

HB 5

**RELATING TO LABOR
LAB, FIN**

HB5

Measure Title. RELATING TO LABOR.
 Report Title Minimum Wage; Employment
 Description Annually increases minimum wage 1/1/18 - 1/1/2021. On 9/30/2021 and thereafter requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index. Deletes tip credit.
 Companion:
 Package: None
 Current Referral LAB, FIN
 Introducer(s). TAKUMI, AQUINO, CREAGAN, ICHIYAMA, ING, ITO, KEOHOKALOLE, LOPRESTI, MIZUNO, MORIKAWA, Brower, DeCoite, Evans, Lowen, Ohno, San Buenaventura

<u>Sort by</u> <u>Date</u>	<u>Status</u>	<u>Text</u>
1/18/2017	H	Pending introduction.
1/19/2017	H	Pass First Reading
1/23/2017	H	Referred to LAB, FIN, referral sheet 1
2/10/2017	H	Bill scheduled to be heard by LAB on Tuesday, 02-14-17 8:30AM in House conference room 309.

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

HB5

A BILL FOR AN ACT

RELATING TO LABOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 387-2, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§387-2 Minimum wages.** (a) Except as provided in section
4 387-9 and this section, every employer shall pay to each
5 employee employed by the employer, wages at the rate of not less
6 than:

- 7 (1) \$6.25 per hour beginning January 1, 2003;
8 (2) \$6.75 per hour beginning January 1, 2006;
9 (3) \$7.25 per hour beginning January 1, 2007;
10 (4) \$7.75 per hour beginning January 1, 2015;
11 (5) \$8.50 per hour beginning January 1, 2016;
12 (6) \$9.25 per hour beginning January 1, 2017; [~~and~~]
13 (7) [~~\$10.10~~] \$10.50 per hour beginning January 1, 2018[~~-~~];
14 (8) \$12.00 per hour beginning January 1, 2019;
15 (9) \$13.50 per hour beginning January 1, 2020; and
16 (10) \$15.00 per hour beginning January 1, 2021.



H.B. NO. 5

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

4 ~~(1) 25 cents;~~

5 ~~(2) 50 cents per hour beginning January 1, 2015; and~~

6 ~~(3) 75 cents per hour beginning January 1, 2016,~~

7 ~~below the applicable minimum wage by the employee's employer and~~
8 ~~the combined amount the employee receives from the employee's~~
9 ~~employer and in tips is at least 50 cents more than the~~
10 ~~applicable minimum wage; provided that beginning January 1,~~
11 ~~2015, the combined amount the employee receives from the~~
12 ~~employee's employer and in tips is at least \$7.00 more than the~~
13 ~~applicable minimum wage.]~~

14 (b) On September 30, 2021, and on September 30 of each
15 year thereafter, the department of labor and industrial
16 relations shall calculate an adjusted minimum wage rate. The
17 adjusted minimum wage rate shall be calculated to the nearest
18 cent using the Honolulu region consumer price index for urban
19 wage earners and clerical workers, CPI-W, or a successor index,
20 for the twelve months prior to September 1 of each year as
21 calculated by the United States Department of Labor. Each



H.B. NO. 5

1 adjusted minimum age rate calculated under this subsection shall
2 take effect on the following January 1."

3 SECTION 2. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 3. This Act shall take effect upon its approval.

6

INTRODUCED BY: Beah

<u>John M. Nye</u>	<u>Don</u>
<u>Linda Schingone</u>	<u>Michelle Spivey</u>
<u>Tom Brown</u>	<u>Cindy Evans</u>
<u>[Signature]</u>	<u>[Signature]</u>
<u>Jaheshi Brown</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>
<u>Lyn De Citta</u>	<u>[Signature]</u>
<u>Richard [Signature]</u>	<u>Nicole E. Jones</u>

JAN 18 2017

H.B. NO. 5

Report Title:

Minimum Wage; Employment

Description:

Annually increases minimum wage 1/1/18 - 1/1/2021. On 9/30/2021 and thereafter requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index. Deletes tip credit.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dllr.director@hawaii.gov

February 14, 2017

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Daniel Holt, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Tuesday, February 14, 2017
Time: 8:30 a.m.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 5 Relating to Labor

I. OVERVIEW OF PROPOSED LEGISLATION

This proposal amends section 387-2, Hawaii Revised Statutes (HRS), by increasing the minimum wage from \$10.10 to \$10.50 beginning January 1, 2018, \$12.00 beginning January 1, 2019, \$13.50 beginning January 1, 2020, and \$15.00 beginning January 1, 2021. The measure also repeals the tip credit and authorizes DLIR to annually adjust the minimum wage according to the Consumer Price Index (CPI) beginning September 30, 2021, to the nearest penny, effective on the following January 1.

II. CURRENT LAW

The minimum wage is \$9.25, effective January 1, 2017, and \$10.10 beginning January 1, 2018. Employers are allowed to claim a tip credit of up to 75 cents an hour for tipped employees, i.e., pay them below the minimum wage at \$8.50 an hour, provided the tipped employee actually receives at least \$16.25 in wages plus tips, or \$7.00 above the 2017 minimum wage.

III. COMMENTS ON THE HOUSE BILL

The following jurisdictions index their minimum wage to inflation so that the real value of the minimum wage does not fall every year:

Alaska
Arizona
Colorado
Connecticut
District of Columbia
Florida
Missouri
Montana
Nevada
New Jersey
Ohio
Oregon
South Dakota
Vermont¹
Washington

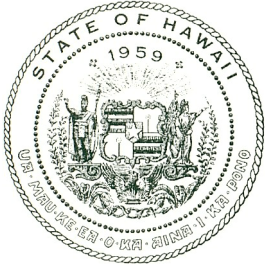
The U.S. Department of Labor's Wage and Hour Division maintains a website with state level information at: <https://www.dol.gov/whd/minwage/america.htm#content>

DLIR notes that the CPI calculation in the measure as drafted is vague. This could be clarified by multiplying the prior minimum wage rate by the Honolulu region CPI-W percentage change. The Department also notes that the measure could result in a minimum wage lower than the federal one as well as a reduction in the minimum wage if the CPI goes down.

Lastly, if the tip credit is eliminated the definition of "tipped employee" is unnecessary and the definition of "wage" would require revision. Both definitions are found in 387-1, HRS.

¹ In 2019 and beyond the minimum wage will be tied to the rate of inflation.

HAWAII
STATE
COMMISSION
ON THE
STATUS
OF
WOMEN



Chair
LESLIE WILKINS

COMMISSIONERS:

SHERRY CAMPAGNA
CYD HOFFELD
JUDY KERN
MARILYN B. LEE
AMY MONK
LISA ELLEN SMITH

Executive Director
CATHY BETTS, JD

Email:
Catherine.a.betts@hawaii.gov

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

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

February 14, 2017

To: Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
Members of the House Committee on Labor and Public Employment

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

Re: Testimony in Strong Support of HB 5, Relating to Labor

On behalf of the Hawaii State Commission on the Status of Women, I would like to thank the Committee for the opportunity to testify in support of HB 5, which would increase the minimum wage to \$15.00 by the year 2021 and tie future increases according to the Honolulu Consumer Price Index.

Raising the minimum wage has been identified as one of the most important ways we can collectively close the gender wage gap.¹ Most female minimum wage earners are the sole breadwinner for their families, which means more women live below the poverty level and are more likely to utilize state and federal benefits.² In Hawaii, 57% of minimum wage earners are women. Additionally, over 25% of children in Hawaii would have at least one affected parent by an increase in the minimum wage.

Restaurant servers, the largest group of tipped workers, experience poverty at nearly three times the rate of the workforce as a whole. 70% of these workers are women.³ Increasing wages to our lowest paid workers directly leads to lower turnover and encourages employers to invest in their workers.⁴ Raising the minimum wage has the ability to promote our economic recovery and lift our families out of poverty and toward financial security.⁵

The Commission strongly supports HB 5. Thank you for this opportunity to testify.

¹ Julie Vogtman and Katherine Gallagher Robbins, National Women’s Law Center, *Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage*, September 2013.

² *Id.*

³ Bureau of Statistics from U.S. Census Bureau, 2006-2012 American Community Survey, calculated by Restaurant Opportunities Centers United.

⁴ T. William Lester, David Madland & Nick Bunker, Ctr. For American Progress, *An Increased Minimum Wage is Good Policy Even During Hard Times* (June 2011).

⁵ Research and Statistics Office, DLIR



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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

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

Testimony by
Hawaii Government Employees Association

February 14, 2017

H.B. 5 – RELATING TO MINIMUM WAGE

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 5 which deletes the tip credit and annually increases the minimum wage between 2018 to 2021, and thereafter requires the Department of Labor and Industrial Relations to adjust the minimum hourly wage in accordance with the Honolulu consumer price index.

Prior to the incremental increases that began in 2015, the minimum wage had not changed since January 1, 2007, which equates to 8 years of salary stagnation for minimum wage employees. Although the current minimum wage is now \$9.25 per hour and set to increase to \$10.10 per hour in 2018, Hawaii's high cost of living continues to outpace wage increases. An increase to the minimum wage, in conjunction with repealing the tip credit, will directly benefit those who need it the most – the working class. The gradual wage increases over four years and subsequent indexing to the CPI contained in H.B. 5 will help spur Hawaii's economic recovery by increasing a minimum wage earner's purchasing power and thus generating much needed consumer spending.

We respectfully request passage of H.B. 5. Thank you for the opportunity to testify.

Respectfully submitted,

Randy Perreira
Executive Director

IBEW1260

‘A‘OHE HANA NUI KE ALU ‘IA

February 14, 2017

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

HB5 - RELATING TO LABOR

Chair Johanson, Vice Chair Holt and Members of the Committee,

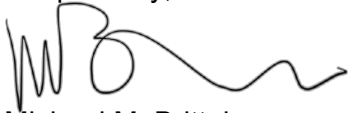
The International Brotherhood of Electrical Workers Local Union 1260, AFL-CIO (IBEW1260), represents more than 3500 members, has advocated for all workers in the State of Hawaii for over 75 years and respectfully offers the following testimony in **STRONG SUPPORT** of House Bill 5 (HB5).

Although our members are far above the minimum wage, IBEW1260 understands providing a livable wage to low-wage earners benefits working families at all income levels as experience has been shown in California, New York and Washington states. Additionally, studies show that the negative effects of such increases on employment are easily negated by increases in workers purchasing power, reductions in employee turnover, productivity increases and modest price increases.

President Barack Obama once said, “No one who works full-time should have to live in poverty,” IBEW1260 agrees and respectfully ask the Committee to support HB5 ensuring all Hawaii’s workers rise together.

Mahalo for the opportunity to testify on this issue,

Respectfully,



Michael M. Brittain
Asst. Business Manager
IBEW1260 / AFL-CIO



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

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

Tuesday, Feb. 14, 2017, 8:30 am, Room Number 309
HB5, Relating to Labor

TESTIMONY

Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Johanson, Vice-Chair Holt, and Committee Members:

The League of Women Voters of Hawaii strongly supports HB5 which increases the amount of the minimum wage gradually until 2021, and requires that the minimum wage thereafter be indexed to inflation.

Since the minimum wage was raised in 2014, the scheduled increases have been insufficient to make meaningful progress after inflation. In 2018, the minimum wage established in 2014 will be only \$10.10, equivalent after inflation to less than \$9 in today's dollars. This demonstrates the necessity of indexing the wage to inflation.

Unfortunately, we live in one of the most expensive states in the country. Housing of course is one of the biggest expenses for most households. Hawai'i's minimum wage is also one of the lowest. Table 1 shows the comparison between minimum wage income and rental cost.

Many hard workers in our state who earn the minimum wage are thrust into poverty and risk homelessness. Some of them are already homeless because of the lack of affordable housing for their income level.

Far too many of their children experience hunger, stress and frequent moves which affect their achievement in school. These children will be part of our labor force in less than two decades.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
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Table 1. Minimum Hourly Wage Compared with Average Rent, by State, March 2016

STATE	MINIMUM HOURLY WAGE	AVERAGE TWO-BEDROOM RENT
Alaska	\$9.75	\$22.55
California	\$10	\$26.65
Washington	\$9.47	\$21.69
District of Columbia	\$10.50	\$28.04
Michigan	\$8.50	\$15.16
Hawaii	\$8.50	\$31.61

Source: United States Department of Labor Wage and Hour Division and National Low Income Housing Coalition which calculates the housing wage using a 40 hour per week job with the Fair Market Rent for a two-bedroom unit allocating no more than 30 percent of income.

Low wages increase demand for human services and housing subsidies and often result in unpaid health care. A higher minimum wage would reduce the number of people who need state support for these essentials.

These workers meet many of our needs, in service professions, food industries and agriculture. Surely, we owe them a fairer reward for their labors. Please pass HB5.

Thank you for the opportunity to submit testimony.



TIM VANDEVEER
Chair

MARGARET WILLE
SEAN SMITH
Legislation Committee Co-Chairs

February 13, 2017

Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
House Committee on Labor
February 14, 2017 8:30 a.m. State Capitol Conference Room 309

HB 5 Relating to Labor

Submitted On Behalf of the Democratic Party of Hawai'i

The Democratic Party of Hawai'i supports HB 5 Relating to Labor. This bill increases minimum wage to \$15 an hour by 2021 and then indexes minimum wage to the Honolulu region consumer price index for urban wage earners and clerical workers (CPI-W).

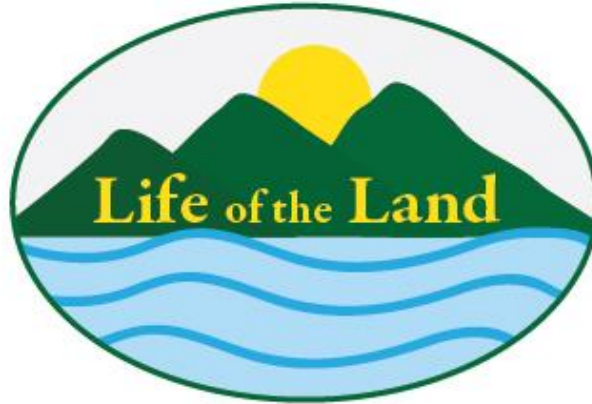
Increasing minimum wage to \$15 an hour and, thereafter, indexing minimum wage to CPI is one of the Democratic Party of Hawai'i's legislative priorities for the 2017 legislative session. We request that you pass this bill out of committee.

Mahalo for the opportunity to testify on this bill.

