



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

March 12, 2013

**MEMORANDUM**

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 331, S.D. 2 - RELATING TO LABOR**

Hearing: Tuesday, March 12, 2013; 9:00 a.m.  
Conference Room 309, State Capitol

**PURPOSE:** The purpose of the measure is to increase the minimum wage to \$8.25 starting 01/01/14, \$8.75 starting 01/01/15, and \$9.25 starting 01/01/16 and ending 12/31/16. It also authorizes the Department of Labor and Industrial Relations to adjust the minimum hourly wage thereafter in accord with the consumer priced index.

**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. It’s time for a New Day for Hawaii’s poorest wage workers.

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



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

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813

<http://labor.hawaii.gov>

March 12, 2013

To: The Honorable Mark Nakashima, Chair,  
The Honorable Mark Hashem, Vice Chair, and  
Members of the House Committee on Labor & Public Employment

Date: Tuesday, March 12, 2013  
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. 331 SD2 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 January 1, 2016 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. Provides an increased credit for tipped workers.

The department strongly supports the proposed measure and suggests that subsection (c) (Pg. 2, line 4) be dated 2016 instead of 2015.

**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.

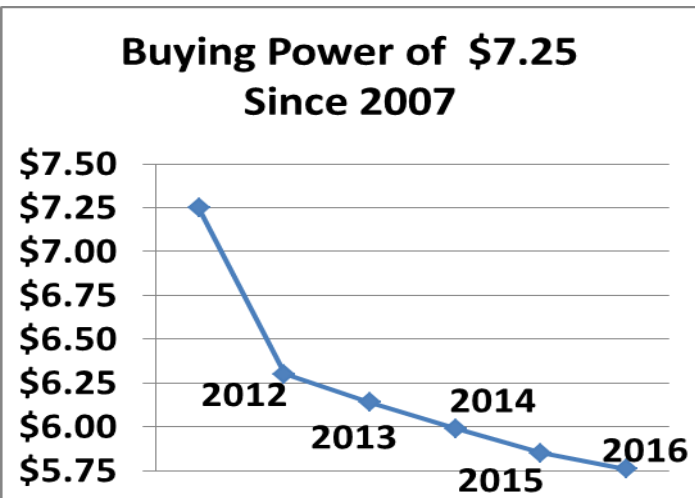
**Minimum Wage is higher in 19 states and D.C. despite higher cost of living in Hawaii**

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**

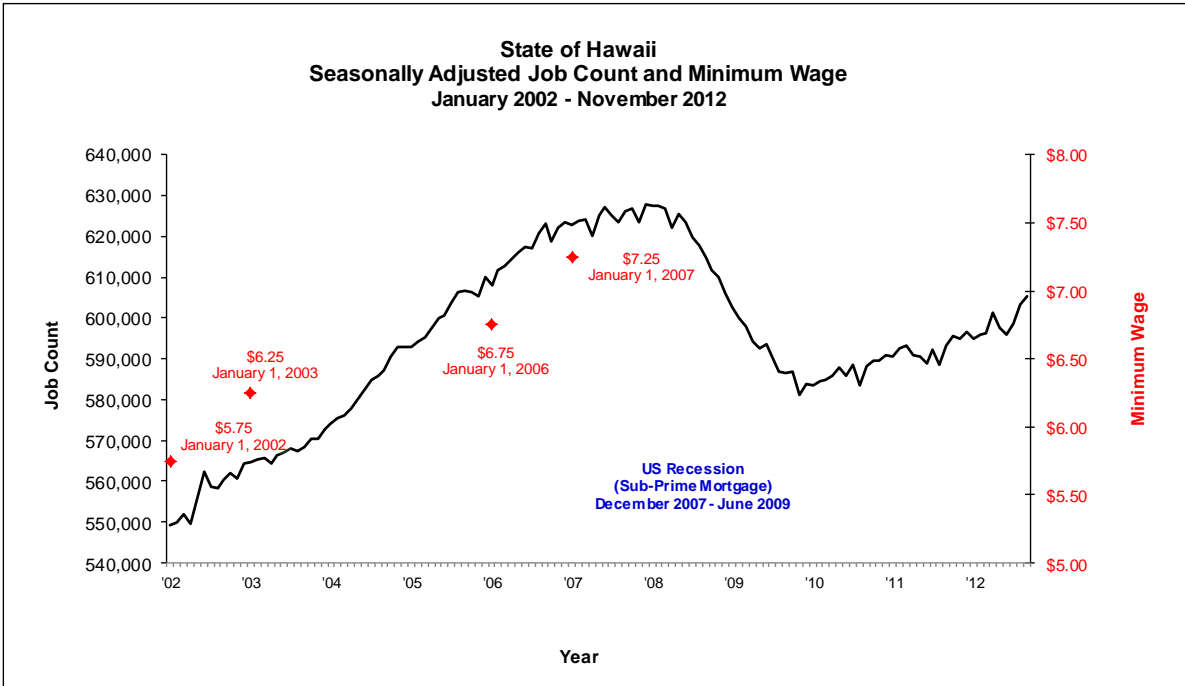
Household size	100%	133%	150%	200%	300%	400%
1	\$13,230	\$17,596	\$19,845	\$26,460	\$39,690	\$52,920
2	17,850	23,741	26,775	35,700	53,550	71,400
3	22,470	29,885	33,705	44,940	67,410	89,880
4	27,090	36,030	40,635	54,180	81,270	108,360
5	31,710	42,174	47,565	63,420	95,130	126,840
6	36,330	48,319	54,495	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)).

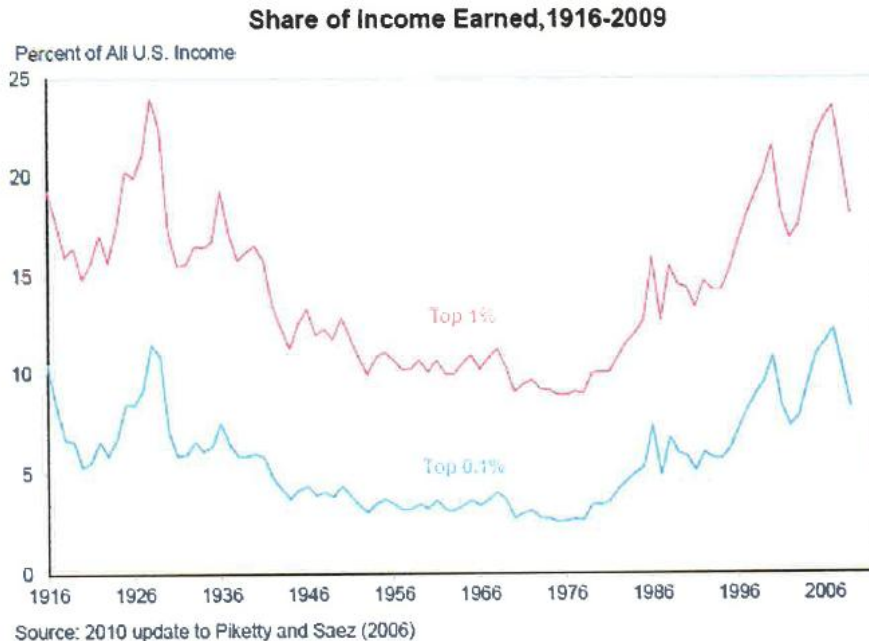
- ✓ The cost of living is twelve per cent higher than the next highest area (Washington, D.C.) and eighty-nine per cent higher than in Oklahoma, which is the least expensive area.
- ✓ The cost of groceries is fifteen per cent higher than in Alaska, which is the state with the second highest grocery costs,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

### **Statistical Profile of Minimum Wage Workers in Hawaii—2011**

#### **Statistical Profile of Persons Earning \$7.25 or Less\***

Total: 15,819 2.3% of Labor Force

Exactly \$7.25: 8,195 1.2% of Labor Force

Subminimum Wage: 7,624 1.1% of Labor Force

Males Earning Exactly \$7.25: 45.2% Males Earning Subminimum Wage: 55.9%

Females Earning Exactly \$7.25: 54.8% Females Earning Subminimum Wage: 44.1%

#### **Age Profile of Persons Earning \$7.25 or Less:**

Less than 21: 17%

Between 21 and 55: 76%

55 and Over: 7%

Total over 21: 83%

#### **Hours Worked by Persons Earning \$7.25 or Less:**

Works Less than 19 hours: 8.9%

Work Less than 35 Hours: 44.6%

Work More than 35 Hours: 55.4%

Work Exactly 40 Hours: 48.2%

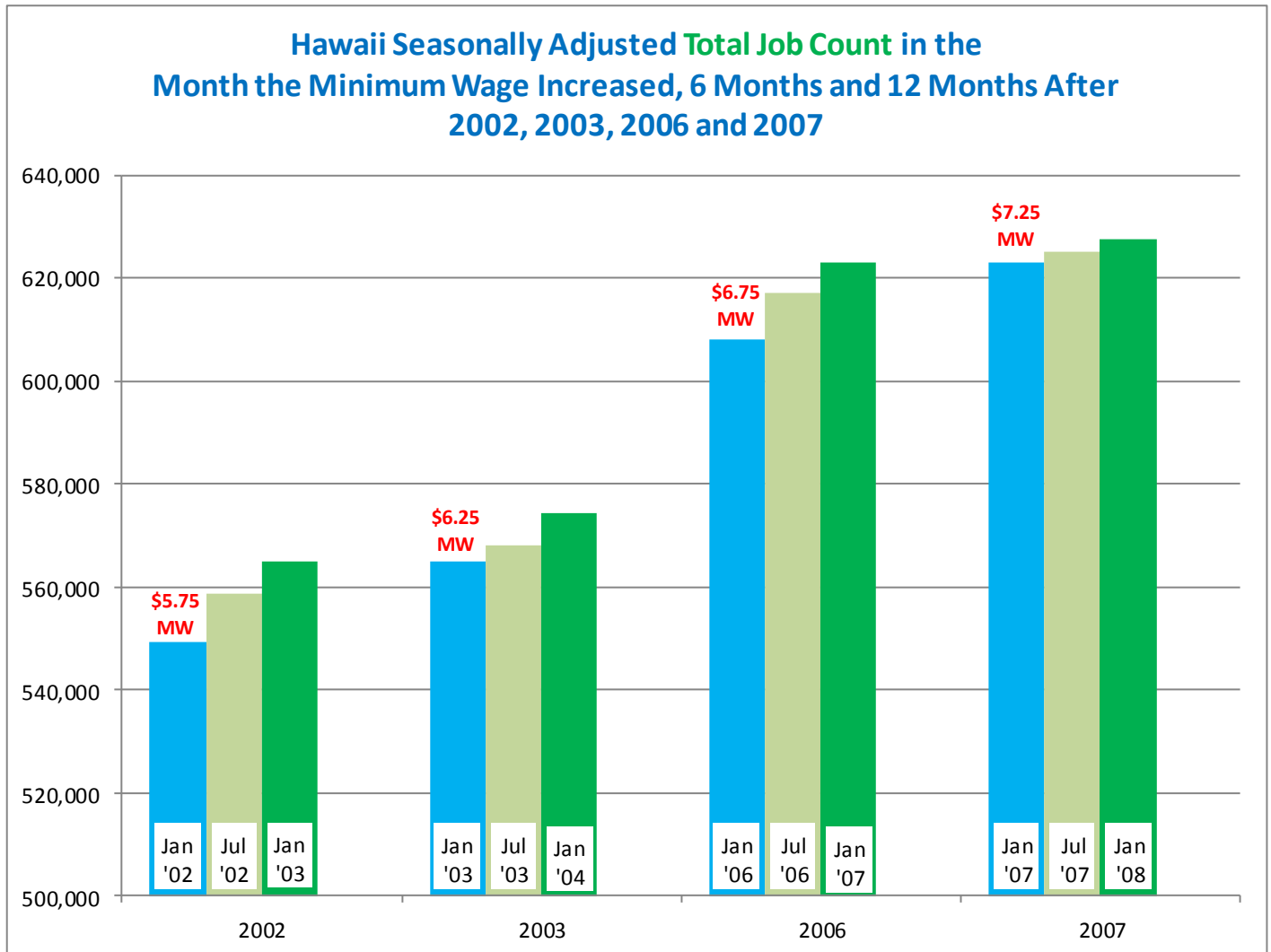
\*Source: U.S. Bureau of Labor Statistics (BLS), U.S. Department of Labor. BLS data derived from the Current Population Survey by the U.S. Census Bureau

The BLS does not provide industrial sector or occupational breakouts for the individual states. National data indicates that by major occupational groups, the highest proportion of hourly-paid workers working at or below the federal minimum wage was in the service occupations, about 6 in 10 minimum wage or below workers were in the service occupations in 2011, mostly in food preparation and serving related jobs.

The industry with the highest proportions of hourly paid workers earning at or below the federal minimum wage was in leisure and hospitality, primarily in restaurants and other food services.\*\*

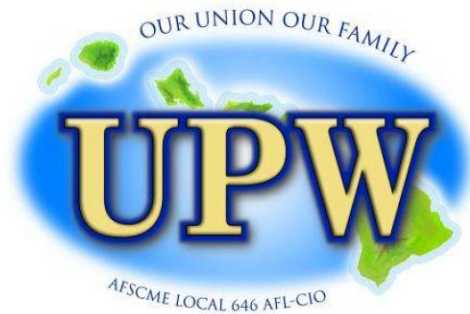
\*\*Source: Characteristics of Minimum Wage Workers: 2011, Bureau of Labor Statistics, U.S. Department of Labor





State of Hawaii - Minimum Wage and Seasonally Adjusted Total Job Count

Minimum Wage Increase Date	January 1, 2002			January 1, 2003			January 1, 2006			January 1, 2007		
Minimum Wage	\$5.75			\$6.25			\$6.75			\$7.25		
Job Count Date	Jan '02	Jul '02	Jan '03	Jan '03	Jul '03	Jan '04	Jan '06	Jul '06	Jan '07	Jan '07	Jul '07	Jan '08
Job Count	549,100	558,700	564,800	564,800	568,000	574,200	607,900	617,100	622,900	622,900	625,000	627,400
6 month Job Count Change		9,600			3,200			9,200			2,100	
12 month Job Count Change			15,700			9,400			15,000			4,500
6 Month % Change		1.7%			0.6%			1.5%			0.3%	
12 Month % Change			2.9%			1.7%			2.5%			0.7%



THE HAWAII STATE HOUSE OF REPRESENTATIVES  
The Twenty-Seventh Legislature  
Regular Session of 2013

**COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**

The Honorable Rep. Mark Nakashima, Chair  
The Honorable Rep. Mark Hashem, Vice Chair

DATE OF HEARING: Tuesday, March 12, 2013  
TIME OF HEARING: 9 a.m.  
PLACE OF HEARING: Conference Room 309

**TESTIMONY ON SB331 SD2 RELATING TO LABOR**

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers,  
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW supports SB331 SD2, which increases the minimum hourly wage. However, we would like to request that the blank tip credit be removed and kept at 25 cents.

The cost of living in Hawaii is the highest in the nation, but our state's minimum wage is still equivalent to the federal minimum of \$7.25 an hour. The last time that the minimum wage was increased was in 2007. As of 2012, the poverty level for a family of two in Hawaii is \$17,410 and \$21,960 for a family of three. An individual who works 40 hours a week at minimum wage for 52 weeks would earn \$58.00 a day, \$290.00 a week, and \$15,080 a year. A family of two or more would be well below the poverty level.

For the reasons stated above, we ask that the Committee pass this measure.

Thank you for the opportunity to testify.



Randy Perreira  
President

# HAWAII STATE AFL-CIO

320 Ward Avenue, Suite 209 • Honolulu, Hawaii 96814

Telephone: (808) 597-1441

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

Testimony by  
Hawaii State AFL-CIO  
March 12, 2013

## S.B. 331, SD2 – RELATING TO LABOR

The Hawaii State AFL-CIO strongly supports increasing the minimum wage to \$9.25 an hour and indexing it to the Consumer Price Index (CPI). However, we strongly oppose any increase to the tip credit.

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

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

According to a report by the National Economic Council in 2000, increasing the minimum wage does not have a negative effect on employment. The National Economic Council states, "since the (national) minimum wage increase in 1966, 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 benefits workers by increasing the reward to work.”

