



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKA'I

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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Thursday, February 1, 2024
1:00 PM
State Capitol, Conference Room 229

In consideration of
SB2818
RELATING TO THE MINIMUM WAGE.

Chair DeCoite, Vice Chair Wakai and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) appreciates the intent and offers **comments** on SB2818, which requires DBEDT to conduct a study on the effect on businesses of increasing the minimum wage.

With economist positions vacant, DBEDT does not have the adequate resources to conduct this study in house. To fulfill the requirements of this bill, a statewide business survey would be required. We estimate the cost of state funds to hire a research firm to conduct surveys and prepare a report to be approximately \$200,000.

DBEDT would need a few months before the project could be contracted due to fiscal requirements and procurement rules and, therefore, requests an extension of the study submission to June 30, 2025.

Thank you for the opportunity to testify.



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February 1, 2024

HEARING BEFORE THE
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

TESTIMONY ON SB 2818
RELATING TO THE MINIMUM WAGE

Conference Room 229 & Videoconference
1:00 PM

Aloha Chair DeCoite, Vice-Chair Wakai, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 2818, which requires the Department of Business, Economic Development, and Tourism to conduct a study on the effect on businesses of increasing the minimum wage.

Hawai'i's minimum wage is above Federal standards. In addition, the actual compensation to the worker includes many benefits, easily multiplying the actual monetary wage.

Rural areas, where many of our farms and ranches are located, face significant challenges due to their distance from population centers. Distance to markets, input and transportation costs, and access to labor are the many issues facing our members. Small agriculture businesses are especially vulnerable to any increase in costs, especially those who operate on low margins. Increasing the minimum wage too quickly may force many small farmers to offset higher costs through fewer work hours, fewer pay raises, decreased discretionary benefits or planting less labor-intensive crops.

Farmers have difficulty competing with other industries for labor. Farmers often have to offer more than the minimum wage to attract workers but still struggle to find workers because farm work is often less preferable than other jobs such as hospitality, retail, and construction jobs. Workers usually choose construction job, which pays more, or retail or hospitality jobs, which might pay the same as farm jobs but not require the physical strain.

Unlike other industries, farms and ranches are price takers as opposed to price-setters, which means they are largely dependent on trade markets when it comes to the ROI of the products they produce. With the difficulty in raising prices, Hawai'i's farmers have to

look to cut costs elsewhere. Increasing the minimum wage could drive up prices of locally produced food and products utilizing locally grown agricultural products.

We have never been against providing fair wages for farm and ranch employees but just caution that farm and ranch businesses, especially our small businesses, may not be able to afford more minimum wage increases.

Thank you for this opportunity to testify on this important subject.



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII**

February 1, 2024

Re: SB 2818 RELATING TO THE MINIMUM WAGE

Good afternoon Chair DeCoite and members of the Senate Committee on Energy, Economic Development & Tourism. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

RMH is in SUPPORT of SB 2818 Relating to the Minimum Wage. This measure requires the Department of Business, Economic Development, and Tourism to conduct a study on the effect on businesses of increasing the minimum wage; declares that the general fund expenditure ceiling will be exceeded; and appropriates moneys.

We encourage an independent study to be done that shows the impact of raising the minimum wage in Hawaii. The impact of a minimum wage increase is exponential, causing a compression of wages between newly hired, inexperienced workers and veteran, experienced employees. Mandating 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 unemployment insurance, Social Security and Medicare, workers' compensation premiums, and vacation and holiday pay. Minimum wage studies provide insights into how businesses are affected by changes in minimum wage laws.

Many of our local businesses often operate with tight budgets and struggle to absorb the increased labor costs associated with a higher minimum wage. Since the new year, we have seen an increase in products and goods to cover the wage increases as well as we are slowly seeing the effects of this past hike in the minimum wage with a number of stores in the shopping malls that have quietly closed down as the trickle up effect of wages were a part of the decision to close.

Mahalo again for this opportunity to testify.



TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAII
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
FEBRUARY 1, 2024
SB 2818, RELATING TO THE MINIMUM WAGE
POSITION: OPPOSITION

The Democratic Party of Hawaii **opposes** SB 2818, relating to the minimum wage. Pursuant to the “Economic Justice and Labor” section of the official Democratic Party of Hawaii platform, the party believes “that the minimum wage should be a living wage on which a worker can not only survive, but thrive.”

According to the National Low Income Housing Coalition's "Out of Reach 2023" report, a minimum wage employee must work 107 hours per week to afford a one-bedroom rental home at fair market prices. To afford a two-bedroom residence without being cost burdened, the National Low Income Housing Coalition estimates that a person must earn \$41.83 per hour, which equates to \$87,000 per year. Hawaii's electricity prices are also the highest in the nation, while the cost of other essential items, like food and clothing, has risen significantly over the last decade.