Respectfully submitted,

Tim Vandever
Chair of the Democratic Party of Hawai'i

/s/ Margaret Wille
/s/ Sean Smith
Legislative Committee Co-chairs



P.O. Box 37158, Honolulu, Hawai`i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Aaron Ling Johanson, Chair

Rep. Daniel Holt, Vice Chair

Tuesday, February 14, 2017

8:30 AM

Conference Room 309

HB 5 Relating to Labor

SUPPORT

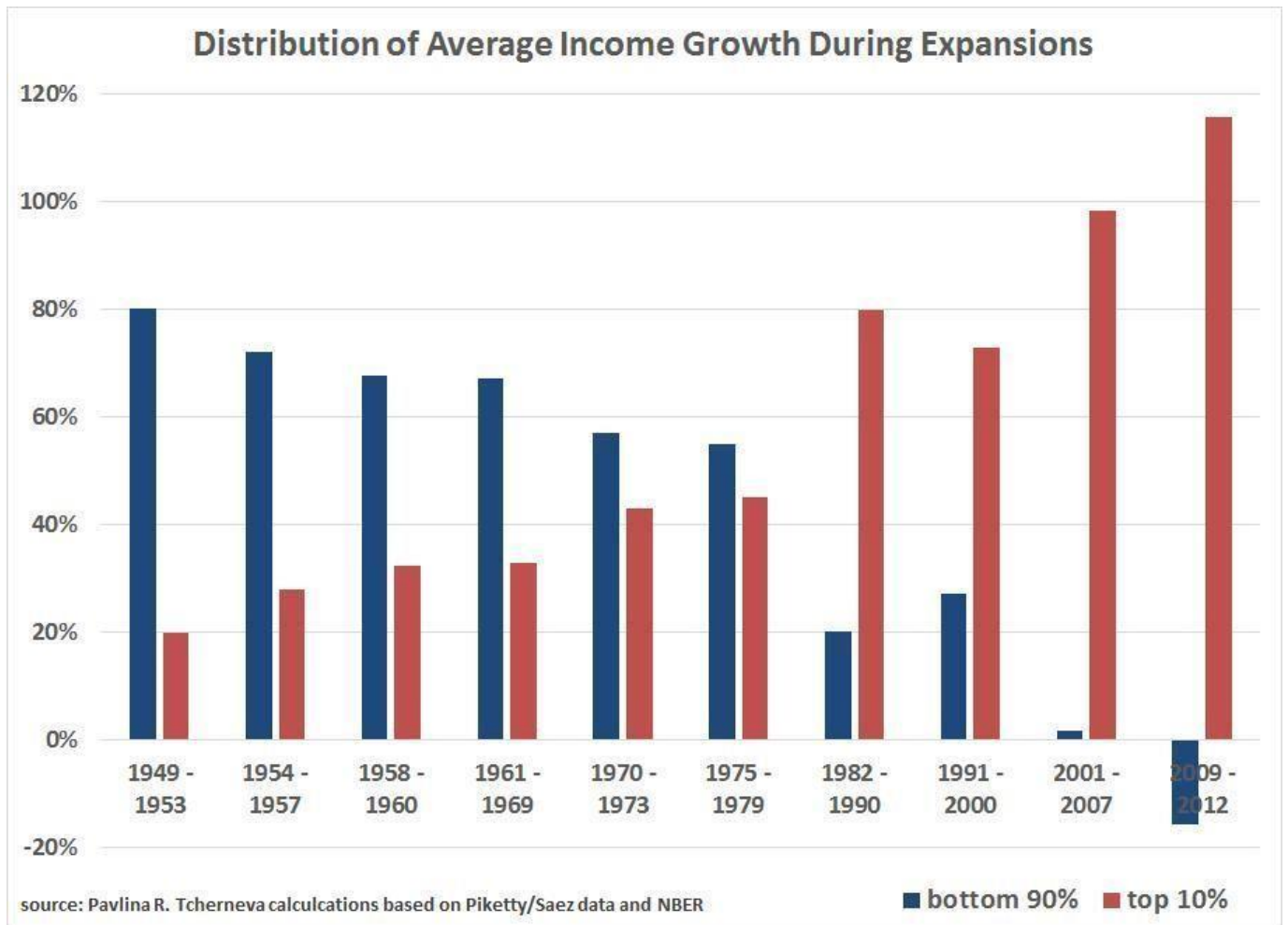
Aloha Chair, Johanson, Vice Chair Holt, and Members of the Committee

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 47 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Since the Wall Street induced Economic Meltdown of 2008, the upper 1% has amassed greater wealth, while the lower 90% has seen losses, and the bottom 20% is hurting.

HB 5 increases the minimum wage from January 1, 2018 to January 1, 2021, at which time it requires the Department of Labor and Industrial Relations to adjust the minimum wage in accordance with the Honolulu region consumer price index and deletes the tip credit.

Unlike other states, the ECITC and the minimum wage has never been set to adjust for inflation. The inequity gap is growing.



People are part of the environment. Low wages, poverty, homelessness, and the loss of social safety nets affect all of us. The moral thing to do is to raise the minimum wage.

Mahalo,

Henry Curtis,
Executive Director

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 4:06 PM
To: LABtestimony
Cc: jyohta@hawaii.rr.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/12/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Jeanne Ohta	Hawaii State Democratic Women's Caucus	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting HB 5 Relating to Labor
House Committee on Labor & Public Employment
Scheduled for hearing Tuesday, February 14, 2017, 8:30 AM, Conference Room 309

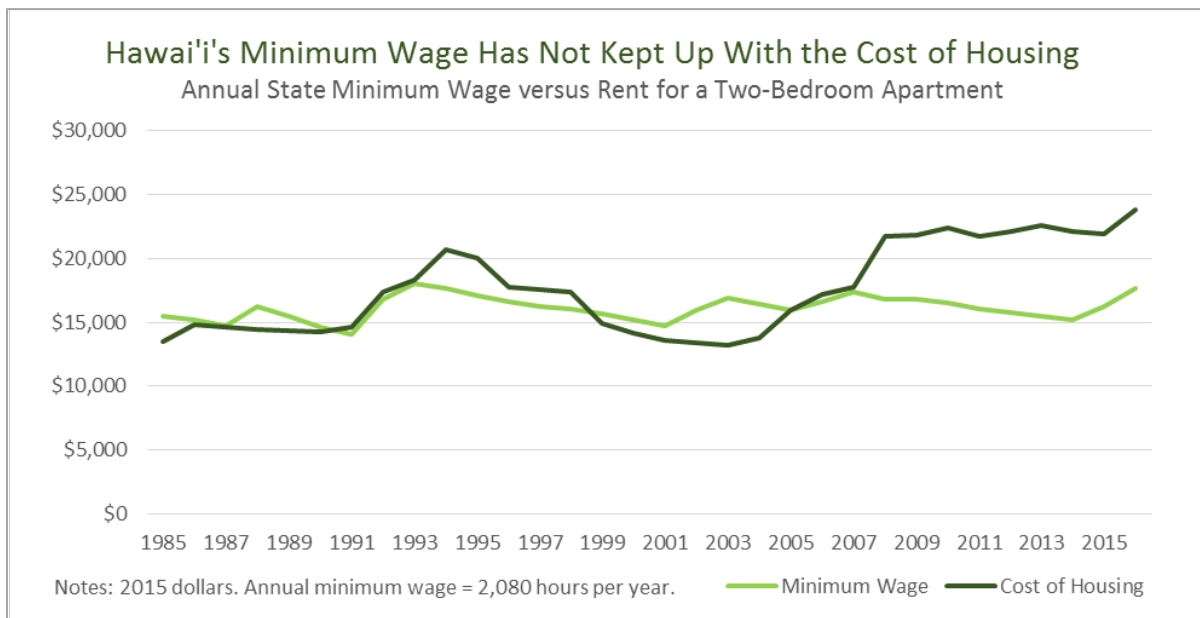
Dear Chair Johanson, Vice Chair Holt, and members of the Committee on Labor & Public Employment:

Thank you for the opportunity to testify in **STRONG SUPPORT** of **HB 5**, which would raise the minimum wage to \$15 by 2021, repeal the tip credit that subjects tipped workers to a minimum wage lower than that for other workers, and pegs the minimum wage to inflation in order to avoid future erosion of its value.

Hawai'i has the lowest wages in the nation after adjusting for our cost of living, which is the highest in the nation. As a result, many of our state's families are teetering at the edge of poverty and homelessness.

While Hawai'i passed a law to increase the minimum wage in 2014, it tops out at \$10.10 in 2018, when it will be worth only about \$8.83 in today's dollars. At \$10.10, earners who work 40 hours per week will still be living in poverty, and it will be the lowest minimum wage in the nation after factoring in our high cost of living.

One of the main drivers of our high cost of living is housing. Currently, a worker in Hawai'i needs to earn more than \$34 per hour (over \$65,000 per year) to afford a two-bedroom apartment. Even if a minimum wage worker were somehow able to devote 100% of their earnings toward housing (i.e., not spending any money on food, utilities, etc.), they *still* wouldn't be able to afford a market-rate apartment.



With our tourist-oriented service economy, a large portion of our low-wage workforce are in the tipped-worker category, which means that their employers can pay them a wage lower than the minimum. This sets up a two-tiered system, with women workers especially stuck in the lower tier. While, for example, waitstaff at a high-end restaurant can make enough in tips to more than cover this discrepancy, those at lower-priced establishments, like a Zippy's, aren't able to earn a whole lot from tips.

And unlike in 17 other states, Hawai'i's minimum wage has never been set to automatically keep up with the cost of living. As a result, the value of our state's minimum wage has often dropped sharply due to inflation.

Other states have increased their minimum wages to help ensure that workers can afford to house and feed their families—for example, New York and California have both adopted plans to increase their minimum wage to \$15. In Hawai'i, we should increase the minimum wage, in reasonable steps, to reach \$15. It should then be pegged to inflation. This would cost the state nothing, while providing dollars to the workers who are mostly like to spend them in the local economy.

If Hawai'i's minimum wage were raised to \$15

- **At least 200,000 workers (about 1/3 of the state's workforce)** would be directly or indirectly affected (those indirectly affected earn wages just above the minimum and would see their earnings increase along with the minimum).
- The **majority would be women**. About 4 in 10 female workers would be affected.
- **Around half would have at least some college education**.
- **Over one-quarter of the children** in Hawai'i would have at least one affected parent.
- **4 out of 10 of Native Hawaiians and Pacific Islanders would be affected**, as would 1/3 of Asians and almost 1/4 of non-Hispanic Whites.

The Twenty-Ninth Legislature
Regular Session of 2017

THE HOUSE

Committee on Labor & Public Employment
Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
State Capitol, Conference Room 309
Tuesday, February 14, 2017; 8:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 5, H.B. 442, AND H.B. 1433,
RELATING TO THE MINIMUM WAGE**

The ILWU Local 142 supports increasing the minimum wage in Hawaii, even though increases were legislated in 2014 for incremental increases through 2018. The minimum wage has not kept up with inflation, and many earning the minimum wage are supporting not only themselves but their families. That often means working at multiple minimum wage jobs to make ends meet, resulting in less-than-ideal family situations.

H.B. 5 increases the minimum wage in four increments to \$15.00 per hour beginning on January 1, 2021. It also provides to the Department of Labor and Industrial Relations the responsibility of annually adjusting the minimum wage, based on the Honolulu region consumer price index for urban wage earners and clerical workers, CPI-W. This would begin on September 30, 2021, and each adjusted minimum wage rate would take effect the following January first. H.B. 5 further deletes the tip credit. We support the contents of this bill.

H.B. 442 would provide the Counties with the authorization to “enact and enforce ordinances establishing minimum wage requirements pursuant to chapter 387”. The ILWU has questions related to H.B. 442 such as would this new structure provide some confusion with more than one minimum wage in the State, especially for employers who are operating in multiple counties? Also, would the counties have the authority to pass ordinances only for minimum wages higher than the State’s minimum wage?

H.B. 1433 would also place the responsibility of annually adjusting the minimum wage, based on the Honolulu region consumer price index for urban wage earners and clerical workers, CPI-W on the Department of Labor and Industrial Relations. The first adjusted minimum wage by the Department would occur following the last incremental step to \$10.10 per hour from the prior minimum wage law change, and begin on January 1, 2019. We support the contents of this bill.

The ILWU supports the deletion of the tip credit. Other states have increased their minimum wage but have no tip credit. Among them are several western states such as Washington, Alaska, California, Minnesota, Montana, Nevada, Oregon, and the District of Columbia.

Employers argue that tipped employees earn far more than the minimum when tips are included. Why should that matter to the employer? Tipped employees earn their tips, just as they earn their wages. And who pays the tip? Not the employer, who actually benefits from a subsidy provided by the tipping customer. Without tips, the employer might be forced to pay the employee two or three times more in wages. Finally, a tip is not guaranteed. While it is customary in the U.S. for customers to leave a tip for restaurant servers, the tip is voluntary.

Of the three bills, the ILWU prefers H.B. 5. We thank you for the opportunity to share our views and concerns.



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

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Katherine Keir, Vice Chair
Jeeyun Lee, Treasurer
Marya Grambs, Secretary
*Howard Garval, Immediate
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Jerry Rauckhorst
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Victor Geminiani
John McComas
Darcie Scharfenstein
Alan Shinn
Michelle Gray
Joanne Lundstrom, Emeritus

Testimony of PHOCUSED
IN STRONG SUPPORT OF HB5, Relating to Labor
House Committee on Labor and Public Employment
Scheduled for Hearing Monday Feb 14 8:30 am rm 309

Dear Chair Johanson, Vice Chair Holt, and Committee members:

Thank you for the opportunity to testify in strong support of HB5, which annually increases minimum wage 1/1/18 - 1/1/2021.

At the current minimum wage of \$10.10, earners who work 40 hours per week are living in poverty. A worker in Hawai'i needs to earn more than \$34 per hour (over \$65,000 per year) to afford a two-bedroom apartment.

200,000 workers will be affected by increasing the minimum wage, the majority of whom are women, are over age 25, and work fulltime; 40% are Native Hawaiians/Pacific Islanders and 26% parents.

Contrary to what you will hear from the business community that raising minimum wages is counterproductive for the working poor by leading to unemployment, evidence now shows that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers and is likely to have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front. Firms tend to respond to minimum wage increases not by reducing production or employment, but by modest price increases, which are offset by employees' enhanced earning power.

Please pass HB5, understanding that the current low minimum wages keep 200,000 of people in poverty in Hawaii, and will not hurt the economy.

