

**SB2366**

**LATE**

**Testimony to the Senate Committee on Judiciary and Labor  
Thursday, January 30, 2014 at 9:30 A.M.  
Conference Room 016, State Capitol**

**RE: SENATE BILL 2366 RELATING TO WAGE AND HOUR LAW**

Chair Hee, Vice Chair Shimabukuro, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** SB 2366 Relating to Wage and Hour Law.

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

The Chamber has concerns regarding the increase in the exemption from the wage and hour law from \$2,000 per month to \$5,000 per month. Many companies have salaried employees who are not covered by the wage and hour law that start off at \$2,000 per month. Also in many cases they are compensated with other benefits that are different than hourly employees. Increasing this entry level amount would hurt many businesses.

We ask that this bill be held. Thank you for this opportunity to express our views.



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

---

January 29, 2014

Senate Committee on Judiciary and Labor

Regarding Senate Bill 2609 Increase in the minimum hourly rate and  
Senate Bill 2366 increase in minimum salary requirement to \$5,000 per month

Greetings,

My name is Gwendolyn Purdy. I am the Vice President of Island Princess in Honolulu. We own a candy factory in Honolulu and a Macadamia orchard in Hilo. We employ over 150 employees. Please allow me a moment to contribute some thoughts on the two bills referenced above being considered by your committees on January 30, 2014.

Undoubtedly, you have already surmised that I intend to discourage this committee from moving forward on either of these bills. Both will make extra-ordinarily difficult demands on businesses that are still struggling in the current economic theater. The proposed raise in minimum wage will cheapen the hard work and commitment of hourly employees who have lifted themselves from minimum wage to compensation in the range proposed by these bills. Both bills discourage employment growth in the state. While mandated compensation increases at this magnitude will likely benefit some, it will just as easily damage others.

**Minimum Hourly Rate Increases:**

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

**The proposed change in the salary requirements for exempt employees:**

An increase from a minimum of \$2,000 per month to \$5,000 per month for exempt employees would be impossible for businesses to absorb. The exempt employees at higher levels that have worked hard to achieve those increases would want to be raised to higher levels to keep the distance from the bottom tier to the top. These increases to all levels of exempt employees within an organization would not be possible.

---

A Division of Purdyco Ltd.

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

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

The result would be a reduction in the salaried staff and an unhappy labor force at the levels above \$60,000 that were happy with their salary before the change.

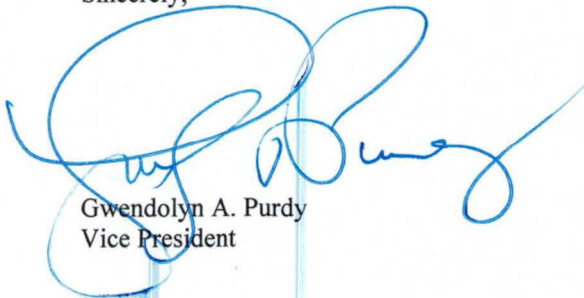
The costs to businesses from these proposed changes would be devastating. It is estimated that a company with 50 workers would need to generate \$150,000 in additional revenue to cover this minimum wage mandate alone. The 300% increase in the minimum for exempt employees as it reverberates to the upper levels of salaried workers – I can't even imagine the cost in dollars and in relationships with salaried staff.

My experience tells me this will result in workers that will not be hired and workers that will be let go. I would also think many companies will throw their hands up and shut their doors. I'm sure it will discourage any new businesses from coming to or starting up in Hawaii.

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

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

Sincerely,



Gwendolyn A. Purdy  
Vice President

---

A Division of Purdyco Ltd.

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

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





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

---

January 29, 2014

Senate Committee on Judiciary and Labor

Regarding Senate Bill 2609 Increase in the minimum hourly rate and  
Senate Bill 2366 increase in minimum salary requirement to \$5,000 per month

On January 31, 2013 we submitted testimony to the House regarding HB1028 and HB916. As with the current legislation you are considering, these bills, if successfully enacted, would mandate huge increases in the minimum wage standard for both hourly and salaried employees of private sector businesses. Our earlier comments are, no doubt, on record in the House. Our fundamental and passionate opposition to efforts such as these remains unchanged and will remain so next year and there-after when we find ourselves, again, confronted by similar ill-considered and poorly conceived efforts.

