welfare and food stamps”. That is an indication of how serious poverty is among minimum wage and low wage workers. It would be better to raise the wages and have tax payers than tax takers.

This legislation is to reduce poverty. The tip credit should be eliminated. It serves no useful purpose. The tip credit works to reduce wages and income for participants. The tip credit introduces a reverse means test into the minimum wage.

Hawaii is already a service economy and as large multinational corporations break Union contracts, reduce wages, pensions and medical care from employees, Hawaii will become a third world Island.

Mahalo

MarshaRose Joyner

Past President –Dr. Martin Luther King, Jr. Coalition Hawaii

mrjoy@hawaii.rr.com

808-741-4612



Hawaii Restaurant Association

2909 Waiialae Avenue #22
Honolulu, Hawaii 96826
www.hawaiiirestaurant.org

Phone: (808) 944-9105
Fax/Toll Free: (877) 494-3245
Info@HawaiiRestaurant.org

DATE: March 17, 2014

TO: Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

FROM: Roger Morey, Executive Director

RE: Opposition to SB2609 SD1 Relating to Minimum Wage

In a state built on tourism and hospitality, restaurants play a vital role in Hawaii's economy. In 2014, our industry will account for 85,300 jobs--14% of our state's employment and \$3.8 billion in sales.

93 percent of restaurants are small businesses having less than 50 employees. Restaurants are fundamental to overall small business creation and development across the country.

As our economy continues to recover from a debilitating downturn which closed many restaurants, our leaders need to find ways to help create a favorable business climate so we can continue to provide jobs and stimulate growth. Unfortunately, raising the state minimum wage so quickly is a wrong path that will reverse restaurant growth and remove job opportunities for many.

Restaurants are one of few industries today that offers a clear entrepreneurial career ladder—from dishwasher to line cook, from busser to server to management and someday ownership. 80 percent of restaurant owners started in an entry-level position within the restaurant industry.

It's important to understand that the minimum wage is an opportunity wage. It gives young and lesser-skilled employees a starting point to acquire skills, experience and learn work ethic that will take them to that next rung on the job ladder. A majority of minimum wage restaurant employees are young, often "first job" employees. Forty-seven percent of federal minimum wage restaurant employees are teenagers, 71 percent are under the age of 25.

Those employees that start at a minimum wage don't stay there for long because of the ladder of opportunity that restaurants provide. Sadly, a mandatory wage increase could further restrict job opportunities for young and lesser-skilled individuals.

Restaurants are a very labor-intensive industry that operates on very slim margins, so when labor costs rise as it would with a minimum wage hike, there is virtually no wiggle room to absorb the impact. Restaurant owners have little choice but to raise prices, scale back employee hours or eliminate jobs altogether.

While the heart of our legislators might be in the right place, they must use their heads when it comes to the economic realities of minimum wage hikes. There will be consequences to a rapid increase to \$10.10 per hour.

It will mean higher menu prices or fewer services done by employees, which will impact the dining experience of our customers. Owners may have to reduce hours or eliminate shifts to cover the costs and that impacts our employees. Or they may have to pass over hiring the young adult that is looking for a first job or looking to acquire basic work skills so they can begin to climb the career ladder. This may be the worst consequence of all.

In 2014, Restaurants in Hawaii are projected to see a 6.7% in job growth — or 5,700 jobs. Rapidly hiking the minimum wage will certainly stifle that growth and when you consider the importance of our industry to Hawaii's economy that spells bad news. A strained restaurant industry means fewer employees and fewer hours worked. It means smaller paychecks and less money spent in Hawaii's economy. The ripple effects are significant.

Opportunity growth and upward mobility are the keys to a successful and prosperous career. A hasty minimum wage hike will just create barriers to that first step on the ladder that many Hawaiians need and deserve.

Finally, it is not equitable to have non-tipped and tipped employees in the same group and to have their respective incomes judged on the same standard. That is, tipped employees earn well above the minimum wage. That being the case, an increase in the tip credit actually benefits non-tipped employees by allowing a restaurant owner the flexibility to increase back of the house (non-tipped employees) wages.

Increasing the amount of the tip credit makes the bill equitable.

Respectfully submitted,

A handwritten signature in black ink that reads "Roger Moray". The signature is written in a cursive, slightly slanted style.

NELP

**National Employment
Law Project**

TESTIMONY
OF
JACK TEMPLE
POLICY ANALYST
NATIONAL EMPLOYMENT LAW PROJECT

ON
S.B. No. 2609 SD1 RELATING TO MINIMUM WAGE
BEFORE THE
HAWAII STATE HOUSE OF REPRESENTATIVES
COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

MARCH 18, 2014, 9:00 AM

HONOLULU, HAWAII

National Office
National Employment Law Project
75 Maiden Lane, Suite 601
New York, NY 10038
212.285.3025

Washington, D.C. Office
National Employment Law Project
1620 Eye Street, N.W., Suite 210
Washington, DC 20006
212.533.2585

Thank you for the opportunity to testify today. My name is Jack Temple, and I am a policy analyst at the National Employment Law Project (NELP). NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, the importance of raising the minimum wage. We have worked with dozens of state legislatures across the country and with the U.S. Congress on measures to raise the minimum wage.

I testify today in support of S.B. 2609 SD1. In my testimony, I will emphasize the importance of raising Hawaii's minimum wage to at least \$10.10 per hour and indexing it to rise with the cost of living each year, and eliminating the sub-minimum wage for low-paid tipped workers.

Hawaii's Minimum Wage Should Be Raised to at Least \$10.10 per Hour to Recover the Purchasing Power it Has Lost Over the Last Forty Years:

- Raising Hawaii's minimum wage to \$10.10 per hour would give a raise to 99,000 workers in Hawaii – roughly 18 percent of the state's workforce. Given that low-paid workers often have no choice but to spend their increased earnings immediately on basic expenses, increasing the minimum wage to \$10.10 per hour would also generate approximately \$80.5 million in new economic growth in Hawaii.¹
- Importantly, raising the minimum wage to level lower than \$10.10 per hour would leave the state's lowest-paid workers with less of a pay raise, weakening the economic stimulus impact of this proposal and leaving fewer workers without a boost in pay altogether.
- Increasing Hawaii's minimum wage to at least \$10.10 per hour is also necessary in order to recover the purchasing power that it has lost over the last several decades. In 1968, the state's minimum wage was \$1.60 per hour, which equals \$10.70 per hour in today's (2014) dollars; since then, the state's minimum wage has consistently lagged behind the rising cost of living, and today equals only \$7.25 per hour, 30 percent lower than its value forty years ago.
- President Obama has called for raising the federal minimum wage to \$10.10 per hour, which would set this rate as a minimum standard across the country, including in states with much lower costs of living than Hawaii. The importance of raising Hawaii's minimum wage to at least \$10.10 per hour is illustrated by the fact that the state's entire U.S. Congressional delegation – including U.S. Sens. Hirono and Schatz, as well as U.S. Reps Hanabusa and Gabbard – have signed on as co-sponsors to this proposal.²

- Raising the minimum wage to \$10.10 per hour would set Hawaii on pace with a growing number of other states across the country that are currently considering minimum wage increases:
 - Maryland Governor Martin O'Malley has introduced a proposal to raise the state's minimum wage to \$10.10 per hour by 2017, which was just approved this month by the Maryland House of Delegates and is currently under consideration in the State Senate.³
 - Connecticut Governor Dannel Malloy has also introduced a proposal to raise the state's minimum wage to \$10.10 per hour by 2017, which was approved this month by the Connecticut General Assembly Labor Committee.⁴
 - The Massachusetts State Senate approved last year a proposal to raise the state's minimum wage to \$11 per hour by 2017, with a parallel proposal currently under consideration in the State House.⁵
 - The Illinois State Senate and House are currently considering a proposal to raise the state's minimum wage to \$10.65 per hour by 2017.⁶
 - Voters in Michigan are currently collecting signatures to place a measure on the ballot this November that would raise the state's minimum wage to \$10.10 per hour by 2017. A poll released this month found 65 percent of voters in the state support raising the minimum wage to \$10.10 per hour.⁷

Tipped Workers in Hawaii are Paid Low Wages, and Need a Strong Base Wage to Compensate for the Uncertainty of Tipped Income:

- While some tipped workers may earn enough in tips to bring their hourly earnings well above the minimum wage, the vast majority of tipped workers earn low wages just slightly above the minimum wage. For example, in Hawaii, the median hourly wage for restaurant servers is just \$9.46 per hour.⁸
- Across the country, tipped workers are more than twice as likely to fall under the federal poverty line, and nearly three times as likely to rely on food stamps, as the average worker.⁹
- Eliminating the tip credit in Hawaii will ensure that the bulk of tipped workers' income is paid directly by their employers rather than being made up by tips. Providing tipped workers a stable base income paid directly by their employers is a key step for improving the economic security and working conditions of low-paid tipped workers.
- Tips, by their nature, vary by shift and season, making the earnings of tipped workers unpredictable and constantly fluctuating. Ensuring that tipped workers receive a larger

portion of their hourly pay directly from their employers will help alleviate this uncertainty and provide for more stable income

Eliminating the “Tip Credit” Boosts Incomes and Reduces Poverty for Tipped Workers:

- Seven states have set the base wage for tipped workers equal to 100 percent of the full minimum wage, ensuring that tipped workers are paid the full minimum wage directly by their employers for each hour of work.¹⁰
- This model policy has proven effective in reducing poverty among tipped workers: in these seven states, tipped workers are 25 percent less likely to fall under the federal poverty line compared to states with lower tipped minimum wages.¹¹
- A 2013 study from the University of California-Berkeley examines each instance of an increase in the tipped minimum wage on the state level since 1990, and finds that each 10 percent increase boosts earnings for tipped workers by 0.45 percent.¹²
- A 2013 analysis from the University of California-Berkeley examines every increase in the tipped minimum wage on the state level since 1990 and concludes that “the evidence...does not indicate that there are significant negative effects of tipped wages or regular minimum wages at the levels experienced in the U.S. since 1990 in full-service establishments.”¹³

“Indexing” the Minimum Wage So That It Keeps Pace with the Rising Cost of Living Is Key for Preventing the Minimum Wage from Falling in Value Each Year

- “Indexing” the minimum wage so that it adjusts each year to keep pace with the rising cost of living remains the most effective measure for preventing the minimum wage from falling in value each year.
- Eleven states, as well as the District of Columbia, currently index their minimum wages to automatically rise with inflation so that the real value of the wage floor does not fall every year.¹⁴ These states have the most reliable records of consistently updating their minimum wages in order to preserve their real value.
- The states that index their minimum wage have seen annual wage increases that are consistently modest in size – generally between \$0.15 to \$0.30 per year. At the same time, these small yearly raises have provided much-needed support to these states’ lowest-paid workers while helping to boost consumer spending in the sluggish post-recession recovery.¹⁵
- It is important to underscore that indexing does not alter the real value of the minimum wage; it simply ensures that its purchasing power remains steady over time. Because

Hawaii does not provide for these regular annual adjustments, the state's minimum wage has remained unchanged for the past seven years, even as the cost of living has continued to rise. Over this period, Hawaii's lowest-paid workers saw the real value of their wages gradually erode as the price of basic expenses increased each year.

- Equally important, annual indexing of the minimum wage also gives businesses greater predictability about what their payrolls will look like, and avoids the unpredictable and inconsistent spikes that result when legislatures must try to compensate for years of neglecting the wage floor.
- The governors of states that have adopted annual inflation indexing report that this policy has benefit workers and the state's economy alike:
 - As Washington Governor Chris Gregoire and Oregon Governor John Kitzhaber wrote last year, "Red and blue states alike have now begun indexing their minimum wage rates: On Jan. 1, our home states were joined by Arizona, Colorado, Florida, Missouri, Montana, Ohio and Vermont in raising the minimum wage to keep pace with the cost of living. These raises are modest in size...but we adopt these raises with a level of regularity that Congress has not managed to achieve in decades."¹⁶
 - As Governor Gregoire and Governor Kitzhaber further explain, "The small, automatic cost-of-living adjustments that our states have adopted also give businesses greater predictability over their payrolls each year by breaking the cycle of political gridlock over the minimum wage."
 - Montana Governor Steve Bullock similarly reports regarding Montana's minimum wage indexing law, "This law has served the state well."¹⁷

Higher Wages Are Consistent With a Profitable Business Model for Large Employers in Competitive Industries Like Retail and Fast-Food

- There are significant savings that result from paying higher wages – including reduced employee turnover and increased productivity – and these savings help offset the cost to employers of a minimum wage increase. The increased efficiency and productivity gained by paying higher wages helps explain why many leading companies such as Costco and Trader Joe's choose to invest in higher wages for their front-line employees as part of a highly competitive business strategy.
- For example, a Harvard Business Review study by MIT Professor Zeynep Ton shows that the starting wage for full-time employees at Trader Joe's ranges between \$40,000 and \$60,000 per year, more than twice what many of its competitors offer, and yet the sales

revenue per square foot at Trader Joe's are three times higher than the average U.S. supermarket.¹⁸

- Costco CEO Craig Jelinek recently affirmed the significant business savings and efficiencies gained through higher wages, stating, "We pay a starting hourly wage of \$11.50 in all states where we do business, and we are still able to keep our overhead costs low. An important reason for the success of Costco's business model is the attraction and retention of great employees. Instead of minimizing wages, we know it's a lot more profitable in the long term to minimize employee turnover and maximize employee productivity, commitment and loyalty."¹⁹
- A 2003 study by economists at the University of California-Berkeley examined the effects of a wage increase for workers at the San Francisco Airport, finding that annual turnover among security screeners plunged from 95 percent to 19 percent when their hourly wage rose from \$6.45 to \$10 per hour. After wages increased at the airport under a living wage policy, 35 percent of employers reported improvements in work performance, 47 percent reported better employee morale, 44 percent reported fewer disciplinary issues, and 45 percent reported that customer service had improved.²⁰

Thank you so much for the opportunity to testify today. I'd be happy to answer any questions that you may have.

* * *

For more information, please contact NELP Policy Analyst Jack Temple at jtemple@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

¹ <http://s1.epi.org/files/2014/EPI-1010-minimum-wage.pdf>

² <https://www.govtrack.us/congress/bills/113/hr1010>

³ http://articles.baltimoresun.com/2014-03-07/news/bs-md-house-minimum-wage-20140307_1_minimum-wage-tipped-workers-future-increases

⁴ <http://yaledailynews.com/crosscampus/2014/03/04/minimum-wage-to-go-up-in-ct/>

⁵ <http://www.wbur.org/2013/11/19/minimum-wage-senate-bill>

⁶ <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=3718&GAID=12&DocTypeID=HB&SessionID=85&GA=98>

⁷ <http://www.freep.com/article/20140316/NEWS06/303160055/minimum-wage-michigan-ballot-proposal-poll>

⁸ May 2012 Occupational Employment Statistics, Bureau of Labor Statistics

⁹ Allegretto and Filion, “Waiting for Change: the \$2.13 Federal Subminimum Wage,” Economic Policy Institute, 2011, available at: <http://s1.epi.org/files/page/-/BriefingPaper297.pdf>

¹⁰ State that have set the base wage for tipped workers equal to 100 percent of the minimum wage: Alaska, California, Minnesota, Montana, Nevada, Oregon, Washington. Source: Department of Labor, available at: <http://www.dol.gov/whd/state/tipped.htm>

¹¹ See Allegretto and Filion, “Waiting for Change,” 2011.

¹² Allegretto, “Waiting for Change: Is It Time to Increase the \$2.13 Subminimum Wage?” Institute for Research on Labor and Employment, University of California-Berkeley, 2013, available at: <http://irle.berkeley.edu/workingpapers/155-13.pdf>

¹³ Allegretto, “Waiting for Change,” 2013

¹⁴ These eleven states include Arizona, Colorado, Florida, Missouri, Montana, Nevada, New Jersey, Ohio, Oregon, Vermont, and Washington.

¹⁵ “Effects of January 1, 2012 State Minimum Wage Increases,” Data Sheet, National Employment Law Project, December 2011. Available at: <http://www.nelp.org/page/-/rtmw/GDP%26JobsGrowthJan2012MinWageIncreases.pdf?nocdn=1>

¹⁶ <http://www.politico.com/story/2013/01/it-pays-for-states-to-raise-bar-on-minimum-wage-85735.html>

¹⁷ http://billingsgazette.com/news/state---and---regional/montana/montana---minimum---wage---workers---getting---pay---increase/article_15953084---6656---5ae4---8efe---62660abd4400.html

¹⁸ Zeynep Ton, “Why Good Jobs are Good for Retailers,” Harvard Business Review, January 2012, available at <http://hbr.org/2012/01/why-good-jobs-are-good-for-retailers/ar/1>

¹⁹ See <http://www.businessforafairminimumwage.org/news/00272/costco-eileen-fisher-and-small-business-owners-nationwide-support-fair-minimum-wage-act-i>

²⁰ Michael Reich, Peter Hall, Ken Jacobs, “Living Wages and Economic Performance,” Institute of Industrial Relations, March 2003, available at http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf



3/15/2014

House Committee on Labor and Public Employment
Chairman Mark M Nakashima
Vice Chair Kyle T Yamashita
Committee Members:

I am in opposition to SB2609 because the Tip Credit is not adequately addressed. In order for a tip credit to be fair throughout the state, needs to take into consideration the varying amount of tips earned by employees in different types of businesses and restaurants.

I am not opposed to modest increases in the minimum wage over time.

However, a meager Tip Credit or no tip credit is absolutely counter productive to increasing the wages of the lowest paid workers in Hawaii's largest private sector employer, the restaurant industry.

Tipped employees earning 2 to 5 times the minimum wage in tips do not need minimum wage protection. They are already earn well above what many consider a "living wage". The Federal Minimum Wage Bill proposed by President Obama includes a tip credit of 70% of the recommended minimum wage.

Mandating restaurateurs to increase the wage they pay their tipped employees significantly reduces their ability to increase the wages of their other un-tipped workers being paid above the minimum wage, but not nearly as much as the tipped employees. This creates a huge and growing wage disparity between the service staff and the production staff.

The lack of a meaningful tip credit puts undue pressure on restaurateurs to keep kitchen wages low. Please enact meaningful tip credit and help us pay our kitchen workers more. We want to.

This legislative session the Tip Credit has been vigorously discussed at hearings and the complexities and ramifications of the tip credit are becoming more widely understood. In the most recent hearing at the House Finance Committee two important items received significant attention.

1) The Federal Tip Credit is 50% of the prevailing minimum wage or \$2.13 per hour whichever is lower, resulting in a current tip credit of \$5.13 per hour or 71%

of the minimum wage. 25 states follow this formula and 17 other have significantly larger tip credits than Hawaii's 25 cents.

