

NEIL ABERCROMBIE  
GOVERNOR



DWIGHT Y. TAKAMINE  
DIRECTOR

AUDREY HIDANO  
DEPUTY DIRECTOR

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

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813

<http://labor.hawaii.gov>

February 26, 2013

To: The Honorable David Y. Ige, Chair,  
The Honorable Michelle N. Kidani, Vice Chair, and  
Members of the Senate Committee on Ways and Means

Date: Tuesday, February 26, 2013  
Time: 10:05 a.m.  
Place: Conference Room 211, State Capitol

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

**Re: S.B. No. 331 SD1 Relating to Labor**

**I. OVERVIEW OF PROPOSED LEGISLATION**

This proposal increases the minimum wage in three stages from \$7.25 to \$9.25 as of July 1, 2015 and beginning in 2016, it provides for an annual minimum wage increase adjusted according to the consumer price index for urban wage earners and clerical workers (CPI-W) as calculated by the United States Department of Labor.

The department strongly supports the proposed measure.

**II. CURRENT LAW**

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

**III. COMMENTS ON THE SENATE BILL**

The purpose of the proposal is to raise the minimum wage to further the economic recovery of Hawaii and lift Hawaii residents out of poverty and to match the minimum wage to the cost of inflation on an annual basis. An increase in the minimum wage will boost consumer demand and jobs because minimum and low-wage workers spend

most if not all of their increased wages and therefore will generate economic activity to support our continued recovery from the recession.

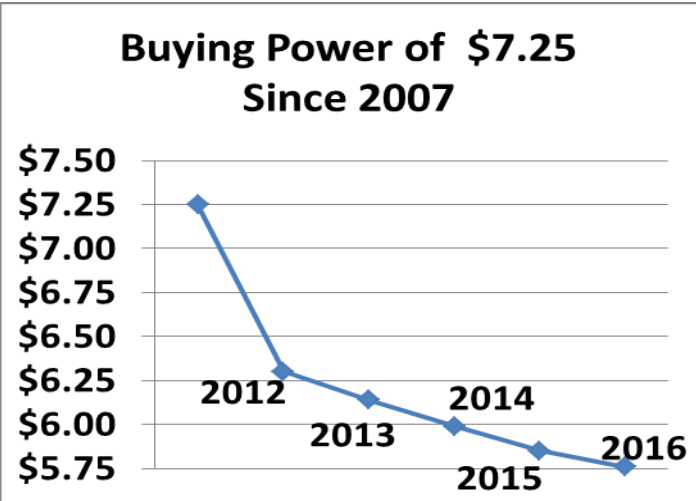
**Minimum Wage is higher in 19 states and D.C. despite higher cost of living in Hawaii**

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

- \$9.19 Washington\*
  - \$8.95 Oregon\*
  - \$8.60 Vermont\*
  - \$8.25 Connecticut\*, District of Columbia\*, Nevada\*, Illinois
  - \$8.00 California, Massachusetts\*
  - \$7.75 Alaska, Rhode Island
  - \$7.85 Ohio\*
  - \$7.79 Florida\*
  - \$7.80 Arizona\*, Montana\*
  - \$7.78 Colorado\*
  - \$7.50 Maine\*, New Mexico
  - \$7.40 Michigan, Rhode Island
- \*Denotes indexed to a cost of living or other indexing mechanism.

**Give Hawaii’s minimum wage earners more buying power**

This amendment will improve the quality of life for current minimum wage workers by adjusting the minimum wage for inflation to give workers more purchasing power. This will also benefit business by making increases in the minimum wage predictable and in smaller increments instead of periodically having to do large increases. It will also provide an incentive for those moving from welfare to work to earn wages that will enable them to become self-sufficient. The majority of minimum wage workers in such occupations as waitperson, food service counter worker, and bus person, will also see an improvement in their economic sustainability.



The last minimum wage increase was in 2007. Using that as the base year, and adjusting the current \$7.25 minimum wage for inflation based on the most recent Consumer Price Index that is updated semi-annually and using the Department of Business Economic Development and Tourism's (DBEDT) CPI-U forecast for 2013 to 2016, a worker would have to be paid \$9.16 by 2016 to have the same purchasing power that the worker had in 2007 at \$7.25 an hour. Conversely, if the current minimum wage were deflated to 2007 dollars, it

would be worth only \$5.76 in 2016.