Thank you so much.

COMMUNITY ALLIANCE ON PRISONS

P.O. Box 37158, Honolulu, HI 96837-0158

Phone/E-Mail: (808) 927-1214 / kat.caphi@gmail.com



COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Aaron Ling Johanson, Chair

Rep. Daniel Holt, Vice Chair

Tuesday, February 14, 2017

8:30 am

Room 309

HB 5 STRONG SUPPORT - MINIMUM WAGE

Aloha Chair Johanson, Vice Chair Holt and Members of the Committee!

My name is Kat Brady and I am the Coordinator of Community Alliance on Prisons, a community initiative promoting smart justice policies in Hawai'i for two decades. This testimony is respectfully offered on behalf of the approximately 6,000 Hawai'i individuals living behind bars or under the "care and custody" of the Department of Public Safety on any given day. We are always mindful that approximately 1,400 of Hawai'i's imprisoned people are serving their sentences abroad thousands of miles away from their loved ones, their homes and, for the disproportionate number of incarcerated Native Hawaiians, far from their ancestral lands.

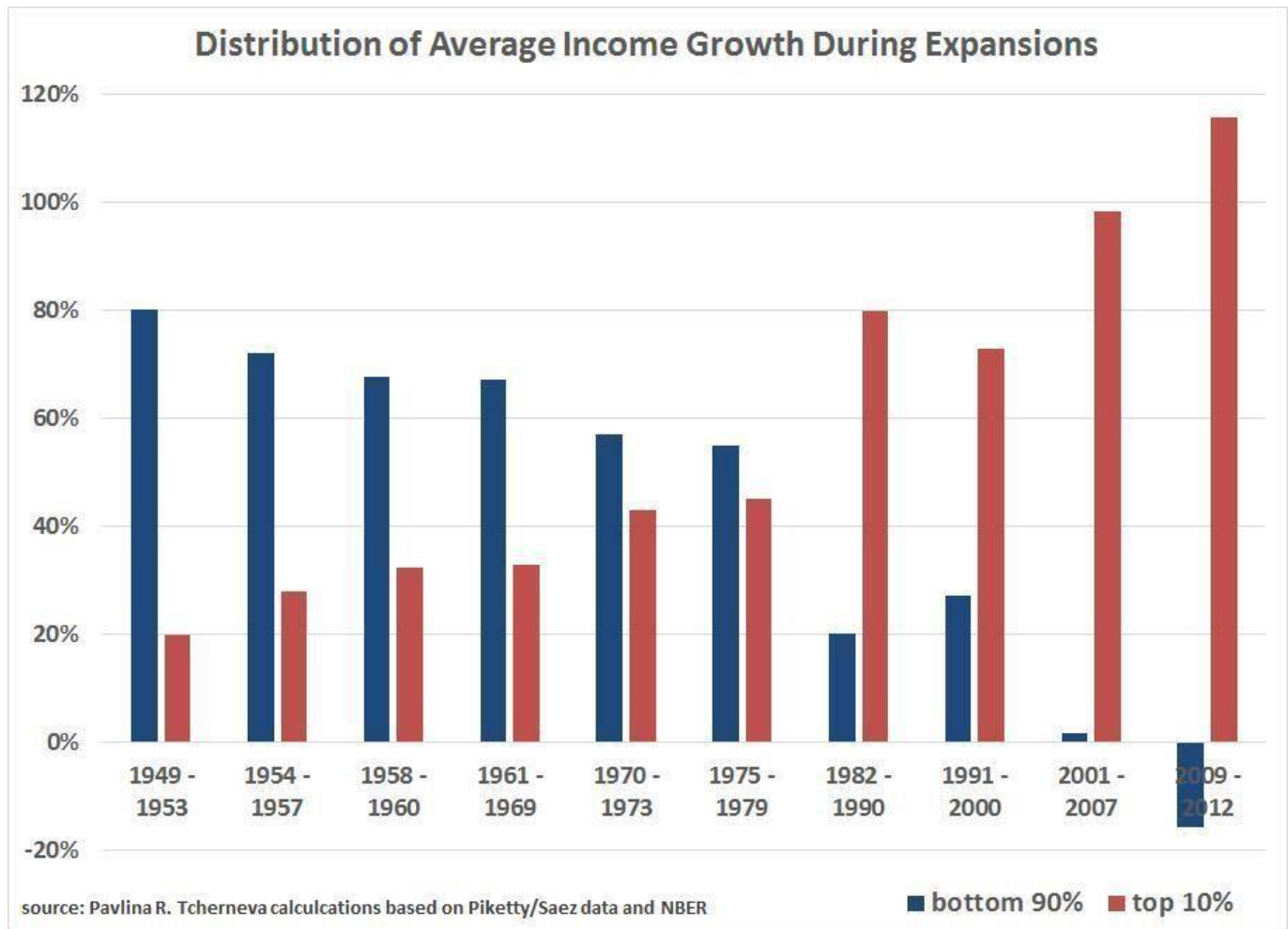
HB 5 increases the minimum wage from January 1, 2018 to January 1, 2021, at which time it requires the Department of Labor and Industrial Relations to adjust the minimum wage in accordance with the Honolulu region consumer price index and deletes the tip credit.

Community Alliance on Prisons is in strong support of this measure.

Hawai'i has the lowest wages in the nation after adjusting for our cost of living, which is the highest in the nation. As a result, many of our families are on the brink of poverty and houselessness. Unlike 17 other states, Hawai'i's minimum wage has never been set to automatically keep up with the cost of living, resulting in the value of our minimum wage dropping sharply, due to inflation.

Other states have increased their minimum wages to help ensure that workers can afford to house and feed their families—for example, New York and California have both adopted plans to increase their minimum wage to \$15. In Hawai'i, we should increase the minimum wage by about \$1 per year and tie it to the Honolulu region consumer price index. This would cost the state nothing, while providing dollars to the workers who are mostly like to spend them in the local economy.

The inequality gap is widening as illustrated in this stunning chart (see below) from Bard College and Levy Institute economist Pavlina Tcherneva, which is based upon statistics from French economist Thomas Piketty's bestseller, "Capital In The 21st Century".¹



Economist Matt Yglesias posits that for a long time, most of the gains from economic growth went to the bottom 90 percent of the income distribution. And the bottom 90 percent includes the vast majority of people. Since 1980, that hasn't been the case. And for the first several years of the current expansion, the bottom 90 percent saw inflation-adjusted incomes continue to fall.

Poverty and homelessness cost the state and our weary taxpayers dearly, both economically and socially. Community Alliance on Prisons respectfully asks the committee to please **have a heart** and pass this bill. Show your aloha for the people in Hawai'i struggling to feed their families and make ends meet.

Mahalo for this opportunity to testify.

¹ The most important chart about the American economy you'll see this year, Updated by Matthew Yglesias, Sept. 25, 2014. <http://www.vox.com/xpress/2014/9/25/6843509/income-distribution-recoveries-pavlina-tcherneva>



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 5 RELATING TO LABOR

Chair Johanson, Vice Chair Holt, and members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") respectfully **opposes** HB 5, which annually increases minimum wage 1/1/18 - 1/1/2021. On 9/30/2021 and thereafter requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index and deletes tip credit.

The Chamber is the largest business organization in Hawaii, representing more than 1,600 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 \$9.25 per hour to:

- \$10.50 per hour on January 1, 2018;
- \$12.00 per hour on January 1, 2019;
- \$13.50 per hour on January 1, 2020;
- \$15.00 per hour on January 1, 2021; and

removes the tip credit completely. We also oppose the implementation of an automatic increase in the minimum wage based on the consumer price index.

This bill will **increase the minimum wage by \$5.75 per hour in the next four years**. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. **Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.**

Hawaii is Different: Prepaid Healthcare Law Mandates Employers to Pay for Insurance Premium Costs

While the Chamber understands that other states have recently considered increases in their minimum wage, it is essential to keep in mind that **Hawaii is the only state in the nation** that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment

insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business, but will also **increase mandated benefit costs and taxes**.

The average annual health insurance premium for a single employee in Hawaii is about \$7,500. Under state law, this benefit is paid for almost entirely by the employer. If you add just the cost of health insurance to the **present minimum wage (2018)** for a full-time employee, the total benefit received by the employee is **\$13.55 per hour**, one of the highest in the country. Adding on payroll taxes, the present minimum wage benefit to the employee is about **\$14.66 per hour**. For part-time workers who receive healthcare benefits, the benefit to the employee is anywhere from **\$15.87-\$18.27 per hour**. Below is a chart showing the present minimum wage, health insurance premium costs and the proposed increases from HB 5.

Cost for a minimum wage employee including health care premiums (\$7,500 annual premium cost 2017, 6% increase per year and then prorated by hour with 1.5% wage cap)

Present Min. Wage for 2018			1st Year Increase for 2018			2nd Year Increase for 2019			3rd Year Increase			4th Year Increase		
Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare Full time	Total Hourly Cost
\$ 10.10	\$ 3.45	\$ 13.55	\$ 10.50	\$ 3.66	\$ 14.16	\$ 12.00	\$ 3.88	\$ 15.88	\$ 13.50	\$ 4.11	\$ 17.61	\$ 15.00	\$ 4.36	\$ 19.36
Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 30 hours per week	Total Hourly Cost
\$ 10.10	\$ 4.66	\$ 14.76	\$ 10.50	\$ 4.94	\$ 15.44	\$ 12.00	\$ 5.24	\$ 17.24	\$ 13.50	\$ 5.55	\$ 19.05	\$ 15.00	\$ 5.88	\$ 20.88
Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost	Hourly	Cost of Prepaid Healthcare for 20 hours per week	Total Hourly Cost
\$ 10.10	\$ 7.06	\$ 17.16	\$ 10.50	\$ 7.48	\$ 17.98	\$ 12.00	\$ 7.93	\$ 19.93	\$ 13.50	\$ 8.41	\$ 21.91	\$ 15.00	\$ 8.91	\$ 23.91

Under the proposed minimum wage increases, in 2018, the total benefit to be provided to the employee (including payroll taxes and healthcare premiums) will be **\$15.31-\$19.14 per hour** and in 2021, it will increase to **\$21.01-\$25.56 per hour**.

Please also note that health insurance premiums increase roughly 5-9% each year. With premiums rising each year, and employers paying on average 90% of the cost of premiums, this represents an **existing 2.5% to 3% increase in compensation to the employee each year**. Lastly, the amounts listed above are for the single coverages. The family coverage premium which is a 50/50 split between employer and employee is over **\$16,000 per year**.

Job Growth Data Unclear

According to national data, prior increases in the minimum wage have led to the loss of jobs in certain economic sectors. Below is data that reflects this concern of the business community. These are “snap shots” of some of the low-wage occupations that proponents of the increase in the minimum wage hope to help. After the 2006/2007 increase in the minimum wage, while there was 3% growth for all sectors overall, **low wage earners in the food industry lost jobs**.

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

Following the 2014/2015 increase in the minimum wage, Hawaii also experienced job losses, mainly for low-income workers. At this time, data is only available for the first increase (50 cents per hour).

Hawaii						
Occupation	2014	Med. Hrly.	2015	% Change	Med. Hrly.	
All occupations	612,580	\$ 18.01	619,960	1%	\$ 18.63	3%
Food prep and serving	77,150	\$ 11.06	78,520	2%	\$ 11.30	2%
Combined food prep and serving workers	12,690	\$ 8.94	11,240	-11%	\$ 9.18	3%
Counter attendants, cafeteria, food and coffee shop	3,810	\$ 10.28	4,650	22%	\$ 10.27	0%
Dining room and cafeteria attendants and bar helpers	4,580	\$ 11.46	4,420	-3%	\$ 12.67	11%
Source www.bls.gov						

The Minimum Wage is a Base Floor Wage

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

We also oppose the removal of the tip credit. The tip credit helps provide better compensation to non-tipped employees. Removal of the tip credit is likely to hurt food and beverage workers, who among the types of employees this bill attempts to help.

Large Increases Would Negatively Impact Business

While only a small percentage of workers earn the minimum wage, a large increase would greatly impact many businesses as they will be forced to raise the wages of their other employees. As an example, if John started working with a company a year ago and earns \$9.50 per hour and then Lisa is hired after the new law at \$9.25 per hour, the employer will have to raise John's hourly wage to provide parity in compensation. This could increase businesses labor costs by up to 15-20% in the first year alone.

The Consumer Price Index Is A Tool To Measure Inflation, CPI Does Not Reflect Hawaii's Overall Economy And The Legislature Should Retain The Ability To Adjust The Minimum Wage

The Chamber also opposes an automatic increase in the minimum wage tied to the consumer price index ("CPI"). The CPI is one tool used by economists to measure the change in the cost of a basket of goods and services. The CPI is limited, based on the types of goods and services that are measured. We believe that the Legislature is in the best position to set the minimum wage according to the many other economic factors that the CPI does not take into account, such as the overall rate of growth, unemployment, wage differentials across industries, cost of prepaid healthcare and many others. For example, when Hawaii and the national economy went through the Great Recession and unemployment was over 7% statewide (and higher on the neighbor islands), the CPI actually increased by 2%. Had the minimum wage been tied to CPI at that time, employers would have had to bear increased labor costs during the worst recession since the Great Depression.

Important Considerations

As a direct result of the significant proposed increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit the hiring of new employees. In Hawaii between December 2015 and November 2016, the average hours worked per week dropped from 33 to 32.1. While that may seem small, this reduction effectively lowered a person's work hours by 46.8 hours in a year. At \$9 per hour that reduced their total annual income by over \$420.

Increasing the minimum wage will also greatly affect job opportunities, especially for new, unskilled workers. In addition to traditional adult workers changing industries, young adult workers also often receive their initial work experience by starting at unskilled jobs.

When Seattle instituted a \$15 per hour minimum wage, their economy had interesting and similar results. A study conducted by the University of Washington concluded that the increase in the minimum wage reduced the number of hours worked each week, affected employment by about 1.2 percentage points and had a minimal impact on workers' average total earnings. Overall, Seattle's experiment with the minimum wage may have magnified both the positive and negative impacts, resulting in little to no net benefit. Workers who did not lose hours may have enjoyed gains in income, while those who lost hours had a hard time finding a second job to make up for their lost hours and may have earned much less. Notably, neither Seattle nor Washington State have a prepaid healthcare mandate on all businesses that **adds to the minimum wage anywhere from \$3.45-\$7.06 per hour per employee.**

If the minimum wage increases too rapidly, the market (as driven by consumers) will decide at the point of sale what they are willing to pay for. Hawaii is already ahead of the national average in hourly wages. In 2015, the national median wage was **\$17.40 per hour**, and in **Hawaii workers earned \$18.63 per hour**. The Chamber respectfully submits that the quality of life of residents in Hawaii is largely a cost issue, driven in large part by the cost of housing.