2) The tips earned by employees on an hourly basis varies widely depending on the type of business (restaurant server, host, busser, hotel bellman, parking valet, hair/nail salon worker, taxi driver, etc). Thus a fixed dollar tip credit may create disparity between job types.

Therefore, I suggest that the committee change the tip credit language to read:

The hourly wage of a tipped employee may be deemed to be increased on account of tips "Tip Credit" if the employee;

- 1. is paid not less than 25 percent of the average hourly tip income reported by the employee, below the applicable minimum wage and**
- 2. the employee is paid not less than 75 percent the applicable minimum wage "Cash Wage" by the employee's employer.**

Under this formula a tipped employee being paid the lowest cash wage of 67% of the current \$7.25 minimum wage would be earning at least \$14.42 per hour ($\$7.25 \times 67\% = \4.86 Cash Wage and the \$9.56 in hourly tip income they reported to their employer). This formula ensures that the tip credit is fair to all employees as it is based on a reasonable percentage of real tips earned by them on an hourly basis. An employee reporting \$2.00 per hour in tips under the current minimum wage would only be subject to a 50 cent tip credit and earn a total of at least \$8.75 ($\7.25 less 50 cents = \$6.75 Cash Wage and the \$2.00 in hourly tip income they reported to their employer).

I would hope that the committee members and others would recognize the restaurant industry for providing so many above "living wage" employment opportunities that do not require a college education and can be filled by single moms and others as part time second jobs.

So many of our kitchen workers earning above the minimum wage could benefit from wage increases too if restaurateurs were able to get credit for the highly

compensated tipped positions they create.

Note: US Dept of Labor prohibits employer mandated tip pools that include kitchen staff. http://www.dol.gov/whd/FieldBulletins/fab2012_2.htm

It may seem counter intuitive, but increasing the Tip Credit will help increase the wages of the lowest paid restaurant workers. Please believe me. All the testimony in favor of repealing the tip credit is essentially ideological and disregards the reality facing Hawaii largest provider of tipped job opportunities, restaurant owners. Failure to increase the Tip Credit will have the unintended consequences of continued pressure to keep kitchen worker wages down. The highest earners will get pay increases and kitchen workers will not.

Key Points:

- A tip credit based on tips claimed as income is fair across a variety of restaurants and across industries (taxi driver, nail & beauty salon workers, valets, bellman, others)
- Consistent with current law it is the responsibility of the employer to justify the tip credit with accurate payroll and tip report records.
- Increases in the minimum wage are intended to provide additional income for those earning the lowest wages.
- Demographically servers tend to be younger than kitchen workers with fewer dependents.
- Continued increases in tipped employee's minimum wage actually jeopardizes those jobs which can be minimized with digital ordering systems.
- Hawaii's restaurants should be encouraged to create more server jobs, not less.
- Employers are required to pay FICA [7.5%] on reported tip income yet cannot count the tip income against the minimum wage.

I strongly urge the House Labor Committee to recognize the importance of a meaningful tip credit in order to improve the ability of restaurateurs to pay higher wages to un-tipped employees while being fair to tipped employees and employers in other industries, by changing the tip credit formula to a percentage of tips claimed by the employee as income on an hourly basis.

Sincerely,

Thomas H Jones

President
REI Food Service, LLC
d.b.a. Gyotaku Japanese Restaurants



To: Representative Nakashima, Chair
Representative Yamashita, Vice Chair
House Committee on Labor & Public Employment

From: Melanie Bailey
T S Restaurants Hawaii
Human Resources Manager
808-277-5121

Hearing: March 18, 2014, 9am

RE: SB2609 SD1, Relating to Minimum Wage

We are in **support** of the intention to increase wages for low wage earners and are encouraged to see the language in this current draft.

President Obama's "Fair Minimum Wage Act of 2013" proposes that as minimum wage rises the tip credit would remain at **70%** of minimum wage. From that proposal we suggest the following:

Minimum Wage for Tipped Employees shall be not less than \$ 7.00 an hour, or ~~70~~ 30 percent of the applicable minimum wage in effect, rounded to the nearest multiple of \$.05.

We hear the concern over the variability of customer tips, appreciate the attempt in the House version to tie it to the poverty level, but have some concerns about how to determine that number. We propose an increase to the following language which is unique to Hawaii. This would ensure an hourly rate of at least \$3 (or more) over minimum wage in order to claim the tip credit.

The hourly wage of a tipped employee may be decreased as long as the combined amount the employee receives from the employer and in tips is at least ~~\$3.00~~ 50-cents more than the applicable minimum wage.

T S Restaurants is a family owned company with eight locations on Oahu, Maui, and Kauai, employing 1,400 Hawaii residents.

Many in testimony have quoted tipped employees average hourly wage to be less than ten dollars an hour. We strongly disagree with that statement. We believe restaurants provide an above average wage to employees at entry level and beyond.

Tipped versus Non-Tipped Employees: In our company, two-thirds of our employees make \$7.25, less the \$.25 tip credit an hour, plus tips; they are the “front of the house” employees: Servers, Bartenders and support personnel like Bussers. In 2013, with tips they average \$23 an hour. This is consistent with other restaurants of all sizes that we have spoken with. As a result of tips earned, Front of the House employees are not minimum wage earners. Many work part time with school and family obligations but based on forty hour weeks that would be an annual income of **\$47,000**. Their income has slowly risen and will keep rising through the years as menu prices increase. Higher check average = more tips. In fact, an increase in the minimum raise, will increase their annual income, since menu prices will increase and therefore their tips.

Unfortunately, this is not the case for other restaurant employees. Unlike tipped staff, most “back of the house” kitchen employees’ (dishwashers, cooks, and cleaning staff) work full time. Currently, our restaurant kitchen wages range from \$10-\$20 an hour, averaging \$13.76. Other restaurants we have surveyed pay their kitchen staff starting wages of \$7.25-\$10 an hour with a high of \$11-\$20. They receive no additional income from tips.

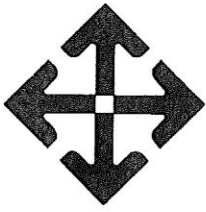
Negative Impact on Non-Tipped Restaurant Employees, without an increase in Tip Credit : A minimum wage increase will immediately raise the menu prices in all Hawaii restaurants. Our primary concern is to insure that the increase in minimum wage benefits primarily our Kitchen employees whose wages are not augmented with tips. It is critical that the tip credit be increased to insure EQUITY among restaurant employees, and to keep restaurants in business.

An increase in minimum wage may prevent increases in the future because if we increase the wages of our tipped employees, we will be hard pressed to continue to raise the rates of our back of the house support staff and wages for new hires may be reduced.

We feel this has the opposite effect of the intent of this bill, which we understand to be to increase the income of the lowest wage earners.

Creating Equity: If minimum wage is increased, correspondingly increase the tip credit. This way, restaurants can fairly compensate non-tipped employees who would benefit the most from a higher minimum wage.

Thank you for your time. Mahalo!



The Hawaii Business League

1188 Bishop St., Ste. 1003, Honolulu, Hawaii 96813

Phone: (808) 533-6819 Facsimile: (808) 533-2739

March 18, 2014

Testimony To: House Committee on Labor & Public Employment
Representative Mark M. Nakashima, Chair

Presented By: Tim Lyons
President

Subject: S.B. 2609, SD 1- RELATING TO MINIMUM WAGE.

Chair Nakashima and Members of the Committee:

I am Tim Lyons, President of the Hawaii Business League, a small business organization. We are in opposition to this bill.

For some reason it seems difficult to get across the concept that when there is only so much of the pie to cut into wages, pension, health benefits, annuity benefits, sick leave, holiday pay, etc. that by dictating how much the employer will pay in one area, automatically means an decrease in other areas.

We understand the problem of some individuals feeling that they are not making enough money and, in a lot of cases, employers that are forced to pay minimum wage also feel they do not make enough money. The problem is exacerbated since the employee sees their net pay, after all the taxes have been deducted. What the employer sees however is the gross cost which includes workers' compensation premiums, temporary disability insurance premiums and unemployment insurance taxes, all of which are based on how much the employee makes. As an example, on a

\$1.00 paycheck the employer sees \$1.45(e) in costs; the employee perhaps only gets a \$0.67(e) pay check. Any increase in wages automatically calls for a corresponding increase in fringe benefits costs however because of the tax rates the employee only sees a very small increase in their net pay check.

We also find it very difficult to compare our employee's pay rates with employees from other states. Employers in other state don't have the costs of the Hawaii Pre Paid Health Care Act to deal with, a cost that can add another \$300 to \$1200 cost factor to each employee, per month. Most also do not have temporary disability insurance costs for off the job injuries to deal with. Factor those costs alone in and our full time employees are getting around another \$2.00, plus per hour on top of the minimum wage.

There is no doubt that those supporting this bill will feel like they should make more money and we do not disagree with that. However, given today's realities for most small businesses there is no extra money for companies to pay more wages and what you will do is cause the demise of individual positions so that existing employees can be paid a higher rate.

It has already been reported that there are some allegations that because of the mandatory health insurance law, some employers have converted their full time employees to part-time employees because of the cost of health insurance. This is not a cruelty act on the part of the employer but it is life in the real world. If you can only afford to pay "X" amount of dollars however, they are eaten up through wages or through fringe benefits then, it automatically means action one of two ways: 1) the price of the goods offered goes up causing the rest of the consumers that purchase goods and services from the business to pay more or, 2) the employer cuts back on the number of people he has to pay all of these mandates to. Either way, we believe the people of this State lose.

We also find it quizzical that part of the reason, we are told, to increase the minimum wage is that the wage earners will immediately infuse their dollars into the economy.

That may be true but even the Department of Labor noted in their 2011 testimony on this subject that only 1.7% of the workforce in the first six (6) months of 2010 were earning minimum wage. An infusion of that nature won't even make the meter move.

Lastly, we object to any bill that uses the CPI and having some automatic, mathematical formula dictate the wage amounts. Wages should have some relationship to abilities and effort. Again, an automatic increase in wages may mean an automatic decrease in other benefits, something that should be considered on an individual employee basis.

Thank you.

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 14, 2014 12:57 PM
To: LABtestimony
Cc: tabalos@hsta.org
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/14/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Tanya Abalos	Hawaii State Teachers Association	Comments Only	No

Comments: The Honorable Chair Mark Nakashima and Members of the Committee: HSTA is the exclusive representative of more than 13,500 public and charter school teachers statewide. As the state affiliate, of the 3.2 million members of the National Education Association, HSTA supports an increase in the minimum wage. In 1960, the federal minimum wage earned by a single worker was enough to keep a family of two out of poverty. Today, however, there are only four states in the entire country where the minimum wage is enough for even an individual worker with no family to earn a living wage, meaning one in which a worker can afford food, housing, utilities and other basic expenses. Fortunately, Senate Democrats and President Obama are pushing for an increase of the federal minimum wage to \$10.10, which would pull more than half of our country's working poor out of poverty. In the 2014 State of the union speech, President Obama addressed the issue of rising inequality and declining mobility. He stated, "Today the federal minimum wage is worth about twenty percent less than it was when Ronald Reagan first stood here. And Tom Harkin and George Miller have a bill to fix that by lifting the minimum wage to \$10.10. It's easy to remember: 10.10. This will help families. It will give businesses customers with more money to spend. It does not involve any new bureaucratic program. So join the rest of the country. Say yes. Give America a raise. Give 'em a raise." Workers all across the country are struggling to make ends meet. With the federal minimum wage at a dismal \$7.25 an hour, many workers are unable to earn a wage that meets basic expenses such as food, clothing and housing. Research by the National Education Association tells us that 27% of education support professionals earn less than the proposed \$10.10 per hour, and we know that educators deal with the effects of poverty on their students every day. Students are still coming to school hungry. Most of our students' parents are unable to attend meetings because they are forced to work multiple jobs just to put food on the table. Many education support professionals at our schools are being forced to jump ship for more lucrative jobs. HSTA believes that the proposed bill will improve the economic viability for current minimum wage workers by giving workers some fiscal stability. We look to the legislative body to find ways for job creation, hubs of innovation and economic development. Thank you for the opportunity to provide comments on SB 2609, SD1.

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



Planned Parenthood of Hawaii

To: Hawaii State House of Representatives Committee on Labor & Public Employment
Hearing Date/Time: Tuesday, March 18, 2014, 9:00 a.m.
Place: Hawaii State Capitol, Rm. 309
Re: Testimony of Planned Parenthood of Hawaii in support of S.B. 2609, SD1

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

Planned Parenthood of Hawaii writes in support of S.B. 2609, SD1, which seeks to increase the minimum wage.

Planned Parenthood of Hawaii is dedicated to providing Hawaii's people with high quality, affordable and confidential sexual and reproductive health care, education, and advocacy. The need for a minimum wage increase is a social justice issue that directly impacts many of the women and men of all income levels who come through our doors seeking health care. We know that women's health and economic well-being go hand-in-hand. Raising the minimum wage is a major step towards eliminating health disparities and increasing economic opportunities.

Thank you for this opportunity to testify.

Sincerely,

Laurie A. Temple
Director of Public Affairs & Government Relations

HONOLULU
1350 S. King Street, Suite 310
Honolulu, HI 96814
808-589-1149

KAUAI
357 Rice Street, Suite 101
Lihue, HI 96766
808-482-2756

KONA
Hualalai Medical Center
75-184 Hualalai Road, Suite 205
Kailua Kona, HI 96740
808-329-8211

MAUI
Kahului Office Center
140 Ho'ohana Street, Suite 303
Kahului, HI 96732
808-871-1176





House of Representatives
The Twenty-Seventh Legislature
Regular Session of 2014

Committee on Labor and Public Employment
Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice-Chair

RE: **SB 2609, SD1 Relating to Minimum Wage**

Aloha Chair Nakashima, Vice Chair Yamashita and Members of the Committee,

SAG-AFTRA Hawaii Local represents over 1,000 professional performers and broadcast journalists. We support SB 2609, SD1 and urge the Legislature to increase the minimum wage to \$10.00/hour or more and repeal the tip credit effective in January 1, 2015, for at least three reasons.

First, it makes good economic sense. The minimum wage is currently \$7.25 an hour or \$15,080 a year. Adjusted for inflation, that's lower than it was in 1968. Raising the minimum wage to \$10.10 an hour provides our workers with more money to spend and to invest, increasing economic activity and growth. In fact, recent studies conclude that raising the minimum wage makes workers more productive and therefore helps businesses retain profitability -- a conclusion affirmed by Gap Inc.'s recent decision to raise the minimum wage for its employees to \$10.10 an hour.

Second, it's good for women, who account nationally for roughly two-thirds of workers whose incomes would rise by increasing the minimum wage to \$10.10 an hour. They are our daughters, sisters and mothers who are often the only breadwinners in their families. They currently work 40 hours a week to make just \$14,500 a year. Our country is in a stronger position when women are in a stronger economic position. We need to make that a reality.

Third, it's the right thing to do. No American working 40 hours or more a week deserves to live in poverty.

Aloha,

David C. Farmer
President, SAG-AFTRA Hawaii Local

Brenda Ching
Executive Director, SAG-AFTRA Hawaii Local

SAG-AFTRA Hawaii Local
brenda.ching@sagaftra.org • SAGAFTRA.org • 808-596-033 (P) • 808-593-2636 (F)
SCREEN ACTORS GUILD - AMERICAN FEDERATION OF TELEVISION AND RADIO ARTISTS
949 Kapiolani Blvd., Suite 105, Honolulu, HI 96814
Associated Actors & Artistes of America / AFL-CIO

S.B. #2609

My name is Jozette Montalvo and I am the Human Resources Director from Hawaii Petroleum, Inc. We have operations on Maui as well as on the Big Island which include the Minit Stop Convenience Stores which includes fifteen stores and one hundred eighty eight employees.

We oppose Senate Bill #2609

Any minimum wage increase would directly affect our entry level positions. At the present time, we hire many entry level part-time employees seeking hands on training and work experience. Committed, quality employees are able to advance within our organization based on merit and experience. The minimum wage law does not come into play here.

If entry level wages for these types of positions increased because the minimum wage increased, we would opt for reducing the number of employees at this level and only hire more experienced workers. This bill would overall significantly limit opportunities for inexperienced young people just starting their work life. Our employees already have the ability to earn more than the proposed wages based on effort, experience and ability. Again if entry level wages increased, there would be no room in our organization for inexperienced employees.

Overall, this is an added cost to our organization that would be passed onto the customer, or could potentially result in store closings and a reduction in our employee base. The increase in wages would restrict our ability to grow. All employer taxes would increase as well, creating *additional* burdens on employers already struggling to remain in business.

I kindly ask that you oppose Senate Bill #2609.



Board Members

President
Jason Okuhama
Managing Partner,
Commercial & Business Lending

Vice President
Rian Dubach
Vice President, Corporate Banking
American Savings Bank

Secretary/Treasurer
Wayne Tanna
Asset Building Coalition &
Chaminade University

HACBED Staff

Brent N. Kakesako
Executive Director

Keoki Noji
Chief Operating Officer

Susan Tamanaha
*Family & Individual Self-
Sufficiency Program Director*

Athena T. Esene
Bookkeeper & Office Manager

Mika Okuno
Planning & Research Associate

Ben Costigan
AmeriCorps Vista

Date: March 14, 2014

To: Representative Mark M. Nakashima, Chair, Representative Kyle T. Yamashita Vice Chair, and members of the Committee on Labor & Public Employment

From: Brent Kakesako, Executive Director, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Strong Support for SB 2609 SD1, Relating to Minimum Wage

Aloha Representative Nakashima, Representative Yamashita, and members of the Committee,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB 2609 SD1, which would increase the minimum wage to \$10.10 in three stages by January 2017.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitates the Family & Individual Self-Sufficiency Program (FISSP), which administers the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families. As such, HACBED strongly supports the proposed bill that would provide a needed income boost for families in our community.

The Family Economic Self-Sufficiency Standard (FESS) further depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 25.9% of families with two adults and two children;
- 77.3% of single-adult families with one child; and
- 74.3% of single-adult families with two children.

Increasing the minimum wage would not only assist families in becoming more self-sufficient and resilient, but would also provide the local economy a needed boost as much of the income of these families are spent locally. In addition, an increase in minimum wage may also result in positive educational outcomes for children in low-income working families – a 2011 study by Department of Economics at UC San Diego found that a \$1,000 increase in household income can raise combined math and reading test scores in young children by as much as 6%.

Mahalo for this opportunity to testify.

Twenty-Seventh Legislature
Regular Session of 2014

HOUSE OF REPRESENTATIVES
Committee on Labor and Public Employment
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair
State Capitol, Conference Room 309
Tuesday, March 18, 2014; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2609, SD1
RELATING TO MINIMUM WAGE**

The ILWU Local 142 **strongly supports** S.B. 2609, SD1, which increases the minimum wage to \$8.20 per hour beginning on 1/1/15, \$9.15 per hour beginning on 1/1/16, and \$10.10 per hour beginning on 1/1/17 and changes the tip credit and tip credit deactivation trigger amounts to unspecified amounts.