By increasing the minimum wage and providing a mechanism for it to keep up with the cost of inflation, the number of Hawaii residents living in poverty will decrease. The U.S. Census Bureau recently estimated that 17.4 percent of state residents live in poverty, or about one-fifth of Hawaii residents, and that makes Hawaii the seventh highest state with the percentage of people living in poverty. Minimum wage earners in Hawaii currently earn \$15,080 annually working 40 hours a week for 52 weeks. A person with one child earning \$15,080 is \$2,770 below the Hawaii poverty level in 2013.

**2013 Hawaii Poverty Guidelines**

Household size	100%	133%	150%	200%	300%	400%
1	\$13,230	\$17,596	\$19,845	\$26,460	\$39,690	\$52,920
2	17,850	23,741	26,775	35,700	53,550	71,400
3	22,470	29,885	33,705	44,940	67,410	89,880
4	27,090	36,030	40,635	54,180	81,270	108,360
5	31,710	42,174	47,565	63,420	95,130	126,840
6	36,330	48,319	54,495	72,660	108,990	145,320
7	40,950	54,464	61,425	81,900	122,850	163,800
8	45,570	60,608	68,355	91,140	136,710	182,280

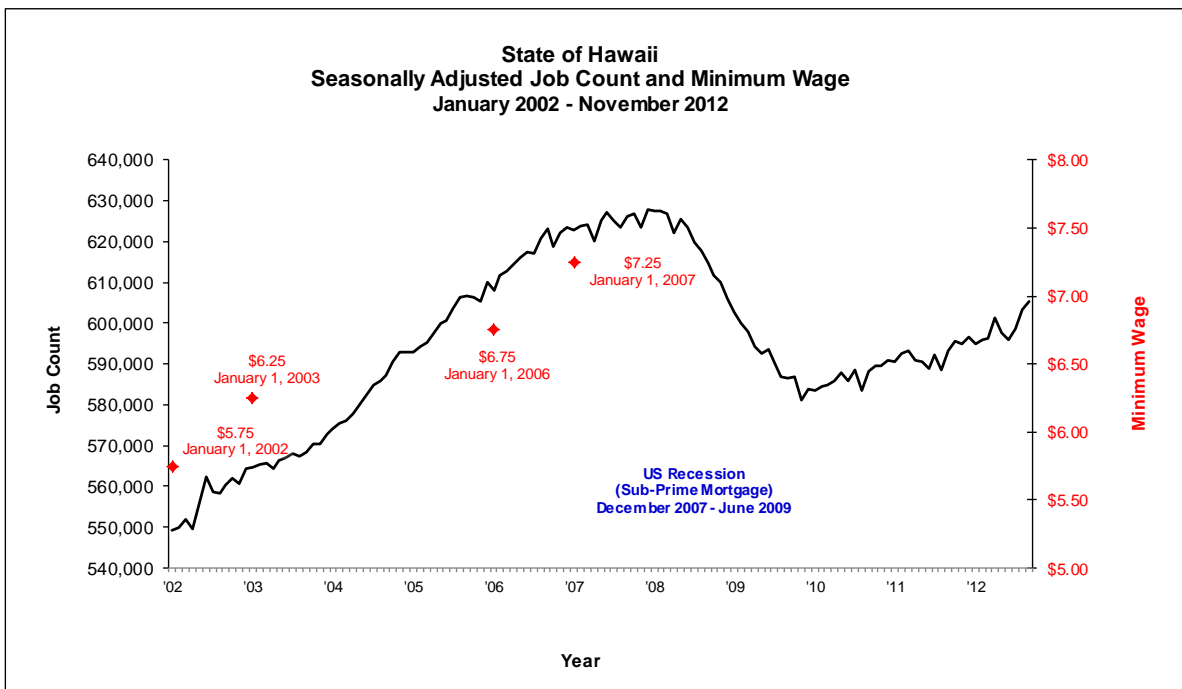
It is also desirable for Hawaii to maintain a minimum wage standard that reflects the increase in the cost of living, especially considering Hawaii is the most expensive state to live in. (See 2012 ACCRA Third Quarter 2012 Cost of Living Data as published by the Missouri Economic Research and Information Center at [http://www.missourieconomy.org/indicators/cost\\_of\\_living/index.stm](http://www.missourieconomy.org/indicators/cost_of_living/index.stm)).