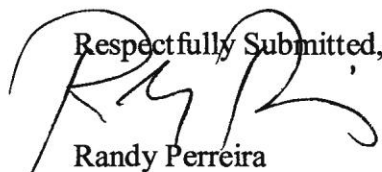
Furthermore, a more recent study conducted in 2010 by University of California, Berkeley, economics professor Michael Reich also concludes that the minimum wage does not lead to the short-or long-term loss of low-paying jobs. Professor Michael Reich proclaims “although increasing the minimum wage can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

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

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

We hope the legislature recognizes the importance of raising the minimum wage and we strongly urge the passage of S.B. 331, HD2 amended to keep the current tip credit of 25 cents.

Thank you for the opportunity to testify.

Respectfully Submitted,  
  
Randy Perreira  
President



Committee: Committee on Labor and Public Employment  
Hearing Date/Time: Tuesday, March 12, 2013, 9:00 a.m.  
Place: Conference Room 309  
Re: Testimony of the ACLU of Hawaii in Support of S.B. 331, S.D. 2, Relating to Labor

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

The American Civil Liberties Union of Hawaii (“ACLU of Hawaii”) writes in support of S.B. 331, S.D. 2, 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. Higher minimum wages allow greater income security and a higher quality of life for employees living in Hawaii, 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, S.D. 2.

Thank you for this opportunity to testify.

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

*The American Civil Liberties Union (“ACLU”) is our nation’s guardian of liberty working daily in courts, legislatures and communities to defend and preserve the individual rights and liberties that the Constitution and laws of the United States guarantee everyone in this country.*

American Civil Liberties Union of Hawaii  
P.O. Box 3410  
Honolulu, Hawaii'i 96801  
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F: 808-522-5909  
E: [office@acluhawaii.org](mailto:office@acluhawaii.org)  
[www.acluhawaii.org](http://www.acluhawaii.org)



March 12, 2013

Representative Mark M. Nakashima, Chair  
Representative Mark J. Hashem, Vice Chair  
Hawaii State Capital  
415 South Beretania Street, Room 309  
Honolulu, Hawaii 96813

Subject: S.B. 331 Hearing March 12, 2013 Testimony in Support.

To: Representative Mark M. Nakashima and the Committee on Labor and Public Employment.

Aloha, my name is Steve Canales, and I strongly support S.B. 331, Relating To Labor (Minimum Wage).

This measure will increase the minimum wage for many High Schools students, College students, and the Elderly.

Many elderly workers lost jobs during this recession. To get back on there feet, many took minimum wage jobs, because that was the only option. Living on minimum wage is making it hard to make ends meet. Since the economy is recovering, we must increase the minimum wage to help increase income for Students and the Elderly.

I strongly support S.B. 331. I would like to thank, the Committee on Labor and Public Employment for this opportunity to testify.

Sincerely,

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

Testimony of Glenn Ida  
Representing  
The Plumbers and Fitters Local 675  
1109 Bethel St., Lower Level  
Honolulu, Hi. 96813

House Committee on Labor  
Rep. Mark Nakashima, Chair  
Rep. Mark Hashem, Vice-Chair

Tuesday, Mar. 12, 2013  
9:00 AM, Conference room 309

Re: in Strong Support of SB331, SD2

Aloha Chair Nakashima, Vice-Chair Hashem and Committee Members,

My name is Glenn Ida representing the active and retired members of the Plumbers and Fitters Local 675,

Local 675 Strongly supports SB331, SD2, Relating to Labor, which will increase the minimum wage to \$8.25 starting 01/01/14, \$8.75 starting 01/01/15, and \$9.25 Starting 01/01/16 and ending 12/31/16. Authorizes DLIR to adjust the minimum hourly wage thereafter in accordance with the Honolulu region consumer price index.

A raise in the minimum wage is long overdue and with the high cost of living in Hawaii these increases over the next three years are totally justified. By indexing increases with the Honolulu CPI, it is an attempt to keep up with inflation. Although this is still not a living wage it is a step in the right direction.

Therefore Local 675 Strongly supports SB331, SD2.

Thank you for this opportunity to testify.

Mahalo,  
Glenn Ida



## HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)

1050 Bishop St. PMB 235

Honolulu, HI 96813

Fax : 808-791-0702

Telephone : 808-533-1292

**TO: COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT**  
**Rep. Mark M. Nakashima, Chair**  
**Rep. Mark J. Hashem, Vice Chair**

**FROM: HAWAII FOOD INDUSTRY ASSOCIATION**  
**Lauren Zirbel, Executive Director**

**DATE: Tuesday, March 12, 2013**

**TIME: 9:00 a.m.**

**PLACE: Conference Room 309**

**RE: SB 331 RELATING TO LABOR**

### **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.

**The food industry runs, on average, at about a 1% profit margin; therefore, no additional cost can result in no change to our business model. As such, an increase in the minimum wage will result in higher food costs and layoffs.**

The intent of this bill is to increase the wage for the lowest paying jobs to ensure that the minimum wage keeps up with inflation. The bill intends to have the minimum wage raised in proportion to the rate of inflation Hawaii experienced over the past few years. The concept is to ensure that workers earning a minimum wage can make ends meet and we truly understand and emphasize especially given this current economic situation.

Economists have argued, however, that raising the minimum wage will not improve the quality of life for minimum wage earners and will actually hurt those who are seeking entry-level jobs. 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, which 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.



An increase in the minimum wage will cause inflation and a reduction in the number of available entry-level jobs. The cost of goods sold will go up because of the increased cost of labor.

The enactment of a minimum wage increase at this time 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.

**Many entry-level jobs in the retail and food industry are for younger workers who may still be in high school. These younger workers do not need to have their wages increased. If industry is forced to raise these workers pay then they must also raise the pay of all of their employees along the labor chain which results in a huge increase in labor cost for the business and a corresponding increase in the price of the goods that are for sale. If the minimum wage is tied to the consumer price index the minimum wage will likely increase by 3-4% each year. This will mean an automatic increase in the minimum wage of about 30 to 40 cents a year. The net result will be a combination layoffs and higher grocery costs for all consumers.**

Thank you for the opportunity to testify.

**TO: Committee on Labor and Public Employment**  
**FROM: Mr. Orrin Cross – General Manager @ Hula Grill**  
**RE: SB331 SD2 Relating to Labor (Tip Credit)**

Aloha,

I am writing this letter in support of the March 12<sup>th</sup>, 2013 hearing to increase the minimum for low wage earners. An amendment to the bill has to be attached so the intentions of the bill will not be diluted. I am in favor of the bill but with a tip credit attached.

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.

The Hula Grill employs approximately 200 employees. Of those employees, about 120 are currently making \$7.00 per hour with a .25 an hour tip credit. The average wage when adding in tips for the front of the house is \$24.24 per hour. Your intentions are not to give this pay group a raise!

Our kitchen and maintenance staff current averages \$14.56 per hour. When the increase of minimum wage goes through, it will affect this group of employees negatively. Not only will they 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 for increases.

Previous jobs I have held in Hawaii' like working at Maui Land and Pineapple in their factory, would have appreciated this increase. These are the folks we need to support and get more money to. We appreciate all your hard work on these difficult decisions.

**PLEASE ADD AN AMENDMENT TO THE BILL**

**Thank You,**

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

Representative Mark M. Nakashima, Chair  
Representative Mark J. Hashem, Vice Chair  
Committee on Labor & Public Employment



HEARING        Tuesday, March 12, 2013  
                     9:00 am  
                     Conference Room 309  
                     State Capitol, Honolulu Hawaii

**RE     SB331, SD2, Relating to Labor**

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

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

**RMH strongly opposes SB331, SD2**, which increases minimum wage to \$8.25 starting 07/01/13, \$8.75 starting 07/01/14, and \$9.25 starting 07/01/15 and ending 06/30/16; authorizes the department of labor and industrial relations to adjust the minimum hourly wage thereafter in accord with the consumer price index.

When the economy faltered in 2008, retailers took significant measures to maintain employment levels by containing employment costs through across-the-board wage and salary reductions, while keeping benefits intact.

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

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

Of even greater concern is tying future minimum wage increases to the CPI, which would create an unwarranted level of uncertainty and an impediment to effective long-term budgeting and planning for all employers. Our economy remains tenuous. Our focus should be on stabilizing our businesses so as to enable increasing employment and hastening recovery.

The members of the Retail Merchants of Hawaii respectfully request that you hold SB331, SD2. Thank you for your consideration and for the opportunity to comment on this measure.

A handwritten signature in cursive script, appearing to read 'Carol Pregill'.

Carol Pregill, President

**Testimony to the House Committee on Labor and Public Employment  
Tuesday, March 12, 2013 at 9:00 A.M.  
Conference Room 309, State Capitol**

**RE: SENATE BILL NO. 331 SD 2 RELATING TO LABOR**

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

The Chamber of Commerce of Hawaii ("The Chamber") **opposes SB 331, SD 2 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 January 1, 2014
- \$8.75 per hour on January 1, 2015
- \$9.25 per hour on January 1, 2016
- 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.

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 ½ 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.

**Board of Directors**

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

**Executive Director**

Victor Geminiani, Esq.

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting SB 331 Relating to Labor  
House Committee on Labor and Public Employment  
Scheduled for Hearing on Tuesday, March 12, 9:00 AM, Conference Room 309

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*Hawai'i Appleseed Center for Law and Economic 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.*

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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.



TESTIMONY  
OF  
JACK TEMPLE  
NATIONAL EMPLOYMENT LAW PROJECT

ON  
S.B. 331 SD2: RELATING TO LABOR

BEFORE THE  
HAWAII HOUSE OF REPRESENTATIVES  
LABOR AND PUBLIC EMPLOYMENT COMMITTEE

MARCH 12, 2013

STATE CAPITOL  
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, D.C. 20006  
212.533.2585

Good afternoon Chairman Nakashima and members of the House Labor and Public Employment Committee. Thank you for the opportunity to testify today on S.B 331, which would raise the minimum wage in three steps to \$9.25 by 2016 and authorize the Department of Labor and Industrial Relations to adjust the minimum wage to keep pace with the rising cost of living each year thereafter.

My name is Jack Temple, and I am a policy analyst at the National Employment Law Project. The National Employment Law Project 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, minimum wages. We have worked with dozens of state legislatures across the country and with the U.S. Congress on measures to restore a strong minimum wage.

Raising Hawaii's minimum wage to \$9.25 per hour and indexing it to inflation will help Hawaii's frontline workers who are being squeezed by flat wages and rising prices. In my testimony I will address some of the key economic and policy questions raised by this proposal, and respond to some of the arguments that opponents of the proposal are likely to make. In an effort to make it as accessible and useful as possible, my written testimony is presented in bullet point format.

I would also like to mention as a resource for the legislature our website on the minimum wage, [www.raisetheminimumwage.org](http://www.raisetheminimumwage.org), which is a central location on the web for the latest research news and policy development related to the minimum wage.



## ***Raising and Indexing Hawaii's, Minimum Wage will Help Restore its Lost Value and Preserve its Purchasing Power as the Cost of Living Rises***

- At \$7.25 per hour, Hawaii's minimum wage matches the federal minimum wage and is just \$15,080 a year for a full-time, year round worker. If the federal minimum wage had kept up with inflation since the late 1960s, it would be \$10.59 today.<sup>1</sup> Instead, Congress has acted just three times in the last thirty years to raise the minimum wage, and Hawaii's minimum wage has remained stagnant since 2007.<sup>2</sup>
- By contrast, 19 states plus Washington D.C. have higher minimum wages than Hawaii, including many low-wage sunbelt states such as Florida, Arizona, and Nevada, and Midwestern states like Illinois and Ohio where the cost of living is much lower than in New Jersey.
- 10 different states also index their minimum wage to inflation so that the real value of the minimum wage does not fall every year. To be clear, indexing does not alter the "real value" of the minimum wage; it simply ensures that its purchasing power remains steady over time.
- The states that index their minimum wage have seen annual increases that are consistently modest in size – generally between \$0.15 to \$0.30 per year – yet these raises have provided much-needed support to the lowest-paid workers in each state while helping to boost consumer spending in the sluggish post-recession recovery.<sup>3</sup>
- The governors of states that have adopted minimum wage indexing report that these annual adjustments have benefited the state's economy and low-wage workers alike.
  - As Washington Governor Chris Gregoire and Oregon Governor John Kitzhaber wrote earlier this 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."<sup>4</sup>
  - 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."<sup>5</sup>
  - Montana Governor Steve Bullock similarly reports regarding Montana's minimum wage indexing law, "This law has served the state well."<sup>6</sup>
- In particular, minimum wage indexing does not slow job growth in the low-wage sectors that would be most affected, such as the restaurant industry or retail – in fact, states with minimum wage indexing are disproportionately experiencing above average restaurant

job growth. For example, three of the National Restaurant Association's top five fastest growth states for restaurant jobs are states that index their minimum wage: Arizona, Florida and Nevada.<sup>7</sup>

***More Workers Nationally and in Hawaii Are Spending Their Careers in Low-Wage Jobs, Making the Minimum Wage More Important Than Ever to the State's Economy***

- For decades, the economies of Hawaii and the nation have been reorienting towards low-wage jobs. Current data from the Bureau of Labor Statistics detail this transformation, and show that six of the top ten growth occupations for the next decade are low-wage occupations.<sup>8</sup>
- The recession and tepid recovery have only accelerated this shift toward low wage jobs. A NELP analysis shows that 60 percent of job losses during the recession were middle-wage occupations, yet 58 percent of jobs created in the post-recession recovery have been low-wage occupations.<sup>9</sup>
- As more Hawaii's residents are spending their careers in low-wage industries, the minimum wage is playing a bigger role in the state's economy, since it is one of the major factors shaping pay scales in those jobs.
- The overwhelming majority of low-wage workers are adults, not teens, and they contribute a substantial portion of their households' incomes. 88 percent of Hawaii's workers who would benefit from raising the minimum wage to \$9.25 per hour are adults over the age of 20; 88 percent work more than 20 hours per week; and 44 percent have at least some college education.<sup>10</sup>

***Raising the Minimum Wage Boosts the Consumer Spending that Hawaii's Economy Needs in Order to Grow***

- Consumer spending drives our economy, making up 70 percent of GDP. But consumer demand remains weaker than we need it to be, as too many workers across Hawaii remains stuck in low-wage jobs that do not support a middle-class standard of living.
- Raising wages for the nation's lowest-paid workers is a key way of boosting consumer demand. It puts money into the pockets of working families who spend it on necessities at neighborhood businesses, pumping it back into the economy.
- According to an analysis by the Economic Policy Institute, raising Hawaii's minimum wage to \$9.25 per hour would generate more than \$54 million in new economic activity and support the creation of 470 new full-time jobs as businesses expand to meet increased customer demand.<sup>11</sup>
- This research highlights how, far from killing jobs, raising the minimum wage in fact promotes job growth.

## ***The Large Companies That Employ Most Low-Wage Workers Are Enjoying High Profits and Can Afford to Pay Higher Wages***

- Despite misconceptions, 66 percent of all low-wage workers are employed by large firms with at least 100 workers, not small mom and pop businesses. Moreover, the largest low-wage employers have emerged from the recession in strong financial condition and are able to afford higher wages: 78 percent of the 50 largest low-wage employers have been profitable every year for the past three years, and 73 percent have higher profits now than before the recession.<sup>12</sup>
- Worker productivity has increased since the recession as companies squeeze more work out of a thinned workforce, but companies are not rewarding workers with higher pay.
- Indeed, maintaining rock-bottom wages has become the primary profit-generating strategy of many major corporations in the United States over the past decade: J.P. Morgan Chase's chief investment officer has calculated that 75 percent of the increase in corporate profits from 2000 to 2007 was due to reductions in wages and benefits."<sup>13</sup>
- Corporate profits are now the largest share of GDP since 1966, while wages and salaries are now the lowest share of GDP since 1955.<sup>14</sup>
- What this means is that the major low-wage companies that employ most workers in Hawaii earning less than \$9.25 per hour can afford to pay a modestly higher minimum wage.