For more than seven years, workers with the lowest wages had no increase in pay while government workers, legislators, judges, and many others received pay raises in acknowledgement of a recovering economy. Meanwhile, the cost of living continued to rise. Groceries cost more today than in 2007, “affordable” rental housing is almost non-existent, parents even struggle to buy school supplies. The buying power of the dollar is weakening.

We believe it is long past due for an increase in the minimum wage. The minimum wage of \$10.10 in 2017 is what President Obama has proposed as the federal minimum wage and what he has ordered to be paid as a minimum in federal contracts. The Legislature cannot allow another year to go by without raising the minimum wage.

However, we are well aware that the tip credit is a major stumbling block for many. Frankly, we cannot understand why because tips are voluntary, not guaranteed, and not paid by the employer. Yet restaurant owners continue to say they need a larger tip credit in order to pay their dishwashers and cooks more.

The ILWU supports elimination or, at minimum, no increase in the tip credit. However, we understand the political realities and believe that the proposal offered by the House in H.B. 2580, HD1 is probably the closest to a true compromise that we have seen so far.

Under HD1 of H.B. 2580, the tip credit will increase by increments to \$1.00 but may not be applied until the tipped employee’s wages plus tips total more than 250% of a poverty threshold to be determined by the State Department of Labor each year. This threshold or trigger will ensure that tipped employees making less than \$33,550 a year will not be subject to a tip credit while those earning more may have their minimum wages reduced by \$1 an hour. By any estimation, \$33,550 a year represents a modest income, clearly not enough to make a worker “wealthy” by any definition.

The ILWU urges passage of S.B. 2609, SD1. However, if a bill to increase the minimum wage must include some increase in the tip credit to pass, the proposal in H.B. 2580, HD1 is worth considering.

Thank you for the opportunity to testimony on this important measure.



HEALTHYPACIFIC.ORG
restoringjusticehi@gmail.com

LEGISLATIVE TESTIMONY

SB2609 SD1
RELATING TO MINIMUM WAGE
House Committee on Labor and Public Employment

March 18, 2014
9:00 A.M.
Capitol Room 309

Aloha mai kākou,

Mahalo nui loa for the opportunity to testify in **SUPPORT** of **SB2609 SD1 WITH AMENDMENTS**, which would better ensure that our hardest-working employees are provided with sufficient resources to ensure the health and well-being of their families and of our communities as a whole.

Economic disparities are a significant factor affecting the health outcomes of both communities and individuals. National and international health models now understand that systems of interrelated “social” factors are often the most significant determinants of health outcomes for both individuals and demographic groups. Safe housing conditions, access to healthy food, educational opportunities, and even walkable neighborhoods are all examples of social factors that can substantially increase the ability of individuals to make health-positive choices and maintain healthy lifestyles, reducing the need for costly, reactive healthcare services that do not intervene until after healthy individuals become sick. Systemic economic disparities, which can impact individuals’ and families’ ability to purchase healthy food, afford and maintain safe housing conditions, and access educational opportunities and resources, constitute another important factor within this “social determinants of health” paradigm. Accordingly, mitigating economic disparities by uplifting those with the most limited access to adequate financial resources may significantly improve health outcomes in our communities, saving both money and lives while making Hawai‘i a more healthy and wholesome place to live.

This bill will directly address a primary cause of negative health outcomes in our communities, by providing our hardest-working and lowest-paid employees with greater financial resources to ensure the health and well-being of themselves and their families.

HealthyPacific.Org strongly urges the Committee to amend this measure by restoring provisions that allow the minimum wage to be adjusted based on changes to the Honolulu consumer price index, without requiring further legislative action. Doing so would ensure that those earning the least in our communities have consistent access to a bare minimum of financial resources relative to our ever-changing cost of living. Such consistency would allow for more predictable and effective public health planning, as well as provide the economic security necessary for individuals to focus on achieving and maintaining healthier lifestyles beyond that of basic subsistence.

Accordingly, HealthyPacific.Org respectfully urges the Committee to **PASS WITH AMENDMENTS** SB2609 SD1, and make Hawai'i a healthier and happier place for all who call these islands home.

Thank you very much for the opportunity to testify on this measure.

HARA Voice of Hawaii's Seniors

*Hawaii Alliance for Retired Americans, An Affiliate of the Alliance for Retired Americans
1953 South Beretania Street, Suite 5C, Honolulu, Hawaii 96826*

Submitted by email to: LABtestimony@capital.hawaii.gov

Testimony of Al Hamai in support of SB2609, SD1, Relating to Minimum Wage

House Committee on Labor and Public Employment March 18, 2014, 9 a.m. Conference Room 309

Chair Mark M. Nakashima, Vice Chair Kyle T. Yamashita and Committee Members,

HARA strongly supports SB2609, SD1 which proposes to increase the minimum wage annually to \$10.10 on January 1, 2017.

We represent seniors and retirees statewide and we live basically on fixed incomes, including social security, pensions if we are fortunate to have them. Every dollar counts for us. We are worried about our long term care needs. Yet we believe in importance of social justice, which has helped to transform our state into a better place to live for its workers and families. We believe in the dignity of **all** work. Workers now, earning the lowest wages need your help to live with greater dignity and hope. You can make the difference, now.

We urge your Committee to keep your "eyes on the prize" and do the right thing to provide an increase in the minimum wage, as proposed. Based on your findings in Section 1 of the bill, there is no dispute on the need to increase the minimum wage. If there is disagreement on the controversial tip credit, why not simply suspend the implementation of the current tip credit and ask the employers to report back on the impact of the suspension. The main thing is to increase the minimum wage of our lowest paid workers. Clearly there is a strong public interest in increasing the minimum wage. What is the public interest in continuing to subsidize a certain group of employers, who use the tips received by their employees to reduce their payroll costs? We think none.

We urge your Committee to approve SB2609, SD1, not only for the benefit of our lowest wage earners but in the public interest toward making our state an even better place to live.

Mahalo and Aloha.

HARA is a strong voice for Hawaii's retirees and seniors; a diverse community-based organization with national roots; a grassroots organizer, educator, and communicator; and a trusted source of information for decision-makers.

HARA Affiliates: HGEA Retirees, HSTA-Retired, ILWU Retirees, UPW Retirees, AFT Retirees, Kokua Council, Hawaii Family Caregivers Coalition, Kupuna Education Center.

HAWAIIAN AFFAIRS CAUCUS

Democratic Party of Hawaii
e-mail: mkhan@hawaiiantel.net or raytanv@aol.com

February 24, 2014

LEGISLATIVE TESTIMONY
IN SUPPORT OF
SB2609 SD1, RELATING TO MINIMUM WAGE
WITH RECOMMENDED AMENDMENT
Hearing, Tuesday, March 18, 2014, 9:00 a.m., Room 309

Representative Mark Nakashima, Chair
Representative Kyle Yamashita, Vice Chair
Members, Committee on Labor and Public Employment

Aloha mai kākou,

The Hawaiian Affairs Caucus of the Democratic Party of Hawai'i is in **STRONG SUPPORT** of SB2609 SD1, though we recommend that it be amended to start the increase in the minimum wage to at least \$9.00 in 2015, then \$10.10 in 2016, and \$11.00 in 2017. We recognize the ripple effect that this will have on businesses and consumers.

SB2609 SD1 begins with a finding by the legislature that the hourly minimum wage in Hawaii is adjusted to account for the increase in the cost of living, and that according to the United States Census Bureau, **Hawaii has the highest cost of living, yet, it is the ninth poorest state in the United States.** In addition, although there is a 4.4 per cent unemployment rate in Hawaii, **17.3 per cent of Hawaii's population lives in poverty.** Probably, the groups most affected are those in the visitor industry, many of whom are of Filipino and Hawaiian descent.

The Council for Community and Economic Research, in their fifth edition on cost of living, found that **Hawaii is ranked third among the top 10 most expensive cities in the United States.** Manhattan and Brooklyn, NY ranked above; San Francisco, San Jose, Washington, D.C. were below.

Interestingly, **all areas that ranked among the top 10 had minimum raises above Hawaii's current minimum wage, and in particular we note that San Francisco and San Jose that ranked just below Hawaii had minimum wages of \$10.74 and \$10.15, respectively.**

SB 2609 SD1 proposes to raise the minimum wage to \$8.20 in 2015, then \$9.15 in 2016, and ending at \$10.10 in 2017. President Obama recently approved a national minimum rate of \$10.10. For most cities and states, this may seem reasonable. For Hawaii, it is not as our cost of living is not typical of other states.

Thus, we ask legislators to consider hiking the minimum wage to at least begin at \$9.00 in 2015, then \$10.10 in 2016, and then \$11.00 in 2017. This proposed minimum wage increase will help to restore the dignity of the working poor, people who are currently not being paid wages that allow them a decent level of economic stability.

As the League of Women Voters of Hawai'i points out in their testimony, "A just society rewards workers by compensating their labor fairly. An ethical society allows those who contribute by their labor, to receive wages they can live on."

We urge you to amend SB2609 SD1 to allow for a higher beginning wage increase in the interest of justice for the workers of Hawai'i.

Respectfully

/s/ Davis Price by on-line testimony

DAVIS PRICE
Chair

UNITE HERE!

LOCAL 5 HAWAII

Eric Gill, Financial Secretary-Treasurer

Hernando Ramos Tan, President

Godfrey Maeshiro, Senior Vice-President

Monday, February 24, 2014

The Honorable Mark Nakashima - Chair and Committee Members
Hawaii State Legislature
House Committee on Labor & Public Employment
State Capitol
415 S. Beretania Street

RE: SB 2609, SD 1 relating to minimum wage

Chair Nakashima and members of the House Committee on Labor & Public Employment:

UNITE HERE Local 5, a local labor organization representing 10,000 hotel, health care and food service workers employed throughout our State, would like to offer comments in support Senate Bill 2609, SD 1 relating to minimum wage with amendments.

SB 2609, SD 1 would increase the minimum wage to \$10.10 starting in January 2017.

We would ask the Committee to eliminate the "tip credit." Our State government can play a bigger, more productive role in improving our lives, and we agreed with your Committee in the version of the minimum wage bill you had previously passed out - there is no real substantiated need or reason for Hawai'i's tip credit law. In fact, it's more of a "tax" on Hawai'i's working people than a "credit." Hawai'i can provide good jobs for everyone.

As an organization representing workers in the health care and hospitality industries – two of Hawaii's most important – we understand first-hand the important role raising Hawaii's minimum wage can play in helping to sustain Hawaii's economic future.

As the standard quality of life for ordinary working people in our islands continue to deteriorate, Hawaii's economic future and our ability as a community to secure good jobs for our local people remain one of our greatest concerns. Our State has the highest cost of living in the nation and the lowest average adjusted income rate. Fifty-six percent of renters – many of whom are hourly wage earners – pay 30 percent or more of their income towards rent, fourth highest in the nation. And between 2006 & 2011 more than 3,200 jobs have been lost in the accommodations sector alone. Hundreds of good jobs have been lost in our hotels, and we are threatened with losing even more as we lose more of our hotel rooms to condominiums and timeshares.

It's our belief that Hawaii can be a place where good jobs are readily available and that is also why we helped launch a new movement called AiKea. AiKea is a movement that seeks to restore the confidence of Hawaii's working people to reclaim Hawaii for our future.

We thank you for your consideration in passing SB 2609, SD 1 with amendments and would urge the Committee to repeal the tip credit.



PARTNERS IN CARE Oahu's Coalition of Homeless Providers

TESTIMONY IN SUPPORT OF SB 2609 SD1: RELATING TO MINIMUM WAGE

TO: Representative Mark Nakashima, Chair; Representative Kyle Yamashita, Vice Chair; and members of the House Committee on Labor

FROM: Peter K. Mattoon, Advocacy Committee Co-Chair, Partners In Care

Hearing: Tuesday, March 18, 2014, 9:00 AM, Room 309

Dear Chair Nakashima, Chair Yamashita, and members of the Committee,

Thank you for the opportunity to provide testimony **in strong support** of SB 2609, to incrementally raise the minimum wage to \$10.10 in 2017. I am Peter K. Mattoon, and I am an Advocacy Committee Co-Chair for Partners In Care (PIC), a coalition of care providers focusing on the needs of homeless persons and strategies to end homelessness.

Homelessness is a pressing social crisis, and Hawai'i has the highest rate of homelessness in the nation. Many factors contributing to chronic, individual, and family homelessness. But for many households, especially families, their low income relative to the high cost of living—which is twice the national average—means they can barely make ends meet and risk or actually experience homelessness.

Partners In Care supports this increase to the minimum wage as a way to prevent homelessness and help households transition out of homelessness. Low-income families, especially those in poverty, struggle just to pay for necessities, including housing, with virtually none left over to save for a rainy day. Thirty percent of Hawai'i's families are liquid asset poor, meaning that they do not have enough in easily-liquidated assets to survive at the poverty level for three months. A 2006 study found that 170,000 people on Oahu alone were three paychecks away from homelessness. When these families are hit with a financial crisis, such as the loss of a job or medical emergency, they are greatly at risk of losing their housing.

We also see households who have worked hard to get their lives back on track and find employment struggle to find affordable housing. As a result, these households who are ready to work and live in permanent housing are stuck in transitional housing because they cannot find units affordable for those working at minimum wage. A two-bedroom apartment at fair market rent costs \$1,671. A minimum wage worker would need to work 177 hours per week, 52 weeks a year for this rent to be affordable (less than 30 percent of their income), or a household would need 4.4 minimum wage workers working full time to make this rent. Unsurprisingly, many of our low-income families are severely cost-burdened. Three out of four households at less than 30 percent of the area median income (\$17,000 for a single person; \$24,250 for a household of four) are paying more than *half* of their income toward rent. The 2010 Homeless Services Utilization Report found that more than half of homeless families had at least one adult working full or part-time, and that an inability to afford rent was an event contributing to their becoming homeless for 56 percent of all homeless families.

Adequate wages for all of our families are critical to ending and addressing homelessness. This bill will help families escape poverty. We do respectfully ask the committee to **amend the bill to index future increases in the wage to the Consumer Price Index and to repeal the tip credit**. Again, thank you for the opportunity to testify in **strong support** of SB 2609.

Partners In Care, c/o Aloha United Way, 200 N. Vineyard Blvd. Suite 700
Honolulu, Hawai'i 96817

Partners In Care is a membership organization of homeless service providers, other service professionals, units of local and state government, homeless consumers, and other community representatives located in Hawai'i on Oahu. It is a planning, coordinating, and advocacy body that develops recommendations for programs and services to fill gaps in the Continuum of Care on Oahu.

The House of Representatives
Twenty-Seventh Legislature
Committee on Labor and Public Employment
March 18, 2014, 9:00 a.m.
Room 309

Statement of the Hawaii Regional Council of Carpenters on
S.B. 2609 SD 1, Relating to Minimum Wage

The Hawaii Regional Council of Carpenters (HRCC) strongly supports increasing the minimum wage. The Bill should also provide for regular and more gradual adjustments consistent with the cost of living, and eliminating the “tip credit”.

While our union membership is not commonly thought of as working for the minimum wage, our family members, neighbors, and during recessionary times our members themselves, work at minimum wage jobs. Furthermore, the quality of our community life is improved when more working people have basic necessities and a chance to participate. While the vast majority of minimum wage workers are adults, minimum wage paychecks from “kids” also help families stay intact and off the streets.

Minimum wage earners work for their money, and of necessity, directly circulate their earnings into the economy. It’s been eight years since that minimal level of income has been adjusted. Rather than eight years of added earnings spreading through our economy, our taxes have had to pay for basic survival needs as real minimum wage buying power eroded.

Why are we haggling over the correct amount of “tip credit”? Are we to legislate what the maximum income should be for a certain targeted group of people? The minimum wage is to compensate tipped workers for their basic duties, just like other minimum wage workers. Beyond their basic duties, which generally include non-tipped set-up and clean-up, as well as serving customers, let tipped employees keep tips they earn with their sales and marketing skills. Don’t penalize them for having and using people skills, initiative and efficiency.

The minimum wage, with increases, without a tip credit, will not make any workers rich. Anyone who feels it to be a “jolt” to make up eight years of decreasing the value of the minimum wage, should favor a system for gradual adjustments in tune with the economic times. That is the concept of annually referencing the consumer price index.

Numerous studies make clear that minimum wage increases haven’t caused economic or job preservation disasters. Much larger forces determine our business prosperity or distress. Minimum wage increases did not stop our economic millennial “boom”, nor that of the years around the Japanese “bubble”. The tip credit did not prevent nor cause the Great Recession or oil price spikes.

For all of us that make Hawaii home, it’s time to take care of this part of our community, with the passage of S.B. 2609.

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 16, 2014 4:41 PM
To: LABtestimony
Cc: aac12@earthlink.net
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/16/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Andres Autrique	Moveon Honolulu Council	Support	No

Comments: We are in full support for a livable wage not only a minimum wage. We hope this is a first step to increase the wages overtime to a living wage.

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



March 18, 2014

TO: Representative Mark Nakashima, Chair
Representative Kyle Yamashita, Vice Chair and
Members of the Committee on Labor and Public Employment

FROM: Jeanne Y. Ohta, Co-Chair

RE: SB 2609 SD1 Relating to Minimum Wage
Hearing: Tuesday, March 18, 2014, 9:00 a.m., Room 309

POSITION: **STRONG SUPPORT:** Increase Minimum Wage/Eliminate the Tip Credit

The Hawai'i State Democratic Women's Caucus writes in strong support of SB 2609 SD1 Relating to Minimum Wage which proposes increases in the minimum wage in the years 2015, 2016, and 2017 and which would also adjust or repeal the tip credit.

The minimum wage in Hawai'i has not been increased in almost 8 years. Hawai'i is the most expensive state to live in, yet 21 states and the District of Columbia have higher minimum wages. Hawai'i also has a higher cost of living, which makes it even more difficult for minimum wage workers to make ends meet and to support themselves and their families.

Raising the minimum wage is important to our families because 20% or 22,000 of Hawai'i's children under six live in low-income working families. Many claim that minimum wage earners are teenagers working for the summer or at part-time jobs; however, 85% of minimum wage earners are 21 and older and 84% of minimum wage earners work more than 20 hours a week and 30% work 35 or more hours a week.¹

Increasing the minimum wage is especially important for women, LGBT workers, and immigrants, who are more likely to be low-wage earners.²

We also strongly support eliminating the tip credit. Restaurant servers, the largest group of tipped workers, experience poverty at nearly three times the rate of the workforce as a whole, and 70% of servers are women.³ 52% of non-tipped workers are men.⁴ Employers should simply not be allowed to pay sub-minimum wages.