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

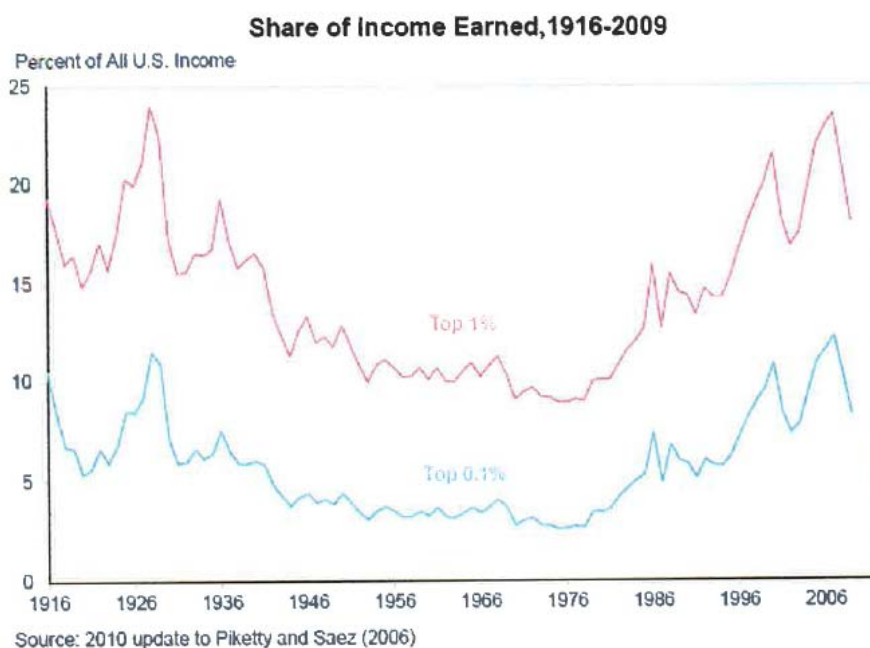
- ✓ Similarly, the cost of transportation is twelve per cent higher than Connecticut, which is the state with the second highest transportation costs, and forty-seven per cent higher than Mississippi, which has the lowest transportation costs in the nation.

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

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



“We can either settle for a country where a shrinking number of people do really well, while a growing number of Americans barely get by,” said President Obama in his 2012 State of the Union address. “Or we can restore an economy where everyone gets a fair shot, everyone does their fair share, and everyone plays by the same set of rules.”



Source: Alan Krueger, President's Council of Economic Advisors, *The Rise and Consequences of Economic Inequality*, 2012



Committee: Committee on Ways and Means  
Hearing Date/Time: Tuesday, February 26, 2013, 10:05 a.m.  
Place: Conference Room 211  
Re: Testimony of the ACLU of Hawaii in Support of SB 331, SD1, Relating to Labor

Dear Chair Ige and Members of the Committee on Ways and Means:

The American Civil Liberties Union of Hawaii (“ACLU of Hawaii”) writes in support of S.B. 331, SD1, Relating to Labor. We applaud this effort to raise the hourly minimum wage to \$8.25, beginning in July 2013, and to use consumer price indexes to ensure that the wages adjust with inflation in the future.

The ACLU of Hawaii is committed to the defense and preservation of workers’ rights and we support S.B. 331, SD1 primarily because a higher minimum wage allows greater income security and a higher quality of life for employees living in the country’s most expensive state. Similarly, as prices rise and inflation occurs, previous minimum wages are worth less and less, which places an unreasonable and unjust burden on employees whose cost of living cannot be reasonably met.

We urge you to recognize the importance of employment security and increased minimum wages by supporting S.B. 331, SD1.

Thank you for this opportunity to testify.