## ***Research Shows That Raising the Minimum Wage Does Not Slow Job Growth, or Push Businesses Across State Lines to Lower Wage States***

- The [most rigorous research](#) over the past 20 years, examining dozens of minimum wage increases over the past two decades, find that these increases have increased workers' income without reducing employment of low-wage workers. Significantly, these trends are the same for minimum wage increases implemented [even during weak economic periods](#).
- A new paper by the Center for Economic and Policy Research reviews the past two decades of research on the impact of minimum wage increases on employment and concludes that "the weight of the evidence points to little or no effect of minimum wage increases on job growth." The study also finds that a review of the minimum wage literature commonly cited by minimum wage opponents is flawed because it is subjective, relies in large part on studies of wage increases in foreign countries, and fails to consider the most sophisticated and recent minimum wage studies.<sup>15</sup>
- A 2010 study in the prestigious *Review of Economics and Statistics* carefully analyzed minimum wage impacts across state borders. It compared employment patterns in more than 250 pairs of neighboring counties that straddled a state border and had different minimum wage rates between 1990 and 2006, and found no difference in job growth

rates in the neighboring counties despite the different minimum wages, and no evidence that states with higher minimum wages had pushed businesses across the state line.<sup>16</sup>

- And a 2011 study published in the *Journal Industrial Relations* examined every minimum wage increase over the past two decades—including increases that took place during protracted periods of high unemployment, such as the Great Recession of 2007 to 2009—and found that higher minimum wages boost incomes without reducing employment or slowing job creation, even for teen workers.<sup>17</sup>
- Another important contribution of these two recent studies is that they also demonstrate how previous research relied on by corporate interests failed to control for key variables, resulting in faulty conclusions. That erroneous research failed to control for basic differences in population and job growth trends across regions of the country, such as population shifts from the Rust Belt to the Sun Belt. The new research shows that when those trends are controlled for – for example, by focusing on neighboring counties (which by their nature have similar economies) with different minimum wage rates – any correlation between higher minimum wages and slower job growth vanishes. Detailed summaries of this and other new research can be found on our website, [www.RaisetheMinimumWage.org](http://www.RaisetheMinimumWage.org).

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Thank you so much for the opportunity to testify today in support of raising the minimum wage to help working families and promote economic recovery. I'd be happy to answer any questions that you may have.

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<sup>1</sup> See <http://www.raisetheminimumwage.com/facts/entry/amount-with-inflation/> for calculation.

<sup>2</sup> "A Short History of the Minimum Wage," available at: [http://plonedev.hawaii.gov/labor/rs/6-1405update/MIN\\_WAGE\\_7-12-07.htm](http://plonedev.hawaii.gov/labor/rs/6-1405update/MIN_WAGE_7-12-07.htm).

<sup>3</sup> "Effects of January 1, 2013 State Minimum Wage Increases," Data Sheet, National Employment Law Project, December 2012. Available at: <http://www.nelp.org/page/-/rtmw/uploads/January-1st-Minimum-Wage-Increases-Economic-Impact.pdf?nocdn=1>.

<sup>4</sup> Chris Gregoire and John Kitzhaber, "It Pays for States to Raise Bar on Minimum Wage," POLITICO, January 3, 2013, available at: <http://www.politico.com/story/2013/01/it-pays-for-states-to-raise-bar-on-minimum-wage-85735.html>

<sup>5</sup> Ibid.

<sup>6</sup> "Montana Minimum Wage Workers Getting Pay Increase," AP, December 31, 2012, available at: [http://billingsgazette.com/news/state-and-regional/montana/montana-minimum-wage-workers-getting-pay-increase/article\\_15953084-6656-5ae4-8efe-62660abd4400.html](http://billingsgazette.com/news/state-and-regional/montana/montana-minimum-wage-workers-getting-pay-increase/article_15953084-6656-5ae4-8efe-62660abd4400.html)

<sup>7</sup> National Restaurant Association, 2013 Industry Forecast.

<sup>8</sup> U.S. Department of Labor, Bureau of Labor Statistics, "Occupational Employment Projections to 2020," published in the January 2012 Monthly Labor Review, available at [http://www.bls.gov/emp/ep\\_table\\_104.htm](http://www.bls.gov/emp/ep_table_104.htm)

<sup>9</sup> National Employment Law Project, "The Low-Wage Recovery and Growing Inequality," Data Brief, August 2012, available at [http://www.nelp.org/page/-/Job\\_Creation/LowWageRecovery2012.pdf?nocdn=1](http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1)

<sup>10</sup> Economic Policy Institute analysis of 2012 Current Population Survey, Outgoing Rotation Group

<sup>11</sup> Ibid.

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<sup>12</sup> National Employment Law Project, “Big Business, Corporate Profits, and the Minimum Wage,” Data Brief, July 2012. Available at: [http://nelp.3cdn.net/e555b2e361f8f734f4\\_sim6btdzo.pdf](http://nelp.3cdn.net/e555b2e361f8f734f4_sim6btdzo.pdf)

<sup>13</sup> Michael Cembalest, “Eye on the Market” July 11, 2011, available at [http://www.investorvillage.com/uploads/44821/files/07-11-11\\_-\\_EOTM\\_-\\_Twilight\\_of\\_the\\_Gods\\_PWM\\_.pdf](http://www.investorvillage.com/uploads/44821/files/07-11-11_-_EOTM_-_Twilight_of_the_Gods_PWM_.pdf)

<sup>14</sup> Nelson D. Schwartz, “Recovery in U.S. is Lifting Profits, but Not Adding Jobs,” *New York Times*, March 3, 2013, available at: <http://www.nytimes.com/2013/03/04/business/economy/corporate-profits-soar-as-worker-income-limps.html?pagewanted=all&r=0>.

<sup>15</sup> John Schmitt, “Why Does the Minimum Wage Have No Discernable Impact on Employment,” Center for Economic and Policy Research, February 2013, available at: <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

<sup>16</sup> Arindrajit Dube, T. William Lester, and Michael Reich, “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties,” *The Review of Economics and Statistics*, 92(4): 945–964 (November 2010), available at <http://www.irle.berkeley.edu/workingpapers/157-07.pdf>

<sup>17</sup> Sylvia A. Allegretto, Arindrajit Dube, and Michael Reich, “Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data,” *Journal of Industrial Relations* (April 2011), available at <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>.



ABC Stores  
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The  
Store  
With  
*Molokai*

Island Gourmet Markets at Queens' Marketplace  
69-201 Waikoloa Beach Drive  
Space B1/B2 - Waikoloa, Hawaii 96738  
Phone: (808) 886-3577 - Fax: (808) 886-3580



WAIKOLOA, HAWAII

Representative Mark M. Nakashima, Chair  
Representative Mark J. Hashem, Vice Chair  
Committee on Labor & Public Employment

HEARING    Tuesday, March 12, 2013  
                  9:00 am  
                  Conference Room 309  
                  State Capitol, Honolulu Hawaii

**RE    SB331, SD2, Relating to Labor**

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

ABC Stores is a Hawaii based resort retail business with over 1000 employees on Oahu, Hawaii, Maui, and Kauai. ABC Stores opposes SB331, SD2.

An increase in the minimum wage causes a compression of wages between entry level, inexperience workers and veteran, experienced employees. An attempt to mandate scheduled adjustments at the lowest tier of the employment scale causes a tremendous increase in the overall cost of doing business, such as in benefits cost that are based on wages, including vacation and holiday pay, unemployment insurance, social security and Medicare, and worker's compensation premiums.

A greater concern is tying future minimum wage increases to the CPI which will impede long-term budgeting and planning for all employers. Our economy remains tenuous. Our focus should be on stabilizing businesses to enable increasing employment and economic recovery.

Neil Y. Ishida  
Director of Public Relations  
ABC Stores  
Island Gourmet Markets  
Island Country Markets  
Hawaiian Casuels  
Island Favorites

March 11, 2013

To: COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
Rep. Mark M. Nakashima, Chair  
Rep. Mark J. Hashem, Vice Chair

DATE: Tuesday, March 12, 2013      TIME: 9:00 a.m.  
PLACE: Conference Room 309

RE: SB331 Minimum Wage & Tip Credit

From: Thomas Jones President and CO-Owner  
Gyotaku Japanese Restaurants

RE: Opposition to SB331 - Unless the Tip Credit is increase to cover the increase for tipped employees.

An increase in the minimum wage without a significant increase in the tip credit provision will continue to inhibit our company's ability to increase the wages of all our employees who do not receive tips; especially dishwashers, kitchen helpers, cooks, & janitors. Therefore, as currently written, SB331 will actually be detrimental to its intent of increasing the wages of the lowest paid workers in my restaurant and the restaurant industry as a whole.

Each time the minimum wage has gone up over the past two decades the first persons to receive pay increases are tipped employees earning 3 to 4 times the current minimum wage in tips, due to the low tip credit. Since minimum wage legislation does not mandate that all employees get pay increases, those earning over but close to the new minimum wage do not get automatic pay increases. The ratio of tipped employees to untipped employees in our restaurants is about 2 to 1. So for every \$1 per hour paid to a front of the house employee in the minimum wage could mean up to a \$2 per hour pay increase for a cook or dishwasher.

This situation has held true ever since the first 1988 minimum wage increase I experienced. Between 1988 and 2007 Hawaii's Minimum Wage increased 11 times from \$3.25 to \$7.25. Every one of those increases immediately increased the employer paid wage of tipped employees at restaurants that I worked at and or now own. In almost every case not a single dishwasher or cook got an immediate pay increase as a result of an increase in the minimum wage. In fact, their next pay increase was delayed by a year or more.

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

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

There have been bills introduced in past years by the Hawaii Restaurant Association that proposed a changed the tip credit from a fixed amount to a percentage of tips claimed by the employee on an hourly basis. This would ensure that the tip credit taken by the employee was directly proportional to the tips earned by the employee. I support this approach because it is the fairest method of addressing the tip credit. I propose a tip credit of not more than 25% of the hourly tips claimed by the employee as tip income and an employer paid wage of not less than \$5 per hour.

That means that a tipped employee being paid a “cash wage” (minimum wage less tip credit) of \$5 per hour (\$7.25 less \$2.25) by the employer would have to be making at least a combined \$14 per hour in tips and the employer paid "cash wage" (\$5 wage + \$9 in tips). Does a \$2.25 cent tip credit against a guaranteed \$9 per hour tip income sound unfair? That is still well below the norm for tip credits nation wide. In this case, if the minimum wage increased to \$8.25 per hour the employee would have to be making \$13 per hour in tips for the employer to pay the employee a “cash wage” of \$5 per hour. The total hourly tip income and employer paid “cash wage” would be \$18 per hour.

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

I am also opposed to the indexing of the Minimum Wage to the CPI. This is inflationary and will be especially difficult for business owners to manage. Washington’s State Minimum Wage history shows an erratic increase in the minimum wage that is out of sync with the national economy. That wage increased dramatically in 2008 at the same time the country went into a deep recession.

Certainly someone who performs a valuable skill full time should be able to earn decent living. But if the mandated minimum wage is equated to a “living wage”, what incentive is there for people to get a high school diploma and go on to higher education? There are certainly more creative and effective ways for legislators to provide incentives for employers to help their employee’s earn their maximum wage.

Respectfully,

Thomas H Jones  
President & CO-Owner  
Gyotaku Japanese Restaurants



# Hawai'i Alliance for Retired Americans (HARA)

An affiliate of the Alliance for Retired Americans  
c/o HEA 1953 South Beretania St., Suite 5C · Honolulu, Hawaii 96826

AFT Hawaii Retirees  
HGEA Retirees  
HSTA – Retired  
ILWU Retirees  
Kokua Council  
UPW Retirees  
Hawaii Family Caregivers Coalition  
Kupuna Education Center

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(Submitted by email to: [LABtestimony@capitol.hawaii.gov](mailto:LABtestimony@capitol.hawaii.gov))

Testimony of Al Hamai in support of SB331, SD2 Relating to Employment

## **House Committee on Labor & Public Employment**

**9:00 a.m. Conference Room 309**

Chair Mark M. Nakashima and Members of the Committee,

HARA supports the purpose of SB331, SD2, increasing the minimum wage gradually to \$9.75 on January 1, 2016 with a provision for adjusting the minimum wage in accordance with the Honolulu region consumer price index, effective 7/1/50. We urge your Committee to approve this bill. This is the right thing to do, now.

We believe in the dignity of all work. Workers now and in the future, earning the lowest wages, more than others, need your help to live with greater dignity and hope.

Nationally, President Obama proposed the increase in the minimum wage to \$9.00 by the end of 2015. The New York Times in its editorial, "From the Bottom Up" on February 17 supported the proposal and pointed out among other facts:

"Over all, the argument that a higher wage will kill jobs has been debunked by a [range of studies](#) showing that a higher minimum wage boosts pay without measurably reducing employment, while improving productivity. One [study](#) from the Federal Reserve Bank of Chicago found that a \$1 increase in the minimum wage results, on average, in \$2,800 in new spending by affected households in the following year, in large part because the increase helps workers accumulate down payments to buy cars. Owning a car, in turn, helps workers to keep their jobs."

We urge your Committee to approve SB331, SD2. 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.*



Our company strongly opposes measure SB331

It seems as though raising the minimum wage is going to happen no matter what. So how's about we come to a compromise and stretch out the increases over a longer period of time. I believe the house version of this (HB 1028 HD2) calls for increases to: \$7.75 on 1/1/14, \$8.25 on 1/1/15, \$8.75 on 1/1/16, and \$9.00 on 1/1/17. The house version also stops at \$9.00 rather than be tied to the consumer price index after 1/1/17. Of course, I would prefer prolonging the time between the increases.

To help you understand where some companies may be coming from, imagine this scenario. It has been determined that all state governments must raise the minimum salary for all state employees from \$72,500.00 to \$90,000.00. Most of State XYZ's employees get paid the current minimum. State XYZ is obviously not in as good a financial position as other states. For State XYZ to comply with the new law, they must increase their payroll by over **27%** in a 2-year span. State XYZ is already having budget problems, so to comply with the mandated increase, it has to resort to raising state taxes or laying people off. There are many other states that will be able to adjust without any drastic changes, however the law does not make exceptions so State XYZ will face hard decisions immediately.

My company, along with many others, is like State XYZ. While the absolute necessity for a minimum wage is a completely different subject, I can assure you that spreading out the increase over a longer period of time will lessen the inevitable impact. The overall economy might just benefit from the minimum wage increasing. However it will not be easy for everyone. Many will go out of business. Consumers may have more money to spend, but they will be spending more of it for the same product. I am a small business struggling to compete with the deep-pocketed box stores. The slightest increase in the cost of doing business is felt much more by us little guys. If this minimum wage increase cannot be avoided, then can it be spread out? If State XYZ raised taxes abruptly, would people move to another state? In other words, if I raised my prices but my competitor didn't, would I lose any business? Would the governor enjoy sitting down with employees who are like family to discuss why they need to be terminated?

Thank you to whomever took the time to read through my rumblings.

Kyle Okimoto  
CEO

# POMARÉ

March 11, 2013

To: Representative Mark M. Nakashima, Chair  
Representative Mark J. Hashem, Vice Chair  
Committee on Labor & Public Employment

Hearing: Tuesday, March 12, 2013  
9:00 am  
Conference Room 309  
State Capitol, Honolulu Hawaii

**RE**            **SB331, SD2, Relating to Labor**

Dear Representative Nakashima, Representative Hashem, and Committee Members:

Pomare Ltd., dba Hilo Hattie has been doing business in the islands for fifty (50) years. The last four years when the economy and tourism took a down turn, the company also took a financial hit. We had to take measures to absorb the reduction in sales. This year we have seen growth and have been able to recover from these losses.

An increase in the minimum wage will have a huge effect on our total costs for our employee benefit packages. The minimum wage increase will directly increase labor costs across the board for all our hourly workers at an estimated \$300,000 dollars per year. It will also increase other key payroll costs such as Social Security, Medicare, Unemployment Insurance, and Worker's Compensation premiums. Then we would have to assess the costs in payroll and retail sales will have to increase by \$1.6 million dollars in 2014. That is simply unrealistic.

Pomare Ltd., dba Hilo Hattie opposes **SB331, SD2** at this time. We need more time to stabilize our business and be allowed to determine the best way to plan for the future of our employees.

Thank you for your time.