During the time that minimum wage earners have not seen a raise in their wages, the median pay of a CEO at a company in the Standard & Poor's 500-stock index rose by nearly 20 percent from 2011 to 2012, according to a report by the research firm GMI Ratings.

We thank the committee for the opportunity to submit our testimony in strong support of SB 2609 SD1 to increase the minimum wage and to **ELIMINATE** the tip credit.

¹ U.S. Census Bureau, 2008-2012 American Community Survey

² U.S. Census Bureau, 2008-2012 American Community Survey

³ Bureau of Labor Statistics (BLS), U.S. DOL, from the Current Population Survey by the U.S. Census Bureau

⁴ Restaurant Opportunities Centers United, February 2012.



Lesbian, Gay, Bisexual, and Transgender Workers and Allies

March 18, 2014

House Committee on Labor and Public Employment
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

Testimony in strong support of SB2609 SD1

Pride At Work Hawai'i, which advocates for full equality and inclusiveness for lesbian, gay, bisexual, transgender, intersex, and queer workers and our families, strongly supports SB2609 SD1, which would increase Hawai'i's minimum wage to \$10.10/hour by 2017. However, we much prefer the original language of SB2609, which would also repeal the tip credit and peg future increases to the cost of living.

Raising the minimum wage will promote Hawai'i's economic recovery and help lift our families out of poverty and toward financial security, create economic opportunity and improve stability for all of our workers. Increasing the minimum wage is especially important for women, LGBT workers, and immigrants, who are more likely to be low-wage earners.

Minimum wage workers are critical to our economy, but are falling further and further behind in their ability to make ends meet. Hawai'i's minimum wage earners are going into their 8th year without a raise while average weekly earnings have increased by 16%. 85% of minimum wage earners are 21 and older, 84% of minimum wage earners work 20 or more hours a week, and 30% work more than 35 hours a week. If the minimum wage is increased to \$10.10 per hour, as proposed in this bill, it would be enough to pull a family of three out of poverty. It's long past time for a substantial minimum wage increase.

We also strongly support repealing the tip credit. The minimum wage is supposed to be an actual minimum, not a way for employers to get around paying the minimum wage. The average tipped worker earns just \$9.87 per hour, and tipped workers are more likely to live under the federal poverty guidelines. Restaurant servers, the largest group of tipped workers, experience poverty at nearly three times the rate of the workforce as a whole. As a result, 7 states allow no tip credit at all. It's time Hawai'i stop selling out tipped workers by getting rid of the tip credit.

Future increases should also be automatically pegged to be no less than the cost of living. Low wage workers need to know that their earning power will not decrease based on politics.

Thank you for the opportunity to testify in support of SB2609.

PRIDE AT WORK HAWAII'I advocates for full equality and inclusiveness - in our workplaces and our unions - for LGBT workers and our families, and builds solidarity between the Labor movement and the LGBT community.

PO Box 22416 Honolulu, HI 96822 (808) 543-6054 prideatworkhi@gmail.com www.prideatworkhawaii.org



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

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

Testimony by
Hawaii Government Employees Association
March 18, 2014

S.B. 2609, S.D. 1 – RELATING TO MINIMUM WAGE

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2609, S.D. 1 which increases the minimum wage rate over three years, beginning with an increase to \$8.20 per hour effective January 1, 2015, \$9.15 per hour effective January 1, 2016, and \$10.10 per hour effective January 1, 2017, however, we prefer the language contained in the original S.B. 2609, which additionally repealed the tip credit and authorizes the Department of Labor and Industrial Relations to adjust the minimum hourly wage to the nearest 5 cents based on the Honolulu region consumer price index.

The current minimum wage is \$7.25 per hour and has not changed since January 1, 2007, which equates to 8 years of salary stagnation for minimum wage employees. An increase to the minimum wage, in conjunction with repealing the tip credit, will directly benefit those who need it the most – the working class. The gradual increases over three years contained in S.B. 2609 will help spur Hawaii's economic recovery by increasing a minimum wage earner's purchasing power and thus generating much needed consumer spending.

We respectfully request passage of the measure, as originally written. Thank you for the opportunity to testify in strong support of S.B. 2609.

Respectfully submitted,

Wilbert Holck, Jr.
Deputy Executive Director



AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS		MAILING
ADDRESS			
John Bickel, President	Juliet Begley	Jan Lubin	PO. Box23404
Barbara Polk, Vice-President	Josh Frost	Stephen O'Harrow	Honolulu
Fritz Fritschel, Treasurer	Karin Gill	Jim Olson	Hawai'i 96823
Chuck Huxel, Secretary	Brien Hallett	George Simson	Marsha Schweitzer (Alt)

January 27, 2014

TO: Chair Mark Nakashima, Kyle Yamashita
Members of the House Committee on Labor

FROM: John Bickel, President
Americans for Democratic Action/Hawai'i

RE: Support and Comments on SB 2609 SD 1 Relating to Minimum Wage

Americans for Democratic Action/Hawaii reluctantly support most of SB 2609 SD 1. We have supported social justice causes for over half a century. We support the bill because it raises the minimum wage. We would like to see the provision for a tip credit eliminated and would like to see automatic increases tied to the Consumer Price Index. We are reluctant because we should understand that \$10.10 is not a living wage. One moderate estimate of a living wage in Hawaii comes from livingwage.mit.edu that calculates it to be \$12.91 for a single adult without dependents. To defer to January 2017 to get to \$10.10 seems to be justice delayed. By that time, it will be even harder to live on minimum wage. If our society values work, we must reward it. Raising the minimum wage to a living wage would encourage people to do the important jobs done by many minimum wage workers.



TO: HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice Chair

FROM: Richard Parry
President and Chief Executive Officer of Aloha Petroleum, Ltd.

HEARING DATE: Tuesday, March 18, 2014
DATE:
TIME: 9:00 a.m.
PLACE: Conference Room 309, State Capitol

RE: Testimony in Opposition to Senate Bill No. 2609, SD 1 Relating to the Minimum Hourly Wage

Chair Nakashima, Vice Chair Yamashita, and Members of the House Committee on Labor and Public Employment, I am Richard Parry, President and Chief Executive Officer of Aloha Petroleum, Ltd. ("Aloha Petroleum").

Aloha Petroleum submits this testimony in opposition to Senate Bill No. 2609, SD 1 relating to the Minimum Hourly Wage, which is before your Committee for a hearing.

While Aloha Petroleum is sympathetic to the intent of Senate Bill No. 2609, SD 1, passage of this Bill will adversely impact our company as well as many small businesses and the overall economy in Hawaii.

Like many businesses that employ workers at or near the minimum wage, Aloha Petroleum's convenience stores provide an entry point to the work place for many people who do not have the training or experience to work elsewhere in higher paying jobs. This includes many unskilled women returning to the workforce, recent immigrants to the U.S., and others. While they are being paid at or near the minimum wage, these employees receive valuable training and benefits. In Aloha Petroleum's case, employees receive a formal 3-day training course upon hiring and regular continuing training thereafter. Employees also receive enhanced benefits and, upon completion of three months of work, a 25-cent per hour increase and additional periodic increases are given after that.

Aloha Petroleum currently employs over 500 employees and roughly 360 of those employees work at about 42 convenience stores statewide. While no Aloha Petroleum employees actually work at the minimum wage, all our convenience store employees would be affected by the proposed increase by what is known as



“compressed wages” since their pay would also need to be increased to provide equity. As wages rise, so do the premiums for the cost of Social Security, Medicare premiums, unemployment compensation insurance, and worker’s compensation, as these required coverages are all based on the employee’s wages.

The minimum hour wage increases proposed in Senate Bill No. 2609, SD 1 will cause substantial financial burdens on the operations of locally run businesses like Aloha Petroleum. Aloha Petroleum estimates that the labor cost impact of the proposed minimum hourly wage increases on Aloha Petroleum alone will be almost \$600,000 the first year if the minimum wage is increased by \$0.95 per hour from \$7.25 per hour to \$8.20 per hour starting on January 1, 2015. The Bill then proposes another \$0.95 per hour increase from \$8.20 per hour to \$9.15 per hour starting on January 1, 2016 and then again from \$9.15 per hour to \$10.10 per hour starting January 1, 2017, which will cause continuing financial burdens and increased labor costs for local businesses for the next three years.

Cost increases of this magnitude leave us with 4 options. We can try to pass the costs on to customers through higher prices. We can hire fewer entry-level workers, or reduce the numerous benefits that are currently provided to employees. Or we can reduce profitability. All of these have negative consequences for our employees, for the company and for Hawaii as a whole.

An example of benefits Aloha Petroleum would need to reconsider includes temporary disability insurance, which Aloha Petroleum currently provides its employees at no charge. In addition to the medical insurance coverage required under Hawaii law, Aloha Petroleum provides employees with drug, vision, and dental insurance, which are not required by law, at only a 1.5% charge of their average monthly wage to the employees. Moreover, Aloha Petroleum provides its employees with paid sick leave, vacations, and holidays. To the detriment of the employees, these and many other benefits may have to be eliminated or downgraded if labor costs are increased for businesses as a result of increasing the minimum hourly wage.

Reducing Aloha Petroleum’s profitability substantially would threaten the company’s viability in the long run particularly in light of other ever increasing costs to meet the State’s regulations.

The most likely option in these circumstances is to reduce the number of employees in our convenience stores. The economics of the convenience store industry in Hawaii do not support the type of wage increase proposed in this law. The large size of these increases and rapid implementation during a relatively short period will likely cause considerable disruption in the labor market, because it will not only be limited to

Testimony of
Aloha Petroleum, Ltd.
Page 3
Senate Bill No. 2609, SD 1
on Minimum Hourly Wage
Hearing Date: March 18, 2014



entry level positions but will also likely have a ripple effect on most wages across the state, with a particularly hard impact on the state's small businesses.

For the above reasons, Aloha Petroleum opposes Senate Bill No. 2609, SD 1 relating to increasing the hourly minimum wage. Thank you for the opportunity to testify in opposition to this bill.



To: House Committee on Labor and Public Employment
From: Shaughn Helliar
General Manager
Hearing: March 18, 2014
RE: SB2609, Relating to Minimum Wage

Duke's Beach House Maui is in **support** of the intent to increase wages for lower wage earners with the following amendments:

- **Slow down the increments to allow businesses to absorb the increase**
- **Keep tipped employees pay rate at \$7.00 by increasing the tip credit as the wage goes up.**

An increase in the tip credit will create greater equity in wages by not furthering the gap between tipped and non-tipped employees.

Duke's Maui, has approximately 180 employees. 135 work in the front of the house, with more that 95% making \$7.25 minimum wage less tip credit of .25 an hour plus tips. Their average hourly wage with tips in 2013 was \$23.05. This average goes up annually as our menu prices increase.

Conversely, our non-supervisory Kitchen employees average \$15.06 an hour. We value our Kitchen employees and all earn greater than the current minimum wage, however not comparable to those employees that earn wage + tips.

Any increase in minimum wages for tipped employees which are 2/3rds of our staff will, needless to say reduce any chance of any further in-house wage increases for the non-tipped kitchen employees. Possibly even create a reduction in new employee starting rates.

We feel this is has the opposite effect of the intent of this bill.

Without a corresponding change in the tip credit, we will be giving an increase to the wrong group of employees. If minimum wage is increased, correspondingly increase the tip credit. This way, restaurants can increase wages for the non-tipped employees who would benefit the most.

Thank you for your efforts.

Dukes Beach House Maui Management.

DUKE'S BEACH HOUSE MAUI
130 Kai Malina Parkway, Lahaina, 96761



House Committee on Labor & Public Employment
Tuesday, March 18, 2014
9:00 a.m.

S.B. 2609, S.D.1, Relating to Minimum Wage.

Dear Committee Chair Nakashima and Committee Members:

The University of Hawaii Professional Assembly (UHPA) supports the increase in minimum wage as contemplated in this measure. A large portion of the student body must work in order to stay in school. Raising the minimum wage has a direct impact on the ability of students to increase the number of courses each semester and can lead to shortening the time to graduation and obtainment of new work skills.

UHPA notes there are suggested clarifying amendments submitted by the Hawaii Department of Labor and Industrial Relations regarding the circumstances where employers may use the tip credit and establishing common poverty level measurement. UHPA encourages the Committee to incorporate these amendments into the proposed legislation

Respectfully submitted,

Kristeen Hanselman
Associate Executive Director

**UNIVERSITY OF HAWAII
PROFESSIONAL ASSEMBLY**

1017 Palm Drive • Honolulu, Hawaii 96814-1928
Telephone: (808) 593-2157 • Facsimile: (808) 593-2160
Web Page: <http://www.uhpa.org>



Progressive Democrats of Hawai'i

<http://pd-hawaii.com>

1418 Mokuna Pl. Pl, Honolulu, HI 96816

email: info@pd-hawaii.com

tel: 808-542-9084

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

Date: Tuesday, March 18, 2014
Time: 9 am
Place: Conference room 309

SB2609, SD1 RELATING TO MINIMUM WAGE

In SUPPORT, with Amendments

My name is Bart Dame and I am testifying on behalf of Progressive Democrats of Hawaii in support of SB2609, which we believe may be the best of vehicle bill for raising the minimum wage, though we think it can be improved with some amendments.

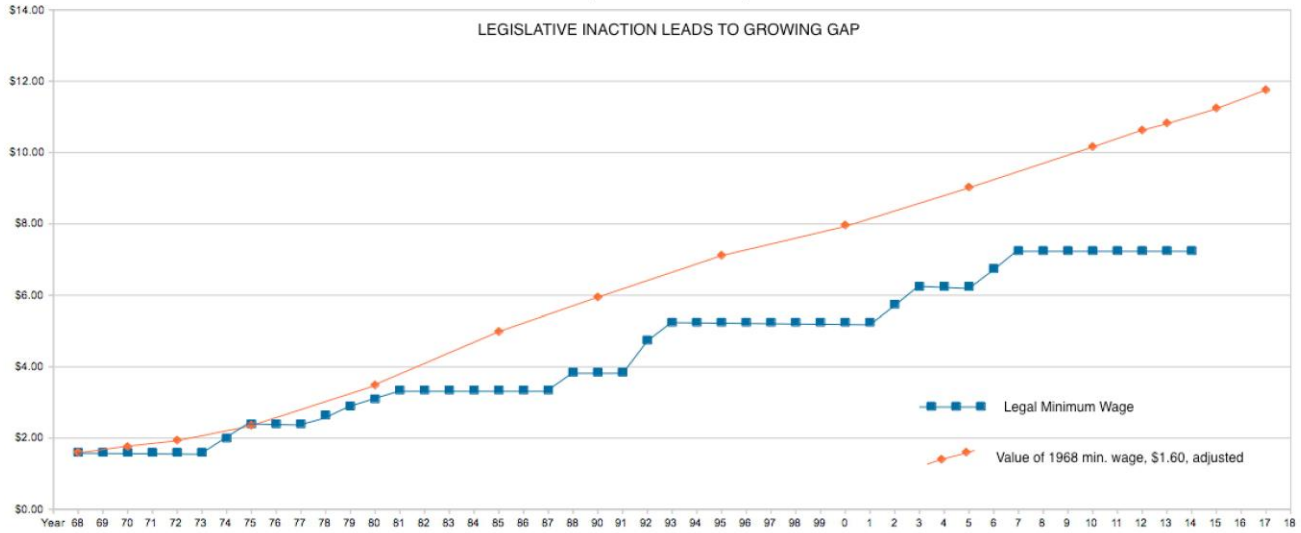
We like that it would raise the minimum wage to \$10.10. We greatly prefer the schedule of wage increases in this bill, raising the wage by January 2017, over HB2580, which would delay restoring the purchasing power of the minimum wage to low-wage workers until January 2018.

We could support the committee inserting a specific amount of 50 cents into the tip credit provision, but only if you also amend the bill by inserting the income threshold trigger mechanism from HB2580, which we believe was a creative approach to the problem of protecting low and moderate-income tipped employees.

We also urge you to restore the provision for an annual adjustment of the minimum wage to allow it to retain its purchasing power in the face of erosion. We would note both chambers bills contained such a provision. And we have not heard a single rational argument as to why it makes more sense to use the legislative process once every 7 to 8 years to adjust for inflation in large jumps rather than the much more reasonable and moderate annual adjustments. We think the both the original House and Senate versions displayed more wisdom on this than the amended versions.

We present the chart on the following page as a means to help remind legislators what has happened to the purchasing power of the minimum wage in Hawaii in recent decades when adjustments to the minimum wage to offset inflation have been left to the legislative process.

DECLINE OF MINIMUM WAGE IN HAWAII (1968 - 2014)



On the chart, you will see two lines. The blue line shows the actual minimum wage for each year since 1968. The orange line shows the value of the 1968 minimum wage, in current dollars, which reflects where it would be, had the legislature raised it to keep up with inflation.

We believe the chart shows why the CPI provision must be retained and why the wage should be raised to at least \$10.10 by January 2017.

The chart shows, quite clearly, how the reluctance of legislators to raise the wage, for MANY years at a stretch, has pushed our lowest wage workers into poverty and, sometimes, homelessness. 40% of the homeless are working, with most at, or near, the minimum wage.

We can see three lengthy periods where previous legislators failed to raise the minimum wage to keep up with the rising cost of living. From 1981-1987 (a period of 6 years) from '93 to 2002 (a period of 9 years!) and from 2007 until now (a period of 8 years).

If the legislature declines to adopt the annual CPI adjustment, does this mean you are content with repeating the historical practice of allowing low-wage workers' income to decline for years at a time?

Can at least one legislator explain the POLICY reasons for refusing to adopt the annual CPI adjustment? Because we have not heard ONE reasonable argument, either from the business lobbyist or from legislators.

We have seen testimony claiming the CPI provision will subject business owners to sudden, hard to predict increases, which will render budgeting difficult, even "impossible." That is, to use an Irish phrase, MALARKY. In Japanese, "SHIBAI." IN Anglo-Saxon.... We will avoid the appropriate Anglo-Saxon words.

Costs for businesses go up, sometimes unexpectedly and at rates greater than the CPI, yet businesses adapt to hikes in rent, utilities, gasoline, insurance, the cost of merchandise or materials. Only the cost of labor cannot be adjusted to? Chaining future hikes in the minimum wage to the overall rate of the cost of other items, will make such hikes predictable and incremental.

Leaving it to legislative action, on the other hand, will inevitably result in sudden, difficult to anticipate jumps when the legislators, after delaying for 6, 8, or 9 years (!), finally get spurred into action by the obvious injustice of forcing workers to work for less and less, in real terms, each year.

If business owners are concerned about the jump in wages proposed with this bill, they should realize it is a byproduct of their success, over the last 7 years, in preventing smaller hikes. The fairest solution, which would prevent future lurches in the minimum wage, would be to ensure there be small, annual adjustments, consistent with the CPI. The purchasing power of the minimum wage would not go up. It would not go down. It would retain a constant value.