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

*The ACLU has been the nation’s guardian of liberty since 1925 and the ACLU of Hawaii since 1965. The ACLU works daily in the courts, legislatures and communities to defend and preserve the individual rights and liberties equally guaranteed to all by the Constitutions and laws of the United States and Hawaii. The ACLU works to ensure that the government does not violate our constitutional rights, including, but not limited to, freedom of speech, association and assembly, freedom of the press, freedom of religion, fair and equal treatment, and privacy. The ACLU network of volunteers and staff works throughout the islands to defend these rights, often advocating on behalf of minority groups that are the target of government discrimination. If the rights of society’s most vulnerable members are denied, everyone’s rights are imperiled.*

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



**LATE**

**TESTIMONY TO THE  
SENATE COMMITTEE ON WAY AND MEANS  
ON  
SB 331, S.D.1 RELATING TO LABOR  
By  
Richard Parry  
President and Chief Executive Officer  
Aloha Petroleum, Ltd.**

**Committee on Ways and Means**

Chair: Senator David Y. Ige  
Vice Chair: Senator Michelle N. Kidani

**SB 331, S.D.1 Relating to Labor**

Hearing Date: February 26, 2013  
Time: 10:05 a.m.

Place: Conference Room 211

Chair Ige and Members of the Senate Committee on Ways and Means, I am Richard Parry, President and Chief Executive Officer of Aloha Petroleum, Ltd.

Senate Bill 331, S.D.1 proposes to increase the minimum wage in Hawaii from \$7.25 to \$8.25 per hour on July 1, 2013 and to \$8.75 per hour beginning July 1, 2014 and to \$9.25 per hour beginning July 1, 2015. SB 331, S.D.1 further authorizes the Department of Labor and Industrial Relations to adjust the minimum hourly wage starting July 1, 2016 in accordance with the consumer price index. While Aloha Petroleum is sympathetic to the intent of this legislation, Aloha believes this bill will adversely impact many small businesses and the overall economy in Hawaii especially given the current high unemployment rates in Hawaii.

Like many businesses that employ workers at or near the minimum wage, Aloha's convenience stores provide an entry point to the work place for many people who may not have the training or experience to work elsewhere in higher paying jobs. This includes many 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 (in Aloha's case, a formal 3-day training course upon hiring and regular continuing training thereafter) and are eligible to receive medical insurance and other benefits. When a new employee completes three months of work, the employee is given a 25-cent per hour increase. Additional periodic increases are given after that.



**SB 331, S.D.1 Relating to Labor**

Testimony from Aloha Petroleum, Ltd.

Hearing Date: Tuesday, February 26, 2013

Time: 10:05 a.m.

Page 2

Aloha currently employs roughly 360 employees at about 45 convenience stores statewide. While no Aloha 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 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. Aloha estimates that the labor cost impact of this bill on Aloha alone will be more than \$300,000 per year for the 1<sup>st</sup> year alone.

It is difficult to pass these costs on to customers through higher prices because of competition. The other choices are to substantially reduce Aloha’s profitability or to hire fewer entry-level workers. Reducing profitability substantially would weaken Aloha’s financial position and threaten the company’s viability in the long run particularly in light of the ever increasing costs Aloha will incur to meet the State’s regulations. The only reasonable 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 bill provides for a total increase in wages of almost 30% over a less than three-year period. 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 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 opposes Senate Bill 331, S.D.1. Thank you for the opportunity to testify in opposition to this bill.



**Board of Directors**

David Derauf, M.D.  
 Marc Fleischaker, Esq.  
 Naomi C. Fujimoto, Esq.  
 Patrick Gardner, Esq.  
 Francis T. O'Brien, Esq.  
 David J. Reber, Esq.

**Executive Director**

Victor Geminiani, Esq.



Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
 Commenting on SB 331 Relating to Labor  
 Senate Committee on Ways and Means  
 Scheduled for Decision Making on Tuesday, February 26, 2013, 10:05 AM, Room 211

Thank you for an opportunity to comment on Senate Bill 331, which would raise the minimum wage. We are in strong support of an increase to the minimum wage.

Hawai'i Appleseed Center for Law and Economic Justice (formerly Lawyers for Equal Justice) is a nonprofit, 501(c)(3) law firm 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.

Increasing the minimum wage is critical given the serious financial hardship faced by our low-income residents.