My name is David Schell and I am the General Manager of the agricultural holdings of Island Princess in Kea'au on the Big Island.

We employ 60 people engaged in the entire spectrum of farm and food processing positions. We pay them all a decent wage that reflects their level of skill, their seniority with the company, their experience and flexibility, their attitude and their dependability. If any one of them can make a reasonable argument as to why they deserve more compensation, we consider it carefully and generally – within the scope of our ability – act in their favor. All of our employees understand this to be the attitude of the owners of Island Princess and their managers. They also understand that if they do not get the wages they feel they deserve they are free to go elsewhere. I think this used to be called “free enterprise”: a system of logical consequences, challenges, efforts and rewards.

Our people have worked hard to achieve the status and compensation they receive. They are proud of what they have done. Sure, they would be happy to get more money for what they do - after all, who wouldn't? I would love to get a 40 percent raise if I was making minimum wage or, even better yet, a 150 percent boost if I was at minimum exempt. I would even venture to claim that my bosses would love to give out raises like that...but, sadly, that isn't the way the real world works.

The real world scenario for the effects of the proposed changes in minimum wage standards looks like this:

1. Employees currently making the proposed minimum wages will be denigrated. It is highly unlikely that they will receive comparable wage increases.
2. Employees currently making the proposed minimum wages will be asked to work along side new hires – some with no experience or measurable skills – at the same rate of pay as they are earning. They will find that to be humiliating and insulting.
3. Companies will shed employees and positions that are simply not worth the new minimum wage standards to them. This result directly damages the people these proposed standards portend to help.

---

A Division of Purdyco Ltd.

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

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

4. Young workers and people new to the work force will face even greater challenges finding jobs. The shrinkage in entry level positions will have rippling effects since work experience will be just that much harder to obtain.
5. Companies will be forced to raise the prices of their goods and services. Cost increases to essential goods and services will in turn absorb more of an employee's paycheck, fundamentally reducing their purchasing power.
6. Companies that cannot simply raise their prices because of the competitive global market will be forced to shutter or go out of business. Again, shrinking work opportunities for lower and middle class citizens.
7. As employment opportunities shrink, so do revenues for local, state and federal governments. I am sure some lawmakers think that an increase in minimum wages will automatically translate into increased revenues to the state – more money for more bureaucracy. This conclusion is frightfully flawed and short sighted.
8. Hawaii, a place already extra-ordinarily costly to conduct business in, will become even less attractive for businesses to branch out or relocate here.

These are all natural and logical consequences to enactment of the proposed legislation. There is nothing hysterical or far reaching or the evil pontifications of exploitative business people who fear any threat to their extreme profits. Frankly, anyone of that mind set will not be troubled if these bills should become law. They will simply pull out of the state and take their business elsewhere. Make no mistake, it is the decent, considerate, fair and honest business people that will be crippled by this and that will hurt every single person in this state.

As I said a year ago to the House, business people want to be good citizens. They want to make their employees happy and proud of their jobs and the companies they work for. They want to pay a fair wage and nearly all of them do. They are also compelled to create a sustainable work force that they can afford while at the same time making enough profit to grow their business and improve the possibilities for enhanced compensation for everyone in the company.

Legislators would do themselves a big favor bringing business people into the process rather than all the time proposing half-baked legislation that has - on it's surface - mass appeal but is in reality destructive to everyone concerned. I believe the business community wants the citizens of this state to prosper and benefit from a healthy business environment. Raising the minimum wage in this willy-nilly manner is not the way to bring that about. It will not solve all the poor people's problems. It will absolutely not lead to income equality.

I like my job and I get paid what I consider a generous wage considering the nature of the business I am in. I run this entire operation for \$10,000 more annually than the state would have us pay a front line manager if these bills become law. I want very much to keep my job and I will know exactly who to blame if my bosses call me in one day and tell me they have had it and cannot afford to go on with the forced, massive increases in labor cost. I will be leaving the great state of Hawaii to its legislators and its unemployed.

Thank you kindly for your time. I sincerely hope you all make the right decision.

David Schell  
GM, IP Kea'au Operations.

---

A Division of Purdyco Ltd.

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

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