SB2609, SD1 would hike the minimum wage, in three steps, to \$10.10 by January 1, 2017. That hike would recapture much of the previous value of the wage which has been lost due to legislative inaction in the face of inflation. But, it should be noted, the purchasing power of the 1968 minimum wage, \$1.60, when adjusted for inflation, would be worth \$10.77 TODAY. By January 2017, it will be worth about \$11.75. So the hike proposed in SB2609 can not be viewed as excessive. It is actually a compromise, a concession to the business community. It is, however, the best wage being offered and is consistent with the minimum wage being proposed nationally by Senator Tom Harkin, with the support of his caucus and President Obama.

Again, if we were to argue on the basis of justice and equity, since Hawaii's cost of living is about 55% above the national average, our minimum wage should also be about 55% above the federal wage.

Please pass this bill:

Raise the minimum wage to \$10.10 by January 2017.

Please:

DO NOT reduce that amount. DO NOT DELAY its full implementation until January 2018.

RETAIN the CPI provisions. TEN OTHER STATES HAVE ANNUAL CPI ADJUSTMENT MECHANISMS. WHY SHOULD HAWAII'S WORKERS BE DENIED SIMILAR PROTECTION AGAINST INFLATION?

Thank you for the opportunity to testify.



75-5737 Kuakini Hwy. Suite 208
Kailua-Kona, HI 96740
Phone: 329-1758 Fax: 329-8564
www.Kona-Kohala.com info@kona-kohala.com

Testimony to the House Committee on Labor and Public Employment
Tuesday, March 18, 2014
9 a.m.
Conference Room 309, State Capitol

Re: SB 2609 SD1

Aloha Chair Nakashima, Vice Chair Yamashita and Members of this Committee:

My name is Vivian Landrum, and I am the President/CEO of the Kona-Kohala Chamber of Commerce (KKCC). KKCC represents over 525 business members and is the leading business advocacy organization on the west side of Hawai'i Island. KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitors alike.

The Kona-Kohala Chamber of Commerce supports a reasonable increase in the minimum hourly wage with manageable stepped increases to allow businesses to prepare and plan for them. **The proposed \$.95 jump** effective January 1, 2015, with \$.95 increases the next two years, **is too aggressive for our businesses**, particularly those who are only now experiencing their own economic recovery.

Let us not confuse minimum wage with a livable wage. Minimum wage is an entry-level wage, a base if you will, for employees to enter the workforce, acquire skills and, in essence, become "more employable." Statistics show that minimum wage earners are not heads of households, more than 50% are students or other young people (approximately 24% are teenagers)¹, and nearly two-thirds get a raise in their first year.² Many of my Chamber members have shared they hire interns, college students and other career-minded young people during summers and holiday periods just to offer them an opportunity to expand their resume with real-life experience. Raising the minimum wage unrealistically, and at a rapid rate, will deter them from this hiring practice and possibly omit the youngest and least educated from finding work.

Raising the minimum wage needs to be done with caution, realistically and with both sides of the equation in mind. How employers will respond to a minimum wage increase and the impact on the overall economy are two factors that bear consideration.

Mahalo for the opportunity to submit testimony.

Sincerely,

A handwritten signature in cursive script that reads "Vivian Landrum".

Vivian Landrum
President/CEO

¹ James Sherk, "Who Earns the Minimum Wage? Suburban Teenagers, Not Single Parents," Issue Brief #3866 on Labor, The Heritage Foundation, February 28, 2013.

² William E. Even and David A. Macpherson, "Wage Growth Among Minimum Wage Workers," Employment Policies Institute, June, 2004.



Hearing Date: March 18, 2014

To The House Committee on Labor and Public Employment,

I'm writing to you, in my capacity as the General Manager/ Partner of Keoki's Paradise (a restaurant located on the island of Kaua'i) in regards to Hawaii Bill Proposal SB2609, Relating to Minimum Wage. My management team and I are **in support of the intent** to increase wages for low wage earners, but, we would like to request the following amendment for your consideration: **a minimum wage increase that also increases the tip credit accordingly**. We ask this because we feel that a corresponding increase in the tip credit will enable restaurants (such as ours) to raise the rate of pay for non-tipped employees.

We have approximately 110 non-supervisory employees at Keoki's Paradise. Of these 110 employees, 70 of them (64%) work in the front of the house making the \$7.25 minimum wage less tip credit of \$0.25 an hour, plus tips. The average hourly wage for our front of the house employees in 2013 (with tips) was \$22.45.

On the other hand, our kitchen and maintenance staff make up the remaining 40 employees and averaged \$12.82 an hour in 2013.

This bill without an equal increase in the tip credit will raise the wages of the wrong group of employees! Without a corresponding tip credit to the proposed minimum wage increase it will be very difficult to continue to raise the wages for these employees whom would benefit most.

Thank you for your consideration.

Respectfully,

Derek Kessler
General Manager / Partner
Keoki's Paradise
2360 Kiahuna Plantation Drive
Koloa, HI 96746
808-742-7534
derek@keokis.com



House Committee Labor

The Hon. Mark M. Nakashima, Chair

The Hon. Kyle T.Y. Yamashita, Vice Chair

Testimony in Support of Senate Bill 2609, SD1

Relating to Minimum Wage

Submitted by Robert Hirokawa, Chief Executive Officer

March 18, 2014, 9:00 am, Room 309

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 2609, increasing the state minimum wage over each of the next three years.

The HPCA is a staunch believer in the social determinants of health, those economic and social conditions that influence an individual and a community's health status. These conditions serve as risk factors endemic to a person's living and working environment, rather than their behavioral or genetic histories. Factors such as income, education, access to recreation and healthy foods, housing, and employment, can and do have measurable impacts on a person and a community, both in health and financial outcomes.

Senate Bill 2609 speaks to a fundamental determinant by taking steps to bring the state minimum wage up to a living wage standard. Here in Hawaii, the rate of unemployment is just 4.4%, while over 17% lives in poverty. This is in no small part because the state minimum wage of \$7.25 has not been adjusted in seven years, despite rapid rises in inflation and cost of living.

For these reasons, we strongly support this measure and thank you for the opportunity to testify.



To: House Committee on Labor and Public Employment
From: Dianne Vicheinrut
General Manager
Hearing: March 18, 2014
RE: SB2609
Relating to Minimum Wage (**TIP CREDIT**)

We are in **support of the intent** to increase wages and request the following **amendment**.

- A state tip credit that correspondingly increases with the projected minimum wage increase. Keep the tipped employees pay rate at \$7.00 an hour.

When it comes to wages, restaurants struggle to create equity between the Front of the House (FOH) and Back of the House (BOH) employees. The major difference is that the FOH employees are tipped and their average hourly tips can double the average hourly wage of the BOH employees. Our company has been focused on trying to equalize this major disparity by increasing the hourly wages of the back of the house employees. Although this has come at a high cost to our business, we feel that it is important to give our BOH staff a fair standard of living.

An increase in the tip credit will continue to enable Hula Grill Waikiki to pay BOH employees above minimum wage and create more equity in wages.

Hula Grill Waikiki has 120 employees. Approximately 85 work in the front of the house as greeters, bussers, bartenders, and servers. Most earn \$7.25 less tip credit of \$0.25 an hour plus tips. We agree that their income varies and some days are better than others but disagree that they are low wage earners when their average hourly wage in 2013 with tips was \$21.74.

Conversely, Kitchen employees (dishwashers, prep, and line cooks) average \$13.78 an hour (up from \$12.05 in 2012); none of them are at minimum wage. The increase will not increase their wages and in fact may lower them because if we increase the wages of our tipped employees, we will be hard pressed to continue to raise the rates of our back of the house support staff above the minimum required by law.

We understand that the goal of increasing minimum wage is to offer a higher standard of living for those making minimum wage. If minimum wage is increased, correspondingly increase the tip credit. This way, restaurants can increase wages for the non-tipped employees who would benefit the most.

Aloha,

Dianne Vicheinrut
General Manager

Hula Grill Waikiki
2335 Kalakaua Avenue, Suite 203, Honolulu, HI 96815



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 and Public Employment

Testimony by
Hawaii State AFL-CIO
March 18, 2014

S.B. 2609, SD1 – RELATING TO MINIMUM WAGE

The Hawaii State AFL-CIO supports S.B. 2609, SD1 which increases the minimum wage rate to \$8.20 per hour beginning on 1/1/15, \$9.15 per hour beginning on 1/1/16, and \$10.10 per hour beginning on 1/1/17 and changes the tip credit and tip credit deactivation trigger amounts to unspecified amounts.

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 over seven years ago in 2007 and if Hawaii's minimum wage had been indexed to the Consumer Price Index (CPI) the minimum wage in 2013 would have been \$8.68 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, 21 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 \$10.51 an hour, and San Francisco has raised its minimum wage to \$10.74 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.

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

Moreover, the poverty line for a family of two in Hawaii in 2013, was \$17,850, and is increased to \$22,470 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, 52 weeks per year 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."

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." Further, 75 leading economists including 7 Nobel laureates support the idea of raising the federal minimum wage to \$10.10 an hour. They proclaimed, "The vast majority of employees who would benefit are adults in working families, disproportionately women, who work at least 20 hours a week and depend on these earnings to make ends meet." The leading economists also went on to say "At a time when persistent high unemployment is putting enormous downward pressure on wages, such a minimum-wage increase would provide a much-needed boost to the earnings of low-wage workers and research suggests that a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front."

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 below.

Randy Perreira
President



LEILANI'S

On the Beach

To: House Committee on Labor & Public Employment

From: Jason Donez
General Manager

Hearing Date: March 18, 2014

RE: SB2609
Relating to Minimum Wage

We support the intent to increase wages for low wage earners. However, due to the industry of which we have chosen to operate a business, we request the following amendment: A minimum wage increase with a corresponding increase to the tip credit. An increase in the tip credit would continue to enable restaurants to raise pay for non-tipped employees above the minimum, thus creating more equality in wages.

The State of Hawaii currently has the lowest tip credit of any state with an allowed maximum tip credit at .25, well below the FLSA credit limit of \$5.12. The next lowest tip credit is \$1.60 for the State of New York with the max tip credit for food service employees in this state at \$2.25.

In addition, Hawaii's minimum cash wage is also the highest of any state with an allowed maximum tip credit at \$7.00, well above the FLSA minimum limit of \$2.13. The next highest state is Connecticut at \$5.69 with the exception of only bartenders in this state which earn \$7.31 after the max tip credit is applied.

Leilani's on the Beach employs 195 Maui residents. Approximately 150 work in the front of the house, although their hourly rate is \$7.25 minimum wage less tip credit of .25 an hour, with tips, their average was \$22.67 an hour. The most entry-level front of house employee averaged \$15.14 an hour!

Conversely, our non-supervisory Kitchen employees average \$13.87 an hour with none of them working at the minimum wage. The proposed increase would not increase their wages and in fact would most likely lower them over time. Restaurants will be hard pressed to continue to raise the rates above minimum of their back of the house/kitchen staff. Also, wages for potential new hires may be reduced, resulting in greater challenges to staff these positions.

We feel the current bill has the opposite effect of the intent and will provide a wage increase to the wrong group of employees. An increase in minimum wage, along with an increase in the tip credit (Hawaii would still exceed the minimum and maximum requirements of the FLSA in these areas) means restaurants can continue to increase wages over time for their non-tipped employees who would benefit the most.

Thank you for your efforts.

Anna Miller's

RESTAURANTS

March 17, 2014

To: Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice Chair
Members of the House Committee on Labor and Public Employment

Date: Tuesday, March 18, 2014

Time: 9:00 A.M.

Place: Conference Room 309

From: Wade Hashizume, Area Manager
Anna Miller's and Bravo Restaurant

RE: SB2609 RELATING TO MINIMUM WAGE

Thank you for the opportunity to testify on Senate Bill 2609. We respectfully request the bill be amended to include a dollar for dollar increase to the tip credit that corresponds with any increase to the minimum wage.

Anna Miller's has been in business in Hawaii for 40 years. We presently operate two restaurants in Pearlridge, Anna Miller's and Bravo. We have over 200 employees making us one of the largest employers in our area. Many of our employees have been with us more than 30 years. Unquestionably, a major factor in our longevity and employee loyalty is our concern to provide a fair salary to all of our workers.

Our HR Department has advised us if minimum wage is raised to \$9.25 per hour without any increase in tip credit it would add \$345,000 to our annual labor cost. Even with an additional \$1.00 increase to the tip credit there would still be a \$240,000 annual increase in labor cost. Without a dollar for dollar tip credit increase, there is no question Full Service Restaurants, in addition to raising menu prices will need to cut hours and reduce staff to stay in business.

1. Tip Credit History: The tip credit was introduced over 40 years ago at 20¢ per hour at a time when the hourly minimum wage was \$1.60 per hour. The minimum wage has since increased from \$1.60 to \$7.25 while the tip credit has only increased 5¢ from 20¢ to 25¢.
2. Food Servers Are Not Minimum Wage Earners: The Federal Government requires employers to report 8% of food server's net sales to estimate tip income. Based on the government's 8% tip figure, an Anna Miller's food server earns \$17.00 per hour. Using figures obtained from our charged sales, we find that the actual tip average is 17%, which translates into an average hourly rate in excess of \$28.00 per hour. Having these actual hourly earnings in mind, it becomes clear that food servers should not be placed in the same category as minimum wage earners.

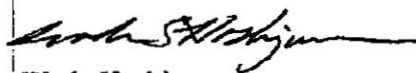


3. Restaurant Check Averages: Anna Miller's has a relatively low check average of \$11.75. Our customers are local families, the military and seniors. Food servers at restaurants with higher check averages will have even higher hourly wages.
4. Inadvertent Hourly Wage Increases: If the minimum wage were to be increased, restaurants would, as a consequence, need to raise menu prices. Given that tips are based on a percentage of the check, a raise in menu prices would, in turn, result in an automatic raise of food servers' hourly wage.
5. A \$2.00 Tip Credit Is Not Unreasonable: The State of Florida which relies heavily on tourism and has a growing senior population similar to Hawaii has a Tip Credit of \$3.00.
6. Detrimental Impact on Non-Tipped Restaurant Employees: Tips are given on the basis of the overall dining experience, which, in the case of Full Service Restaurants, includes the efforts of numerous non-tipped employees, including hostesses, cashiers, bus persons, janitors, dishwashers, cooks, prep cooks etc. Without an increase in the Tip Credit at least equal to the proposed increase in minimum wage, the unfortunate reality is that other, non-tipped employees receiving a salary raise is substantially reduced or eliminated.

In the past, Full Service Restaurants, as a group, have not been particularly politically vocal and, as a result, Legislators may not fully comprehend our contribution to the Hawaiian economy. In combination, Full Service Restaurants are one of the largest employers in the State. Our industry has been instrumental in creating thousands of jobs and in contributing millions in tax revenues to the State. It is our goal to be able to continue to do so.

Thank you for taking the time to consider our views on this issue.

Sincerely,



Wade Hashizume





A'ohe hana nui ka alu'ia
"No Task Is Too Big When Done Together By All"

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO

735 Bishop Street, Suite 412 * Honolulu, Hawaii 96813
(808) 524-2249 - FAX (808) 524-6893

KIKA G. BUKOSKI
Executive Director

March 17, 2014

EXECUTIVE BOARD

REGINALD CASTANARES
President
Plumbers & Fitters Local 675

DAMIEN T.K. KIM
Vice President
International Brotherhood of
Electrical Workers Local 1186

MARC YAMANE
Secretary Treasurer
Elevator Constructors Local 126

RYDEN VALMOJA
Sergeant At Arms
District Council 50
Painters & Allied Trades Local 1791
Carpet, Linoleum, & Soft Tile
Local 1926
Drywall, Tapers & Finishers
Local 1944
Glaziers, Architectural Metal &
Glassworkers Local 1889

DOUGLAS FULP
Trustee
International Assoc. of Heat & Frost
Insulators & Allied Workers Local 132

JOSEPH O'DONNELL
Trustee
Iron Workers Local 625

GARY AYCOCK
Boilermakers, Ironship Builders
Local 204

RONAN KOZUMA
Hawaii Teamsters & Allied
Workers Local 996

VAUGHN CHONG
Roofers, Waterproofers & Allied
Workers United Union of Roofer
Local 221

Honorable Representative Mark Nakashima, Chair
Honorable Representative Kyle Yamashita, Vice Chair
Members of the Committee on Labor and Public Employment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: SB2609 SD1 RELATING TO LABOR; MINIMUM WAGE; TIP CREDIT
Hearing: Tuesday, March 18, 2014, 09:00 a.m. Conference Room 309

Honorable Chair, Vice Chair and Committee Members;

The Hawaii Building & Construction Trades Council, AFL-CIO is a chartered member of the Building and Construction Trades Department, AFL-CIO first organized in 1908 and comprised of 14 out of 15 construction trade unions with 386 state, local and provincial councils in the United States and Canada and an estimated 15,000 members locally. Our primary mission is to provide employment opportunities and living wages for many of Hawaii's working men and women in the construction industry.

The Council Supports SB2609, SD1 which ensures that Hawaii's minimum wage is adjusted to account for increases in the cost of living. According to the United State Census Bureau, Hawaii has the highest cost of living, yet it is the ninth poorest state in the United States. In addition, although there is a 4.4 per cent unemployment rate in Hawaii, 17.3 per cent of Hawaii's population lives in poverty.

For seven years, the minimum wage in Hawaii has remained at \$7.25 per hour, while the costs of goods and services have increased. For example, seven years ago, the average price of gas was \$2.81 per gallon. Today, it is approximately \$3.98 per gallon, depending on the price of crude oil. This is a price increase of 41.64 per cent. The median price of a single-family home in Honolulu rose 14.2 per cent from 2012 to 2013. The median home price is currently \$685,000.

We encourage your committee to approve SB2609, SD1 and further urge your committee to amend the proposed legislation to take effect upon approval.

Mahalo for the opportunity to provide comment in support of SB2609, SD1.



International Organization of
Masters, Mates & Pilots

521 Ala Moana Blvd., Ste 254, Honolulu, HI 96813
Telephone: 808-523-8183 • Fax: 808-538-3672
Internet: www.bridgedeck.org

DONALD J. MARCUS
International President

STEVEN E. WERSE
International Secretary-Treasurer

DAVID H. BOATNER
Vice President, Pacific Ports

March 17, 2014

Committee on Labor and Public Employment

Honorable Mark Nakashima, Chairperson and Committee Members

Public Hearing March 18th, 2014, 9:00 AM, Conference Room 309 State Capitol

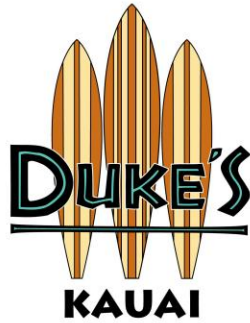
Testimony in Support of S.B. 2609 Relating to Minimum Wage

Despite revisions to the original bill, the International Organization of Masters, Mates and Pilots strongly supports an increase to the Minimum Wage to at least \$10.10 per hour in three years, repeal of the Tip Credit along with implementing annual increases according to the Consumer Price Index.