- Hawai'i's housing and electricity costs are the highest in the nation, with more than 75 percent of people living in poverty paying over 50 percent of their income on shelter.
- Food costs are 60 percent higher than on the mainland based on the USDA's "Thrifty Food Plan," which calculates the most inexpensive way possible for an individual to meet basic nutritional requirements.
- Due to relatively high income taxes and the GET, Hawai'i is considered the fourth most regressive state for taxes, according to the Institute on Taxation and Economic Policy.
- In light of the extremely high cost of living, heavy tax burden, and wages paid, Hawai'i is considered to have the lowest adjusted wages in the nation.

Hawai'i's current minimum wage utterly fails to account for our extraordinarily high cost of living.

- Hawai'i's minimum wage is one of 23 states set at the federal level. Had the federal minimum wage even kept up with inflation over the last 40 years, today it would be \$10.58. The state minimum wage is not raised in accordance with cost of living increases.
- A living wage is based on the minimum cost of living for low wage families. In Honolulu County for one adult is \$12.91 according to the Massachusetts Institute of Technology's Living Wage Calculator. For a couple with two children, it rises to \$24.81—over 70 percent more than two working adults earn at minimum wage. Increasing the minimum wage is a small but essential start to meeting families' basic needs.

The benefits to increasing the minimum wage are many:

- Leads to more spending in the local economy, since low-income households are likely to immediately spend their money on necessities. This spending ultimately creates additional jobs by boosting economic activity.
- Reduces employee turnover, resulting in more experienced workers, and boosts productivity, leading to overall savings for employers. Contrary to the protests of many business owners, increasing the minimum wage does not lead to job loss or depressed economic activity. The most comprehensive study, conducted by the University of Massachusetts, University of North Carolina, and the University of California on the minimum wage compared neighboring counties across state lines from 1996 to 2006, and found minimum wages did not lead to any decreases in jobs.
- Decreases reliance on public benefits and social services, reducing expenditures and increasing efficiency by avoiding government administration of benefits.



To: Committee on Ways and Means

From: Dylan Ching  
General Manager

Hearing Date: February 26, 2013

RE: SB331 SD1 RELATING TO LABOR (**MINIMUM WAGE - TIP CREDIT**)

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We are in support of the intention to increase wages for the working poor but request the following amendments. 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. Approximately 225 work in the front of the house, more that 95% making \$7 an hour plus tips. Their average hourly wage with tips was \$21.42 last year.

If minimum wage is increased by \$1 an hour. It will result in a 9% increase in front of the house labor and will cost us approximately \$183,000 in increased wages and \$25,900 in additional taxes a year.

\$ 1.0000	Increase of \$1.00 an hour
\$ 0.0620	6.2% Social Security
\$ 0.0145	1.45% Medicare
\$ 0.0060	0.6% Federal Unemployment Insurance FUTA
\$ 0.0050	0.5% State Temporary Disability Insurance STDI
\$ 0.0540	5.4% State Unemployment Insurance UCI
<hr/>	
\$ 1.142	

Conversely, our non-supervisory Kitchen employees average \$12.42 an hour; 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 unable to continue to raise the rates of our back of the house support staff. We feel this is the 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.

**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 efforts.

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

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [cspd@kyd-inc.com](mailto:cspd@kyd-inc.com)  
**Subject:** Submitted testimony for SB331 on Feb 26, 2013 10:05AM  
**Date:** Monday, February 25, 2013 10:09:21 AM

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**SB331**

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Carmelita Phillips	Hawaii Foam Products, LLC	Oppose	No

Comments: This plan to increase minimum wage will be detrimental to the efforts to turn around Hawaii's economy. It will result in inflation and a reduction of available entry level jobs. All costs of goods will increase because companies will have to adjust rates of all current employees to compensate for the newer minimum 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.

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**S.B. #331**

My name is Jozette Montalvo and I am the Human Resources Director from Minit Stop Holdings, LLC. We have operations on Maui as well as on the Big Island.