Sincerely,



Brenda Rogers  
Human Resources Manager



*Lesbian, Gay, Bisexual, and Transgender Workers and Allies*

March 11, 2013

House Committee on Labor and Public Employment  
Chair, Rep. Mark Nakashima  
Vice Chair, Rep. Mark Hashem

Testimony in support of SB 331 SD2

Pride At Work Hawai'i, an affiliate of the Hawai'i State AFL-CIO, strongly supports SB 331 SD2, which would increase the minimum wage to \$9.25 over 3 years and index future increases to the consumer price index. However, we do not support any increase in the tip credit.

Raising Hawai'i's minimum wage is long overdue, as the last increase was in 2007. Nineteen states and the District of Columbia now have a higher minimum wage than Hawaii, and ten states index their minimum wage to inflation so that the real value of the minimum wage does not fall every year.

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. At the current minimum wage, full-time minimum wage worker in Hawaii who works 40 hours a week for 52 weeks would earn \$15,080 for the year - far from a living wage. Even at \$9.25, a full-time worker working 52 weeks would earn less than \$20,000 - still less than a living wage in Hawai'i. For this reason, we also oppose any increase in the tip credit, which would leave tipped workers at a lower standard.

Increasing the minimum wage is especially important for lesbian, gay, bisexual, and transgender (LGBT) workers. Nationally, studies consistently show that LGBT workers are typically paid less than their heterosexual peers.

We hope you will support low-wage workers by passing SB 331 SD1. Thank you for your attention to this very important issue.

*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](mailto:prideatworkhi@gmail.com) [www.prideatworkhawaii.org](http://www.prideatworkhawaii.org)

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 11:54 AM  
**To:** LABtestimony  
**Cc:** bward@alohacontractservices.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
beti ward	aloha contracts services	Oppose	No

Comments: working in the airline industry is a challenge as many airlines are in financial trouble. As a company that provides the service we have some contracts in place that will not allow for an increase to cover the higher wage increase. if the minimum wage is higher that will force increase at all levels, and is not sustainable to our company or the airlines we serve.

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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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 1:40 PM  
**To:** LABtestimony  
**Cc:** anniey@panyagroup.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Annie Yeung	Panya Group, restaurant and bakery	Oppose	No

Comments: Panya has been in business for 16 years started from a single location bakery expanded to a 3 locations operation in sit-down full service restaurant, take-out deli and catering service. Currently, we have a total of 70-75 employees. In the past years, we had gone through different challenges of operation other than the inflation of all the direct costs like ingredients, surge of energy cost as well as the rising healthcare benefit costs, increasing cost of different type of liability insurance. We managed to go thru these hurdles in the past without passing the inflating cost DIRECTLY to the consumers. However, in this fluctuating economy, if we have to deal with this wage adjustment, our payroll, payroll tax, unemployment insurance, TDI, Workers comp., paid vacation benefits, over time rate.... ALL will be raising dramatically periodically along with the inflating labor cost which will jeopardize the stability of business due to the cost of operation. From the experience of running the business in the last 15 years, we do not have the confidence to survive in such wage adjustment rate. At the same time the quality of the work force do not support such pay rate, in terms of education, experience, loyalty and commitment. These will be straightly a big burden of the business owner to suck up all the consequences. Local government and state had never provide support and incentive to the locally owned business and small independent operation. At the end, the profit margin from the business operation might not be able to justify such demanding cost of labor.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 8:04 AM  
**To:** LABtestimony  
**Cc:** billt@tikisgrill.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bill Tobin	Tiki's Grill & Bar	Oppose	Yes

Comments: Any increase in minimum wage should be accompanied with an equal increase in the tip credit, allowing employers to distribute wage increases to those who need them most.

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## **HUKILAU LANAI**

520 Aleka Loop

Kapaa, HI

### **TO WHOM IT MAY CONCERN**

Our restaurant has been struggling to find ways to continue to be successful in spite of sky rocketing food costs. Recently we were informed that our food establishment license fee will increase 10 times. And now the pending minimum wage increase will have a serious adverse effect on our ability to make a profit. An increase in minimum wage needs to have a corresponding Tip Credit in order to insure that the increase in wages does not go to Tipped Employees who are already making well over minimum wage. Servers make the most money of any position in the restaurant. I don't think the spirit of the bill is intended for them.

### **THANK YOU FOR YOUR HELP**

**Ron Miller, Chef/owner**

520 Aleka Loop



## **HUKILAU LANAI**

520 Aleka Loop

Kapaa, HI

### **TO WHOM IT MAY CONCERN**

Our restaurant has been struggling to find ways to continue to be successful in spite of sky rocketing food costs. Recently we were informed that our food establishment license fee will increase 10 times. And now the pending minimum wage increase will have a serious adverse effect on our ability to make a profit. An increase in minimum wage needs to have a corresponding Tip Credit in order to insure that the increase in wages does not go to Tipped Employees who are already making well over minimum wage. Servers make the most money of any position in the restaurant. I don't think the spirit of the bill is intended for them.

### **THANK YOU FOR YOUR HELP**

**Kristine Miller, Owner/General Manager**

520 Aleka Loop



To: Committee on Labor & Public Employment

From: Jason Doney  
General Manager  
Leilani's on the Beach

Hearing Date: March 12, 2013 9am

RE: SB331 SD2 RELATING TO LABOR (MINIMUM WAGE - TIP CREDIT)

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 increases to the max tip credit. An increase in the max tip credit would continue to enable restaurants the ability to raise pay for non-tipped employees, 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 max 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 has approximately 195 employees. Approximately 150 work in the front of the house, and more than 95% of these employees make the \$7.25 minimum wage less tip credit of .25 an hour plus tips. In 2012, their average hourly wage with tips was \$23.21.

Conversely, our non-supervisory Kitchen employees average \$13.06 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 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 this has the opposite effect of the intent of this bill and will provide a wage increase to the wrong group of employees. An increase in minimum wage, along with an increase in the maximum 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.



To The Members of the Committee on Labor & 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 Kauai) in regards to Hawaii Bill Proposal SB331 SD2 RELATING TO LABOR (MINIMUM WAGE - TIP CREDIT). 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.

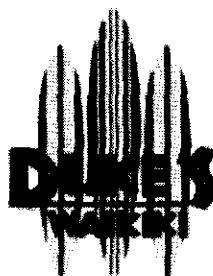
We have approximately 110 non-supervisory employees at Keoki's Paradise. Of these 110 employees, 70 of them (64%) work in the front of the house making the \$7.25 minimum wage less tip credit of \$0.25 an hour, plus tips. The average hourly wage for our front of the house employees in 2012 (with tips) was \$22.16.

On the other hand, our office, kitchen and maintenance staffs make up the remaining 40 employees and averaged \$13.48 an hour in 2012. 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



To: Committee on Labor & Public Employment

From: Dylan Ching  
General Manager

Hearing Date: March 12, 2013 9am

RE: SB331 SD2 RELATING TO LABOR (MINIMUM WAGE - TIP CREDIT)

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We are in support of the intent to increase wages for low wage earners 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 \$7.25 minimum wage less tip credit of .25 an hour plus tips. Their average hourly wage with tips was \$21.42 last year.

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 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 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.

**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.



To: Committee on Labor & Public Employment

From: Chris Almeroth  
General Manager

RE: SB331 SD2 RELATING TO LABOR (MINIMUM WAGE – TIP CREDIT)

Kimo's Restaurant supports the proposed minimum wage increase. The 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 2012 Kimo's tipped employees earning minimum wage less .25 tip credit averaged \$23.21 per hour.

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 2012, these "back of the house" employees made \$13.30 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.



To: Committee on Labor & Public Employment

From: Dianne Yicheinrut  
General Manager

Hearing Date: March 12, 2013 9am

RE: SB331 SD2 RELATING TO LABOR (MINIMUM WAGE - TIP CREDIT)

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We are in support of the intent to increase wages for low wage earners but request the following amendments.

- A state tip credit that correspondingly increases with the projected minimum wage increase.

Hula Grill Waikiki has approximately 120 employees. Approximately 85 work in the front of the house as greeters, bussers, bartenders, and servers. Our front of the house employees earns \$7.25 (minimum wage) less tip credit of \$0.25 an hour plus tips. Their average hourly wage with tips was \$22.33 last year.

Conversely, our non-supervisory Kitchen employees (dishwashers, prep, and line cooks) average \$12.05 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 hard pressed to continue to raise the rates of our back of the house support staff and wages for new hires may be reduced.

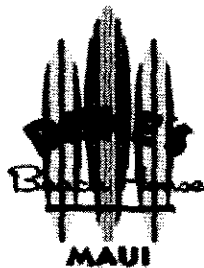
When it comes to wages, restaurants struggle to create equity between the Front of the House (FOH) and Back of the House (BOH) employees. The major difference is that the FOH employees are tipped and their average hourly tips can double the average hourly wage of the BOH employees. Our company has been 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.

We understand that the goal of increasing minimum wage is to offer a higher standard of living for those making minimum wage. In our restaurant, minimum wage employees are tipped. 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.

Dianne Yicheinrut  
General Manager

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



To: Committee on Labor & Public Employment

From: ~~Shaughn~~ Halliar  
General Manager

Hearing Date: March 12, 2013 9am

RE: SB331 SD2 RELATING TO LABOR (MINIMUM WAGE - TIP CREDIT)

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Duke's Beach House Maui is in support of the intent to increase wages for lower wage earners; however we do request the following amendments.

A minimum wage increase that congruently increases the tip credit by the same value, as an increase in the tip credit will enable it affordable for restaurants to increase pay rates for non-tipped employees creating greater equality in wages.

Duke's Maui, has approximately 180 employees. Approximately 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 2012 was \$21.28.

Conversely, our non-supervisory Kitchen employees average \$13.96 an hour; all of which 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 will, needless to say reduce any chance of any further in-house wage increases for the non-tipped kitchen employees, possibly a reduction in new employee starting rates.

*We feel this 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.

Dukes beach House Maui Management.



To: Committee on Labor & Public Employment

From: Jaime Arreola  
Regional Manager Kauai

Hearing Date: March 12, 2013

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

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We support the proposal to increase the existing minimum \$7.25 hourly rate, however request the following amendment to be incorporated; 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 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 \$23.15 last year.

Conversely, our non-supervisory back of the house support staff which consists primarily of our Kitchen employees average \$13.60 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 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 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.





To: Committee on Labor & Public Employment

From: Chris Colgate  
Oahu Regional Manager - TS Restaurants  
Former Chair and Current Treasurer - Hawaii restaurant Association

Hearing Date: March 12, 2013 9am

RE: SB331 SD2 RELATING TO LABOR (MINIMUM WAGE - TIP CREDIT)

We are in support of the intent to increase wages for low wage earners but request a corresponding Tip Credit for Employees who receive tips. An increase in the tip credit will enable full service restaurants to continue raising pay for non-tipped employees primarily in the Kitchen who rely on their wage as their means of support and thus creating more equity in wages.

Tipped employees who receive minimum wage will normally receive an additional \$8 - \$15 per hour in tips bringing their hourly wage to over \$15 per hour and in many cases over \$20 per hour. Conversely, our non-supervisory Kitchen employees average of \$10 to \$15 per hour.

The minimum wage increase will not increase our Kitchen wages and in fact may actually lower them in the long term.

If we increase the wages of our tipped employees instead of employees in the non-tipped category it will be difficult to find additional monies to continue their wage increases. We also feel that an increase in minimum wages for tipped employees only will fuel inflationary increases in menu pricing and would make Hawaii less affordable for Locals and Visitors.

*We feel SB331 will have the opposite effect of the intent of this bill.*

Thank you for your efforts.

Chris Colgate  
Oahu Regional Manager

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 09, 2013 12:23 PM  
**To:** LABtestimony  
**Cc:** matt@performancels.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/9/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Matt Lyum	Individual	Oppose	No

Comments: As a business owner in the landscape industry, I Strongly Oppose this bill. We already pay above the minimum wage, but our scale is based on skill sets. This rapid increase in minimum wage would force up the entire wage structure. It will be compounded by Workers comp, Gen. Liability Insurance, and TDI and also the paid holidays, vacation, PTO and Overtime. We are locked into some 3 year contracts with customers, and forcing this increase in expenses without the option to raise our prices may result in layoffs! Professional companies in our industry already compete with "under the table" cash workers. Raising our cost to customers will drive more to hire these individuals who evade taxes, and labor laws. Please defer this bill.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 09, 2013 10:39 AM  
**To:** LABtestimony  
**Cc:** TABRAHAM08@GMAIL.COM  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/9/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
TROY ABRAHAM	Individual	Support	No

Comments: i support raising minimum wage to help people get jobs and less stress

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**From:** Tracy Norling-Babbitt [localstore@me.com]  
**Sent:** Monday, March 11, 2013 1:17 PM  
**To:** LABtestimony  
**Subject:** Please do not pass the Senate Minimum Wage Bill

Dear Chair Nakashima & Committee Members,

I respectfully ask that the committee does not pass SB 331 SD1 relating to the Minimum Wage. The increase will hurt my business at a time when the economy is slowly recovering. If indeed, this passes the small business will certainly have hard decisions to make. My fate is inevitably to do it myself and not employ anyone ; your decision. Thank you for your ear.

Sincerely,

Tracy Norling-Babbitt  
PO Box 482140  
Kaunakakai, HI 96748

**From:** Debra Cabarloc [dcabarloc@hiloarc.org]  
**Sent:** Monday, March 11, 2013 12:27 PM  
**To:** LABtestimony  
**Subject:** Please do not pass the Senate Minimum Wage Bill

Dear Chair Nakashima & Committee Members,

I respectfully ask that the committee does not pass SB 331 SD2 relating to the Minimum Wage as written.

While the plight for an increase in wages may be warranted, the manner in which this bill is written puts it on a course for destruction for many businesses and especially non-profits.

The escalation schedule of minimum wage to \$9.25, as stated in this bill, does not accommodate for actual economic conditions and has a built in sense of entitlement to higher wages without a return of investment to employers.

This bill affects an employer's entire wage & salary program, not just for those earning the current minimum wage. Employers will need to adjust their wage & salary programs for pay equity, which, in most cases, affect its entire business.

We are only now able to see where the economic dust has settled within our companies; we have not yet been able to recover from it; this bill, as written, will only diminish our recovery efforts.

Please, do not pass SB 331 SD2 as written.

Mahalo.

Sincerely,

Debra Cabarloc  
PO Box 601566  
Kurtistown, HI 96760

**From:** Mike Dixon [helmsman@lava.net]  
**Sent:** Monday, March 11, 2013 9:07 AM  
**To:** LABtestimony  
**Subject:** LAB Comm and My Legislator: I Oppose SB 331 re Min Wage

Dear Chair Nakashima & Committee Members,

I SUPPORT SB 331 SD2 relating to the increase in minimum wage increase.

I understand and agree with the intent, raising the minimum wage at this time will NOT have an impact on my business as long as ALL other businesses have to do the same. Furthermore, tying the wage to the consumer price index will help protect low income wage earners from future opposition from short sighted business owners who always oppose these increases regardless of the economic circumstances.

This increase in the minimum wage is a minor increase in overheads compared to insurance, current health care costs, and fuel over which you have no control.

It will have no effect on my hiring in the future.

Please vote YES on SB 331 SD2. Mahalo.

Sincerely,

Mike Dixon  
PO Box 461  
Halaiwa, HI 96712

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 9:45 AM  
**To:** LABtestimony  
**Cc:** Frank.Hercik@hmshost.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Frank Hercik	Individual	Oppose	No

Comments: I believe if the bill passes, it will have very negative impact on all hospitality employers and also will cost State additional revenue. Why? Every operator will pass the increased cost on all consumers, (visitors and locals), who in exchange will spend less money, therefore reducing the overall revenue.

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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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 11:54 AM  
**To:** LABtestimony  
**Cc:** mauimike10@aol.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Hooks	Individual	Oppose	No

Comments: I oppose this increase to minimum wage if you do not address the tip credit deduction law. Currently and employer can only take a 25 cents per hour tip credit deduction. Tipped employees can make anywhere from 20.00 to 35.00 per hour in tips. I do not believe that this group is who you should worry about at this time. I think the State should take what ever the minimum wage amount is increased, and apply that same amount as a tip credit deduction to the employers.