Sincerely,

Randy Swindell

Honolulu Port Representative



To: Representative Nakashima, Chair
Representative Yamashita, Vice Chair
House Committee on Labor & Public Employment

From: Jaime Arreola, Regional Manager Kauai

Hearing Date: March 18, 2014

RE: SB2609
Relating to Minimum Wage (**TIP CREDIT**)

MATCH THE INCREASE IN WAGES WITH AN EQUAL INCREASE TO THE TIP CREDIT

We support the proposal to increase the existing minimum \$7.25 hourly rate, however request a minimum wage increase that correspondingly increases the tip credit. An increase in the tip credit will enable restaurants to create more equity in wages.

Duke's Canoe Club Kauai has approximately 140 employees. Approximately 100 work in the front of the house, more than 71% making \$7.25 minimum wage less tip credit of .25 an hour plus tips. Their average hourly wage with tips was \$22.14 last year.

Conversely, our non-supervisory back of the house support staff which consists primarily of our Kitchen employees average \$14.15 an hour; none of whom are at minimum wage. Unfortunately, this minimum wage increase will not increase their current wages but may in fact hinder future pay increases due to monetary fund's being subsidized towards the tipped employees. We feel this has the opposite effect of the intent of this bill.

93% of restaurants are small businesses with less than fifty employees. I've spoken with many of these local restaurants on the island of Kauai who have similar concerns. When asked for more specifics to include with my testimony they estimate their tipped employees make minimum \$14 an hour in tips up to \$30 an hour in tips. That does not include their hourly wage. These same restaurants pay \$9-\$16 an hour for Kitchen employees.

Without a corresponding change in the tip credit, we will be giving an increase towards the wrong group of employees.

Creating Equity:

If minimum wage is increased; correspondingly increase the tip credit. This way, the restaurant industry can increase wages for the non-tipped employees who would benefit the most.

Mahalo for your support.

DUKE'S CANOE CLUB KAUAI
RESTAURANT AND BAREFOOT BAR
3610 RICE STREET, LIHUE, HAWAII 96766

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 1:56 PM
To: LABtestimony
Cc: luke808shipper@yahoo.com
Subject: *Submitted testimony for SB2609 on Mar 18, 2014 09:00AM*

SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
luke kaili	MEBA	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

TO: Senate Ways and Means

FROM: Mr. Orrin Cross – General Manager @ Hula Grill

RE: SB2609 - Relating to Minimum Wage (Increase the Tip Credit)

Aloha,

I am writing this letter in support of the March 18, 2014 hearing to increase the minimum for low wage earners. I am support with amendments.

1. Slow down the increase as in the House version to allow businesses to adjust. Costs will be increased in other areas besides just labor. We also anticipate an increase in food costs. Each year brings new challenges to the business climate. Rising cost of goods, fuel prices and health care make the business environment difficult to survive. Labor with benefits represent 35% of the money we take in. Restaurants run on small profit margins that are easily pushed into the red.
2. Have the tip credit increase the same as the minimum wage increase.

Hula Grill employs approximately 200 employees. Of those employees, about 120 receive tips. They are paid \$7.00 per hour with a .25 an hour tip credit but with tips they average from a low of \$18.47 up to a high of \$34.72. Your intentions are not to give this pay group a raise!

Our kitchen staff currently averages \$14.05 per hour, none are paid minimum wage. When the increase of minimum wage goes through, it could affect this group of employees negatively. If the tip credit does not increase, not only will Kitchen employees not receive a raise from the increase, we will be forced to pay the servers, bus staff etc. more, taking away future money that would be available to keep kitchen wages above minimum.

Hawaii restaurants are a huge source of income for the state but need to make a profit to continue to contribute. Thank you for your time and consideration.

Thank You,

**Orrin Cross
Hula Grill
2435 Kaanapali Parkway
Lahaina, HI 96761**

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 2:44 PM
To: LABtestimony
Cc: hlusk@chowproject.org
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Lusk	The CHOW Project	Support	No

Comments: Thank you, for the opportunity to provide testimony in support of SB 2609 (SSCR2813) relating to minimum wage increase rates to \$8.20 per hour beginning on 1/1/15, \$9.15 per hour beginning on 1/1/16, and \$10.10 per hour beginning on 1/1/17. This issue is important because it is consistent with our efforts to reduce poverty in our community. Research by “Hawaii Needs a Raise!” coalition states that early childhood development has found that income insecurity negatively affects three key aspects of brain development – positive relationships, learning resources, and high stress. The Community Health Outreach Work to Prevent AIDS Project (CHOW Project) was established in 1989 and became a not-for-profit organization in 1999. Our mission is to prevent the transmission of HIV/AIDS and other blood borne pathogens among high-risk drug users, especially injection drug users (IDUs) in the State of Hawaii. We are dedicated to providing client-centered harm reduction services, health education and referrals. Harm reduction focuses on supporting any positive change by providing the knowledge and tools for people to succeed in areas they are willing, able to ready to change. The CHOW Project strongly supports this bill and the efforts to end poverty in our community by increasing minimum wage. Thank you for your time and consideration, Sincerely, The CHOW Project Ph: (808) 853-3292 Fax: 853-3274

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



To: House Committee on Labor & Public Employment

From: Chris Almeroth
General Manager

RE: HB2580 MINIMUM WAGE – TIP CREDIT
March 18, 2014

Kimo's Restaurant **supports** this version of the bill although we would prefer a slower increase in .50 increments.

The major concern for us, as an employer of both tipped and non-tipped employees, lies in the need for Hawaii to adjust the tip credit to correspond with the growing minimum wage and ultimately provide fair pay for all those employed at Kimo's Restaurant.

We currently employ 125 employees. Of that number, more than half are minimum waged employees that represent the "front of the house". They comprise our food servers, cocktail servers, bartenders and bussers. These positions are the most sought after, as well as, the positions that we have the least amount of turnover. In 2013 Kimo's tipped employees earning minimum wage less .25 tip credit averaged \$24.98 per hour (\$1.77 an hour more than 2012). Front of house employees income goes up as menu prices go up.

On the other hand, we have the portion of the staff who are non-tipped or the "back of the house"; the cooks, food preps and dishwashers. On average in 2013, these "back of the house" employees made \$13.86 per hour. In our community, we strive to stay competitive with our hourly wage for our staff that provides the support from behind the scenes. We feel all our employees are vital to operating a successful restaurant. However, with the minimum wage increase and the possibility of not increasing the tip credit, it will be these "back of the house" employees who will suffer.

It will be difficult to provide pay increases or highly competitive starting wages to our non-tipped employees without somehow balancing out the two very different but equally important groups that contribute to the staff at Kimo's Restaurant. We believe that an increase to Hawaii's tip credit is the answer...it will enable us as an employer to continue to provide fair wages to all.

Without a change to Hawaii's tip credit...we will create inequality in pay.



Testimony to the House Committee on Labor & Public Employment
State Capitol, Conf. Room 309 at 9:00am
March 18, 2014

RE: OPPOSING SB2609 TO INCREASE THE MINIMUM WAGE

Dear Chair Nakashima, Vice Chair Yamashita, and Committee Members:

The Maui Chamber of Commerce on behalf of our membership is asking that you oppose this bill. We adamantly OPPOSE this bill as it will have many harmful and unintended consequences, including job losses, given the increases proposed..

Close to 90% of our members are small businesses with 25 or fewer employees. While the economy is picking up, many are still operating with fewer employees than before and are struggling to keep up with rising costs that are beyond their control, especially with rising health care costs. They need an environment where they can stabilize their business, then grow and thrive. Raising the minimum wage right now will not help them do that. It will inflate many of their costs, starting with those in that pay category, and beyond. It does not increase productivity or add to the bottom line. In fact, it takes away from the bottom line and reduces money available for increases to workers who are making a measurable difference and growing the business.

Minimum wage increases cause a wage compression, squeezing or eliminating the gap between the wage of new hires and those who have been with a company a while, requiring employers to look at their pay structures across the board to be fair and equitable to all employees. According to the Chamber of Commerce of Hawaii, this could increase the cost of a business' labor by almost 30% in a span of 2 years (depending on the proposal). That, combined with other costs beyond their control, elevates costs to a rate that outpaces gains. It is not sustainable and threatens to put businesses out of business.

A fair amount of our members pay higher than the minimum wage now, but would still be hurt by it because the boost is subjective and creates wage increase expectations for all workers. Since it is not based on merit, why should some versus all, particularly those who have been employed with the business over time and working hard to help it succeed, not get an additional raise if new hires do.

But it doesn't stop there. Increasing the minimum wage, hikes all other related worker costs tied to wage, such as workers' compensation, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax. This further adds to the already high cost of doing business in Hawaii. And, businesses are already challenged with other increasing costs, such as health care (particularly with the age banding), rising insurance and gas prices, etc. They are getting hit on many different levels. This will equate to another blow for those who pay minimum wage and those who don't but needed to amend their pay structures as a result of legislation.

The minimum wage was never meant to be a living wage. It is a starting point for unskilled workers and businesses bringing in "unskilled workers" make huge investments in training those employees to give them skills, which they sometimes take elsewhere. Arbitrarily raising the

minimum wage can decrease the incentive and/or desire for upward mobility to achieve higher wages and contribute to stagnant growth. Additionally, these measures could significantly hurt unskilled workers, those that often need jobs the most, as they may be bypassed for more skilled labor when the price differential is compressed.

Ultimately, we feel the negative impacts of this measure on businesses and our economy have not been adequately weighed. We feel more details are needed for better discussion, including:

- What percentage of overall workers are we talking about?
- Will it help to create new jobs or eliminate jobs?
- Will it contribute to further outsourcing to other countries?
- What is the average increase that businesses who pay minimum wage are likely to be hit with?
- What percentage of these businesses are small businesses?
- How will it impact businesses overall?
- Can significant economic gains be demonstrated to offset the cost?
- What will the impact be on internships and unskilled labor?
- Given our low unemployment, how much of a need is this right now?
- What will it do to the cost of goods and services in Hawaii?

We cannot continue to make decisions in a vacuum, absent the impact on businesses and the economy. There is a two-tiered recovery right now and businesses are not seeing the same returns that the visitor industry is.

While we appreciate that the provision to tie future minimum wage increases to the Consumer Price Index was taken out, it should not have been included in the first place as it takes us away from a more transparent and an open government. It should not be used as a bargaining chip in the discussion on increasing the minimum wage.

We, therefore, ask that you oppose this bill as proposed because the increases are too high. Taking the minimum wage to \$10.10 by 2017 is not sustainable and will be detrimental to businesses in Hawaii. It will cost jobs and will pass higher costs onto consumers, hitting all families here. We are looking for better measures that include a solid understanding of what businesses are facing and are happy to work with you on winning solutions.

Please contact me if I can answer any questions, provide you with additional information on what small businesses are up against, or help.

Sincerely,



Pamela Tumpap
President

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 15, 2014 9:43 AM
To: LABtestimony
Cc: davemoskowitz10@hotmail.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/15/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
david	Individual	Oppose	Yes

Comments: Aloha Chair I am here in the strongest opposition to this bill. Simply put the tip credit is wrong it is a way out for small buisness owners to get off paying their fair share of their revenue to their employees. If many of those supporting this and asking for a higher tip credit they would love to continue making the same profits and increase prices to cover their operational costs and protect their standard of living from changing to the detriment of their employees The tip credit will be abused by most of those people As I have witnessed in the past and no disrespect is intended ,the department of labor and industrial relations does not possess the resources both physically by investigators And a serious lack of the finances to back up lengthy Investigations They have on many occasions taken the word of employers over employees I know I filed complaints I heard the results which were not achieved Many employers have placed employees in their buisness as contract labor and pay way below the minimum wage stating commissions make up the difference . Commissions do not make up the difference And by definition these individuals are employees not contract labor for multiple reasons Buisness owners repeatedly underpay undocumented workers who number in the thousands in waikiki alone They refuse or temporarily post state and federally required statue regarding unemployment insurance Family leave ,workers compensation and disability Rights and the posters associated with these rights Or they post outdated and limited information They also charge employees taxes for state and federal wages and workers compensation and social security and then keep the money only to have the employee find out later when the buisness closes and their is no record of their employment Also they force employees To sign illegally waivers to avoid paying their Health benefits . And they do so to obtain full time work Additionally many employees are salaried and work endless hours for several dollars a hours when you work out the math These are not descriptions of a few small instances but are standard policy in places of employment in hawaii excepting union organized employees who receive protection from these scandalous buisness Owners If this passes very little vie is their for the average employee and I suggest those who support this bill will be voted out of office by their constituents Please vote out the tip credit and amend the bill to tie hourly wages to the cost of living increases CPI Dave Moskowitz Waikiki Po Box 89525 Honolulu HI 96839 808-203-8898 Sent from my iPhonem

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

To: Representative Mark M. Nakashima, Chair
Senator Kyle T. Yamashita , Vice Chair
Members, Committee on Labor and Public Employment

From: Laura Finlayson

Hearing: Senate Committee on Ways and Means

DATE: Tuesday, March 18, 2014
TIME: 9:00 AM
PLACE: Conference Room 309
State Capitol
415 South Beretania Street

SB 2609

Thank you for the opportunity to testify in support of SB 2609. This bill would increase the minimum wage over a three year period and amend the tip credit.

Hawaii has one of the highest costs of living in the nation yet our minimum wage has not increased since 2007. This has left many low-income workers living in poverty. By increasing the minimum wage, we will give buying power back to these low-income workers. Currently, our minimum wage has lost a considerable amount of its buying power due to inflation.

I strongly feel that the tip credit should be deleted or tied to a poverty threshold. This way, workers who are close to poverty are not being unfairly taxed on their hard earned tips. Many consumers do not understand the tip credit and think that when they tip a server, it goes to the person who provided them with excellent service, not subsidizing their employment on behalf of the business. Deleting the tip credit provides a more straight forward and fair way for tipped workers to make a living.

As someone who has worked several minimum wage jobs, I have experienced first-hand how the low wages perpetuate the cycle of poverty. The vast majority of minimum wage positions are unable to offer benefits, paid time off, and sick days. This means workers are often faced with the choice of staying home to take care of a sick child or losing a considerable amount of their pay check. Many must also rely on government aid in order to make ends meet. Raising the minimum wage would give these workers the respect that they have earned. By doing nothing, we are not low-wage workers the opportunity to succeed.

Thank you once again for allowing me to testify in support of SB 2609.

Laura Finlayson

lfinlays@my.hpu.edu; (757) 646-8644

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 8:16 AM
To: LABtestimony
Cc: cocpwdhawaii@gmail.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Derek Tamura	Individual	Support	Yes

Comments: The Chamber of Commerce for Persons with Disabilities, with the notion that "a rising tide lifts all boats", supports the intent and actions of SB2609.

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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 16, 2014 8:27 PM
To: LABtestimony
Cc: genotamayo@yahoo.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/16/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
geno tamayo	Individual	Support	Yes

Comments: Please pass SB 2609 It's time to give Hawaii's workers a raise

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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 14, 2014 11:17 AM
To: LABtestimony
Cc: mauibrad@hotmail.com
Subject: *Submitted testimony for SB2609 on Mar 18, 2014 09:00AM*

SB2609

Submitted on: 3/14/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Brad Parsons	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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 14, 2014 2:43 PM
To: LABtestimony
Cc: gfarstrup@msn.com
Subject: *Submitted testimony for SB2609 on Mar 18, 2014 09:00AM*

SB2609

Submitted on: 3/14/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Greg and Pat Farstrup	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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 15, 2014 10:39 PM
To: LABtestimony
Cc: wctanaka@gmail.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/15/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Wayne	Individual	Support	No

Comments: Aloha mai kakou, Please PASS Sb2609 and please, ensure that wages are tied to the regional consumer price index, so that we can ensure a consistent minimum of financial resources for our hardest working, lowest paid employees. A minimum of financial resources for all working families relative to the cost of living would: - Create predictability in budget planning for our families, who would no longer live in fear of unexpected increases in the cost of living -Allow for the more efficient and stable provision of government-funded social services, by reducing changes in need resulting from changes to the cost of living Therefore, please PASS this measure and KEEP minimum wages tied to the regional consumer price index. Mahalo nui loa, Wayne

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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 16, 2014 1:44 PM
To: LABtestimony
Cc: mkyching@gmail.com
Subject: *Submitted testimony for SB2609 on Mar 18, 2014 09:00AM*

SB2609

Submitted on: 3/16/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Ching	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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 16, 2014 2:32 PM
To: LABtestimony
Cc: gabrielaorantes@gmail.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/16/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Gabriela Orantes	Individual	Support	No

Comments: Please PASS SB2609 and please, ensure that wages are tied to the regional consumer price index, so that we can ensure a consistent minimum of financial resources for our hardest working, lowest paid employees. A minimum of financial resources for all working families relative to the cost of living would: - Create predictability in budget planning for our families, who would no longer live in fear of unexpected increases in the cost of living -Allow for the more efficient and stable provision of government-funded social services, by reducing changes in need resulting from changes to the cost of living. Therefore, please PASS this measure and KEEP minimum wages tied to the regional consumer price index.

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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 16, 2014 4:23 PM
To: LABtestimony
Cc: sdinion@mac.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/16/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Dinion	Individual	Support	No

Comments: I strongly support this bill to increase the minimum wage to at least \$10.10/hour by 2017. However, I also support deleting the tip credit (which undermines tipped workers' ability to make a living) and indexing future increases to the cost of living (since low-wage workers shouldn't have to wait another 8 years to try to catch up!). Please support this bill - if possible, in its original language. Thank you.

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

March 16, 2014

To: The Honorable Mark M. Nakashima, Chair
The Honorable Kyle T. Yamashita, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Tuesday, March 18, 2014

Time: 9:00 a.m.

Place: Conference Room 309, State Capitol

Re: SB2609, SD1 Relating to Minimum Wage

From: Rev. Bob Nakata
Former Chair, State Senate Labor Committee, 2001-02

Chair Nakashima and members of the House Labor Committee. Thank you for this opportunity to speak in support of SB2609, SD1 with amendments. I am Rev. Bob Nakata, a social justice advocate for over 40 years on many issues and for many organizations. In particular, I am a former chair of the Senate Labor Committee, 2001-2002, when I dealt with increasing the minimum wage.