**We oppose Senate Bill #331**

Any minimum wage increase would directly affect our entry level positions for which the workers are unskilled and inexperienced young people. If wages for these types of positions increased, we would reduce the number of employees at this level and only hire experienced workers. This bill would overall significantly limit opportunities for our young people just starting out in life. Our employees already have the ability to earn more than the proposed wages based on effort, experience and ability. Again if 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 and eliminate future job opportunities for entry level employees. 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 #331.**

Twenty-Seventh Legislature  
Regular Session of 2013



THE SENATE

Committee on Ways and Means  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
State Capitol, Conference Room 211  
Tuesday, February 26, 2013; 10:05 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 331, SD1  
RELATING TO LABOR**

The ILWU Local 142 strongly supports S.B. 331, SD1, which increases the minimum wage to \$8.25 starting 7/1/13, \$8.75 starting 7/1/14, \$9.25 starting 7/1/15, per hour, and adjusted in accordance with the Consumer Price Index starting 7/1/16.

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

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

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

The provision in the bill to adjust the minimum wage annually based on the consumer price index is a sound proposal that will keep politics out of the equation. If the minimum is automatically increased, political wrangling over the issue will be eliminated, the lowest wage earners will be assured of wages to help keep them out of poverty, and Hawaii's economy will be on a firmer footing.

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

The ILWU strongly urges passage of S.B. 331, SD1. Thank you for the opportunity to share our views and concerns.



**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [dy@kyd-inc.com](mailto:dy@kyd-inc.com)  
**Subject:** Submitted testimony for SB331 on Feb 26, 2013 10:05AM  
**Date:** Monday, February 25, 2013 10:00:51 AM

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SB331

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Dexter Yamada	KYD, Inc	Oppose	No

Comments: An increase in the minimum wage will cause inflation and a reduction in the number of available entry level jobs. It will also cause cost of goods to increase dramatically because companies will have to adjust wages of current employees to compensate with the increased entry-level rates. The net result will be higher prices of all goods and threaten the efforts to turn Hawaii's economy around.

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.

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**KAUAI**  
Chamber  
of  
Commerce

February 25, 2013

**LATE**

Senator David Y. Ige, Chair and Senator Michelle N. Kidani, Vice Chair  
And Members, Hawaii State Senate Committee on Ways & Means  
Hawaii State Capitol – Room 211  
Honolulu, Hawaii 96813

Dear Chair Ige, Vice Chair Kidani and Members:

**RE:** SB332, SD1: Relating to Wages

Aloha! My name is Randy Francisco, and I am President/CEO of the Kauai Chamber which comprises of 450+ businesses and 87%+ who are small businesses. I am writing this letter in **opposition of Senate Bill 332,SD1** which increases the minimum wage over 3 years.

I have called and spoken to nearly 30 small business members of the Chamber to get their input.

Their responses were indicative to me of what I already knew and which was reaffirmed:

- ✓ The majority except for 2 businesses are ABOVE the minimum wage because they know it is the right/pono thing to do – employers fully understand that it is important to recognize the already high cost of living that we as Hawaii residents already face and the related challenges of living in our economy;
- ✓ that it is important to recognize a person's experience even though that person may or may not have any and,
- ✓ that they as employers understand that training is an important and comensurate step in hiring and development; and, most of all,
- ✓ our Aloha Spirit and values are such that they as business owners strongly believe that they should and do in fact pay an employee at more than minimum wage, especially, if they are starting a job, even at the entry level.

For the 2 businesses, who were not at the minimum wage, as business owners/employers, they make every effort to try and expedite an increase shortly after an employee is at the minimum wage in order for them and the business to be successful.

One employer stated that within one month, a formal evaluation occurs and usually, an increase occurs. As for the other business, after a probationary period was completed, which is usually 1 month, an adjustment increase was also made.

In general, the businesses contacted strongly felt that they understand why there is this minimum wage legislation taking place. However, for them, realistically, they are above the minimum and, not at the minimum.

Should I be of additional assistance, please do not hesitate to contact me at 245-7363.

Mahalo Nui Loa and Aloha,

Randall Francisco  
President/CEO



**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  
The Senate  
Committee on Ways and Means

Testimony by  
Hawaii Government Employees Association  
February 26, 2013

S.B. 331, SD1 – Relating to Labor

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports S.B. 331, SD1 which will increase the minimum wage to \$8.25 starting on July 1, 2013 and \$8.75 starting a year later, and \$9.25 starting on July 1, 2015 and ending on June 30, 2016. We would also support authorizing the Department of Labor and Industrial Relations to adjust the minimum hourly wage thereafter in accordance with the Consumer Price Index.