While our economy is presently on strong footing, we note that the minimum wage has never been decreased when the economy enters a recession. The Council on Revenues also recently lowered the State's forecasted revenue growth because of a projected slowdown.

For all the above reasons, we respectfully ask that this bill be held. Thank you for the opportunity to express our views and concerns.



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TO: COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Rep. Aaron Ling Johanson, Chair
Rep. Daniel Holt, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Tuesday, Feb. 14, 2017
TIME: 8:30 a.m.
PLACE: Conference Room 309

RE: HB5 (Minimum wage)
Position: Oppose

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.

HFIA opposes this bill, which increases the minimum wage, requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index, and deletes the tip credit.

Increasing the minimum wage as proposed by this bill will increase the price of food. In the end, this proposal will make it harder for working families to make ends meet, which is the opposite of its intended impact.

The minimum wage is not a living wage, it is a training wage. Without a training wage it would be impossible for businesses to employ unskilled and completely untrained local high school students and groom them for leadership roles later in their career. This bill will have the unintended consequence of making it more difficult for employers to train and hire local youth. If the minimum wage continues to increase, employers will be forced to mechanize low skill jobs and hire only higher skilled employees. Without on the job training, many individuals will

be deprived of the opportunity to grow their roles in companies and ultimately better themselves and their community.

Many factors, including but not limited to Hawaii's geography and regulatory climate, make operating a business extremely expensive. A higher minimum wage would force businesses to adjust by reducing capital investment in their businesses, including the hiring of fewer employees; increasing efficiency efforts and potentially laying off employees, which in turn would mean requiring remaining workers to do more and/or forcing businesses to raise prices on goods and services. And, as the Washington Examiner points out, "(I)f customers must spend ... more on one thing, they will have less to spend on another, which can cause job losses."¹

A correlation between prices and minimum wage increases has been documented. A report from William Blair, a global investment banking and management firm, concluded that when San Francisco's minimum wage increased 14% from \$10.74 to \$12.25 per hour² (May 1, 2015), prices at Chipotle increased proportionately. According to the report:

All of the Chipotles in the area saw an "across-the-board" price increase. The hike included the chicken, pork, tofu and vegetarian prices, all of which increased 10 percent. The cost of steak and barbacoa rose 14 percent. Data from this study suggests that the % increase in the minimum wage matched the % increase in food prices.

Please keep in mind, food retailers generally operate at a profit margin of around 1 percent. For many it may not be possible to change their pay scales and budget around this kind of extreme change. Local businesses may not have the capital to invest in the technology that will be needed to stay competitive.

Hawaii employers are already shouldering much higher costs per employee than almost any other state due to the Prepaid Healthcare Act of 1974. Unlike other states, in Hawaii, employers are required to provide very high benefit plans while also being prohibited from having employee's contributions exceed 1.5% of the employee's monthly wages. The cost of healthcare has continued to skyrocket, driving up the cost of labor and employing individuals in Hawaii. Increasing the minimum wage to this and other mandates that drive up the cost of labor will make it very difficult to hire workers.

Thank you for the opportunity to testify.

¹ Emilie Padgett, *Study: Minimum Wage Hike Boosted Price of Chipotle Burritos*, Washington Examiner, July 7, 2015. <http://www.washingtonexaminer.com/at-chipotle-increase-in-minimum-wage-means-pricier-burritos-study/article/2567752> (accessed Oct. 6, 2015).

² City & County of San Francisco Office of Labor Standards Enforcement. *Minimum Wage Ordinance*. San Francisco, CA, 2015. <http://sfgsa.org/index.aspx?page=411> (accessed Oct. 9, 2015).



To: Rep. Aaron Ling Johanson, Chair
Rep. Daniel Holt, Vice Chair
Members of the Committee on Labor & Public Employment

From: Michael Miller, Tiki's Grill & Bar
Subject: HB5 Relating to Minimum Wage Increase Schedule
Date: February 12, 2017

Thank you for the opportunity to provide testimony. We, at Tiki's Grill & Bar, hereby oppose House bill HB5 Relating to the Minimum Wage Increase.

We are a locally owned and operated restaurant in our 15th year of business. Our owners and myself are all graduates of the University of Hawai'i at Manoa and are very active in our community.

We believe in our community and we provide opportunities for people to grow and learn as well as to provide experiences for both locals and visitors every day.

All of our staff who are paid minimum wage actually bring home between \$15 and \$30 per hour because they earn gratuities by giving excellent service and working hard with each other. So why do we care?

We love growing people. We create the opportunities for our people to not just do their job, but to strive to advance, do well personally and for the company. It's not just about the pay.

Our industry gives people the ability to move up, but a person needs to have personal motivation to do more, to earn more. Employees come and work with us with or without a high school diploma or a college degree and English can also be their second language. An employee can start as a host, a busser or a dishwasher with ZERO skills and we will take the time and effort to train him or her. Our employees continually learn skills and grow.

To advance, employees have choices: to move to higher positions within the company, or leave for another opportunity. An example of growth within would be to move from a host to waiter or from a dishwasher to a prep-cook. Or an employee leaves us for better opportunities because s/he has learned new skills on the job and has the drive to grow outside the company. Our current General Manager started as a busboy and worked his way up. Our Sous Chef worked his way up from a dishwasher to his current position.

Restaurants historically carry slim profit margins, and this is even more challenging in Hawaii, with its existing regulations and cost of living. The implementation of this bill is not free, which at its basic level, reduces the ability of restaurants to provide opportunities by reducing the



number of new hires, decreasing the amount that can be spent on current employees, particularly non-tipped employees in the "back of the house."

We will need to raise our prices to stay in business. Our bloodline is our economy that is based on tourism, if we keep raising our prices we will lose visitors to other locations that offer more value to visitors.

By raising the minimum wage, we may be forced to reduce the hours we can offer our employees, and we will not be as competitive as we should be to attract the best employees.

The effect on the industry, community, and employees is more than just a dollar amount. Additional governmental regulations increase the government's role in making decisions for businesses.

We urge you NOT to pass this bill out of committee and say, "Mahalo" for considering our point of view while making laws and rules that affect Hawai'i.

Mahalo,

Michael Miller / Director of Operations
michaelm@tikisgrill.com

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To: Rep. Aaron Ling Johanson, Chair
 Rep. Daniel Holt, Vice Chair
 Members of the Committee on Labor & Public Employment

From: Victor Lim, Hawaii Restaurant Association

Subj: HB5 Relating to Minimum Wage Increase Schedule

Date: February 12, 2017

The Hawaii Restaurant Association represent around 3,500 restaurants employing about 90,000 food service jobs here opposes HB5 that will have change the scheduled increase for 1/1/2018 from \$10.10 per hour to \$10.50 per hour, and then increases to \$12.00 per hour in 1/1/2019, \$13.50 per hour in 1/1/2020, and \$15.00 per hour in 1/1/2021 and at the same time eliminates the Tip Credit provision that the current law allows.

We as an industry is just coming out of a very hard 2016 because of Hepatitis A outbreak and also absorbing the current schedule of about 75 cents increases, and trying to pass some of these costs in menu price increase and facing consumer resistance. These increases have been hard on businesses to absorb and the prices the consumer here in Hawaii will have to burden.

The elimination of the Tip Credit will also be devastating to the full-service segment of our industry where the highest paid employees in the restaurant will be disproportionately getting a huge raise where the pool of monies available to other support staff will further diminish.

For all of these reasons, we recommend that you do not pass this bill. Thanks you for allowing us to share our view. Thanks and Aloha.



02/13/17

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Aaron Ling Johanson, Chair & Rep. Daniel Holt, Vice Chair

RE: Opposed to HB5 Minimum Wage Increase – Delete Tip Credit.

While Gyotaku is committed to providing a living wage to all its employees, we strongly opposed an increase in the minimum wage without a substantial increase in the tip credit. Tipped employees in most full service restaurants earn many times the minimum wage when tip income is taken into account. At our restaurants servers earn 3-5 times the current \$8.50 in wages and net tips.

Increasing their base wage significantly reduces our ability to increase the wages of the back of the house staff who do not, and cannot, share in tip pools as mandated by federal law. The recent and future annual state minimum wage increases have gone primarily to the tipped employees at the expense of the staff that prepares the food they serve. It also has exacerbated the disparity of the income gap between the front and back of the house staff.

If the legislature is truly interested in increasing the wages at the bottom of the wage scale in the largest employment sector next to the Military and the



Government, it should seriously increasing the tip credit or permitting the back of the house staff to share in tip pools would go a long way to improving the lives of dishwashers, cooks and kitchen help.

Another solution would be to change the tip credit to 25% of the tips claimed by employees on an hourly basis. This method would ensure that any employee subject to a tip credit would be earning at least 4 times the prevailing minimum wage, currently \$34/ hour. It would be the responsibility of the employer to ensure accurate tip reporting in order to pay the tip credit wage. This method would also provide fairness to employees who earn low hourly tips or work in other customarily tipped positions where hourly tip income varies; such as bellhops, valet parking attendants, beauticians and nail artists.

Continuing to increase in the minimum wage without significant and meaningful increases in the tip credit is unfair to employees who do not earn tips and their employers who are striving to improve their net income.

Sincerely,

Thomas H Jones

President & CO-Owner

REI Food Service, LLC

d.b.a. Gyotaku Japanese Restaurants



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**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 14, 2017
Re: HB5 RELATING TO LABOR**

Good morning Chairman Johanson and members of the House Committee on Labor and Public. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) is a statewide 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.

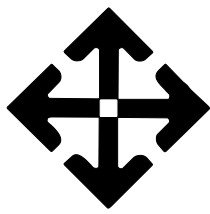
The Retail Merchants of Hawaii strongly opposes HB 5 Relating to Labor. This bill deletes tip credit and would exponentially raise the minimum wage from its current \$9.25 per hour to \$10.50 on January 1, 2018, \$12.00 per hour on January 1, 2019, \$13.50 on January 1, 2020, \$15.00 on January 1, 2021 and amend the rate according to an adjusted minimum wage rate starting on September 30, 2019 and subsequently thereafter require the Department of Labor and Industrial Relations to make adjustments.

The most harmful consequence of this minimum wage increase will be on our smaller retailers which face constant and intense competition, not only from other retailers, but also from internet sellers.

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.

Over the past few years, 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, reemployment regulations, and the business philosophy of the employer. Increasing the minimum wage is counterproductive to any further growth.

We respectfully ask that you hold this measure. Mahalo again for this opportunity to testify.



The Hawaii Business League

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

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

February 14, 2017

Testimony To: House Committee on Labor & Public Employment
Representative Aaron Ling Johanson, Chair

Presented By: Tim Lyons
President

Subject: H.B. 5 – RELATING TO LABOR.

Chair Johanson and Members of the Committee:

I am Tim Lyons, President of the Hawaii Business League, a small business service organization and we do not support this bill.

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

We understand the problem of some individuals feeling that they are not making enough money and, in a lot of cases, employers that are forced to pay minimum wage also feel they do not make enough money. The problem is exacerbated since the employee only sees their net pay, after all the taxes have been deducted. What the employer sees however is the gross cost which includes workers' compensation premiums, temporary disability insurance premiums and unemployment insurance taxes, all of which are based on how much the employee makes. As an example, on a \$1.00 paycheck the employer sees \$1.45(e) in costs; the employee perhaps

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

We also find it very difficult to compare our employee's pay rates with employees from other states. Employers in other state don't have the costs of the Hawaii Pre Paid Health Care Act to deal with, a cost that can add another \$300 to \$1200 cost factor to each employee, per month. Most also do not have temporary disability insurance costs for off the job injuries to deal with. Factor those costs alone in and our full time employees are getting around another \$2.00 to \$3.00 plus per hour on top of the minimum wage.

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

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

We also find it quizzical that part of the reason, we are told, to increase the minimum wage is that the wage earners will immediately infuse their dollars into the economy. That may be true but even the Department of Labor noted in their 2011 testimony on this subject that only 1.7% of the workforce in the first six (6) months of 2010 were earning minimum wage. An infusion of that nature won't even make the meter move.

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

Thank you.

From: Thomas Solie <tasolie@yahoo.com>
Sent: Monday, February 13, 2017 1:32 PM
To: LABtestimony
Subject: HB 5 Hearing on 2/14 at 8:30am

Why should a 16, 17, 18, 19 year old make \$31200 to \$52000 per year to make sandwiches and clean? The entry level employee does not know how to do anything! Must be taught EVERYTHING! Sweeping, mopping, dishes, customer service, every skill specific needs to be taught!

What incentive does anyone have to better them selves when **YOU HAND IT TO THEM! ZERO INCENTIVE!**

What risk does any work have when it comes to the business they work? ZERO RISK! The business owner takes ALL the risk!! Your life savings is at risk. Your life work is at risk. Your credit is at risk. Your retirement is at risk. Your LIFE is at risk because: THE GOVERNMENT IS TAKING FROM YOU AND GIVING IT TO SOMEONE WHO HAS NOT PROVEN THEY DESERVE IT!!!

You can not LEGISLATE people out of poverty! We must train people to be dependable, self motivated on there own!

I built my business by working 70 hours a week at \$7.25 per hour.

Our goal is to open 20 stores in the next 10 years. This will employ 500 plus employees across the state. Build a commissary to supply our stores, Headquarter our Franchise operations for the west coast in Hawaii employing another 100 plus people.

You will drive all employers with these goals away with policies to raise an entry level wage to UNSUSTAINABLE HEIGHTS! Not to mention drive away TOURISTS because the will choose locations that can price there products at reasonable and sustainable levels

LET US WORK TOGETHER TO TEACH PEOPLE HOW TO GET AHEAD WITHOUT HANDING IT TO THEM!!

You give me someone who is dependable, honest, coach-able I will teach them a TRADE and how to :

- 1. Manage a business making \$60,000 plus a year**
- 2. Own there own business and earn \$100,000 to \$200,000 per year PLUS**
- 3. Own multiple locations and earn even more than above.**

YOU take away the incentive and motivation for employee and employer by mandating something that should be earned.