As proposed, this bill will raise the minimum wage to \$10.10 on January 1, 2017, leaves a blank amount for the tip credit and has no tie in to the cost of living increase (CPI). I support increase to \$10.10, a tie to the CPI annually after 2017, and a tip credit that remains at 25 cents that applies after the tipped employee earns 250 percent of the federal poverty level for a year.

The debate over the minimum wage this session has been vigorous compared to last session. A creative new concept of the tip credit has made it possible for a compromise to be struck. The House has proposed the trigger of 250 of the federal poverty level before the tip credit is applied. This protects low wage workers from poverty and allows the employers to still have a tip credit. While I still strongly believe that the credit should be eliminated, reluctantly I can accept it if the credit itself remains at 25 cents, the minimum wage is raised to \$10.10 in three years and is then tied to the CPI.

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 2:17 AM
To: LABtestimony
Cc: mghsmart@yahoo.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Smart	Individual	Oppose	No

Comments: Oppose raising the minimum wage. Let people decide whether they will work for the pay offered. It is still a free country. Let's keep it that way. Raising the minimum wage is a job-killer. We need all the jobs possible. Most minimum pay jobs are entry/no skill level jobs. When the minimums are too high, employers can't hire. Stop interfering. It hurts the people, businesses and the state economy. Please oppose this bill and all similar minimum wage bills. Let the free market work as intended.

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

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 7:57 AM
To: LABtestimony
Cc: drodrigues2001@yahoo.com
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM

SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Darlene Rodrigues	Individual	Support	No

Comments: Aloha, Thank you for the opportunity to testify in strong support of HB2609. Hawai'i's working families deserve a raise that adjusts for rising inflation over time. This measure would help families save money, plan for emergencies and have a better quality of life. Please do not set a tip credit for tipped workers. They deserve to keep their hard-earned tips. Please PASS the bill to raise the minimum wage that is adjusted to the regional consumer price index! Mahalo!

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

NEIL ABERCROMBIE
GOVERNOR



DWIGHT TAKAMINE
DIRECTOR

JADE T. BUTAY
DEPUTY DIRECTOR

MILA KA'AHANUI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
OFFICE OF COMMUNITY SERVICES

830 PUNCHBOWL STREET, ROOM 420
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone: (808) 586-8675 / Fax: (808) 586-8685
Email: dliir.ocs@hawaii.gov

March 17, 2014

To: The Honorable Mark M. Nakashima, Chair,
The Honorable Kyle T. Yamashita, Vice Chair, and
Members of the House Committee on Labor and Public Employment

Date: March 18, 2014
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

From: Mila Kaahanui, Executive Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. No. 2609, SD1 Relating to Minimum Wage

POSITION: OCS urges removal of tip credit and reinstatement of cost-of-living provisions

I. OVERVIEW OF PROPOSED LEGISLATION

The proposal increases the minimum wage to \$10.10 an hour in three stages by January 2017. In its original form, the bill would authorize the Department of Labor and Industrial Relations (DLIR) to adjust the minimum wage thereafter by using the Consumer Price Index (CPI), and it would repeal the tip credit provision in chapter 387, Hawaii Revised Statutes (HRS). However, these latter two provisions were deleted in SD1.

The Office of Community Services (OCS) is tasked by statute, HRS Chapter 371K to take a lead role in advocacy for the economically disadvantaged. OCS strongly supports an increase in the minimum wage and supports indexing the minimum wage to preserve the purchasing power of minimum wage workers.

II. CURRENT LAW

The Hawaii Wage and Hour Law (chapter 387, HRS) was established to safeguard minimum wage and maximum hour standards to maintain the health, efficiency and general well-being of workers. The current minimum wage is \$7.25 and was effective January 1, 2007. Employers are allowed to claim a tip credit of 25 cents an hour for tipped employees, i.e. pay them below the minimum wage at \$7.00 an hour, provided the tipped employee receives 50 cents in tips or at least \$7.75 an hour.

III. COMMENTS ON THE SENATE BILL, SD1

It is critical to have an increase in the minimum wage without further delay. The present bill would raise the minimum wage, and increases in the minimum wage further the economic recovery of Hawaii and help to lift some Hawaii residents out of poverty. 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.

Hawaii's minimum wage earners are going into their **8th year** without a raise while everybody else is moving forward—the average weekly earnings have **increased 16% since 2007 but 0%** for minimum wage workers. Adjusting the current \$7.25 minimum wage for inflation since the last time the minimum wage was raised in 2007, a worker would have to be paid **\$8.68** an hour to match the buying power of 2007.

OCS strongly supports inclusion of automatic minimum wage increases in the bill. The current situation, which SD1 would perpetuate, requires legislators to wrestle with bills to increase the minimum wage every three or four years. When the business lobbyists prevail, no minimum wage hike will pass. When the injustice and poverty becomes too obvious, forcing the legislature to finally act, the minimum wage has to jump considerably to play catch-up with the cost of living. And the business community then complains the jump is too great and "jarring" to businesses.

OCS also supports elimination of the tip-credit. If servers in restaurants and other tipped employees work hard and give superior service, they should be rewarded for their good work. OCS finds it unfortunate that there seems to be a prevailing notion that a tip credit should exist because tipped employees should never earn more than the minimum wage.

For these reasons, OCS supports reinstatement of these two key provisions of the original version of SB2609 – (1) elimination of the tip credit; and (2) linking future increases in

S.B. 2609 SD1
March 18, 2013
Page 3

the minimum wage to inflation.

Thank you very much for the opportunity to present this testimony.



To: Representative Nakashima, Chair
Representative Yamashita, Vice Chair
House Committee on Labor & Public Employment

From: Dylan Ching
General Manager

Hearing Date: March 18, 2014

RE: SB2609-RELATING TO MINIMUM WAGE (TIP CREDIT)

We are in support of the intent to increase wages for low wage earners but request a minimum wage increase that correspondingly increases the tip credit. An increase in the tip credit will enable restaurants to raise pay for non-tipped employees creating more equity in wages.

Duke's Waikiki has approximately 325 employees. We use the tip credit and can report that our front of house employees in 2013 averaged 3 times minimum wage with their tip income. The average hourly wage with tips was \$21.76.

If the minimum wage is increased \$1 and the tip credit is eliminated, it is estimated it will cost our restaurant \$250,000 in one year! This expense will immediately cause us to increase our menu prices which will lead to a higher check amount, and increased tips for our front of house employees'.

Conversely, we consider our low wage earners to be our Kitchen employees who do not receive tips. They average \$12.45 an hour. The increase in minimum wage will not increase our kitchen employees' wages and in fact it may lower them because we will be hard pressed to continue to raise the rates of our back of the house support staff above the minimum.

We feel this is has the opposite effect of the intent of this bill.

Creating Equity: If minimum wage is increased, correspondingly increase the tip credit. This way, restaurants can increase wages for the non-tipped employees who would benefit the most.

Thank you for your support.

DUKE'S CANOE CLUB WAIKIKI
RESTAURANT AND BAREFOOT BAR
2335 Kalakaua Avenue, Suite 116, Honolulu, HI 96815

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 5:04 PM
To: LABtestimony
Cc: sgilles4@my.hpu.edu
Subject: Submitted testimony for SB2609 on Mar 18, 2014 09:00AM



SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Gillespie	Individual	Support	Yes

Comments: SB2609 is a vital bill for many families and individuals in Hawaii. As a social worker, I have worked with individuals that are living in poverty and still trying to provide for their families. Living in Hawaii as a graduate student and trying to make ends meet is very difficult. There have been times that I have struggled while working and only making 9 dollars an hour. I can not imagine making less than that and trying to support a family. I know that raising the minimum wage will benefit so many people that are in need. This is not an issue of what we should or should not do; this is an issue of civil injustice. I urge you to stand with many others and myself and pass a bill to help all residents in Hawaii.

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

Board of Directors

Richard Rowland
Chairman and Founder

Keli'i Akina, Ph.D.
President/CEO

Eddie Kemp
Treasurer

Gilbert Collins

Robin Tijoe

March 18, 2014
9:00 AM
Conference Room 309

To: House Committee on Labor & Public Employment
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

From: Grassroot Institute of Hawaii
President Keli'i Akina, Ph.D.

RE: SB2609 RELATING TO MINIMUM WAGE
In Opposition

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SB 2609, which would provide for a gradual increase in the minimum wage with a provision for an unspecified tip credit.

Grassroot Institute is deeply concerned about the possible effect of this legislation on the state's small businesses and a recovering economy. Moreover, we believe that this bill will fail in its intent to help lift the state's working families out of poverty. As our attached issue brief explains, the proposed increase in the minimum wage will only benefit approximately 4% of low-income working families while raising the cost of low-skilled labor by 39%. In addition, an increase in the minimum wage will reduce teenage employment—an item that is often overlooked, but should be taken seriously by those looking to ensure the long term health of our economy.

In addition, the lack of specificity about the tip credit is an additional source of concern. The lack of a tip credit places a substantial burden on restaurants, which will be forced to privilege wait staff (who already average, with tips, salaries well above minimum wage) over back-of-the-house and non-tipped staff. In effect, this bill makes it more difficult to raise the dishwasher's pay because the restaurant owner is required to spend even more on the sommelier.

Grassroot Institute of Hawaii looks for solutions that would strengthen our state's economy and benefit both businesses and employees. You have heard from multiple representatives of Hawaii's business community that this bill will not only be a burden, but that it will also have a negative effect on employment in general. Not only will companies in Hawaii be forced to lay off workers or cut hours or benefits in order to afford increased wages, but they are also likely to slow (or even eliminate) new hiring.

If we want to establish our state as a desirable place to do business, we cannot continue to treat company earnings as an endless well for the state to draw from on demand. A combination of tax relief and a reduction in the obstacles that the state places on business and entrepreneurship in Hawaii is the best way to move forward in improving both our economy and the situation of low-wage workers ... not a minimum wage bill that will do little to help working families, while placing a significant burden on small business.

Thank you for the opportunity to submit our testimony.

Sincerely,
Keli'i Akina, Ph.D.
President, Grassroot Institute of Hawaii

ISSUE BRIEF

February 20, 2014

FOUR THINGS YOU SHOULD KNOW ABOUT THE MINIMUM WAGE DEBATE IN HAWAII

Paul Harleman

Spurred on by President Obama's State of the Union address, the minimum wage debate has taken a renewed focus in the Hawaii State Legislature. Both the State House and Senate have introduced legislation¹ that would not only increase the current minimum wage from \$7.25 to \$10.10, but also would adjust future minimum wages to inflation. In an environment of accelerating cost of living and poverty rates, a push for a minimum wage increase is often seen as a viable solution to address the rising level of social and economic inequality in Hawaii. Because of the "populist" nature of the debate, facts and empirical evidence are often overlooked. The following provides a brief overview of four key considerations that are not adequately addressed by the legislature and media.

1. Raising the minimum wage will benefit less than 4% of low-income working families.²

Proponents of the recently proposed minimum wage increase argue that an increase in the minimum wage is needed to help the working poor, whose purchasing power has largely diminished over the last decade. Despite the noble intention of the Hawaii legislature, careful examination should be given to the impact that a proposed raise would have on the working poor.

¹ SB2609 and HB1623.

² According to the Department of Taxation "Income Patterns in Hawaii" 2005 report, a total of 109,869 joined and head of household tax returns were received with a combined income of \$50,000 or less. The less than 4% figure is derived from dividing the 3700 estimated head of households that are currently earning \$7.25 or less by the 109,869 of estimated low-income working families (less than \$50,000 combined income).

According to the Hawaii Department of Labor³, a total of 14,303 individuals earned \$7.25 or less in 2012. If this statistic is adjusted for teenage and part-time employment, the total number of individuals who are working full-time and who are most likely supporting a family amounts to approximately 3,700.

According to the *United States Census Bureau Supplemental Poverty Measurement* statistics, 231,000 Hawaii families lived in poverty in 2012. This means that, although the intent of the proposed minimum wage raise is to help the working poor, the facts indicate that the proposal will only benefit less than 4% of low-income working families⁴.

2. The current proposed minimum wage raise increases the costs of low-skilled labor by 39%.

There is an overwhelming consensus among leading economists that, historically, government mandates to increase the minimum wage raises have resulted in increases in the cost of low-skilled labor without any improvements in productivity. Currently, Hawaii employers pay a total of 12 percent in payroll taxes, which includes taxes for social security, Medicare, as well as federal and state unemployment contributions. This means that a \$1 increase in the minimum wage actually increases the cost of labor for employers who employ minimum wage workers by \$1.12. Under the current proposal, the minimum wage is increased from \$7.25 to \$10.10 in a three year period. This means that the annual full-time costs for low-skilled labor (40 hour workweek) will increase by \$6,642⁵, which represents a 39% increase. Since this is such a large increase, it remains to be seen how the businesses and industries that predominately employ minimum wage workers will be affected. According to economic theory, large increases in the cost of labor without offsetting increases in productivity could lead to either higher prices of goods and services or reduced employment. However, since minimum wage workers represent such a small proportion of Hawaii's labor force, it is reasonable to assume that the adverse economic effects of the minimum wage raise will be limited to certain specific businesses and industries.

³ Department of Labor and Industrial Relation. Testimony: SB2609, January 30th, 2013.

⁴ US Census, Supplemental Poverty Measure.

⁵ Annual Cost of Full-Time Labor – Proposed Minimum Wage Raise

EMPLOYER TAXES

Social security	6.20%
Medicare	1.45%
Federal unemployment	0.06%
State unemployment	4.40%
Total Employer Payroll Taxes	12.11%

MINIMUM WAGE PROPOSAL

	Hourly wage	Annual Full Time Salary	Employer Payroll Taxes	Total Annual Employment Cost
Current Minimum Wage	\$7.25	\$15,080	\$1,826	\$16,906
Proposed Minimum Wage (2017)	\$10.10	\$21,008	\$2,544	\$23,552
Difference	\$2.85	\$5,928	\$718	\$6,646

Total additional cost per employee **\$6,646**
% Increase in employment costs **39%**

** This does not include the additional employer costs for health insurance.*

3. Raising the minimum wage will not lift working families out of poverty.

According to the contemporary economic literature, there is no empirical evidence that suggests that a minimum wage increase will reduce poverty. Multiple studies⁶ that have examined the income and poverty effects of minimum wage increases in the last decade have, for the most part, concluded that past minimum wage increase had no effect on poverty. As a public policy strategy, a minimum wage increase could only prove successful in improving the living standards of low-income working families if a larger proportion of the minimum wage earners are members of low-income households. However, since fewer than 25% of minimum wage earners are estimated to be heads of households, a minimum wage increase will provide no more than symbolic support to low-income working families.

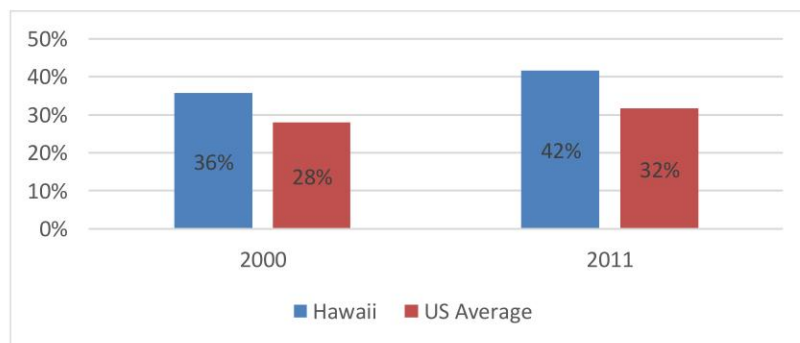
Over the last decade, the number of people in poverty in Hawaii has increased from 162,142 in 2000 to 231,000 in 2012⁷. The biggest contributor to this accelerating poverty growth rate is the relatively high cost of living in Hawaii. On average, Hawaii residents pay a greater proportion of their household income on food and rent in comparison to mainland residents. In the last decade, the cost of food and rent has consumed a growing proportion of household income, effectively reducing the purchasing power of all households in Hawaii. It is evident that minimum wage workers are more affected by their reduced

⁶ Sabia, Joseph and Burkhauser, Richard (2010). "Minimum Wages and Poverty: Will a \$9.50 Federal Minimum Wage Really Help the Working Poor?" *Southern Economic Journal*. Page 594.

⁷ Supplemental Poverty Measure, US Census Bureau.

purchasing power. However, this also indicates a broader policy problem that is beyond the scope of the current minimum wage debate. If the legislature is serious about fighting poverty in Hawaii, a more comprehensive discussion is needed. Such a discussion should include a thorough review of the state's failed housing and development policies and the economic effects of the Jones Act, as well as an analysis of Hawaii's regressive tax structure.

Table 1. Food and Rent as a percentage of Median Household Income (2000-2011)



4. Raising the minimum wage is expected to reduce teenage employment.

Another overlooked, but important factor is the lack of discussion of the adverse employment effects that a minimum wage raise could have on teenage employment. There is a broad consensus of economic empirical studies that minimum wage raises lead to reduced teenage employment. The estimates indicate that for every 10 percent increase in the minimum wage, teen employment is expected to be reduced by 1 to 3 percent. The current proposal increases the minimum wage by 39 percent over a three year period. This means that the employment among teenage workers is expected to be reduced by 8 percent. This will have an adverse effect on the estimated 1,900 teenagers with minimum wage jobs, with a further dampening effect on hiring of teenagers in the future. To account for the adverse employment effects for teenagers, the legislature should consider a reduced minimum wage requirement for teenagers. In the EU, for example, multiple countries have minimum wage laws that differ by age. As part of these laws, the minimum wage for workers who are below 18 years old is limited to rates varying from 60 to 80 percent of the prevailing minimum wage requirement.

Conclusion

Although the proposed minimum wage increase is seen as a viable solution to poverty and inequality, the evidence indicates otherwise. An increase in the minimum wage would accomplish no more than to increase benefits for a handful of low-income working families at the expense of teenage workers and small business owners. The one thing that the minimum wage proposal does accomplish, however, is to effectively divert the political narrative away from the real causes of poverty and inequality in Hawaii.



Aloha Senators and Representatives:

I am president and co-owner of *Envisions Entertainment & Productions, Inc.*, a state-wide event production company based in Maui with approximately 25 full-time and 10-20 seasonal part-time employees. I am opposed to HB2580 & SB2609 because both bills raise the minimum wage too much and too fast without affording corresponding financial relief to business owners charged with bearing this financial burden.