By adjusting the minimum wage rate to the increase in inflation on an annual basis, in accordance with the Consumer Price Index, the State of Hawaii will be able to support minimum wage workers in maintaining purchasing power, which feeds back into Hawaii's economy.

Respectfully submitted,

Randy Perreira  
Executive Director



**Testimony to the Senate Committee on Ways and Means  
Tuesday, February 26, 2013 at 10:05 A.M.  
Conference Room 211, State Capitol**

**RE: SENATE BILL NO. 331 SD 1 RELATING TO LABOR**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes SB 331, SD 1 Relating to Labor.**

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber opposes the bill which raises the minimum wage from the present \$7.25/hour to:

- \$8.25 per hour on July 1, 2013
- \$8.75 per hour on July 1, 2014
- \$9.25 per hour on July 1, 2015
- Then beginning in every year thereafter tied to the CPI-W index

This bill will **increase the minimum wage by \$2 per hour in two years.** This is a huge increase for business at a time when the economic recovery for many industries and businesses is still fragile. We are also opposed to the enactment on July of this year, as many businesses have planned their budgets at the beginning of this year.

While only a small percentage of workers make minimum wage, this will greatly impact many businesses as they will be forced to raise the rates of many of their employees. As an example, if John started with the company 2 years ago and earns \$8.50 per hour and Lisa just started and is under the new law at \$8.25 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% in the first year alone. Furthermore, with the final increase in 2015 to \$9.25 per hour, you will likely be **increasing a business's labor cost by almost 30% in a span of 2 years.**

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

We also oppose the automatic increase in the minimum wage tied to the consumer price index. We believe that this does not take into account the economic conditions of business and the employment situation. Within 5 years of the enactment of the escalator the **minimum wage could be over \$10.60 per hour**. This rate is unsustainable. Furthermore, we disagree with the premise stated in the bill that raising the minimum wage will help solve a 13.7% unemployed and underemployed rate. We believe it will only make matters worse.

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.

Lastly, many businesses have faced uncontrollable increased costs in their prepaid healthcare premiums. The average annual premium for a single employee is almost \$5,000. 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.

With this large increase in the minimum wage many businesses may have to cut back hours or possibly lay off employees.

Thank you for this opportunity to express our views.

**LATE**



To: Committee on Ways and Means  
Senator David Ige, Chair  
Senator Michelle Kidani, Vice Chair

From: Melanie Bailey  
T S Restaurants Hawaii  
Human Resources Manager

Hearing Date: February 26, 2013

RE: SB331 SD1 RELATING TO LABOR (**MINIMUM WAGE - TIP CREDIT**)

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We are in support of the intention to increase wages for the working poor but request the following amendments. As minimum wage increases correspondingly increase the tip credit. An increase in the tip credit will enable restaurants to raise pay for non-tipped employees creating more equity in wages.

**Suggested language:**

(4) \$8.25 per hour beginning July 1, 2013; a tip credit may be used in the amount of \$1.25 by the employee's employer as long as 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.

(5) \$8.75 per hour beginning July 1, 2014; a tip credit may be used in the amount of \$1.75 by the employee's employer as long as 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.

(6) \$9.25 per hour beginning July 1, 2015, and ending on June 30, 2016; a tip credit may be used in the amount of \$2.25 by the employee's employer as long as 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.

(7) An amount adjusted in accordance with subsection (c) beginning July 1, 2016, and a tip credit may be used in the amount of 30% of the applicable minimum wage.

**Tipped versus Non-Tipped Employees**

The restaurant business is a fragile industry with a high failure rate. They operate on very tight profit margins and are dependent on many factors to be successful.

T S Restaurants employ approximately 1400 Hawaii residents. In our company, two-thirds of our employees make \$7 an hour plus tips; they are the front of the house employees: Servers, Bartenders and support personnel like Bussers. Our tipped employees make significantly more than minimum wage, many earn more through tips than our non-tipped managers.