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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**From:** Fritz Klasner [fklasner@gmail.com]  
**Sent:** Monday, March 11, 2013 9:37 AM  
**To:** LABtestimony  
**Subject:** Please PASS the Senate Minimum Wage Bill

Dear Chair Nakashima & Committee Members,

I respectfully ask that the committee PASS SB 331 SD1 relating to the Minimum Wage. The increase will BENEFIT my business, such an increase is supported by the best available economic science, and benefit the people of Hawaii.

Sincerely,

Fritz Klasner  
721 Kukuau St  
Hilo, HI 96720

**From:** Toni Lathrop-Lee [toni@tlathroplee.com]  
**Sent:** Monday, March 11, 2013 10:14 AM  
**To:** LABtestimony  
**Subject:** Please do not pass the Senate Minimum Wage Bill

Dear Chair Nakashima & Committee Members,

I respectfully ask that the committee does not pass SB 331 SD1 relating to the Minimum Wage. The increase will hurt my EMPLOYEES at a time when the economy is slowly recovering.

I only have one minimum wage person employed in my insurance agency because most of my employees are licensed, but I do have an entry level position for a high school or community college student that does basic clerical functions. This gives an inexperienced person an opportunity to learn about the business but if the minimum wage is raised to this degree, I would look for more qualified people to perform these functions.

I think there is a place for a lower minimum wage to encourage entry level positions, but then the wage does need to be increased as a person develops in the position. I do believe that certain employers are not paying people what they are worth, but an across the board increase in the minimum wage is not going to repair that inequity.

Sincerely,

Toni Lathrop-Lee  
92-1200 UAHANAI ST  
KAPOLEI, HI 96707

**From:** LANE MURAOKA [lane@bigcitydinerhawaii.com]  
**Sent:** Monday, March 11, 2013 12:27 PM  
**To:** LABtestimony  
**Subject:** Do not pass SB 331 SD2 re Min Wage (cc: my legislator)

Dear Chair Nakashima & Committee Members,

Please vote NO on SB 331 relating to minimum wage.

Although I understand the intent, raising the minimum wage at this time will have an impact on my business. Furthermore, tying the wage to the consumer price index will hurt because it does not take into account the economic conditions of business and the employment situation.

During the Great Recession over the past 5 years, we were very fortunate to just be a even if we were lucky. With utilities up over 50%, health insurance up over a 100% and commodity costs at record highs, it has been extremely difficult to make ends meet. As an example, our egg price per dozen in January of this year was \$2.00, in February, it jumped 45% to \$2.90! We cannot raise our prices daily as we in the industry (Hawaii's largest behind tourism and our military) have PRINTED menus; even if we could change our prices like gas stations do (sometimes daily), we still could not endure the loss of business if we raised our prices by 45% overnight!

The minimum wage is an ENTRY LEVEL WAGE, NOT a living wage... Wage increases are earned by one's performance: High performers make a lot more money than \$7.25. If you raise everyone's wage by simply increasing the minimum wage, you are in fact hurting the people you are actually trying to help: The productive, hard-working law abiding citizen as there will be no monies left to give them an increase; consequently, there will be no incentive to do a better job.

Tipped employee's make an average of \$15-\$35 an hour in tips; I propose that if you still feel compelled to raise the minimum raise, you should also raise the "Tip Credit" to where it should be as it has not been proportionately adjusted over the last 35 years!

I propose that the minimum wage be \$8.00 per hour with NO annual increases, and the Tip Credit be increased to \$3.00 per hour. The increased Tip Credit will allow more monies to be available for high-performing, non-tipped employees.

This solution will enable the productive and honest non-tipped employees who actually need the money, to make more; the tipped employees already make 3-5 times the minimum wage; and, small business' will continue to exist and compete with large, mainland companies who already have advantageous supply chain pricing and economies of scale.

Thank you for your time and consideration, I really appreciate it!

Mahalo!

Sincerely,

LANE MURAOKA  
2141 Pauoa Rd  
Honolulu, HI 96813

**From:** Richard Ha [richard@hamakuasprings.com]  
**Sent:** Monday, March 11, 2013 10:34 AM  
**To:** LABtestimony  
**Subject:** Please do not pass the Senate Minimum Wage Bill

Dear Chair Nakashima & Committee Members,

I respectfully ask that the committee does not pass SB 331 SD1 relating to the Minimum Wage.

When new farmers hire their first few workers, they will have to pay a higher rate than they would today. It is very difficult for young farmers to get into farming. This will make it even harder.

Farmers are not price makers, they are price takers. We all want to pay all of our workers more. But, we have a difficult time of raising the price of what we grow. To be fair to workers who have been with us a long time, we cannot just raise the pay of new workers, we must raise the whole pay scale. How will farmers get revenue to make up?

Food security has to do with farmers farming. If the farmers make money the farmers will farm. Farmers are having a hard time, that is why agriculture is shrinking as a percent of the economy, in spite of the fact that everyone is pushing for food security.

We are putting in a hydro electric system that will take us completely off expensive electricity. Most farmers are not so lucky.

Aloha  
Richard Ha

Sincerely,

Richard Ha  
421 Lama St  
Hilo, HI 96720

# TESTIMONY TRANSMITTAL COVER

To:	House Labor Committee	Date	03/10/2013
From:	Winton G. Schoneman	808.383.6632	
Re:	SB331SD1	Hearing Date:	Tuesday; March 12, 2013
Page(s):	5	Time:	9 AM

Representative Mark Nakashima- Chair  
Representative Mark Hashem – Vice Chair

Winton G. Schoneman, 383-6632 (H)

In STRONG OPPOSITION to SB331 Relating to the Minimum Hourly Wage

Distinguished members of the House Labor Committee, I ask that you accept my written testimony reaffirming my STRONG OPPOSITION to Senate Bill 331 Relating to the Minimum Hourly Wage. **Subsequent to this and other business legislation that has been proposed, new and frightening data from sequestration has come to light. The anticipated loss of \$500 million dollars to the state's economy should be cause to take a step back and reflect on the intended and unintended consequences of any business legislation, especially a large increase in the minimum wage.** By way of introduction, I am a small business owner in East Oahu and was the 2011 Jean Fukuda Civic Leadership Award winner. I provide entry level employment to your sons and daughters and have been doing so for close to 20 years. My premise is that minimum wage is and should be an entry level wage to the labor force and should not be equated to a “living wage”.

In the narrative of the proposed legislation several facts and conclusions are noted:

1. Nineteen states have higher minimum wage levels than Hawaii.
2. 10 States index their minimum wage to the Consumer Price Index.
3. 17.4% of Hawaii's population live below the poverty level and the last time the minimum wage was increased was 2007.
4. Increasing the minimum wage will stimulate the economy.

Here are some other facts and comments that may have bearing on your decision:

1. US Bureau of Labor Statistics Data - Hawaii has approximately 321,000 hourly wage earners of which only 15,000 statewide earn at or below the minimum wage and of these 15,000 half are under the age of twenty four and 25% are under the age of twenty. 58.8% of minimum wage earners work part time. Minimum wage workers are typically young entry level employees. Further, minimum wage earners tend to be single.\*
2. Of the 19 listed states that have a higher minimum wage than the federal minimum wage only two, Montana and Vermont, have a lower percentage of hourly workers earning the minimum wage than does Hawaii. From this I conclude that having a higher minimum wage does not necessarily correlate to a reduction in the number of minimum wage employees; on the contrary, you may end up with a higher proportion of employees making minimum wage as employers spread out the higher cost of doing business.\*
3. 60% of all minimum wage workers are employed in the service industry\*; primarily, food and beverage businesses. The food and beverage industry has one of the highest costs of doing business; typically relying on renting space, purchasing from wholesale vendors and continual promotions to generate business.
4. Advocates for an increase in the minimum wage often cite studies by economists Krueger and Card (neither of which is a labor economist) that indicate that an increase in the minimum wage

does not result in an increase in unemployment. I would like to point out that these studies have a fatal flaw in that the data taken was of NATIONAL BRAND (specifically they only studied Burger King, KFC, Roy Rogers and Wendy's) fast food establishments only, that:

- a. Typically enjoy the status of an anchor tenant or operate on wholly own property; therefore, enjoy a rent cost benefit.
- b. Have the ability to spread cost increases among a myriad of products.
- c. Enjoy substantial purchasing power and the ability to contain costs.

No data was evaluated for single or small/limited venue retailers (read mom and pop stores).

Further, unemployment figures do not take into account that a majority of minimum wage workers are part-time, single and under the age of 21. In fact the following quotes by the Employment Policies Institute citing several university studies indicating that unemployment among youth increases significantly.

**“For every 10 percent increase in the minimum wage, teen employment at small businesses is estimated to decrease by 4.6 to 9.0 percent.”**

“New research from Drs. Nicole Coomer (Workers Compensation Research Institute) and Walter Wessels (North Carolina State University) demonstrates how minimum wage increases have a disproportionately harmful impact on those working minimum wage jobs, and suggests that states who aggressively expand their own minimum wage may be doing more harm than good. The difference between total job loss and minimum wage job loss is dramatic. Coomer and Wessels find that **when the minimum wage is increased by 10 percent, employment for 16-to-19-year-olds in minimum wage jobs falls by as much as 11.1 percent. Looking specifically at 16-to-17-year-olds, employment losses rise to 13 percent.**

One only needs to look at Europe to see where youth unemployment decays to when we try to equate the minimum wage with a living wage. The high minimum wage countries Britain, Spain Greece et al have an average youth unemployment at around 40% while Germany, which has NO minimum wage enjoys a youth unemployment of less than 10%.

I believe that it is important to consider the cost to our community by having fewer after school jobs available. Jobs that reduce gang involvement. Jobs that teach values. Jobs that support students going to college and not having to borrow. You, the Legislature, are considering legislation to fund programs that keep youth involved in afterschool programs and out of nefarious activities...jobs for youth do that at no cost to government. The minimum wage cannot become an impediment to entry level employment for our youth and raising it dramatically and at this time does exactly that.

5. The bill intimates that increasing the minimum wage may reduce poverty; however, studies indicate that this is just not true.

“Labor economists Joseph Sabia of San Diego State University and Robert Nielsen of the University of Georgia endeavor to go beyond poverty rates and measure the impact of a higher minimum wage on various forms of hardship. Using data from the Census Bureau's Survey of Income and Program Participation, they construct a number of measures of hardship, including the following:

- Financial insecurity: Does the wage earner have difficulty in paying medical or utility bills, or making a mortgage payment?
- Housing insecurity: Has the wage earner missed rent payments in the last year, or do they have un- addressed housing problem like broken windows?
- Health insecurity: Did the wage earner go with- out health insurance, or miss a doctor's visit?
- Food insecurity: Has the wage earner lacked sufficient resources to purchase food or eat a balanced meal?

Across all measures, the authors find no statistically significant evidence that a higher minimum wage has helped reduce financial, housing, health, or food insecurity. This is true across all employees in general, and for smaller sub-sets of the less-educated and less-experienced. “\*\*\*

6. Indexing the minimum wage to the CPI-W has not cured poverty nor statistically reduced it...recent Census Bureau Data indicates that Colorado and Florida have a higher incidence of poverty than the national average. Missouri, Montana, Ohio and Vermont (along with 22 other states) have a lower incidence. There is no correlation between poverty relief and attaching the CPI to an annual minimum wage analysis.\*\*

Studies have shown that indexing has a deleterious effect on youth employment...In Washington, teen unemployment (a typical marker for the health of the entry-level job market) skyrocketed by 58 percent since the state implemented indexing, 24 percent higher than the average for non-indexed states. When indexing started in 1999, Washington already had a teen unemployment rate above the national level at 19.7 percent. By 2008, the teen unemployment rate reached 29.7 percent, an increase that cannot be explained using by looking at other labor market movements. (During the same time period, the national teen unemployment rate went from 14 percent to 18.8 percent, meaning Washington's teen unemployment rate was over 1.5 times the national average.) If repeated minimum wage hikes have no impact on the entry-level job market, the ratio of teen unemployment to overall unemployment should stay consistent in response to economic shocks. But in Washington state, the ratio shot up from 3.02 in 2001 to 5.57 in 2008, indicating that teen unemployment was growing at a much faster rate than overall unemployment over this time period.

Further, indexing the minimum wage puts employers who rely on entry level employees at risk. While inflation remains relatively tame at the present, there is no guarantee that 5-10% increases could not occur without a cap. In the 1970's inflation frequently hovered over 10%...mandating wage increases will certainly exacerbate this trend and may result in hyperinflation.

7. While it may be true that many minimum wage employees will spend their earnings, this does not necessarily correlate to a growing economy. True economic growth comes from expansion of private business not redistribution of funds. For myself, that time seemed to be in the not so distant future and I could do some remodeling and equipment replacement. This wage increase will further delay or worse yet cancel any such endeavors. Let me explain. I have a small retail store that employs 4 college students and 4 high school students providing on average 600 employee hours of wages per month. Assuming an increase in wages for all of \$1.50/hr (most employees would expect a raise commensurate with what the lowest paid would get) without an increase in productivity, labor costs rise by at least \$15,000.00 per year when you include Social



Security, Medicare, Work Comp, TDI etc. If you assume a reasonable net profit of 20% (I can't make up the difference just from sales, increases must come from the net) I will have to increase my annual sales by \$75,000.00 or \$6,250.00 a month just to stay even. Current average monthly sales are in the \$40,000.00 range...who among you believes that a small retail establishment can raise prices and increase productivity at such a rate. Making it even more difficult to maintain profitability is the likelihood that the cost of goods and services will climb as wholesalers and suppliers raise prices to cover the additional labor costs. This added inflation will have a significant impact not only on small businesses but on seniors and fixed income families as well.

8. I have tried to research the economic impact that furloughs, layoffs and the reduction in work hours due to sequestration may have on our local economy. It is sufficient to say that nobody knows for sure but it is certain not to have a positive effect. This is what UHERO said in response to my query "Sequestration layoffs/furloughs ... The dollar amount and number of layoffs are still unknown at this time. According to the estimate by the Hawaii Chamber of Commerce, the total amount of Federal spending reduction in the state, including pay reduction and construction projects cancellations is about \$500M. This may be the maximum lost of Federal spending in this Federal fiscal year which will be ending September 30, 2013." As a responsible business owner I must assume that we will be negatively affected in the short term and this affect may be significant. **The anticipated losses due to sequestration and the added imposition of a large minimum wage increase may be more than we can overcome.**

Conclusion: There comes a tipping point and we are close to that now. Small mom and pop businesses are being forced to compete with large multi-state/multi-national corporations with little or no protection. We cannot "just raise our prices". **We, the mom and pops of Hawaii do not have the capacity to absorb large and or regular increases of many kinds, including wages.** If you, as legislators, value the entrepreneur, the little guy, the ones most likely to employ the college and high schools students, you must find a way to ensure that the minimum wage remains an entry to the labor force not the means to resolve low wages for those who lack the skills or education to earn a living wage. However, we are not indifferent to the challenges faced by the working poor. I was once among them. There seems to be a consensus that something must be done to support a wage base for the families that are at the lower end of the wage scale and are caught by the high cost of living in Hawaii. An idea might be to create a "living wage" law separate from the "minimum wage" where employees that are "vested" (similar to vesting in a sponsored retirement plan) in a business are ensured a higher wage. Specifically, if you have worked for a business for three consecutive years and are over the age of twenty-one you are entitled to be paid a base wage. Or, if you are employed full time and have remained employed for a specified period of time (90 days does not work) with an employer that you are entitled to a specified wage.

I ask that you take into consideration **all** the available data and the fact that I have close to 20 years of successful small business operational experience. I ask that you consider the daily challenges faced by Hawaii's small business owners when you decide on SB331 and the other bills under consideration that raise the cost of doing business in Hawaii.

Thank you,

Winton Schoneman

\*United States Department of Labor, Bureau of Labor Statistics, Characteristics of Minimum Wage Workers: 2011

\*\*United States Census Bureau, Poverty- People and Households, Nov. 2012

\*\*\* Employment Policies Institute briefing paper “Can Raising the Minimum Wage Reduce Poverty and Hardship?”

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 12:28 PM  
**To:** LABtestimony  
**Cc:** batfish@hawaii.rr.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gary Saito	Individual	Support	No

Comments: We cannot stimulate the economy if there is weak consumer spending. We cannot increase consumer spending until we provide better wages for working people. At the very least, we can help the working homeless to provide for their families with a roof over their heads. They shouldn't have to decide between that and food on the table. Let's give working people a leg up on the income scale and they will help boost the economy. Our Democratic legislature should have the will to make this happen.