While both bills are well intended and attempts to address the plight of low-wage employees, they are economically unsustainable because they do so at the expense of the very businesses that are tasked to fulfill this financial obligation, AND without addressing the potentially devastating cumulative AND ripple-down effects both versions of the bill will have on businesses, especially small and mid-size businesses. I urge you to consider the following:

- Although wage increase will mean higher pay for low-skilled employees, it will also translate into less jobs at a time when we're still plagued with high unemployment. Short of going out of business, many businesses will be forced to restructure full-time positions and hire more part-time (less than 19 hours a week) employees to avoid the rising cost of employer-mandated medical insurance and other full-time employee benefits.
- Businesses are not an endless money pit that will simply adjust and adapt to yet another increase in the cost of doing business in Hawaii. Without offering any corresponding economic relief, the proposed minimum wage hike will likely be the "tipping point" that results in increased unemployment and failed businesses, particularly since many employers have already had to cut hours, jobs and benefits in response to the Great Recession and its aftermath.
- Even for those companies who don't rely on minimum wage employees, any increase will result in a corresponding increase in higher wage positions and the increased cost of doing business with those who are affected will have a detrimental "trickle up" effect as well.
- In Hawaii, it's not uncommon for low-skilled workers to work two or three jobs to make ends meet. My step-son is one of those who decided not to pursue further education or trade school, so I can fully empathize with their struggle. But, it has historically been government's responsibility to assist this less-fortunate sector of the working force with food, medical and housing subsidies. Instead, what this minimum wage legislation does is unfairly and unilaterally shift this government responsibility to businesses without addressing how the latter will subsidize yet another mandated expense.
- Finally, if the goal is to encourage people to get out of low-skilled jobs and into better paying ones, the answer should be a better education and a healthy business environment that fosters job creation and meaningful employment opportunities. Raising the minimum wage will not accomplish this goal.

For the foregoing reasons, I humbly ask that you oppose SB2609 in its current form.

Respectfully submitted,

Wayne Hikiji

President

Envisions Entertainment & Productions, Inc.

381 Huku Li'i Place, Suite 3 | Kihei, HI 96753



Testimony of George Szigeti
President & CEO
HAWAI'I LODGING & TOURISM ASSOCIATION
Committee on Labor & Public Relations
Hearing on March 18, 2014, 9:00 a.m.
Senate Bill 2609 SD1 Relating to Minimum Wage

Dear Chair Nakashima, Vice Chair Yamashita, and Members of the Committee. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 48,000 rooms, and approximately 470 other Allied members. The lodging industry alone employs over 38,000 workers across the state of Hawai'i. As part of the broader visitor industry – which employees 1/6 of all workers and 1/5 of those in the private sector, and generated \$14.5 billion in visitor spending in 2013 – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer these comments regarding SB2609, which would increase minimum hourly wage to \$8.20 beginning January 1, 2015, \$9.15 beginning January 1, 2016, and \$10.10 beginning January 1, 2017.

While we are not strongly opposed to an increase in the minimum wage, the Hawai'i Lodging & Tourism Association has **concerns** with the bill as written. A dramatic increase in the minimum wage, even over the course of a few years, will have a negative impact on businesses that now must pay for increased wages without any related growth in profits.

The Hawai'i economy has seen consistent growth over the past few years, much of it driven by the visitor industry; however, the economy remains tenuous. Any increase to the minimum wage should take into account the impact of rising labor costs on Hawai'i businesses, which will be hit with larger wage burdens and increased expenditures for workers' compensation, Social Security taxes, Medicare taxes, temporary disability taxes, and unemployment insurance taxes. In order to meet the additional financial burden, many businesses will face the decision to either cut entry-level jobs or increase the price of their product, both of which are not good for our State.

Thank you for this opportunity to testify.



**TESTIMONY COMMENTING ON SENATE BILL 2609, SENATE DRAFT 1,
RELATING TO MINIMUM WAGE**

House Committee on Labor and Public Employment
The Honorable Mark M. Nakashima, Chair
The Honorable Kyle T. Yamashita, Vice Chair
Tuesday, March 18, 2014 – 9:00 a.m.
State Capitol, Room 309

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

Thank you for the opportunity to submit written testimony on SB 2609, SD 1, relating to minimum wage. My name is Lance Tanaka, director of government and public affairs for Hawaii Independent Energy, LLC (“HIE”). HIE is a subsidiary of Par Petroleum Corporation and operates the larger of the state’s two petroleum refineries.

The purpose of this bill is to increase the state minimum wage rate to \$8.20 per hour beginning on January 1, 2015, \$9.15 per hour beginning on January 1, 2016, and \$10.10 per hour beginning on January 1, 2017.

Hawaii Independent Energy appreciates the intent behind increasing the state minimum wage. However, we find that SB 2609 and other similar pieces of legislation seek to increase the minimum wage without factoring-in the value of benefits that employees receive. This legislation punishes progressive employers by ignoring non-wage benefits, and puts them at an economic disadvantage to less-generous employers.

At present, full-time hourly employees who comprise the majority of our HIE Retail workforce are already paid higher on average than the proposed minimum wage of \$10.10 per hour. In addition, full-time hourly employees receive medical, dental, drug-vision, retirement, group life insurance and other benefits. These benefits add 30 percent to employees’ hourly wages. For example, a full-time HIE Retail employee earning \$10.10 per hour receives benefits that translate to \$3.03 per hour, for a total hourly compensation of \$13.13. Part-time employees who work between 20 and 29 hours a week also receive medical, retirement and other benefits.

Increasing the minimum wage while ignoring the value of non-wage benefits could force companies to consider making revisions to benefit offerings that are not in the long-term interest of employees. HIE believes that the value of benefits should be considered as part of complying with the proposed legislation.

Thank you for allowing Hawaii Independent Energy the opportunity to present these comments on SB 2609, SD 1 for your consideration.

yamashita1-Kristine

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 8:35 PM
To: LABtestimony
Cc: 1hawaii4me@gmail.com
Subject: *Submitted testimony for SB2609 on Mar 18, 2014 09:00AM*



SB2609

Submitted on: 3/17/2014

Testimony for LAB on Mar 18, 2014 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Mark Dietrich	Individual	Oppose	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



LATE

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair
Tuesday, March 18, 2014, 9:00 a.m.
Conference Room 309

SB 2609, RELATING TO MINIMUM WAGE

Aloha Chair Nakashima, Vice-Chair Yamashita and members of the committee,

Thank you for this opportunity to testify today in SUPPORT of this bill, with amendments.

The State Central Committee of the Democratic Party of Hawai'i voted on January 11th to make raising the minimum wage the number one legislative priority for this session.

Hawai'i has the highest cost of living in the country, yet 21 states now have a higher minimum wage than we do. It has been over seven years since the minimum wage was last raised. It will actually be 8 years if and when this wage hike is implemented. The prices of most goods and services have risen during that time, as have the wages of many other workers. Those earning the minimum wage, however, have seen their costs of living rise, yet have not seen any increase in wages to help offset these higher costs. As a result, the purchasing power of that minimum wage, in real terms, has declined steadily by at least 20%. It is long past time to raise the minimum wage.

We feel that the wage increase schedule set forth in this bill is fair and support said schedule strongly. We do not support raising the tip credit from its current level and, in fact, welcome the elimination of the tip credit entirely. However, if passage of this measure is contingent on an amended tip credit, we would respectfully request that the language from HB2580 regarding a poverty level qualification be included in this bill as well.

The minimum wage law protects employers who may wish to give their employees a raise, but do not out of fear it would put them at a disadvantage to their competitors. When all employers are required to hike the minimum wage, that disadvantage disappears. In addition, a strong case can be made that a hike in the minimum wage, by significantly increasing the income of low wage workers, will result in an increase in spending, resulting in more consumption, which, in turn, leads to the hiring of more employees. Rather than suppressing the economy, it actually tends to boost it.

For these reasons, both economic and for social justice, we strongly support passage of SB 2609. Please let me know what I can do to help. Thank you for this opportunity to testify.

Dante Carpenter
Chair
Democratic Party of Hawai'i

DEMOCRATIC PARTY OF HAWAII

404 Ward Ave., Suite 200 • Honolulu, HI 96814 • (808) 596-2980 • www.hawaiidemocrats.org



Hawaii Women's Coalition

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Mark M. Nakashima, Chair

Rep. Kyle T. Yamashita, Vice Chair

LATE

DATE: Tuesday, March 18, 2014

TIME: 9:00AM

PLACE: Conference Room 309

SUPPORT FOR SB2609 SD1 that: Increases minimum wage rate to \$8.20 per hour beginning on 1/1/15, \$9.15 per hour beginning on 1/1/16, and \$10.10 per hour beginning on 1/1/17. Changes the tip credit and tip credit deactivation trigger amounts to unspecified amounts. Effective 7/1/2050. (SD1).

Aloha Chair Nakashima, Vice Chair Yamashita, and committee members,

The Hawai'i Women's Coalition prefers the original version of this measure as the tip credit is particularly discriminatory against lower tier restaurant workers, the majority of whom are women. We find the whole concept of the tip credit as paradoxical, if not immoral, a 1984 kind of double think, where the **employee** is required to pay the **employer** for the privilege of working. A means test would soften the blow, but is dependent on where the line is drawn and whether or not restaurants would actually comply.

Consider the following:

Women receive a double whammy, earning on average 70+ cents on the dollar compared to men. Then to add insult to injury, the so-called "tip credit" takes another chunk of many single mothers' already slim paycheck. This dubious policy has been justified by the mythology that restaurant workers are mainly young people working their way through school or some such. But the facts don't bear this out.

- **2 in 3 tipped workers are women, many of them single parents**
- **1 in 3 are parents and half are 30 years old or older.**
- **1 in 6 rely on free lunches to feed their children.**
- **1 in 7 rely on SNAP (food stamps)**
- **1 in 4 people of color working for tips lives in poverty.**
- **Several States, including conservative Alaska, have no tip credit.**

Minimum wage workers are critical to our economy, but are falling further and further behind in their ability to make ends meet and this is contributing to our homelessness problem. Hawai'i needs a raise to build economic opportunity and stability for all of our workers

Hawai'i is the most expensive state to live in, yet 21 states and the District of Columbia have a higher minimum wage.

- Washington's minimum wage is \$9.32, which is 29% higher than Hawai'i's, but the cost of living in Washington is 55% lower
- Nevada's minimum wage is \$8.25, which is 14% higher than Hawai'i's, but the cost of living is 64% lower
- Oregon's minimum wage is \$9.10, which is 26% higher than Hawai'i's, but the cost of living is 49% lower.

A single parent of one child working at minimum wage 40 hours per week, 52 weeks per year, earns \$2,770 or 16% below the federal poverty guidelines for a family of two. Hawai'i's poverty rate of 17.3% makes Hawai'i the **9th poorest in the nation**. If the minimum wage were to be increased to 10.10 per hour, thereby boosting annual earnings, it would be enough to **pull a family of three out of poverty**.

It's time for the taxpayer to stop subsidizing businesses by paying larger sums than necessary for the social safety net, if only the workers were paid a decent wage. It's time to hold the restaurant industry in particular accountable for paying their workers, most of whom are women, a decent minimum wage. The tip credit should not be a work-around for avoiding the minimum wage law.

Mahalo for the opportunity to testify,
Ann S. Freed Co-Chair, Hawai'i Women's Coalition
Contact: annsreed@gmail.com Phone: 808-623-5676



Maui Hotel & Lodging
ASSOCIATION

LATE

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association
on
SB2609 SD1
Relating To Minimum Wage

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

Tuesday, March 18, 2014, 9:00am

Room 309

Dear Chair Nakashima, Vice Chair Yamashita, and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 150 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 20,000 local residents. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA would like to offer **comments** on SB2609 which increases minimum wage rate to \$8.20 per hour beginning on 01/01/15, \$9.15 per hour beginning on 01/01/16, and \$10.10 per hour beginning on 01/01/17. Changes the tip credit and tip credit deactivation trigger amounts to unspecified amounts. Effective 7/1/2050.

While only a small percentage of workers make minimum wage, a large increase would greatly impact many businesses as they will be forced to raise the rates of many of their employees. This could increase businesses labor cost by up to 15-20% in the first year alone. A dramatic increase in the minimum wage, even spread over a few years, will have a negative impact on businesses would pay for increased wages without any related growth in profits.

We respectfully request that you continue to modify this Bill to lessen the impact on Hawaii's businesses.

Thank you for the opportunity to testify.

LATE



Testimony to the House Committee on Labor & Public Employment
State Capitol, Conf. Room 309 at 9:00am
March 18, 2014

RE: Testimony in opposition to SB2609 to increase the minimum wage.

Dear Chair Nakashima, Vice Chair Yamashita, and Committee members:

Please vote no on SB 2609. This bill will have drastic and long-term negative effects on my business, my customers, and my employees. Please stop this bill now. If you are intent on passing a minimum wage increase please lower the increase to no more than 25 cents a year over three years.

The cost of employing someone is more than just the cost of their wages, and the pay structure of all employees' is linked. A rapid and high minimum wage increase will cost my business much more than the amount of the increase itself. This affects every aspect of my business, especially the number of employees I can afford to maintain and the prices I can charge.

Rapid increases of more than 25 cents a year make budgeting difficult. The end result of this type of increase in minimum wage will be an increase in the price of food and other goods and an increase in unemployment. Due to the fact that we live in an isolated island state with extremely expensive labor and healthcare regulations we already pay high prices for food and other goods in Hawaii, and I know that driving prices up even more is something we all want to avoid. I also know that eliminating jobs is something we all want to avoid.

I care about my employees and my customers. I want to continue to be able to offer the jobs I offer, with good wages and benefits, and I want to continue to give my customers the quality products they need at prices they can afford. I want to continue to contribute to the economy in my community and our state. Increasing minimum wage so much so quickly could compromise my ability to do those things.

For these reasons I ask that you all please vote no on this destructive measure.

I thank you for your time and for your service to our community as an elected official.

Yours truly,

A handwritten signature in blue ink that reads 'Nelson T. Okumura'.

Nelson T. Okumura

President



**Testimony to the House Committee on Labor and Public Employment
Tuesday, March 18, 2014 at 9:00 A.M.
Conference Room 309, State Capitol**

RE: SENATE BILL 2609 SD1 RELATING TO MINIMUM WAGE

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

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** SB 2609 SD1 Relating to Minimum Wage.

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 Chamber opposes the bill which repeals the tip credit and raises the minimum wage from the present \$7.25/hour to:

- \$8.20 per hour on January 1, 2015
- \$9.15 per hour on January 1, 2016
- \$10.10 per hour on January 1, 2017
- Blank amount for tip credit

This bill will **increase the minimum wage by \$2.85 per hour in three years**. This is a huge increase for business at a time when the economic recovery for many industries and businesses is still fragile. **This bill harms local businesses, the state economy and job creation because it contains a steep increase in the minimum wage and blanks out the tip credit.**

Hawaii is Different: Prepaid Healthcare Mandated Premium Costs for Employers

There has been much discussion that Hawaii should join the large rise in the minimum wage, similar to other states. Please keep in mind that Hawaii is the only state that mandates employers to provide health care to its employees including part time employees (20 or more hours per week). In addition, 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 benefit costs and taxes.**

The average annual premium for a single employee is about \$5,500. This benefit is almost entirely paid for by business. If you add this cost to the present minimum wage for a full time employee, the actual benefit to a minimum wage employee is **\$9.79 per hour**, or the highest in the country. Including payroll taxes, the present minimum wage cost is about **\$10.87 per hour**. Below is a chart of information for the present wage and proposed increases from SB 2609 SD1.

Cost for a minimum wage employee including health care premiums (\$5,500 annual premium cost 2014, 6% increase per year and then prorated by hour with 1.5% wage cap)											
Present Min. Wage			1st Year Increase			2nd Year Increase			3rd Year Increase		
Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost
\$7.25	\$ 2.54	\$ 9.79	\$8.20	\$ 2.70	\$ 10.90	\$ 9.15	\$ 2.83	\$ 11.98	\$10.10	\$ 3.00	\$13.10
Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost
\$7.25	\$ 3.42	\$ 10.67	\$8.20	\$ 3.61	\$ 11.81	\$ 9.15	\$ 3.82	\$ 12.97	\$10.10	\$ 4.05	\$14.15
Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost
\$7.25	\$ 5.18	\$ 12.43	\$8.20	\$ 5.48	\$ 13.68	\$ 9.15	\$ 5.81	\$ 14.96	\$10.10	\$ 6.15	\$16.25

Keep in mind that premium increases for small businesses are about 6-10% each year. On top of that, ACA federal and state taxes and fees will increase premium amounts this year and next year by about 4%. We expect prepaid premiums for single coverage to be almost \$6,000 per employee per year next year.

Many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums. The average annual premium for a single employee is almost \$5,500. This benefit is almost entirely paid for by business. With premiums rising 7-10% each year, and employers paying on average 90% of the premium, this represents a 2.7% to 3% increase in compensation to the employee.

Job Growth Data Unclear

There is a great deal of data and studies on whether or not an increase in minimum wage affects job growth. Much of the research is based on national studies. Below is a chart that shows some data that reflects some business concerns. Keep in mind that this is not part of a longitudinal data survey but some snap shot stats of some of the low end wage occupations that the increase hopes to help. As you can see, while there is 3% growth for all sectors during the last minimum wage increase, **low wage earners in the food industry lost jobs.**

Hawaii								
Occupation	2005	Med. Hrly.	2006	% Change	Med. Hrly.	2007	% Change	Med. Hrly.
All occupations	583,630	\$14.39	599,130	3%	\$14.97	610,310	2%	\$15.54
Food prep and serving	70,850	\$8.92	71,290	1%	\$9.14	72,070	1%	\$9.75
Combined food prep and serving workers	10,120	\$7.24	9,710	-4%	\$7.39	9,270	-5%	\$8.26
Counter attendants, cafeteria, food and coffee shop	6,360	\$7.32	5,630	-11%	\$8.03	5,280	-6%	\$8.63
Dining room and cafeteria attendants and bar helpers	4,440	\$9.59	4,540	2%	\$9.30	3,880	-15%	\$10.15
Source: www.bls.gov								

Minimum Wage is Floor Wage

We would also like to point out that the minimum wage is a floor wage. For many employees, it is their first job and generally, entry-level positions. Employers must invest time and money to train these individuals. Also in the food and beverage industry, there are many at this wage who earn tips which allow them to earn anywhere from \$18-30 per hour.

We appreciate the blanking of the tip credit but would **oppose the repeal of it**. We feel that if there is an increase in minimum wage, there should likewise an equivalent increase in the tip credit.

Large increases would negatively impact business

While only a small percentage of workers make minimum wage, a large increase would 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 1 year ago and earns \$8.50 per hour and Lisa just started and is under the new law at \$8.00 per hour, the employer will have to raise John's hourly to compensate for those at the lower part of the pay scale being increased. This could increase businesses labor cost by up to 15-20% in the first year alone.

Important Considerations

With this large increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit hiring of new employees.

Furthermore, the Council on Revenues recently lowered the forecast for the next couple of years because of the projected slowdown, along with recent study by the Congressional Budget Office that shows some job loss with minimum wage at \$10.10 and a survey by CFO's that showed reduced hiring, we hope would add to the discussion of limiting the increases in the minimum wage.

Thank you for this opportunity to express our views.