Sincerely,

Thomas Solie
Timmy T's Gourmet Grinders
60 Kihapai Street
Kailua, HI 96734
808-295-5771



February 14, 2017

8:30 AM

Conference Room 309

To: House Committee on Labor & Public Employment

Sen. Aaron Ling-Johanson, Chair

Sen. Daniel Holt, Vice Chair

From: Grassroot Institute of Hawaii

President Keli'i Akina, Ph.D.

RE: HB5 – RELATING TO LABOR

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB5, which would increase the minimum wage to \$15/hour by 2021 and remove the “tip credit” for employees whose wage includes tips.

Grassroot Institute is deeply concerned about the possible effect of this legislation on the state’s small businesses and economy—especially in the case of restaurants, which are already notorious for their razor-thin profit margins. Moreover, we believe that this bill will fail in its intent to help lift the state’s working families out of poverty. As our previous research on the issue found, increasing minimum wage benefits only a small proportion of low-income working families while raising the cost of low-skilled labor by a significant degree. In addition, an increase in the minimum wage will reduce teenage employment—an item that is often overlooked, but should be taken seriously by those looking to ensure the long term health of our economy.

Under the current proposal, the minimum wage is increased from \$9.25 to \$15.00 in a four year period. This means that the annual full-time costs for low-skilled labor (40 hour workweek) will increase by \$11,960, which represents a 62% increase. For companies that primarily employ low-wage workers, this is a significant increase in labor costs—one they may choose to absorb by hiring fewer workers and raising prices. It is hard to imagine how further raising the cost of living and creating higher unemployment benefits the state economy.

The removal of the tip credit is an additional source of concern. The lack of a tip credit places a substantial burden on restaurants, which will be forced to privilege wait staff (who already average, with

tips, salaries well above minimum wage) over back-of-the-house and non-tipped staff. In effect, this bill makes it more difficult to raise the dishwasher's pay because the restaurant owner is required to spend even more on the sommelier.

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

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

Thank you for the opportunity to submit our testimony.

Sincerely,
Joe Kent
Vice President of Research
Grassroot Institute of Hawaii

Bart Dame
710 West Hind Drive, Honolulu, HI

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Aaron Johanson, Chair
Rep. Daniel Holt, Vice Chair

Date: Tuesday, Feb 14, 2017
Time: 8:30 a.m.
Place: Conference room 309

HB5, Relating to Labor, in SUPPORT

Good morning, Chair Johanson, Vice-Chair Holt and members of the committee,

My name is Bart Dame and I am testifying today as an individual in SUPPORT of HB5, a bill which will raise the minimum wage, eliminate the tip credit and automatically adjust the minimum wage in the future so it no longer loses its value as the cost of living rises.

The minimum wage can be a controversial subject exactly because it is so important and can shift income from more powerful earners and consumers to the most lowly paid. As most of us know, though some do not want us to be reminded, income inequality has grown much worse in the United States since about 1980. The causes are many, but among them are changes in the law in a way which favors stockholders and business owners over employees. We can see this in how the tax code has become very regressive as the burden has shifted away from investors and the wealthy onto the backs of middle and low-income people. This is by conscious choice by lawmakers. We need to convince our lawmakers to restore progressivity in our tax code.

Similarly, the level of the minimum wage reflects the commitment of lawmakers towards the most lowly paid people in our society. These are politically and economically powerless people, relative to business owners and stockholders.

There are several widely accepted myths about the minimum wage. I have heard some of them in testimony in this building by people who should know better. But because they are widely spread, they are widely believed. Among these false claims is that “the minimum wage was intended to be a starting wage” for those just entering the workforce. No one making this claim can cite a source for their confusion. But the enacting legislation for the federal minimum wage, passed as part of FDR's package of New Deal laws to improve the living standards and put people back to work during the Great Depression makes it clear the minimum wage was intended, FROM THE START, to provide a decent standard of living for a full-time worker.

As you probably know, FDR himself said:

“By living wages, I mean more than a bare subsistence level — I mean the wages of a decent living.” FDR, 1933

Deciding what constitutes a “decent living” is subjective, but it is a choice YOU must make.

I steer a middle path in this debate. The minimum wage cannot arbitrarily be raised suddenly and by a large amount, even if we might believe, might KNOW, working people in Hawaii face the highest cost of living in the US. Too sudden an increase will shock many businesses, particularly small businesses. SO how do we get it to approximate a “living wage”? We will have to phase it in.

And we will have to do so in the face of opposition from business groups who never believe the time is right to raise it.

Didn't we just raise the minimum wage a few years ago? Yes, and it will go up again, to \$10.10 on January 1st 2018. I heard the late Lowell Kalapa testify a few years ago that he had worked for the minimum wage and it made him a better person. When Lowell and I first worked for the minimum wage, it was \$1.60. Today our minimum wage is \$9.25. But that \$1.60 is equal to \$11.40. So the current minimum wage is worth over two dollars less than it should be, using Lowell's experience as a guide.

I think we need to follow up on the schedule of wage hikes to raise it to \$15 an hour. I realize it will create a steady pressure on some businesses, but the vast majority of them will be able to incorporate it into the business model. Those who cannot are probably not following a viable business plan. Again, from FDR explaining the logic behind the minimum wage law:

“No business which depends for existence on paying less than living wages to its workers has any right to continue in this country.” FDR, 1933

I do not want to sound heartless and unconcerned about the needs of small businesses. It is the market which is heartless. It is the difficulties of running a small business in competition with heartless larger corporations, meeting OTHER rising expenses which create a heartless environment for small business. Small employers are generally powerless in pushing back on other costs, so they do it against the weaker people, employees who have few options but to accept whatever is offered them.

If we were, out of some utopian zeal, suddenly demand employers pay a genuine “living wage,” capable of providing decent housing in Hawaii, our idealism would be blinding us to the genuine needs of small businesses. But if we are committed, and not all are, to ensuring that we do, someday, get to a place where the minimum wage does provide a decent living, we have to phase in wage hikes, against the natural resistance of business interests.

FDR recognized that businesses will naturally tend to be shortsighted and not recognize that higher wages for workers lead to expanded consumption, leading to increased sales of goods and services, leading to increased hiring by businesses to meet the growing demand. As workers get more disposable income, they buy more. If an individual employer raises his wages, those wages may be spent elsewhere. So where is the benefit to the specific employer. Raising the legal minimum wage leads to a general increase in purchasing power by a large number of employees, leading to increased sales for many businesses.

Please pass HB5 as a step towards making the minimum wage the “living wage” it was intended to be. It will not get us there, but it is a step in the right direction.

Thank you for this opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 12:20 AM
To: LABtestimony
Cc: makikirandy@yahoo.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/13/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 9:10 PM
To: LABtestimony
Cc: frankiestapleton@gmail.com
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/12/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Frances K. (Frankie) Stapleton	Individual	Support	No

Comments: Greetings, Chairman Johanson and members of the Committee on Labor and Public Employment. I am Frances K. (Frankie) Stapleton, a retired journalist and public school teacher living in Hawaii since 1970. Welcome to Hawai'i, where you should appreciate living in one of the most congenial, beautiful spots on the planet! Where billionaires also buy homes to live but where if you're not up in that higher economic class, you have among the lowest wages in the nation when adjusted for the cost of having a roof over your head! Hawaii's 2014 minimum wage increase tops out in 2018 at \$10.10 or less than \$9 an hour in today's dollars. And who knows what those dollars will be worth next year in the Trump economy! A major reason to adopt a Cost-of-Living factor pegged to inflation. Such an increase in the minimum wage would affect 1 of every 4 workers in Hawaii, 1 in 4 of them parents, most of them women and people over the age of 25. With Hawaii's current boom in real estate speculation by non-resident 1-percenters pushing home and rental costs through the roof, is it any wonder that more and more local families are struggling to avoid homelessness? This bill should help reverse that trend. Thank you for this opportunity to testify in strong support of HB5 increasing the minimum wage to \$15 an hour by 2021, followed annually thereafter with a COL adjustment. Respectfully submitted by Frances K. Stapleton, 14-803 Crystal Circle, Pahoehoe HI 96778 Phone: 808.965.8945

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 10:14 AM
To: LABtestimony
Cc: shannonkona@gmail.com
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/12/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Shannon Rudolph	Individual	Support	No

Comments: Support

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Aloha Kakou,

Please pass HB5, Relating to Labor. Hawaii's working families face the highest cost of living in the country, yet our wages lag behind those of many other states. Please vote to raise the minimum wage to help us buy food, pay our bills and raise our families.

Thank you for your attention.

Aloha,

Jan Mitchell
Kailua, HI
96734

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 11, 2017 9:47 PM
To: LABtestimony
Cc: gfarstrup@msn.com
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/11/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Greg and Pat Farstrup	Individual	Support	No

Comments: The bill should be amended to raise the minimum wage to \$15/hr. In 2019. Hawai'i's low-income and houseless families need this.

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 11, 2017 5:44 PM
To: LABtestimony
Cc: joyamarshall0416@gmail.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/11/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Marshall	Individual	Support	No

Comments:

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To: Chair Johanson, Vice Chair Holt, and Members of the Labor Committee

RE: HB 5 – Minimum wage Increase with CPI-W and elimination of tip credit

Contact info:

Cameron Sato 808-497-8332 Cameron.a.r.sato@gmail.com 969 Kaahue St, Honolulu, Hawai'i 96825

Dear Chair Johanson, Vice Chair Holt, and Members of the Labor Committee,

I am testifying on behalf of Young Progressives Demanding Action – Hawai'i (YPDA) an organization started by Students at UH Manoa with over 900 members. YPDA was responsible for "Love Trumps Hate" a rally that drew 1,137 demonstrators following the Trump election. The goal of YPDA is to get young people involved in politics by advocating for progressive issues such as: Economic justice, social justice (women's right to choose, LGBTQ+, Hawaiian affairs) and protecting our environment. I am the co-chapter leader, co-founder of YPDA- Hawai'i, and Economic Justice Committee Chair. Increasing the minimum wage to \$15 an hour is one of our top priorities for our organization.

YPDA supports HB 5 as it is one of the best vehicles to delivering an equitable standard of living to working families. We would ideally like a \$15 minimum wage to be reached sooner than 2021, as people need immediate. According to MIT's living wage calculator people need \$14.66 to get by in Honolulu (<http://www.civilbeat.org/2016/04/living-hawaii-why-our-salaries-arent-rising-faster/>). The Bureau on Labor Statistics calculates the unemployment rate in Hawai'i to be 2.9% in December 2016 (<https://www.bls.gov/eag/eag.hi.htm>) leading us to conclude that now that the economy is doing well, it is time to give working people a raise they long deserve with minimal impact on the economy.

On the other hand, HB 5 allows for an incremental increase in wages which allows for businesses to adjust prices, efficiency and optimize production methodology over a gradual period of time. Many studies have found that when the minimum wage has increased at a gradual rate, there will be no net loss of jobs. Let me rephrase this, if HB 5 were to pass, there would be no mass unemployment due to an increase in minimum wage despite what the those opposing this bill will say.

<https://www.businessforafairminimumwage.org/news/00135/research-shows-minimum-wage-increases-do-not-cause-job-loss>

<http://uhero.hawaii.edu/news/view/267>

<http://davidcard.berkeley.edu/papers/njmin-aer.pdf>

Waiting and bussing tables in serious work. It is unjust that because one works harder in the food service industry and is compensated thusly, the employer is legally allowed to compensate an employee at a lower rate. Under no condition should the tip credit be increased further than \$.0.75 and we fully support HB 5's elimination of the tip credit.

HB 5's inclusion of a consumer price index adjusted rate is crucially important to guaranteeing Hawai'i's working families a continued level of prosperity. It will mean a minor adjustment by a couple cents annually, but, over time it will mean that we won't have to worry about just and equitable salaries forever.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 1:59 PM
To: LABtestimony
Cc: kennethben@mac.com
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/13/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Kenneth Marcus	Individual	Support	No

Comments: The economy, whose primary driver is consumer demand, is greatly enhanced by increases in available disposable income in the hands of working people. The potential, and likely short-term, decrease in the profits of any individual enterprise, is - according to reputable economists - more than offset by the increased economic activity that results in wage increases. Such increases also save governmental expenditures for income support and other safety net services, by permitting workers to bear more of the costs themselves. I enthusiastically ask that you support increases in the minimum wage, and encourage you to vote for the measure. Thank you.

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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 10, 2017 8:39 PM
To: LABtestimony
Cc: clareloprinzi@gmail.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/10/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
clare loprinzi	Individual	Support	No

Comments:

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holt1 - Joyleanne

From: Jeffrey D. Lau <jlau@OLLON.COM>
Sent: Monday, February 13, 2017 1:32 PM
To: LABtestimony
Cc: ba@cochawaii.org
Subject: HB 5 Hearing on 2/14 at 8:30am

To whom it may concern:

As an Economics Major with an MBA in Finance and a law practice;

- a. This bill will raise the minimum wage cost to \$21-25 per hour including healthcare benefits and other mandated taxes and benefits.
- b. Minimum wage is meant to be a floor and not a living wage.
- c. This could force employers to reduce hours and other benefits and hurt those that this bill seeks to help.
- d. CPI will hurt businesses and their employees in bad economic times.

I am speaking individually and not as past president of the Chinese Chamber of Commerce of Hawaii, Past Trustee of the University of Hawaii Foundation, Past Director of Hawaii Society of Business Professionals, present member of the Hawaii/Pacific District Export Council under the US Department of Commerce appointed under the Obama Administration, nor as a China sister city representative for the City and County of Honolulu, nor as a member of the Hong Kong Business Association of Hawaii, nor as Director of the UH Shidler Alumni Association, nor as Director of a Financial Institution in Hawaii and a participant CEO Conference at Beijing APEC 2014 and Asia Pacific Leadership Program Mentor for the East West Center.

As a strong proponent of giving our youth an opportunity to gain employment opportunities at the entry level, I fear that companies may withdraw those entry level opportunities in mass as has happened with many management training programs here in our community.