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March 1, 2013

Good evening Senators.

As a small business owner the passing of SB 331 will be very detrimental to my business--let alone the entire economy of the state. Rather than help raise the standard of living for those who rely on minimum wage jobs, it will actually hurt them. Here is an example of the impact such a law would have on your typical small business owner and their employees:

*Consider a restaurant selling 100 meals a day for 365 days at \$10 each. The total revenue is \$365,000. I employ 10 minimum wage workers earning \$7.25 per hour, working 2000 hours a year, making labor costs \$145,000. Assume rent, utilities, equipment, depreciation, insurance, supplies, licenses, and food costs come to \$170,000 per year, it leaves a profit of \$50,000 for the owner and their family.*

*Raising the minimum wage \$1 would raise labor costs by \$20,000 (paying more for the same amount of labor) and reduce profit to \$30,000. Raising the minimum wage to \$9.25 will reduce profit to \$10,000.*

*By raising labor expenses, you also increase payroll taxes, unemployment insurance contributions, temporary disability insurance, and workers' compensation insurance. By raising the minimum wage \$2, the \$10,000 profit is now pretty much wiped out.*

*By eliminating the profit, instead of having 10 people making the minimum wage, you have 11 people unemployed—including the owner!*

Artificial labor increases affects many people—even the person the increase is intended to help. An increase in the minimum wage hurts customers who have pay a higher cost, employee(s) who are let go or have their hours reduced and the small business owner and their family. At the end of the day, if costs are raised across the board, what benefit will the minimum wage earner get?

Hawaii is already one of the most expensive places to live—do you want to make it more expensive for everyone? Do you want to put more people out of work? Do you want to discourage small business owners? I don't think anyone would want any of these things and with that, I hope you vote against SB 331.

Thank you.

Aloha,



Sean Uezu

## Business Owners in Opposition to SB 331 SD2

1	Bob Stout	Business Owner
2	Suzette Trehern	Business Owner
3	Jenny Pettingill	Business Owner
4	Jo Ann Konys	Business Owner
5	Marshall Joy	Business Owner
6	Terry Johnson	Human Resources Director, Child & Family Service
7	Fiona Bland	Business Owner
8	Lisa Daijo	Business Owner
9	Stephanie Suzuki	Business Owner
10	Carol VanCamp	Business Owner
11	Jacqueline Watanabe	Business Owner
12	Brian Simeona	Business Owner
13	Scott Ushijima	Business Owner
14	Kevin Carney	EAH Housing
15	Noreen Toledo	Business Owner
16	Allen Woo	Business Owner
17	Antya Miller	Business Owner
18	Keith Robbins	Business Owner
19	Danny Kim	Business Owner
20	Mike Miyahira	Business Owner
21	Paul Dziuban	Business Owner
22	Gordon Inouye	Business Owner
23	Timon Leong	Business Owner
24	Conrad Nonaka	Individual
25	Victor Llm	Business Owner
26	Jeremy Dela Pena	Business Owner
27	Alex Choi	Business Owner
28	Katherine Hirayama	Business Owner
29	Gail Uejo	Business Owner
30	Joy Marshall	Individual
31	Lee Aldridge	Individual
32	Ochana Bringman-Conway	Business Owner
33	Chris Kobashigawa	Individual
34	Wayne Hikiji	Business Owner
35	Marlene Nations	Business Owner
36	John Muaina	Business Owner
37	David Howle	Exec. Dir., Wayland Baptist University's Hawaii Campus
38	Gordon Takaki	Business Owner
39	Tom Meehan	Business Owner
40	Malulani Eccleshall	Business Owner
41	Paul Watanabe	Tanaka Saimin
42	Janey Ebesu	Business Owner
43	Robert Shimabukuro	Individual
44	Robert Stephenson	Business Owner
45	Paul Dziuban	Business Owner
46	Kai Cowell	Business Owner
47	Sandra Lee	Business Owner

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 1:17 PM  
**To:** LABtestimony  
**Cc:** dan.nellis@dole.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Daniel Nellis	Dole Food Co. Hawaii	Oppose	No

Comments: This proposed escalation in minimum wage could be detrimental to Hawaii's agriculture industries which depend on seasonal minimum wage workers.

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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Twenty-Seventh Legislature  
Regular Session of 2013

HOUSE OF REPRESENTATIVES  
Committee on Labor & Public Employment  
Rep. Mark M. Nakashima, Chair  
Rep. Mark J. Hashem, Vice Chair  
State Capitol, Conference Room 309  
Tuesday, March 12, 2013; 9:00 a.m.

**LATE TESTIMONY**

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 331, SD2  
RELATING TO LABOR**

The ILWU Local 142 strongly supports S.B. 331, SD2, which increases the minimum wage to \$8.25 starting 1/1/14, \$8.75 starting 1/1/15, \$9.25 starting 1/1/16, and to adjust the minimum hourly wage from 1/1/17 in accordance with the Honolulu Region Consumer Price Index. SD2 also includes a blank amount for tip credit.

The minimum wage was last increased in Hawaii on January 1, 2007, more than six years ago. Since then, 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 President and Congress are also proposing an increase in the federal minimum wage to \$9.00 or more.

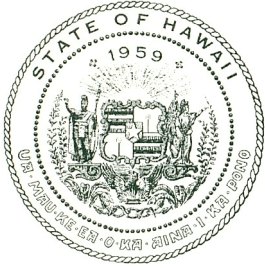
The opposition will pose the argument that increasing the minimum is a job killer. They will say that the increase will force employers, particularly small ones, to lay off employees to pay the increase. We respectfully reject this argument as shibai. This very argument has been raised each and every 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 will 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 with one amendment**—to delete language regarding the tip credit. We do not believe a tip credit is needed at all since tips are not guaranteed income and customers, not employers, pay the tips. Thank you for the opportunity to share our views and concerns.

HAWAII  
STATE  
COMMISSION  
ON THE  
STATUS  
OF  
WOMEN



Chair  
LESLIE WILKINS

COMMISSIONERS:

ELENA CABATU  
ADRIENNE KING  
CARMILLE LIM  
AMY MONK  
LISA ELLEN SMITH  
CAROL ANNE PHILIPS

Executive Director  
Cathy Betts, JD

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/hscsw/

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

March 12, 2013

**LATE TESTIMONY**

**Testimony in Support of SB 331, Relating to Labor: Minimum Wage**

To: Representative Mark Nakashima, Chair  
Representative Mark Hashem, Vice Chair  
Committee on Labor & Public Employment

From: Annie Hollis, MSW candidate (2013), practicum student  
Hawaii State Commission on the Status of Women

The Hawai'i State Commission on the Status of Women is in strong support of SB 331. In Hawai'i, 47% of full time, minimum wage workers are women.<sup>1</sup> The minimum wage has not been raised since 2007. During that time, we have experienced a huge economic downturn and an increase in the cost of living, the impact of which has caused many of our full time working families to rely on state assistance. According to DBEDT, a single mother with a preschooler living on O'ahu would need to earn \$52,214 per year or \$25.10/hourly in order to become economically self sufficient. That number increases with additional children, even if there are two adults in the home.<sup>2</sup>

In 2011, women made up 2/3 of those making minimum wage or less nationwide, and 2/3 of workers in tipped occupations.<sup>3</sup> Studies have found that raising the minimum wage does not create job loss, even during difficult economic times and recession.<sup>4</sup> Additionally, for every \$1.00 increase in the minimum wage, low wage working households were found to have spent an additional \$2800.00 the following year, thereby boosting the economy.<sup>5</sup> An increase in the minimum wage makes sense for Hawai'i's working women and their families. We urge you to pass SB 331.

Thank you for this opportunity to testify.

Annie Hollis, MSW candidate (2013), practicum student  
Hawaii State Commission on the Status of Women

<sup>1</sup> Bureau of Labor, Minimum Wage Workers in Hawaii (2011), available at <http://www.bls.gov/ro9/mwhi.pdf> , last accessed on January 31, 2013.

<sup>2</sup> Department of Business, Economic Development and Tourism, Self Sufficiency Income Standard Estimates for Hawaii (2011), available at [http://hawaii.gov/dbedt/info/economic/data\\_reports/reports-studies/2013-self-sufficiency.pdf](http://hawaii.gov/dbedt/info/economic/data_reports/reports-studies/2013-self-sufficiency.pdf) , last accessed on January 31, 2013.

<sup>3</sup> National Women's Law Center, Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage, November 30, 2011, available at <http://www.nwlc.org/resource/fairpay-women-requires-increasing-minimum-wage-and-tipped-minimum-wage> , last visited on January 31, 2013.

<sup>4</sup> Mary Gable & Douglas Hall, EPI, The Benefits of Raising Illinois' Minimum Wage, at 2-3 (Jan. 2012), available at <http://www.epi.org/files/2012/ib321.pdf> , last accessed on January 31, 2013.

<sup>5</sup> Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Rev. Feb. 2011), available at [http://www.chicagofed.org/digital\\_assets/publications/working\\_papers/2007/wp2007\\_23.pdf](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf).



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 4:37 PM  
**To:** LABtestimony  
**Cc:** chair@hawaiidemocrats.org  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Dante Carpenter	Democratic Party of Hawai'i	Support	No

Comments: Chair Rep. Mark Nakashima, V. C. Rep. Mark Hashem and Committee Members: The Democratic Party of Hawai'i is a strong advocate for raising the minimum wage. The last wage increase came in 2007, over six (6) years ago! The current minimum wage of \$7.25 generates an income of approximately \$15,080 per year. This is well below the poverty line for a family of two! Raising the minimum wage will give about 15,000 adult wage earners a chance for a much better life going forward. Further, there will be an increased "family effect" due to the fact that approximately two thirds or ten thousand of those affected are women! The multiplier effect of the increase spending potential will create more jobs and help the economy of Hawai'i. SB331,SD2, will incrementally increase the minimum wage by steps until July 1, 2016 and annually thereafter. The DPH notes that generally positions which pay the lowest wages tend to be labor-intensive which, by and large, are not easily replaced by technology. While opponents claim that increasing the minimum wage increases inflation and unemployment, we firmly believe this is invalid hype! In prior years and at times when minimum wages were increased in both Hawai'i as well as nationally, there was no material effect in either inflation or unemployment! Finally, with respect to the dignity of all working men and women the Democratic Party of Hawai'i is fully supportive of SB331,SD2. Mahalo a nui loa! DKC

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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Monday, March 11, 2013

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

*RE: SB 331, SD 2 relating to labor*

Chair Nakashima, Vice-Chair Hashem, and members of the House Committee on Labor:

UNITE HERE Local 5, a local labor organization representing nearly 10,000 hotel, health care and food service workers employed throughout our State, hereby registers our support for Senate Bill 331, SD 2 relating to labor.

SB 331, SD 2 would increase the minimum wage to \$8.25 starting in July of 2013 and \$8.75 beginning in 2014 and to \$9.25 starting in January 2016 with periodic adjustments thereafter in accord with the consumer priced index.

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 boost Hawaii’s economic recovery.

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. 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 in a 2011 report by the DBEDT – between 1980 and 2010 – Hawaii’s real average wage grew at a rate nearly 13 percentage points below that of the national average.

Our people are being pushed off our islands while so many of us can’t afford homes, and more and more of our local jobs go to mainland companies while locals struggle to earn a living wage. Added to all of this, we haven’t seen an increase in our State’s minimum wage for more than half a decade. It is our belief that Hawaii can be a place where good jobs are readily available, and that is 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 hearing SB 331, SD 2 and would urge the committee to pass the measure with one amendment, eliminate Subsection “b” of Section 1 that currently allows employers to pay below the minimum hourly wage by instituting a “tip credit.” Thank you.

hashem1 - Kenneth

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 5:25 PM  
**To:** LABtestimony  
**Cc:** wchai@hgea.org  
**Subject:** \*Submitted testimony for SB331 on Mar 12, 2013 09:00AM\*

**LATE TESTIMONY**

**Categories:** Blue Category

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
william chai	HGEA	Support	Yes

Comments:

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**LATE TESTIMONY**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 10:57 PM  
**To:** LABtestimony  
**Cc:** annsfreed@gmail.com  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Ann S. Freed	Hawai`i Women's Coalition	Support	No

Comments: COMMITTEE ON LABOR & PUBLIC EMPLOYMENT Rep. Mark M. Nakashima, Chair Rep. Mark J. Hashem, Vice Chair Aloha Chair Nakashima, Vice Chair Hashem and members. The Hawai`i Women's Coalition is in strong support of this measure that has been part of our legislative priorities in previous years. About 15,000 people in Hawaii, two- thirds of them women, currently make minimum wage or less. The current minimum wage is \$15,000 a year, which is below the poverty line for a family of two. Raising the minimum wage, which has not been done in six years, gives these people a chance at a better life, and the multiplier effect of their increased spending will create more jobs and help Hawaii's economy. A rising tide lifts all boats. In addition, indexing the minimum wage to inflation will ensure that these people do not fall behind. If the 2007 minimum wage had been linked to inflation, it would now be \$8.35/hour. Opponents claim that the increasing the minimum wage increases inflation and unemployment, but this is incorrect. The previous times the minimum wage was raised both nationally and in Hawaii, we did NOT see an increase in either inflation or unemployment. Mahalo for letting me testify, Ann S. Freed Co-Chair Hawai`i Women's Coalition Mililani, HI 96789

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People  
Serving  
People



# Hawai'i Restaurant Association

1451 South King St., Suite 503  
Honolulu, Hawaii 96814  
www.RestaurantHI.com

Phone: 808.944.9105  
Fax (Toll Free): 877.494.3245  
hra@RestaurantHI.com

**LATE TESTIMONY**

*Submitted in Opposition to SB331*

*March 11, 2013*

On the surface SB331 appears to be a good measure, although somewhat more costly - hence not preferred - than the House version. However, as can occur, unintended consequences change the tenor of what it is intended to accomplish. That is, the bill may be detrimental to the intent of increasing the wages of the lowest paid workers in our industry.

Here's why: An increase in the minimum wage absent an increase in the tip credit provision will constrain a restaurant's ability to increase the wages of all employees who do not receive tips. This would be particularly burdensome for dishwashers, kitchen helpers, cooks and janitors.

Every time the minimum wage was raised in prior years tipped employees earning 3 to 4 times the current minimum wage in tips are the first to benefit from measures intended for lower income positions. In that minimum wage legislation does not dictate that all employees get pay increases, those earning over but close to the new minimum wage do not get automatic pay increases.

Between 1988 and 2007 Hawaii's Minimum Wage increased eleven times from \$3.25 to \$7.25. However, the current tip credit remains a paltry 25-cents! More than half the states have minimum wage of \$7.25, not dissimilar to Hawaii. However, nineteen states have per hour tip credits of \$5.12 to \$5.48, five states have tip credits ranging from \$4.36 to \$4.98, thirteen states have tip credits of \$3.00 to \$3.99, and five states have tip credits of \$2.25 to \$2.90. Again, with a tip credit of only 25-cents per hour many workers suffer because of the inequity between minimum wage legislation and tip credit legislation. To fairly address the needs of all workers legislation is needed to address imbalance that exist because tipped employee are treated "more fairly" than non-tipped employees.

Finally, indexing minimum wage to the CPI unfairly puts Hawaii minimum wage workers at the mercy of the national economy. Rather, although more difficult, indexing should be based on Hawaii's economy.

*Respectfully submitted,*

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

*Roger Morey*

*Executive Director*



**LATE TESTIMONY**

Testimony is opposition to SB331

The Hawaii Bar Owners strongly oppose this bill as it is written.

-----

Dear Representatives

Occasional raises in the minimum wage may at times be necessary. It is important that the legislature take a look at the need to balance wages with the current economy. It can be assumed that the legislature feels that it is necessary to do so now. However we feel that our industry stands on infirm ground. With federal uncertainties and local uncertainties, it is foolish to demand a connected raise over 3 amounts over multiple years.

Can the legislature read the future any better than those in business?  
What if we enter a huge downturn next year but we must all face price increases to provide for the wage increase? A long term legislated mandate on wage increases is unsound.