Often restaurants pay back of house employees' minimum wage (dishwashers, cooks, cleaning staff) because it is all they can afford. As a company, we have been fortunate in being able to pay greater than minimum wage for our highly valued kitchen staff, but we know that is not the situation for many restaurants.

If we increase the wages of our tipped employees, we will be unable to continue to raise the rates of our back of the house support staff. Without a corresponding change in the tip credit, we will be giving an increase to the wrong group of employees. Menu prices will rise and the tipped staff will receive another increase as their tip percentages increase.

### **What are other States are doing?**

The intent of the original federal bill allowed employers to credit tips to themselves by an amount of up to 50% of minimum wage. The current law goes even further with a federal minimum wage of \$7.25 and a tip credit of \$5.12.

19 States have a tip credit ranging from \$5.02- \$5.48 an hour

16 States have a tip credit ranging from \$2.25 - \$4.98 an hour

7 States use a percentage ranging from 20-55% which comes out to \$1.45-\$3.98 an hour

Hawaii has not kept pace, of the 42 States with the tip credit; Hawaii's is the lowest at \$0.25 per hour.

### **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 time.

Respectfully,

Melanie Bailey

[Melanie@tsrestaurants.com](mailto:Melanie@tsrestaurants.com)

808.277.5121



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**Cc:** [beverlyfrederick76@gmail.com](mailto:beverlyfrederick76@gmail.com)  
**Subject:** Submitted testimony for SB331 on Feb 26, 2013 10:05AM  
**Date:** Monday, February 25, 2013 11:01:48 AM

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SB331

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Beverly Frederick	Individual	Support	No

Comments: 1.PLEASE index the minumum wage to increase with inflation, and 2. to go up to (at least) \$ 9.25 an hour

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**Cc:** [JeannieLayco@youngsmarket.com](mailto:JeannieLayco@youngsmarket.com)  
**Subject:** Submitted testimony for SB331 on Feb 26, 2013 10:05AM  
**Date:** Monday, February 25, 2013 9:58:25 AM

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SB331

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Jeannie Layco	Individual	Oppose	No

Comments: it will be very difficult for companies to keep up, min wage is meant as a starter wage to get an individual to the next job. If this goes up- it results negatively, etc as we cannot sustain all these increases.

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**Subject:** \*Submitted testimony for SB331 on Feb 26, 2013 10:05AM\*  
**Date:** Monday, February 25, 2013 8:53:10 PM

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**SB331**

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kristi Kapahua	Individual	Support	No

**Comments:**

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**Subject:** Submitted testimony for SB331 on Feb 26, 2013 10:05AM  
**Date:** Monday, February 25, 2013 10:07:53 PM

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SB331

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Marjorie Erway	Individual	Support	No

Comments: There are several cons as well as pros for this bill. And in my opinion, the pros win out. Our state needs an increase in minimum wage level. Please SUPPORT this!

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**SB331**

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Philana Bouvier	Individual	Oppose	No

Comments: Dear Committee Members, I oppose SB331 and ask that you hold on this bill due to the following concerns. The increase in the minimum wage over the next few years and the proposed automatic increase pegged to the CPI will affect a lot of businesses in a negative way. Employers will have to increase the wages for their entire hourly wage work force to keep from demotivating them. The increase across the board will also increase the cost of employment taxes, temporary disability and workers compensation. The compensating factors to offset increase cost would be to decrease employee benefit packages. The minimum wage workforce will not stimulate the economy as the minimum wage is not meant to be a living wage but rather the starting wage to enter the work force. To peg the minimum wage to CPI also creates an unforeseen cost that employers will have no control over. Please hold on this bill. Respectfully,

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SB331

Submitted on: 2/25/2013

Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Randal Bartlett	Individual	Support	No

Comments: Aloha Chair Ige, Vice-Chair Kidani & WAM Committee Members: Please support raising the minimum wage in Hawaii by: 1. indexing the minimum wage to increase with inflation, and 2. raising the current minimum wage to \$ 9.25 an hour. Mahalo nui loa no kou kokua! `Ua mau ke ea o ka `aina i ka pono! Randy Bartlett Pukalani, Maui, HI

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