Sincerely,

Jeff Lau

Jeffrey Daniel Lau
Ogawa Lau Nakamura & Jew
Attorneys at Law ~ A Law Corporation
707 Richards Street
Suite 600 Ocean View Center
Honolulu, Hawaii 96813

Main: (808) 533-3999
Direct: (808) 535-1420
Fax: (808) 533-0144
Cell: (808) 220-1181
Email: jlau@ollon.com
Website: <http://www.ollon.com>
WeChat: Jeff Lau

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 9:49 PM
To: LABtestimony
Cc: barbarapolk@hawaiiantel.net
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/12/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Polk	Individual	Comments Only	No

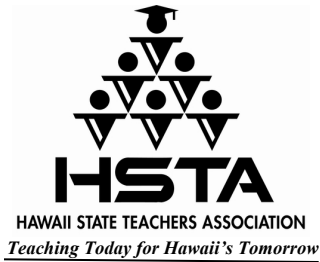
Comments: Although I strongly support raising the minimum wage, this bill does so too slowly. While elsewhere in the country, the minimum wage is already at \$15 an hour, under this bill, employees would not reach that level for five years. By that time, inflation and other increases in the cost of living will have eaten away at a substantial part of the increase. The result of a low minimum wage is that local children are forced to leave Hawaii to be able to live comfortably. This loss of the talents of youth has and will continue to have a negative effect on the business environment of Hawaii. In addition, when an employer does not adequately pay his employees, that business is asking the general public, through our taxes, to pay a part of his cost of doing business. It should not be the role of the public to subsidize the profits of business through picking up the difference between wages paid and the cost of living. Furthermore, although an escalator clause may be desirable, when it is applied to an amount that is too low, it contributes to establishing a permanent underclass. Again. this does not benefit Hawaii. Finally, raising the minimum wage is good for business, because employees are also consumers. With more money in hand, they can buy more, helping to raise the sales and profits of businesses. I urge you to amend this bill to accelerate the increases in minimum wage so that it reaches \$15/hour by 2019. Thank you for the opportunity to submit testimony.

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HB 4

Late Testimony



LATE

LATE LATE

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

Corey Rosenlee
President
Justin Hughey
Vice President
Amy Perruso
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON
LABOR

RE: HB 5 - RELATING TO LABOR

TUESDAY, FEBRUARY 14, 2017

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Johanson and Members of the Committee:

The Hawaii State Teachers Association **strongly supports HB 5**, relating to labor.

Over the past two decades, the price of housing in the islands has skyrocketed. Townhomes have increased nearly 400 percent since 2001, with the average cost of a single-family home now exceeding \$720,000. Per the Department of Business, Economic Development, and Tourism, foreign nationals pay roughly 64 percent more than Hawai'i residents for homes, with luxury apartment buildings being built in Kaka'ako advertising prices that, in some cases, average to over \$3 million per unit. Yet, most hardworking residents—including teachers working second and third jobs—can only dream of living in such places, since our state's minimum wage is barely enough to live off of.

Policymakers must not cater the wealthy, but must, instead, ensure that Hawai'i's lower-income workers earn a living wage. Even after the 2014 wage increases that gradually elevate our state's minimum wage to \$10.10 in 2018, it still trails our steep housing costs. After factoring in cost of living, Hawai'i has the lowest minimum wage in the nation. About one-third of the state's work force, or 200,000 workers, would see pay increases if this proposal passes, 57 percent of whom are women and many of whom, again, are working multiple jobs to get by.

To give Hawai'i's workers the wages they've earned, the Hawaii State Teachers Association asks your committee to **support** this bill.

LATE



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
TUESDAY, FEBRUARY 14, 2017 AT 8:30 A.M.**

LATE

To The Honorable Aaron Ling Johanson, Chair;
The Honorable Daniel Holt, Vice Chair; and
Members of the Committee on Labor & Public Employment

TESTIMONY IN OPPOSITION OF HB 5 TO INCREASE THE MINIMUM WAGE

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce representing approximately 600 businesses and 16,000 employees on Maui. I am writing share our opposition to HB 5.

We oppose bill HB 5 to amend the Hawaii Revised Statutes to greatly increase the minimum wage through 2021 then requires the DLIR to set the minimum wage based on the Honolulu regional consumer price index. The Hawaii Revised Statutes currently sets the minimum wage through 2018. We feel there should not be further legislation made to increase the minimum wage at this time as we do not yet know the impact that the previous increase in minimum wage has had. The increase of the minimum wage assumes that the economy will continue to grow, but the State is finding we have less revenue, businesses are still working hard, and various industries across the state are fairing differently. We believe an economic analysis of the impact of the current minimum wage and consideration of small businesses should be completed before proposing a new bill to increase it.

Further, we do not want the minimum wage to be calculated by the DLIR based on the Honolulu region consumer price index. We do not want any automatic calculations that are tied to any specific index because that takes out the careful and thoughtful analysis that is needed. The Honolulu region consumer price index is not reflective of neighbor island counties and should not be used to set statewide minimum wage amounts.

Finally, the minimum wage is not meant to be a living wage; nor is it a skill wage reflective of the skills employees bring to the table. It is simply a starting point and is generally used for unskilled labor. Arbitrarily increasing the minimum wage creates a wage compression within businesses because it narrows the gap from what longstanding employees are earning to what new people coming in are now making. This then raises the overall employment cost for businesses. Also the minimum wage does not reflect the added costs of benefits and taxes that businesses have to pay per employee. Raising the minimum wage so drastically could force employers to reduce hours and other benefits for employees and in turn, hurt those that the bill seeks to help or be too large of a financial burden for many local businesses to undertake.

We appreciate the opportunity to testify on this matter and therefore ask that this bill be deferred.

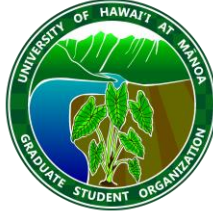
Mahalo for your consideration of our testimony.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

LATE



LATE

Date: February 14, 2017
Time: 8:30 a.m.
Place: Conference Room 309

To: House Committee on Labor and Public Employment
Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair

LATE

Re: Support for HB5, Relating to Labor

Thank you for the opportunity to provide testimony. The Graduate Student Organization (GS) at the University of Hawai'i at Mānoa writes in **support** of HB5, Relating to Labor. The GSO represents approximately 4,700 graduate students at the University of Hawai'i at Mānoa.

Our constituents compose a substantial portion of the local economy, and the vast majority of our constituents make wages far below what is considered a living wage in Hawaii. In addition to low paying graduate assistantships, many are working extra jobs at the minimum wage level to pay for the rapidly rising costs of housing, food, healthcare, transportation, and basic goods and necessities. Raising the minimum wage would mean our constituents could make their rent payments on time, afford to eat healthy food, and afford to put gas in the tank.

We should be clear: the past 30 years have witnessed a dramatic upward redistribution of the national income in favor of the 1%. Productivity and GDP has risen dramatically, and yet the average worker has not seen any of this come back to them. In fact, the income share for the bottom 50% of Americans is collapsing.¹ Compounded with the continuing effects of the Great Recession, the average worker has not seen a raise in decades. Millennials have it even worse: numerous studies have found that millennial incomes are 20 percent lower than what baby boomers earned at the same age, that millennials have half the wealth that baby boomers had accrued by the same age, and that millennials have fewer cars and homes, less savings and other assets, and a lot more debt than baby boomers had at the same age.² The most recent analyses of minimum wage studies have concluded that well-designed minimum wage increases are a "useful means of raising wages" with little to insignificant effects on employment rates, hours, or prices.³

Raising the minimum wage to \$15 per hour is the bare moral minimum that we should be doing to address what is an ongoing systemic economic crisis.

Thank you for the opportunity to testify.



1. Goldstein, Steve. "Income share for the bottom 50% of Americans is 'collapsing,' new Piketty research finds." *MarketWatch*. 7 Feb. 2017. Web. 13 Feb. 2017.
2. MarksJarvis, Gail. "Thanks to recession, millennials trail their boomer parents financially." *Chicago Tribune*. 10 Feb. 2017. Web. 13 Feb. 2017.
3. Wihbey, John. "Minimum wage: Updated research roundup on the effects of increasing pay." *Journalist's Resource*. 27 Jul. 2016. Web. 13 Feb. 2017.

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WAIPAHU, HAWAII 96797

LATE**Testimony to the House Committee on Labor & Public Employment****Tuesday, February 14, 2017****8:30 am****Conference Room 309****LATE****RE: HB 5 – Relating to Labor****LATE**

Chair Johanson, Vice-Chair Holt, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong opposition to H.B. 5, which proposes to annually increase the minimum wage as follows:

\$10.50 per hour beginning January 1, 2018;
\$12.00 per hour beginning January 1, 2019;
\$13.50 per hour beginning January 1, 2020; and
\$15.00 per hour beginning January 1, 2021.

On September 30, 2021 and thereafter requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index.

Most employees in the construction and building industry do not earn minimum wage. However, raising the minimum wage raises the cost for businesses, particularly for small businesses, impacting the cost of living for everyone in Hawaii.

Raising the minimum wage makes it more expensive for businesses to hire workers, resulting in the opposite intended effect of increased unemployment. People who get to keep working make more money, those who don't, suffer.

Raising the minimum wage to \$10.50 will not raise workers and families out of poverty because only a small percentage of those who would gain belong to poor households; many poor do not work, minimum-wage earners are not head of households and are, instead, secondary earners such as an elderly person earning extra income or young people in high school. Persons 25 years and under constitute 50% of workers earning minimum wage or less. These jobs were not intended to raise people out of poverty but rather to provide training and skill development in order to enable upward mobility.

The nonpartisan Congressional Budget Office has found that expanding the earned income tax credit is a much more efficient way to fight poverty than increasing the minimum wage. So why isn't government suggesting that to help people out of poverty? The real solution in helping to empower people is creating more job opportunities to allow minimum-wage earners to move into higher paying jobs, and continuing to improve our public school system to better equip our students for a brighter and more prosperous future.

We are in strong opposition to H.B. 5 and respectfully request that the bill be held in committee.

Thank you for the opportunity to express our views on this matter.

LATE

LATE

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 6:22 PM
To: LABtestimony
Cc: warrenmcfb@gmail.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/13/2017
Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Warren Watanabe	Maui County Farm Bureau	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

LATE



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

LATE

February 14, 2017

HEARING BEFORE THE
HOUSE COMMITTEE ON LABOR

LATE

TESTIMONY ON HB 5
RELATING TO MINIMUM WAGE

Room 309
8:30 AM

Aloha Chair Johanson, Vice Chair Holt, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

Hawaii Farm Bureau **strongly opposes HB 5**, requiring DLIR to adjust the hourly minimum wage in accordance with the Honolulu region consumer price index.

Hawaii Farm Bureau Policy states:

"State tax and monetary policies should be designed to encourage private initiative to help stabilize farm economics in the State of Hawaii, to promote employment and economic growth and to distribute the tax burden equitably. Further such policy should be used by the state, when appropriate, to encourage agricultural growth and expansion."

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

Establishment of wages involve variables beyond the Consumer Price Index. Merely using the CPI will have an unintended consequence of higher unemployment during periods such as the economic down turn in 2008 when fuel prices escalated along with consumer goods.

HFB respectfully requests your strong opposition of this measure understanding the unintended consequences to the people of Hawaii.

Thank you for this opportunity to provide comment on this important subject.

LATE

LATE



LATE

Date: February 13, 2017

To: The Honorable Aaron Ling Johanson, Chair
The Honorable Daniel Holt, Vice Chair
Members of the House Committee on Labor and Public Employment

From: Jessica Yamauchi, Executive Director, Hawai'i Public Health Institute

Re: **Support for HB 5, Relating to Labor**

Hrg: February 14, 2017 at 8:30 am at Conference Room 309

Thank you for the opportunity to offer testimony in support of HB 5 Relating to Labor.

The Hawai'i Public Health Institute (HIPHI) supports and promotes policy efforts to create a healthy Hawai'i. HIPHI weaves silos into working relationships as an effective network, ensuring that we come together across sectors to advance collaboration and innovation in public health and work towards making Hawai'i the healthiest place on earth.

This bill annually increases minimum wage and requires DLIR to adjust minimum hourly wage and deletes the tip credit, which will help Hawaii workers immensely. Hawai'i has the lowest wages in the nation after adjusting for our cost of living, which is the highest in the nation. The majority of the workers in Hawai'i that would benefit from this increase would be women and their families. Currently, a worker in Hawai'i needs to earn more than \$34 per hour (over \$65,000 per year) to afford a two-bedroom apartment.

According to the World Health Organization, income and social status impacts a person's health. Higher income and social status are linked to better health and the greater the gap between the richest and poorest people, the greater the differences in health¹.

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

¹ World Health Organization, Health Impact Assessment.
<http://www.who.int/hia/evidence/doh/en/>

HIPHI strongly supports increasing minimum wage and respectfully asks the committee to pass HB 5.

Thank you for the opportunity to provide testimony.

A handwritten signature in black ink that reads "Jessica Yamauchi". The signature is written in a cursive, flowing style.

Jessica Yamauchi, MA
Executive Director

LATE



**HAWAI'I LODGING & TOURISM
ASSOCIATION**

LATE

LATE

Testimony of

Mufi Hannemann
President & CEO

Hawai'i Lodging & Tourism Association

Committee on Labor & Public Employment

House Bill 5, Relating to Labor

Chair Johanson, Vice Chair Holt, and Committee Members:

On behalf of the more than 700 members of the Hawai'i Lodging & Tourism Association, the visitor industry's largest private-sector trade organization, we oppose House Bill 5, which would increase the minimum wage every January from 2018 to 2021, repeal a provision regarding the hourly wages of tipped employees, and require the Department of Labor and Industrial Relations to calculate the minimum wage rate based on the Consumer Price Index.

Wages and benefits constitute the largest single expense for most businesses in the service sector, particularly those in the hospitality industry. As such, any increase in these costs—be they in the form of hikes in wage-based employee taxes and insurance, unceasing rises in mandatory health insurance premiums, or higher wages—will increase the cost of operations and the ability to compete against businesses with lower operating costs. In the visitor industry, where we vie against lower-wage destinations on the mainland, Mexico, the Caribbean, and elsewhere, the price of airfare, hotel room, ground transportation, meals, shopping, and visitor attractions must reflect not only value, but be priced reasonably.

As such, increases in the minimum wage, when added to other required employee benefits, will raise overall payroll and operating costs and could adversely affect our competitiveness. Hawai'i's unique mandatory health insurance law, in particular, represents a significant but unacknowledged factor in calculating employee benefits. For a single employee, the average insurance premium is \$7,500, paid almost entirely by the employer. A family package premium is about \$16,000 per year, split between the employer and employee. As the state government and other employers have discovered, health insurance premium increases have been unrelenting and are a major factor in higher payroll and operating costs. Any rise in the minimum wage has the added effect of increasing wage-based taxes and insurance, such as workers' compensation, Social Security, Medicare, temporary disability insurance, and unemployment insurance. In other words, a higher minimum wage should not be viewed in isolation; a higher minimum wage results in higher costs across the board.