Act 114 of 2022 gradually increased Hawaii's minimum wage to \$18 per hour by 2028. Yet, the Massachusetts Institute of Technology's living wage calculator estimates that a livable wage for a single adult living in the islands with no children was \$22.05 per hour in 2023, while a livable wage for a single adult with one child was estimated to be \$43.75 per hour.

The Hawai'i Appleseed Center for Law and Economic Justice published a report in December of 2023 entitled "The High Cost of Low Wages," which states that tying the minimum wage to cost of living increases prevents wage stagnation by ensuring that the minimum wage keeps pace with inflation. The report asserts that doing so would ensure that the minimum wage would continue to grow as the cost of basic necessities rises. Currently, thirteen states and the District of Columbia index their minimum wage rates to the cost of living, most often by linking their minimum wage rates to consumer price data.

Numerous studies have been performed for Hawai'i and throughout the nation showing that raising the minimum wage has little to no impact on inflation or small businesses. For example, the Center for American Progress released a report in 2021 showing that small businesses received a boost from minimum wage increases and asserting, "While critics of a fair wage argue that a \$15 minimum wage would put a heavy burden on small businesses, economic literature demonstrates that these concerns are not borne out by the facts."

Similarly, the Institute for Research on Labor and Employment at the University of California–Berkeley produced a study in March of 2023 entitled "Small Businesses and the Minimum Wage" in which researchers concluded "that minimum wages cause modestly higher wage increases in smaller low-wage firms than in larger low-wage firms. This result is consistent with the continuing size wage premia in low-wage industries. We also conclude that minimum wages do not cause disemployment effects among low-wage industries in any size bin."

Nonetheless, disinformation about the impact of a living wage on small businesses persists as a fear-mongering tactic designed to illicit irrational opposition to raising the minimum wage. We believe any efforts to propound this line of thinking are a waste of resources and time, and would be sorely at odds with our state's effort to increase prosperity for economically vulnerable residents low-income families who are struggling to survive in our island home.

Mahalo nui loa,

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SB 2818, RELATING TO THE MINIMUM WAGE

FEBRUARY 1, 2024 · EET HEARING

POSITION: Opposition.

RATIONALE: Imua Alliance opposes SB 2818, relating to the minimum wage, which requires the Department of Business, Economic Development, and Tourism to conduct a study on the effect on businesses of increasing the minimum wage.

According to the National Low Income Housing Coalition's "Out of Reach 2023" report, a minimum wage employee must work 107 hours per week to afford a one-bedroom rental home at fair market prices. To afford a two-bedroom residence without being cost burdened, the National Low Income Housing Coalition estimates that a person must earn \$41.83 per hour, which equates to \$87,000 per year. Hawaii's electricity prices are also the highest in the nation, while the cost of other essential items, like food and clothing, has risen significantly over the last decade.

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Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

LATE



TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAII LABOR CAUCUS

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT,
AND TOURISM · FEBRUARY 1, 2024

SB 2818, RELATING TO THE MINIMUM WAGE

POSITION: OPPOSITION

The Democratic Party of Hawai'i Labor Caucus **opposes** SB 2818, which requires the Department of Business, Economic Development, and Tourism to conduct a study on the effect on businesses of increasing the minimum wage.

According to the National Low Income Housing Coalition's "Out of Reach 2023" report, a minimum wage employee must work 107 hours per week to afford a one-bedroom rental home at fair market prices. To afford a two-bedroom residence without being cost burdened, the National Low Income Housing Coalition estimates that a person must earn \$41.83 per hour, which equates to \$87,000 per year. Hawai'i's electricity prices are also the highest in the nation, while the cost of other essential items, like food and clothing, has risen significantly over the last decade.

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Mahalo,

Jason Bradshaw

Chairperson, Democratic Party of Hawai'i Labor Caucus



Cade Watanabe, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Eric W. Gill, Senior Vice-President

January 31, 2024

Committee on Energy, Economic Development & Tourism
Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair

Testimony with comments on SB2818

Chair DeCoite, Vice Chair Wakai, and Members of the Committees,

UNITE HERE Local 5 represents 10,000 working people in the hotel, food service and health care industries across Hawaii.

This bill orders a comprehensive study of the effect on businesses of increasing the minimum wage in Hawaii; however, the areas listed for study appear to omit several areas. If such a study is to be conducted, it should examine additional areas, including but not limited to:

1. The effect that minimum wage increases have on consumer spending;
2. The effect that minimum wage increases have on retaining Hawaii's population;
3. The extent to which population loss impacts consumer spending locally at small and large businesses;
4. Whether, in the long term, small businesses can survive industry consolidation and monopolization regardless of wage increases;
5. Whether actions can be taken to keep small businesses alive in the face of such consolidation and monopolization – in particular, actions which are not centered around suppressing wages and/or benefits of working people.

Thank you for your consideration.