Take the responsible action of making a change if necessary. Do not tie the wage increase to the CPI and give up your regulatory ability to manage the wages to the economy. To tie it to the CPI is to give up all control and institute a forever upwardly cycle of rising prices and wages. The legislature meets annually and can decide this matter annually thus meeting the needs of any current economic picture.

To comment upon the adjustment in unemployment funds rates, we believe you have created the most generous fund in the nation. Does any other state offer 75% of wages earned to their unemployed? Does any other state offer a longer collection period for the unemployed? The norm is 60% of wages and for 6 months yet we offer 75% and 7 months.

The Hawaii legislature gave away our funds generously in 2008 when there was more than \$550 million dollars in the fund and then chose to be overly generous by raising the percentage rates from 60% to 70% and extended the benefits period to 7 months. In doing so they depleted our fund more rapidly than necessary. They did not control the rate to the economy. Thus the fund was depleted.

There was also no vote to change the rate to 75%, there was a slight of hand bump to 75% in the first relief bill for the unemployment fund when the existing fund rate was at 70% and the bill worded the measure "the fund will REMAIN at 75%" when it was clearly not at that rate. It was at 70%.

We call on you as legislators to be responsible with our funds and with our economy. We must also ask, if you provide a raise in the minimum wage does that not also generate an across the board series of raises in all union jobs including State and City & County jobs? What hidden costs are in this minimum wage bill when you mandate it to follow the CPI.? Will we be unable

to meet the increase in all wages and benefits across the board including government union jobs?

Consider parts of this bill, make good choices and don't give up your responsibility to do your jobs annually. Make the wages and unemployment rate match the economy. You have that in your power.

Sincerely,

A handwritten signature in black ink that reads "Bill Comerford". The signature is written in a cursive style with a large, prominent "B" and "C".

Bill Comerford  
Spokesman  
Hawaii Bar Owners Association  
10 Marin Lane  
Honolulu, HI 96817  
521-4712 office  
223-3997 cell  
bill@ejlounge.com





**LATE TESTIMONY**

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

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

DATE: Tuesday, March 12, 2013

TIME: 9:00 AM

PLACE: Conference Room 309  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

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

**RE: SENATE BILL 331, SD2, RELATING TO LABOR**

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

Thank you for the opportunity to testify in opposition of SB 331, SD2. 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.



**L & L FRANCHISE, INC.**  
931 University Avenue, Suite 202  
Honolulu, Hawaii 96826  
Tel. (808) 951-9888; Facsimile (808) 951-0888  
[www.hawaiianbarbecue.com](http://www.hawaiianbarbecue.com)

**LATE TESTIMONY**

March 12, 2013

RE: **SB331 HD2 – Testimony In Opposition – LAB 3/12/13 – Rm. 309 9:00 a.m.**

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

My name is Bryan Andaya, Chief Operating Officer of L & L Franchise. We have approximately 60 restaurant locations on all islands, except Molokai and Lanai, and employ almost 1,000 team members. Each restaurant is independently owned and operated, and simply pay a license/franchise fee to use the L & L name. All operators own their locations, and just about all are family-run small businesses of hard-working immigrants. Our industry is one of the few that allows new immigrants who may not have had high-level formal education to own their own business.

I respectfully **oppose SB331**, especially the component that ties future raises in the minimum wage to the CPI. Regardless of the official CPI, our ability to raise prices on our plate lunches do not always correspond with the CPI. In fact in the last 10 years, our prices on our plate lunches have not kept up with CPI because of soft consumer demand.

At the same time, our food costs, labor costs, and other costs of doing business have risen much faster than CPI. This recession has been very hurtful to our businesses. Now is not the time to forever tie the minimum wage to CPI. There is no guaranty businesses will be able to afford CPI raises. Raises to the minimum wage must be discussed at the legislative level with input from all stakeholders.

For these reasons, I **oppose SB331 SD2**. Thank you for your consideration.

Very truly yours,

Bryan Andaya  
Vice President and Chief Operating Officer

## **LATE TESTIMONY**

RE: I OPPOSE SB331 - Relating to Labor

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

Please do not pass this bill as the economic recovery for many industries and businesses is still fragile. A minimum wage is not meant to be a living wage. It is meant to be an entry level position wage. This is how teenagers and non-skilled workers get their first jobs and learn skills needed in the workplace.

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.

Just during the past 2 weeks, small businesses are going out of business, such as Sam Choy's and Byron Drive Inn. They both, like City Mill, have many entry level unskilled workers. We would be severely impacted by this bill. Retailers, Hotels, Restaurants would all be impacted by this bill and these service industries are so important to the economy of our state.

Additionally, tying the future minimum wage to the CPI would cause us much uncertainty to the future of our business. Now is not the time to make these unwarranted changes.

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

I respectfully request that you OPPOSE this bill. Mahalo.

Carol Ai May  
Vice President  
City Mill Company, Ltd.

CC: My Legislator



# FILIPINO CHAMBER OF COMMERCE OF HAWAII

Promoting Hawaii's Business Community since 1954

**LATE TESTIMONY**

March 12, 2013

*"The Next Generation"*

RE: **SB331 HD2 – Testimony In Opposition – LAB 3/12/13 – Rm. 309 9:00 a.m.**

## YEAR 2012-2013

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**Jay Raymundo**

**Paul Billington**  
Executive Director

**Roman Amaguin, Esq.**  
Legal Counsel

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

The Filipino Chamber of Commerce of Hawaii opposes SB331 HD2, and respectfully requests the measure be held. The FCCH specifically opposes the provision tying future minimum wage increases to the CPI.

Our membership is comprised primarily of small businesses that may be adversely affected by this measure, and may even lead to the closure of some of our member businesses and loss of jobs. At a time when economic recovery continues to be extremely fragile, we cannot afford unprecedented legislation like this without further studying the impact it will have on small business, the backbone of Hawaii's economy.

We appreciate the intent of this bill, but measure is too drastic. We stand with the Chamber of Commerce of Hawaii and the Hawaii Restaurant Association in opposing this measure for reasons they have ably stated. We **oppose** SB331 HD2, and respectfully request that it be **held**. Thank you for the opportunity to share with you our views.

Mahalo,

FILIPINO CHAMBER OF COMMERCE OF HAWAII

**State Office**  
P.O. Box 2441  
Honolulu, Hawaii 96804

filipinochamberhi  
@gmail.com

www.filipinochamber.org



**LATE TESTIMONY**

March 11, 2013

Representative Mark M. Nakashima Chair  
Representative Mark J Hashem Vice Chair  
Committee on Labor and Public Employment

Hearing Tuesday March 12, 2013  
9:00 AM  
Conference Room 309  
State Capitol, Honolulu Hawaii

RE SB331, SD2, Relating to Labor

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

I, Ronnie Grover, am the General Manager for a small tour boat business on Kauai, Na Pali Sea Tours, Inc. we employ 35 -40 people full time. Much of our business is seasonal due to ocean conditions. So our business fluctuates greatly year round. We are active members of the Hawaii Visitors and Convention Bureau, Hawaii Hotel & Lodging Association, Poipu Beach Resort Association and the Activity Owners Association A3H.

I strongly oppose SB331, SD2 which increases minimum wage to \$8.25 starting 7/1/13, \$8.75 starting 7/1/14, and \$9.25 starting 7/1/15 and ending 6/30/16; authorize the Department of labor and industrial relations to adjust the minimum hourly wage thereafter in accord with the consumer price index.

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

Of even greater concern is tying future minimum wage increases to the CPI, which would create an unwarranted level of uncertainty and an impediment to effective long-term budgeting and planning. Our economy remains tenuous. Our focus should be on stabilizing our businesses so as to enable increasing employment and hastening recovery.

I respectfully request that you hold SB331, SD2. Thank you for your consideration and for the opportunity to comment on this measure.

Sincerely,

  
Ronnie S Grover  
General Manager

## **LATE TESTIMONY**

To: COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
Representative Mark N. Nakashima, Chair  
Representative Mark. J. Hashem, Vice Chair

From: Wendy Chuck  
Human Resources Manager, ITO EN (USA) Inc.

Date: Tuesday March 12, 2013  
Time: 9:00 A.M.

Place: Conference Room 309

Re: SB331, SD2 RELATING TO LABOR

### **Position – OPPOSE**

While I agree with the intent of SB331, and I share in the belief that jobs provide workers with resources to support themselves, their families and our communities, I am very concerned about the content of SB331 and its impact to our business.

We believe in awarding employees who demonstrate positive job performance through pay raises and/or discretionary bonuses. However, there are years when we simply cannot afford to give out raises and bonuses, even to our very top performers. There are many rising costs that our business has to find a way to cover just to continue to keep our door open – fuel costs, raw materials, leases, employee health insurance, repairs and maintenance. Some years the added costs combined with a depressed economy have us tightening our wallets and doing more with less. I think about this and how an annual increase to minimum wage will impact our ability to be fiscally strong.

**Multiple Forced Increases are Unfair and Fiscally Unsound** - The \$1.00 increase from our current \$7.25 minimum wage to the \$8.25 proposed 2013 minimum wage would result in an increase of 14% to minimum wage earners. An automatic pay rate increase of 14% is inconsistent with our past practices of granting pay raises based on job performance and overall company financial performance. It is highly unusual for an individual to receive a 14% pay rate increase, let alone, an increase that is not even based on job performance and that doesn't consider the employer's finances.

SB331 proposes a subsequent increase to the minimum wage of 5.7% the following year and again another 5.7% increase in the next year, and then increases each year after that in accordance to the Honolulu CPI. In 2016 if the minimum wage rate is tied to CPI at 4%, the hourly rate becomes \$9.62. It would be outstanding if every business that would be subject to SB331 could also be assured adequate profits in accordance to the CPI each and every year that we are expected to afford automatic pay raises of 4 to 5%, regardless of worker performance. The reality is that struggling businesses will not be able to keep pace with the cost of employing minimum wage earners. Many

businesses will not be so quick to fill entry level jobs, maybe even consolidating those jobs into fewer positions.

**Compressed Wages:** Not one of our employees is a minimum wage earner, but we do have employees who earn close to it. An annual increase of about 5-6% to the minimum wage will now put some of our employees on par with minimum wage. These employees have been loyal, worked hard and contributed to our success and patiently earned their bonuses and pay increases through the years. It would be a blow to their morale to be paid the same as an entry level worker who did not have to justify his/her pay based on job performance. Employers will feel forced to upwardly adjust wages of the experienced employees or face decreased morale. Businesses that cannot afford to do this may be forced to eliminate entry level jobs, resulting in fewer entry level jobs available for students, immigrants entering the work force and unskilled workers.

**Drastic Rise in Cost of Business:** The minimum wage increase impacts businesses not only in direct wages, but also drastically heightens other business costs based on wage payments, such as payroll taxes (e.g., social security contributions, Medicare taxes), unemployment, workers compensation and TDI premiums. This increases the cost of doing business and will force many companies to pass on this cost to their customers in the form of higher prices.

Unlike government or monopolies, when small businesses run short on revenues, we cannot simply raise our debt ceiling or expect our customers to stick around to cover our expenses. Price increases are the last resort and they still do not guarantee businesses will hit their budgets.

Our legislators should not simply decide to put minimum wage increases on autopilot for future years. Where is the careful thought and support for local businesses? Adjusting the Unemployment Insurance tax rate schedule does not make up for SB331. UI rates typically fluctuate from year to year, but they are also tied to each company's utilization and reserves. Minimum wage increases, on the other hand, are across the board for all companies, regardless of their financial performance.

If you must increase minimum wage, please consider amending this bill to remove the automatic annual increases and remove tying the minimum wage in future years to the CPI.

Thank you for the opportunity to testify.



3375 Koapaka Street, D-108  
Honolulu, HI 96819

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

Tuesday, March 12, 2013

**LATE TESTIMONY**

House Committee on Labor & Public Employment

Re: SB 331, SD2 RELATING TO LABOR

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

We appreciate the opportunity to testify on Senate Bill 331, Senate Draft 2, 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 331, SD2, increases the minimum wage to \$8.25 starting January 1, 2014, \$8.75 starting January 1, 2015, and \$9.25 starting January 1, 2016. In addition, the measure authorizes the Department of Labor and Industrial Relations to adjust the minimum hourly wage thereafter in accordance with the Honolulu region consumer price index.

While we understand the Legislature's desire to increase the quality of life for Hawaii's workforce, we do not believe SB 331 is the correct vehicle to produce such an outcome. House Bill 1028, HD2, which is currently making its way through the Hawaii State Senate, is a much more viable approach to this issue. We ask that you consider the language in HB1028, HD2, and defer this measure.

Thank you for the opportunity to testify.

Respectfully,

Bob Gutierrez  
Director of Government Affairs, Times Supermarket



hashem1 - Kenneth

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 2:09 PM  
**To:** LABtestimony  
**Cc:** ewary@aol.com  
**Subject:** \*Submitted testimony for SB331 on Mar 12, 2013 09:00AM\*

**LATE TESTIMONY**

**Follow Up Flag:** Follow up  
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**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Ed Wary	Auntie Pasto's Kunia/Dixie Grill	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](mailto:webmaster@capitol.hawaii.gov)

**LATE TESTIMONY**

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kirk Puuohau-Pummil	Dad's Granola, LLC	Support	No

**Comments:**

As a former Waikiki restaurant worker in my teens and early twenties, I depended on both my wages and tips. Hotel and restaurant workers in Hawaii are the backbone of our visitor industry. Most of these people live below the poverty level and many have more than one job just to make ends meet. The economy keeps squeezing them from all sides. Give them a break and give them a raise.

To suggest, as the Hawaii Restaurant Association, that a person who earns tips should not see an increase in hourly wages is short-term thinking. Not every person who makes tips makes more than the minimum wage, as they suggest. Restaurant workers are some the hardest working people in Hawaii and they are more than restaurant workers. They are the face of Hawaii when serving visitors.

Sunshine Lady  
1418 Kupau Place  
Kailua, Hawaii 96734  
(808) 262-0803  
Fax (808) 263-6011

**LATE TESTIMONY**

March 13, 2013

Opposition to raise in the Minimum Wage.

We are small Waikiki retailers, in business over 30 years, and feel we have adequate background to comment.

We just stepped off an airplane having been away for a full week for the first time in about twenty years. In spite of the wonderful tourist numbers being reported, if you are not a hotel or major retailer, things remain very very tough and every payday is a struggle.

Why we oppose:

Virtually no one hires at minimum wage for anything but the most menial entry positions. We have 18 employees, 16 are part time. They are young student workers part time in their first real job – one where they are always surprised to find their pay has tax deductions (but that is another issue for the legislature to look into at another time). Even a first time employee serving as a retail clerk will not even consider a job at the minimum wage. We hire with zero experience at \$8.00 to \$8.25 and as soon as they show some proficiency – usually in three to six months, they get a raise up the ladder to \$9.00 - \$9.25 in today's market.

So why oppose a minimum that is still below the market rate:

- We will be forced to pay more than we can afford for a totally untrained and often unproductive employee. So the employer's only solution to this cost increase is to not have that person. For us, where we may now have two or three on shift- we will have two. The impact on the employee who this Bill is to serve, is to have fewer hours at a slightly increased wage, but a smaller take home pay –
- And with increased deductions for taxes – Fed and State get the raise, not the employee so much. The Higher minimum raises employee's fees for Workman's Compensation insurance, Unemployment insurance, and all FICA categories. Who is getting the raise?

Some employees can absorb the cost of a higher minimum, but I suspect a vast majority of them already pay above the minimum. Many of us will find it hard to do, and therefore cut someone to make it work. Prices MUST rise to meet the increased wages. The rise in prices may well outstrip the after taxes and after reduced hours gains from the minimum wage. A CPI indexed minimum is even more destructive as that means each employer can look forward to increases in almost every expense category – rent, energy, labor, shipping etc., etc, without an increase in business/sales to work with. This is a perfect formula to destroy small and independent business in Hawaii. Tell me; please that is not your intention. Just that you don't really understand how it all really works.

An employee who is proud to work up with raises because they do more, do it better and are very dependable will be discouraged to learn that now they too are minimum wage, and the new person, the slacker, the less dependable now makes the same wage... not because they earned it, but because the State says so. This is wrong on so many levels.