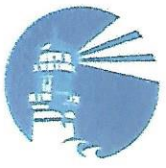


HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

We oppose the removal of the tip credit because the repeal of this provision is likely to adversely affect the very food-and-beverage workers it purports to help.

Finally, we oppose the proposal to have the Department of Labor and Industrial Relations calculate the minimum wage based on the Consumer Price Index in automatically determining future minimum wage rates. The implementation of such automatic increases would preclude employers and others from having any say in the minimum wage rate or pace of increases, as well as absolve the Legislature of any responsibility in debating this issue in a public forum. The language in the legislation also stipulates that there shall be no commensurate decrease in the minimum wage during economic downturns, a mandate that does not account for anticipated slowdowns in the economic cycle, crises, or a less competitive business environment in Hawai'i.

We oppose House Bill 5 for these reasons. Mahalo.



LATE

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Aaron Ling Johanson, Chair
Rep. Daniel Holt, Vice Chair

Rep. Jarrett Keohokalole Rep. Kyle T. Yamashita
Rep. Mark M. Nakashima Rep. Lauren Kealohilani Matsumoto
Rep. Roy M. Takumi

LATE

LATE

NOTICE OF HEARING

DATE: Tuesday, February 14, 2017
TIME: 8:30 AM
PLACE: Conference Room 309

TESTIMONY OF THE OCEAN TOURISM COALITION IN OPPOSITION OF HB 5

Aloha Chair Johanson, Vice Chair Holt, Members of the LAB Committee:

My name is James E. Coon, President of the Ocean Tourism Coalition (OTC). The OTC represents over 300 small ocean tourism businesses state wide. Most of these are family businesses which are locally owned and operated. Many of them have been in business for several decades and are an important and valued part of their respective communities. Most of these businesses operate from State Boating Facilities.

Our industry is labor intensive with many service tipped positions. This has traditionally been recognized in Hawaii Labor Law. To not recognize the often significant portion that tips account for will create a significant imbalance in the labor market where servers may often be paid more than their managers.

Please do not pass HB 5. If you pass HB 5, please restore the deleted section (b) top of page 2 lines 1 through 16.

Sincerely,

James E. Coon, President



LATE

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COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Aaron Ling Johanson, Chair

Rep. Daniel Holt, Vice Chair

DATE: Tuesday, February 14, 2017

TIME: 8:30 AM

PLACE: Conference Room 309

STRONG SUPPORT FOR HB5 concerning minimum wage

Aloha Chair Johanson, Vice Chair Holt and members,

The Coalition is in strong support of this measure that annually increases minimum wage 1/1/18 - 1/1/2021. On 9/30/2021 and thereafter requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index. Deletes tip credit.

We have the lowest wages in the country coupled with the highest cost of living. In addition middle and low-income citizens of Hawaii are subject to the regressive GET which lowers their income even more. This common sense measure would put money back in the pockets of the very people who will spend it in Hawaii. Therefore this IS an economic stimulus measure, something that will be much needed in the dark days ahead on the federal horizon.

As advocates for women the section that deletes the infamous tip credit particularly heartens us. Income inequality hits women the hardest. In Hawaii, women earn 80 cents for every dollar that men earn. This coupled with the numbers of single mothers in the so-called "hospitality" industry make the tip credit a tax on women for having the audacity to work in the industry.

Please pass this important bill out of committee.

Mahalo for the opportunity to testify,
Ann S. Freed Co-Chair, Hawai'i Women's Coalition
Contact: annsreed@gmail.com Phone: 808-623-5676

holt1 - Joyleanne

LATE

LATE

LATE

From: Lisa Reasoner <lisareasoner@kaimanabeach.com>
Sent: Monday, February 13, 2017 2:32 PM
To: LABtestimony
Cc: Business Advocacy & Development
Subject: HB 5 Hearing

We are in support with the Chambers of Commerce and oppose HB 5, which raises the minimum wage by \$5.75 per hour in the next four years. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.

Minimum wage is meant to be a floor and not a living wage.
CPI will hurt businesses and their employees in bad economic times.

Mahalo,
Lisa Reasoner
Human Resources Manager
The New Otani Kaimana Beach Hotel
2863 Kalakaua Avenue, Honolulu, HI 96815
T 808.921.7033 | F 808.921.7094 | E lisareasoner@kaimanabeach.com

LATE

LATE

LATE

holt1 - Joyleanne

From: Raymond E Noh <rnoh@nohfoods.com>
Sent: Monday, February 13, 2017 2:15 PM
To: LABtestimony
Cc: ba@cochawaii.org
Subject: HB 5 Hearing on 2/14 at 8:30am

I strongly oppose the proposed wage increase and HB 5.

If passed, this would directly affect the current number of employees which we could afford to keep on our payroll. This would certainly force us to seek other production and manufacturing options outside the state of Hawaii.

Respectfully,
Raymond Noh
President & CEO



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LATE



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

TESTIMONY FOR HOUSE BILL 5, RELATING TO LABOR

**House Committee on Labor
Hon. Aaron Ling Johanson, Chair
Hon. Daniel Holt, Vice Chair**

**Tuesday, February 14, 2017, 8:30 AM
State Capitol, Conference Room 309**

Honorable Chair Johanson and committee members:

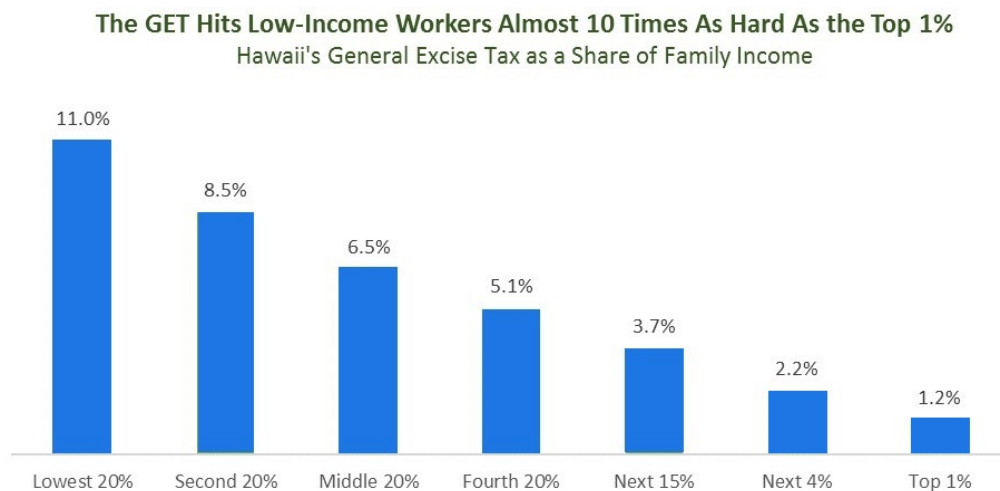
I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in strong support of House Bill 5, relating to labor.

Hawai'i is exorbitantly expensive. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2016* report found that a full-time worker would need to earn \$34.22/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,100 in 2015, with average rent for a 900-square-foot exceeding \$2,200 in 2016. In the past three years alone, Honolulu rent has increased 23.5 percent. While 47 percent of Hawai'i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$14.49/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai'i report that they are "doubling up" or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs.

To make matters worse, we are in the midst of an affordable housing crisis. For context, our state's cost of housing has skyrocketed over the last decade, leaving many families searching for affordable alternatives, in shelters, or on the streets. The median price of condominiums on O'ahu increased 8.3 percent in 2016 to \$390,000, while the median price for single-family homes increased by 6.5 percent to \$735,000, according to the Honolulu Board of Realtors. The cost of a four-bedroom home in urban Honolulu now exceeds \$1.1 million. At least 40 percent of residences in Hawai'i are owner unoccupied, per the Hawai'i Housing Finance and Development Corporation, meaning that nearly 50 percent—and by some estimates well over half—of Hawai'i homes are investment properties. Many of those properties are owned by mainland and foreign

buyers, whose real estate market speculation is a prime driver of Hawai'i's highest-in-the-nation cost of housing.

Moreover, the islands are subject to a general excise tax that regressively impacts the poor. Today, our state's lowest-income households pay over 13 percent of their income in taxes, while our highest earners pay 8 percent or less. The GET, specifically, hits low-income families nearly 1000 percent harder than high earners. Hawai'i is in the minority of states that push low-income people deeper into poverty with an unequal tax structure. Yet, in allowing high-earner income tax rates to expire in 2015, lawmakers effectively give our state's wealthiest residents a \$43 million windfall.



It is the moral responsibility of policymakers, then, to ensure that Hawai'i's lower-income workers can earn a living wage. Even after the minimum wage increases enacted in 2014 that gradually rise to \$10.10 in 2018, our state's minimum wage lags behind our steep housing costs. Like comparisons of other professional wages and salaries in the islands, after factoring in cost of living, Hawai'i has the lowest minimum wage in the nation. About one-third of the state's work force, or 200,000 workers, would see pay increases if this proposal passes, 57 percent of whom are women, 69 percent of whom are over the age of 25, and 3 out of 5 of whom work full-time.

To make Hawai'i more affordable for working class residents, IMUAlliance asks you to support this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

LATE

LATE

LATE

NFIB

The Voice of Small Business.®

Before the House Committee on Labor & Public Employment

DATE: February 14, 2017
TIME: 8:30 a.m.
PLACE: Conference Room 309

Re: HB 5 Relating to Labor

Testimony of Melissa Pavlicek for NFIB Hawaii

Aloha Chair Johanson, Vice Chair Holt, and members of the Committee:

We are testifying on behalf of the National Federation of Independent Business (NFIB) in opposition to House Bill 5, which annually increases the minimum wage for a period and then automatically adjusts it based on a price index.

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.

LATE



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HOUSE OF REPRESENTATIVES
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Representative Aaron Ling Johanson, Chair

2/14/2017
Rm. 309, 8:30 AM

HB 5
Relating to Labor

Chair Johanson, and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii and our tenants, in opposition of HB 5.

A large majority of our tenants at our Waikiki Beachwalk Project and in our hotels are small businesses. Since the cost of workers compensation premiums, temporary disability insurance, unemployment insurance and government taxes are tied to wages, the more you increase the minimum wage, there are costs increase associated with raising the minimum wage. Throw in the cost of Prepaid Healthcare and the increasing mandates that seem to get added every couple of years, and you have a heavy financial burden that these businesses have to carry.

On the issue of tip credits, restaurants are having a hard enough time staying open as it is. I understand that for every one that opens, 2 properties close. Tip credit is what helps restaurants survive.

Don't bury the businesses in the State under further financial burdens.

Mahalo for allowing me to testify.

LATE

LATE

Fernhurst YWCA
1566 Wilder Avenue
Honolulu, Hawai'i 96822
808.941.2231

Kokokahi YWCA
45-035 Kāne'ohe Bay Drive
Kāne'ohe, Hawai'i 96744
808.247.2124

Laniākea YWCA
1040 Richards Street
Honolulu, Hawai'i 96813
808.538.7061

ywcaoahu.org

To: Hawaii State House on Labor & Public Employment

Hearing Date/Time: Tuesday, February 14, 2017, 8:30AM

Place: Hawaii State Capitol, Rm. 309

LATE

Position Statement in Support of House Bill 5

Good afternoon Chair Johanson, Chair Holt, and members of the committees. On behalf of YWCA O'ahu we thank you for the opportunity to share our testimony in **strong support of House Bill 5**.

Raising the minimum wage would affect almost 200,000 workers in Hawaii. The majority of these workers earning the minimum wage are women. As the cost of living in Hawaii has increased, the numbers of hours a woman would have to work to support herself on minimum wage, has also increased. Currently, a worker would have to earn more than \$34 per hour to afford a two-bedroom apartment. YWCA O'ahu offers economic advancement programs for women. The majority of women we serve earn the minimum wage. With each cohort, we see women working full time jobs who are not able to support themselves or their families. Many women dream about being self-sufficient but are dependent on subsidized housing. During the middle of the program, the course focuses on budgeting. This is a somber night to attend class as the women face the reality that they will never be self-sufficient if they continue to earn minimum wage. These women prepare your food, work in your stores, serve your food, care for your children and deserve to be paid a wage that can support them. They should not have to choose between rent, food, transportation or healthcare.

Indexing the minimum wage to the consumer price index maintains the worth of the wage. Overtime, inflation decreases the real value of dollars. As costs increase over the years, wages should keep pace with the increase and maintain their intended value.

Increasing the minimum wage puts additional dollars into the local economy. It generates new consumer spending and some states have seen modest levels of job growth.

Minimum wage is critical for our workers and their families. When jobs pay too little it puts prosperity out of reach for too many families. The success of our communities, economies, and state need an increase in the minimum wage. For these reasons, the YWCA O'ahu respectfully requests that this committee report the bill with amendment favorably on House bill 5. Thank you for the opportunity to testify and for your consideration on this matter.

Kathleen Algire
Advocacy Coordinator



February 13, 2017

To: Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
Committee on Labor & Public Employment

From: Deborah Zysman, Executive Director
Hawaii Children's Action Network

Re: **HB 5 - Relating to Minimum Wage**
Hawaii State Capitol, Room 309, February 14, 2017, 8:30 AM

LATE

LATE

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On behalf of Hawaii Children's Action Network (HCAN), we are writing to support HB 5 – Relating to Minimum Wage.

Raising the minimum wage progressively over the next two years, removing the different rates for tipped workers, and implementing a consistent method for monitoring and updating the minimum wage annually, is a strong move forward for Hawaii workers. Hawaii has the lowest wages in the nation after adjusting for our cost of living, which is the highest in the nation. The majority of the workers in Hawaii that would benefit from this increase would be women and their families.

It is estimated that in Hawaii, as of 2013, only approximately 15,000 workers, of the 325,000 hourly paid workers in Hawaii, are paid at or below minimum wage according to the Bureau of Labor Statistics. Of the 15,000 workers earning the federal minimum wage or less in Hawaii in 2013, approximately half were women. With the current minimum wage earned making approximately \$19,240 per year, this is well below a salary needed to pay for basic food and shelter in Hawaii. Currently, a worker in Hawaii needs to earn more than \$34 per hour (over \$65,000 per year) to afford a two-bedroom apartment.

If there is a concern about the economy while balancing the needs of families, according to the Economic Policy Institute, comprised of over 600 economists, "In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market. Research suggests that a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front."

For these reasons, HCAN respectfully requests that the committee PASS this bill.

HCAN is committed to building a unified voice advocating for Hawaii's children by improving their safety, health, and education. Last fall, HCAN convened input in person and online from more than 50 organizations and individuals that came forward to support or express interest for a number of issues affecting children and families in our state that resulted in the compilation of 2017 Hawai'i Children's Policy Agenda, which can be accessed at <http://www.hawaii-can.org/2017policyagenda>.