No matter at what level you put minimum wage, the minimum wage employee – a rare individual really – will always be a minimum wage employee in terms of how far ahead they can get on the wage. With our relatively low unemployment rate, the competition for “satisfactory” employees is already great.

I can go on – but you get my point.

I see this as well-meaning but substantially misguided feel-good legislation that will do as much or more harm to the beneficiaries as a group, and do substantial harm to small and mid-size employers. The measure will reduce opportunity and jobs for beginners in the work force and those that take part-time supplemental employment.

I apologize for the form and rushed nature of this testimony, but even with no time available to me to prepare it, wished to make this input.

Please reject this measure.

Very respectfully,  
Dan Muccia  
General Manager

**Allure Swimwear - Princesse Tam-Tam - by Allure**  
Royal Hawaiian Center

## **LATE TESTIMONY**

Aloha,

Thank you for taking the time to read my letter.

I am an independent restaurateur with 2 large restaurants in Maui. My Father and I have started over 20 years ago with 1 employee. Today we employ about 100 people and insure over half of them. Our combined payroll is nearly \$2,000,000.

We start most employees between \$9-11 hourly and our average wage is about \$12 per hour excluding management.

I have no problem raising minimum wage as I believe it is necessary, however I strongly believe we need to **raise the tip credit to match the increase** in the minimum wage.

**Servers and bartenders at my restaurants make between \$20-30 hourly in tips.** Without an increase in the tip credit to match the minimum wage I will be forced to give my servers a raise which they clearly do not need. In turn I am not able to give that money to the people who need and deserve it.

As restaurant cost increase every year and people have less money to spend the last thing I want to do is raise prices to cover cost on minimum wage increases (which is what most businesses have to do).

By matching the minimum wage increase with an increase in the tip credit you alleviate a lot of potential financial strain on restaurants of all sizes without hurting the average non-tipped employee.

I strongly encourage you to consider the impact of a minimum wage increase without an increase in the tip credit. **I will be forced to give a raise to someone making over \$20 hourly while freezing the pay of someone making between \$9-15 hourly.** It just doesn't make good financial sense.

Mahalo,

Sean Corpuel

Cool Cat Cafe  
Captain Jacks Island Grill

sean@coolcatcafe.com  
808-280-8928

I would love to be there in person but I am on the mainland, if you have any questions or comments I welcome a phone call or E-mail.

# Frame 10

(A HAWAII LIMITED PARTNERSHIP)

**LATE TESTIMONY**

75-5591 PALANI ROAD, SUITE 3008  
KAILUA-KONA, HAWAII 96740-3633

PHONE: (808) 329-0911  
FAX: (808) 329-0913  
E-MAIL: CPA@WLWONG.COM

Testimony to the House Committee on Labor and Public Employment  
Tuesday, March 12, 2013  
9 a.m.  
Conference Room 309, State Capitol

Re: SB 331 SD2 relating to Labor

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

Calvin CM Higa Jr.  
Frame 10 dba KBXtreme  
Family Entertainment Center

This testimony is being submitted in opposition to SB 331, SD2.

KBXtreme is a Family Entertainment Center located in Kailua-Kona of The Big Island that contains a sixteen lane bowling facility, kid's arcade, diner, sports bar, and karaoke lounge. We employ more than 40 employees, of which about one-third are servers and bartenders for our sports bar and karaoke lounge, and all of whom would be included in any increase to the State Minimum Wage. We expend roughly 250 labor hours per week to service our bar and karaoke lounge.

For our tipped employees (bartender and wait help), the proposed increase from \$7.25 to \$9.25 per hour (over the two year period) would cause our annual payroll expenses to increase by approximately \$25,168, or nearly \$30,000 if you factor in all employer paid payroll taxes (Soc. Security, Medicare, FUTA & SUTA), Temporary Disability Insurance, and Worker's Compensation Insurance. Additionally, the individuals that apply for and fill these service positions, elect to do so because of the remunerative benefits of receiving gratuity from customers. As a result, these "minimum wage" employees effectively make more per hour than the majority of all other positions in our facility.

In addition to our tipped employees, we have approximately 20 non-tipped employees (front desk and arcade staff) with hourly wage rates between \$7.25 and \$9.25 per hour. These non-tipped employees are scheduled for roughly 650 labor hours per week. The proposed bill would force us to raise the wages of these non-tipped employees, increasing our annual payroll expenses for non-tipped employees by about \$59,000.

If Senate Bill 331 SD2 is passed, we project our total annual expenses for payroll (including company paid payroll taxes, TDI, and W/C insurance) to increase by approximately \$98,000 annually.

Our business has already struggled through the harsh economic conditions prevalent in our community over the last five years. We barely make enough money to pay our bills and keep KBXtreme open for our community, and we definitely cannot afford an extra \$100,000 in payroll expenses. If the proposed increase to the minimum hourly wage is approved and passed, we will have no choice but to make cuts to staffing to make-up for any potential deficit caused by increased payroll expenditures.

We respectfully ask that you consider how this increase will impact local businesses like us, and vote in opposition of Senate Bill 331 SD2. Thank you very much for your time.

Sincerely,



Calvin C.M. Higa Jr.  
Vice President  
WLW Development Methods, Inc.  
Managing Partner for Frame 10 dba KBXtreme



## LATE TESTIMONY

**From:** Monica Toguchi [info@myhighwayinn.com]  
**Sent:** Monday, March 11, 2013 11:30 PM  
**To:** LABtestimony  
**Subject:** Do not pass SB 331 SD2 re Min Wage (cc: my legislator)

Dear Chair Nakashima & Committee Members,

Please vote NO on SB 331 relating to minimum wage.

Several time series studies using aggregate time-series data from a variety of western countries have found that minimum wage laws actually reduce employment - especially for young people which include high school students and young adults, 18-23 years of age. The Library of Economics and Liberty (2013) cites that at current U.S. wage levels, a 10% increase in minimum wage would decrease employment of low-skilled workers by 1-2%. There is general consensus among economists and academics that a higher minimum wage will not succeed in raising the living standards of the working poor but rather, reduce the amount of unskilled jobs available in the market, increase costs for small businesses, and create higher prices for consumers (UHERO, 2013).

While the idea of helping the working poor through minimum wage legislation are honorable efforts, the reality of this piece of legislation will paint a different reality for Hawai'i's economy and is based on assumptions and not on academic research and the practical realities of small businesses in Hawai'i. In sum, we cannot afford this bill to pass and the consequences will outweigh the benefits for a group of people (poor working class) who would better benefit from an increase in the EITC (UHERO, 2013).

The most underpaid jobs cited in the UHERO study are those in the food industry - employers known to hire a largely unskilled labor force while competing with the idea that food should be reasonable in cost. As a local restaurant, I already have a difficult time competing from a wage scale with larger restaurant entities and even a harder time competing with national chains. Moreover, the tip credit of \$.25 barely addresses the amount of money employers must pay for our front of house staff who can easily make over \$20/hour. Any increases to the minimum wage should correlate with an increase in tip credit.

Accordingly, if this bill passes, it will force me to increase the entire wage structure for my 39 employees. This means higher business costs via unemployment tax, workers comp, TDI and payroll taxes. I currently sell my lau lau for \$5.05 and what this means to all of us as consumers is higher prices to produce a product or service. As an employer, the economic reality for businesses is that we HAVE TO evaluate the productivity and skill set of an employee to the product that he or she produces along with the cost of goods - which is already high in Hawai'i due to our high land values, high energy costs and expensive food costs driven by shipping prices. If this economic formula does not pay for itself, this basically means the loss of jobs, loss of fringe benefits, possibly substituting machines for people, moving production abroad when possible, or shutting down labor intensive businesses all together (Library of Economics and Liberty, 2013).

However most consequential perhaps is that this bill will first affect our young people, and when we create an unemployed base among our youth, there are serious social consequences that usually follow.

Although I understand the intent, raising the minimum wage at this time will have an impact on my business. Furthermore, tying the wage to the consumer price index will hurt because it does not take into account the economic conditions of business and the employment situation.

I ask that you take a look at the academic research and realities of small businesses, and not just the "assumptions" of whether minimum wage actually addresses the concerns about the unskilled labor force and working poor.

Thank you.

Sincerely,

Monica Toguchi  
94-226 LEOKU ST  
WAI PAHU, HI 96797

hashem1 - Kenneth

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 11, 2013 3:10 PM  
**To:** LABtestimony  
**Cc:** Lardizabal@local368.org  
**Subject:** \*Submitted testimony for SB331 on Mar 12, 2013 09:00AM\*

**LATE TESTIMONY**

**SB331**

Submitted on: 3/11/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Al Lardizabal		Support	No

Comments:

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**LATE TESTIMONY**

March 11, 2013

To: The Honorable Rep. Mark M. Nakashima, Chair  
And Members of the House Committee  
on Labor and Public Employment

Re: SB 331, SD2  
Relating to minimum wage

Aloha, Chair Nakashima,  
And members of the House Committee on Labor and Public Employment

As a member of the business community of East Hawaii, and active participant in business and service organizations here, I am keenly aware of how tight the margin is for employers. I run a small business. But I want my employees, and all workers, to be paid a decent salary.

Pass this bill. Be bold. Yes, business is afraid of it, but hele on.

Thank you for the work you do for our State.

Sincerely,



Barbara A. Hastings  
2316C Ainakahele Street  
Hilo, HI 96720

hashem1 - Kenneth

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**From:** Larry Meacham [meacham.hawaii@gmail.com]  
**Sent:** Monday, March 11, 2013 3:55 PM  
**To:** LABtestimony  
**Subject:** SB 331 SD2

**LATE TESTIMONY**

March 11, 2013

Testimony to the House Committee on Labor and Public Employment Supporting SB 331 SD 2

Thank you for the opportunity to offer testimony.

Raising the minimum wage is a good thing for many reasons.

About 15,000 people in Hawaii, two-thirds of them women, currently make minimum wage or less. The current minimum wage is \$15,000 a year, which is below the poverty line for a family of two. Raising the minimum wage, which has not been done in six years, gives these people a chance at a better life, and the multiplier effect of their increased spending will create more jobs and help Hawaii's economy. A rising tide lifts all boats. In addition, indexing the minimum wage to inflation will ensure that these people do not fall behind. If the 2007 minimum wage had been linked to inflation, it would now be \$8.35/hour.

Opponents claim that the increasing the minimum wage increases inflation and unemployment, but this is incorrect. The previous times the minimum wage was raised both nationally and in Hawaii, we did NOT see an increase in either inflation or unemployment.

Thank you for the opportunity to offer testimony.

Larry Meacham

306 Lehua St.

Wahiawa, HI 96786

# LATE TESTIMONY

hashem1 - Kenneth

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**From:** Mike Middlesworth, middlesworth [mike@middlesworth.com]  
**Sent:** Monday, March 11, 2013 3:48 PM  
**To:** LABtestimony  
**Subject:** Please pass SB 331 SD2 re Min Wage (cc: my legislator)

Dear Chair Nakashima & Committee Members,

Please vote yes on SB 331 relating to minimum wage.

Although I understand that, raising the minimum wage at this time will have an impact on my business, I strongly urge you to support SB 331.

Thank you.

Sincerely,

Mike Middlesworth  
2316 Aina Kahale St Apt C  
Hilo, HI 96720

# CAROLYN MARTINEZ GOLOJUCH, MSW

92-954 Makakilo Drive #71 • Makakilo, Hawai`i 96707-1340  
cell: 808 779-9078 • fax: 808 672-6347 • e-mail: gomama808@gmail.com

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**LATE TESTIMONY**

Tuesday, March 11, 2013

RE: **SB311** Minimum Wage                      In Support

TO:    House Chair, Vice Chair and members of the House Labor Committee

I strongly support HB311. Hawaii is behind the Federal Minimum Wage by SIX years because our state has not raised the Mimimum Wage in 7 years. This is a disgrace to our workers and needs to be remedied immediately. Every year our cost of living has increased but our state has left our workers out in the cold.

Records show that in 2003, 2005, 2006 and 2007, the years that Hawaii did raise the Minimum Wage, within 6 to 12 months, the workforce increased. This shows that keeping up to date with our increase in cost of living is good for our economy. More jobs, brings more tax dollars into the state, more salaries produce more sales, again more tax dollars into the state. When we take care of the workers, they buy more products and services. This is good of our economy.

The fact that Hawaii has the highest cost of living in our country and hasn't increased the minimum wage is a disgrace. It's not pono to persecute our workers. It is common practice to keep minimum wage workers as part time workers to prevent the workers from working over 20 hours which would cost the employer medical care propay. Thus, minimum wage workers need more than one job in order to afford food, housing, clothing and transportation. This cycle of abuse of the worker is a never ending horror story.

When employers like Wal-Mart continue to use a majority of minimum workers, the state picks up the tab with Welfare since part time workers don't earn enough for the basics of living: food, shelther, clothes and transportation, not to mention health care. It's rather sick to realize that the tax payer subsidizes the largest department store in the world so that their stock holders are happy.

Employers like Costco that pays their employees \$40,00000 a year, promotes pride in the workers' job and keep the taxpayer from subsidizing their workforce.

Let's show the minimum worker that they have worth and respect. Don't allow Hawaii to remain at the bottom of the states in terms of Minimum Wage.

I have faith that the House Labor Committee will vote in favor of our workers in Hawaii. Please pass SB311.

**Testimony on Raising the Minimum Wage****Position: Strongly Support**

I am writing in strong support of SB331, to raise the minimum wage to \$9.25 per hour by 2016 and to index it to inflation thereafter. If anything, this bill does not go far enough – if the minimum wage had kept pace with inflation, it would be \$10.59/hour now.<sup>1</sup> In Hawaii, where “low-rent” apartments can cost \$1,000/month, a minimum wage of \$9.25/hour - a monthly income of around \$1,500- is grossly inadequate to afford a decent life of dignified work.

Moreover, allowing such low wages only adds burdens to government and society. For example, impoverished workers often delay medical care until they must be treated in emergency rooms – often at public expense.

Minimum-wage workers also pay a disproportionate share of their income in Medicare and Social Security taxes, effectively subsidizing the retirements of higher-paid workers, leaving the working poor even worse off.

The costs to society, both tangible and intangible, are so high that we simply cannot afford poverty-level wages. Any business that cannot afford to pay a living wage is simply a business that *we* cannot afford to keep subsidizing.

Please pass SB 331.  
Aloha and Mahalo,  
Michael J DeWeert  
926-A Kaipii Street  
Kailua, HI 96734

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<sup>1</sup> NELP – National Employment Law Project. <http://www.raisetheminimumwage.com/facts/>



**LATE TESTIMONY**

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 12, 2013 5:57 AM  
**To:** LABtestimony  
**Cc:** mjgolo@email.phoenix.edu  
**Subject:** Submitted testimony for SB331 on Mar 12, 2013 09:00AM

**SB331**

Submitted on: 3/12/2013

Testimony for LAB on Mar 12, 2013 09:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mike Golojuch	Individual	Support	No

Comments: I support the increase to the minimum wage. It is long overdue.

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**Business Owners in Opposition to SB 331 SD2 [LATE]**

1	Carmelita Phillips	VP, Controller - KYD, Inc.
2	Andrew A. T. Chun	Business Owner
3	Nancy Ramos	Business Owner
4	Garret Kamei	Business Owner
5	Holly Kessler	Business Owner
6	Jason Suapaia	Business Owner
7	Curtis Sasaki	Business Owner
8	Nathan Okinaka	Business Owner
9	Randall Francisco	Business Owner
10	Darrel Tajima	Business Owner
11	Jerry Bangerter	Business Owner
12	Cory Mitsui	Business Owner
13	Ken Sanders	CEO, Ocean Network, LLC
14	Jay Manzano	Business Owner
15	Jill Shiroma	SWAM
16	Scott Meichtry	Business Owner
17	Mark Rodden	Business Owner
18	Harry Byerly	Chief Operating Officer -Hawaii Human Resources, Inc. President - Hawaii Association of Professional Employer Organizations (HAPEO).
19	Matthew Delaney	Organizations (HAPEO).
20	Joy Yamada	Business Owner
21	Wayne Tomita	CFO - Hawaii Accounting, Inc
22	Lisa Ellis	Business Owner
23	Nadine Matsukawa	Business Owner
24	Allen Farinas	Business Owner
25	Bradley Farinas	Business Owner
26	Mayuko Farinas	Business Owner