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**HCIA 2016 - 2018
Board of Directors**

TESTIMONY FROM BENNETTE MISALUCHA, EXECUTIVE DIRECTOR

President
Alan Takemoto

**In Opposition to HB 5
Relating to Labor**

Annually increases minimum wage to \$15/hour by 2021

Vice-President
Joshua Uyehara

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

February 14, 2017, 8:30 a.m.

Conference Room 309

Secretary
Dawn Bicoy

Chair Johanson and members of the committee:

Treasurer
Laurie Yoshida

The Hawaii Crop Improvement Association (HCIA) is a Hawaii-based non-profit organization that promotes modern agriculture to help farmers and communities succeed.

Directors-at-Large
Adolf Helm
Richard McCormack
Dan Clegg

HCIA stands in **opposition to HB 5**, which annually increases minimum wage each year to \$15/hour by 2021; requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index beginning on Sept. 30, 2021; and deletes tip credit.

President Emeritus
Kirby Kester

Our primary concern is this will raise the minimum wage cost to \$21-25 per hour including healthcare benefits and other mandated taxes and benefits. We also believe this could force employers to reduce hours and other benefits and hurt those that this bill seeks to help.

Executive Director
Bennette Misalucha

It is for these reasons that we ask that HB 5 be deferred.

Respectfully submitted,

Bennette Misalucha
Executive Director

OUR MISSION
HCIA is a Hawaii-based non-profit organization that promotes modern agriculture to help farmers and communities succeed. Through education, collaboration and advocacy, we work to ensure a safe and sustainable food supply, support responsible farming practices and build a healthy economy.

House of Representatives
Hawaii State Legislature
Committee on Labor & Public Employment

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Committee Hearing on **HB 5 – Relating to Labor (Opposition)**
Tuesday, February 14, 2017
8:30 a.m., Conference Room 309

Chair Aaron Ling Johanson, Vice-Chair Daniel Holt and members of the House Committee on Labor & Public Employment:

Thank you for this opportunity to testify in **opposition to House Bill 5**. I am Nadine Nishioka, Executive Director of the Moiliili Community Center.

Moiliili Community Center (MCC) is a private non-profit 501c3 organization. Each year, participants pay a nominal \$30 membership fee to participate in our many programs offered. The proposed minimum wage increase will have a huge impact on non-profit 501c3 organizations such as MCC. Each day, we have anywhere from 200 – 400 seniors that participate in our programs; no senior is ever charged a fee to participate in classes as all of our instructors are volunteers; their membership fee covers the cost to participate in any class they choose any day of the week, Monday through Friday.

Our nominal membership fee helps to cover overhead and administrative costs, all donations made to our Center goes directly into the programs and is not used to cover any administrative or overhead costs. MCC relies heavily on volunteers as it is not possible to hire the number of instructors needed to teach our senior center classes. MCC does not charge any fees to the seniors, “if” a senior is unable to afford our membership fee, we ask for donations to help cover the cost of our yearly membership fee. We do however, have staff that work tirelessly to make certain classes continue each day.

With the proposed minimum wage increase, we would be forced to increase our membership fee; and if we are unable to find donors to sponsor seniors who cannot pay their dues, many of our participants will not be able to participate in our daily classes. The seniors who attend classes at MCC have been participants for decades; for many, we are their family and if we are unable to cover overhead costs, we may have to cut classes.

Our MCC staff work very hard and their dedicated efforts keep our Center thriving and strong. However, if this proposed minimum wage increase goes into effect, we will be forced to lay off some of our employees and shut down many of our classes. MCC staff presently do the work of two or three people without going over their normal work hours. It is because of our dedicated employees that we are able to keep our doors open.

The proposal which annually increases the minimum wage each year to \$15/hour by 2021, though intended to help the people, will in fact, hurt the people; especially the community and those that have served them at MCC for the past 115 years. An increase of this magnitude will put a demand in a pay raise across the board, having to make the needed adjustments of possibly laying off our higher paid staff. There may be a possibility that our seniors would be placed in the hands of someone with little experience, rather than one with years of experience. Because we would never endanger our participants, we would have to instead, decrease our programs. Our programs could face possible halts in taking in new clients; where will the seniors go?

Our Senior Center is grant funded and as stated in the aforementioned, the classes offered are at no cost. What fee would we be able to increase to off-set costs if the seniors are not paying for any of their classes now? We would inevitably have to decrease what we offer; keeping our seniors happy, healthy, strong and full of life.

Non-profit organizations do not have the capacity to support such a change in pay. It bares too much of a negative impact. I urge you to please consider programs and services for seniors that will be terminated should this measure pass.

Thank you very much for your kind attention and consideration.

Nadine N. Nishioka
Moiliili Community Center
2535 South King Street
Honolulu, Hawaii 96826

Executive Director

Phone: (808) 955-1555
NadineN@moiliicc.org

E-mail:

LATE



Eggs 'n Things Hawaii Inc. DBA Eggs 'n Things
343 Saratoga Road,
Honolulu, HI 96815
www.eggsnthings.com

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February 13th, 2017

To our State Representative,

Thank you for your time and this opportunity to provide our testimony. We at Eggs 'n Things hereby oppose House Bill HB5, relating to minimum wage increase.

Eggs 'n Things has been in Hawaii for 43+ years, and we would love to be here in Hawaii for many more years to come, but the future of operating a Restaurant in Hawaii is looking more and more challenging. We have 3 locations here in Hawaii and many over seas, but the margins for our Hawaii operations are getting tightened because of the increasing labor cost of operating in Hawaii.

We do believe we kindly employ over 150 people in Hawaii and we are fair to all over them and more importantly give them the opportunity to grow with the business and the industry. We have people from a wide range of backgrounds, some out of programs, some with college degrees, some without even a GED, but all of them have the same opportunity, and their pay and positions are dictated by dedication, hard work, trust and motivation. We do feel like the free market truly dictates the pay of our employees and this is the healthiest way for business to function in America. If we are underpaying someone worthwhile in the current market they will be stolen by someone paying more or we will quickly pay this deserving employee more. After being in this industry for nearly 20 years, I know that the market, the health of the industry and the worth of the individual will always dictate a good employees' pay. To change this would really affect our employees and our loyal guests and the small business in the long term.

Having the base wages of employees dictated to us without taking into consideration the hundreds of other factors that affect our bottom line and our industry in Hawaii is a grave mistake. In the last 2 years, business is not what it was for so many reasons, and the increases in minimum wage are actually running in opposition to the health of our industry cause a great strain on many businesses and operators. In the end, the most unfortunate part about this, is that this will ultimately affect our workers and the working class in Hawaii. Hours will be reduced to make the margins, or salaried employees will be asked to do a great majority of the work and unskilled laborers will be few and far between.

What this does to the small businesses, the employees and the community as a whole is more than a dollars and cents, it is the government making rash business decision for the businesses in Hawaii with no real understanding of the industry.

We would like to humbly ask you to Not pass this bill. Thank you again for taking your time to hear our thoughts and testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Skedleski', written in a cursive style.

Michael Skedleski, Director of Operations

(808) 923-3447 michael@eggsthings.com

LATE

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LABtestimony

From: Brian Arkle <barkle@alsco.com>
Sent: Monday, February 13, 2017 3:53 PM
To: LABtestimony
Subject: HB 5 Hearing on 2/14 at 8:30am

Follow Up Flag: Follow up
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The real cost of a \$10.00 an hour employee is actually 1.7 times the dollar amount. So the employee pays about \$17.00 an hour to have a \$10.00 an hour employee.

I have 267 employees with the majority making less than \$15.00 an hour. My company rents textiles to businesses. For example, the rental price on a napkin generates maybe \$.01 profit on this item after labor, textiles and utility costs are paid. Labor costs make up 50% of our total cost. Raising the labor to \$15.00 an hour means a raise to \$25.50 an hour in total costs. That would make my labor costs rise 50% which would change my labor cost as a percent to revenue to 75% and that napkin at its current price would now be done at a loss of approx.. \$.02. So I raise my price by 25% and all my customers switch to paper napkins.

It is that simple. I encourage all legislators to take a basic Macro Economics course, so that you can realize price fixing one area (labor) hurts the entire economy and at best causes more inflation and at worst turns Honolulu into Detroit.

Aloha,
Brian Arkle
General Manager
Alsco Honolulu
barkle@alsco.com
(808) 834-7503

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Business Strategies
Helping Family Owned & Closely Held Businesses

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February 13, 2017

**Testimony to the House Committee on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 5 RELATING TO LABOR

Chair Johanson, Vice Chair Holt, and Members of the Committee:

I oppose HB 5, which raises the minimum wage from the present \$9.25 per hour to:

- \$10.50 per hour on January 1, 2018;
- \$12.00 per hour on January 1, 2019;
- \$13.50 per hour on January 1, 2020;
- \$15.00 per hour on January 1, 2021; and

removes the tip credit completely. I also **oppose** the implementation of an automatic increase in the minimum wage based on the consumer price index.

This bill will **increase the minimum wage by \$5.75 per hour in the next four years**. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. **Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.**

Hawaii is Different: Prepaid Healthcare Law Mandates Employers to Pay for Insurance Premium Costs

While I understands that other states have recently considered increases in their minimum wage, it is essential to keep in mind that **Hawaii is the only state in the nation** that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business, but will also **increase mandated benefit costs and taxes.**

The average annual health insurance premium for a single employee in Hawaii is about \$7,500. Under state law, this benefit is paid for almost entirely by the employer. If you add just the cost of health insurance to the **present minimum wage (2018)** for a full-time employee, the total benefit received by the employee is **\$13.55 per hour**, one of the highest in the country. Adding on payroll taxes, the present minimum wage benefit to the employee is about **\$14.66 per hour**. For part-time workers who receive healthcare benefits, the benefit to the employee is anywhere from **\$15.87-**

\$18.27 per hour. Below is a chart showing the present minimum wage, health insurance premium costs and the proposed increases from SB 107.

Under the proposed minimum wage increases, in 2018, the total benefit to be provided to the employee (including payroll taxes and healthcare premiums) will be **\$15.31-\$19.14 per hour** and in 2021, it will increase to **\$21.01-\$25.56 per hour**.

Please also note that health insurance premiums increase roughly 5-9% each year. With premiums rising each year, and employers paying on average 90% of the cost of premiums, this represents an **existing 2.5% to 3% increase in compensation to the employee each year**. Lastly, the amounts listed above are for the single coverages. The family coverage premium which is a 50/50 split between employer and employee is over **\$16,000 per year**.

Job Growth Data Unclear

According to national data, prior increases in the minimum wage have led to the loss of jobs in certain economic sectors. Below is data that reflects this concern of the business community. These are “snap shots” of some of the low-wage occupations that proponents of the increase in the minimum wage hope to help. After the 2006/2007 increase in the minimum wage, while there was 3% growth for all sectors overall, **low wage earners in the food industry lost jobs**.

Following the 2014/2015 increase in the minimum wage, Hawaii also experienced job losses, mainly for low-income workers. At this time, data is only available for the first increase (50 cents per hour).

The Minimum Wage is a Base Floor Wage

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

We also oppose the removal of the tip credit. The tip credit helps provide better compensation to non-tipped employees. Removal of the tip credit is likely to hurt food and beverage workers, who among the types of employees this bill attempts to help.

Large Increases Would Negatively Impact Business

While only a small percentage of workers earn the minimum wage, a large increase would greatly impact many businesses as they will be forced to raise the wages of their other employees. As an example, if John started working with a company a year ago and earns \$9.50 per hour and then Lisa is hired after the new law at \$9.25 per hour, the employer will have to raise John’s hourly wage to provide parity in compensation. This could increase businesses labor costs by up to 15-20% in the first year alone.

The Consumer Price Index Is A Tool To Measure Inflation, CPI Does Not Reflect Hawaii's Overall Economy And The Legislature Should Retain The Ability To Adjust The Minimum Wage

I also oppose an automatic increase in the minimum wage tied to the consumer price index ("CPI").

The CPI is one tool used by economists to measure the change in the cost of a basket of goods and services. The CPI is limited, based on the types of goods and services that are measured. We believe that the Legislature is in the best position to set the minimum wage according to the many other economic factors that the CPI does not take into account, such as the overall rate of growth, unemployment, wage differentials across industries, cost of prepaid healthcare and many others. For example, when Hawaii and the national economy went through the Great Recession and unemployment was over 7% statewide (and higher on the neighbor islands), the CPI actually increased by 2%. Had the minimum wage been tied to CPI at that time, employers would have had to bear increased labor costs during the worst recession since the Great Depression.

Important Considerations

As a direct result of the significant proposed increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit the hiring of new employees. In Hawaii between December 2015 and November 2016, the average hours worked per week dropped from 33 to 32.1. While that may seem small, this reduction effectively lowered a person's work hours by 46.8 hours in a year. At \$9 per hour that reduced their total annual income by over \$420.

Increasing the minimum wage will also greatly affect job opportunities, especially for new, unskilled workers. In addition to traditional adult workers changing industries, young adult workers also often receive their initial work experience by starting at unskilled jobs.

When Seattle instituted a \$15 per hour minimum wage, their economy had interesting and similar results. A study conducted by the University of Washington concluded that the increase in the minimum wage reduced the number of hours worked each week, affected employment by about 1.2 percentage points and had a minimal impact on workers' average total earnings. Overall, Seattle's experiment with the minimum wage may have magnified both the positive and negative impacts, resulting in little to no net benefit. Workers who did not lose hours may have enjoyed gains in income, while those who lost hours had a hard time finding a second job to make up for their lost hours and may have earned much less. Notably, neither Seattle nor Washington State have a prepaid healthcare mandate on all businesses that **adds to the minimum wage anywhere from \$3.45-\$7.06 per hour per employee.**

If the minimum wage increases too rapidly, the market (as driven by consumers) will decide at the point of sale what they are willing to pay for. Hawaii is already ahead of the national average in hourly wages. In 2015, the national median wage was **\$17.40 per hour**, and in **Hawaii workers**



earned \$18.63 per hour. The Chamber respectfully submits that the quality of life of residents in Hawaii is largely a cost issue, driven in large part by the cost of housing.

While our economy is presently on strong footing, we note that the minimum wage has never been decreased when the economy enters a recession. The Council on Revenues also recently lowered the State's forecasted revenue growth because of a projected slowdown.

For all the above reasons, I respectfully ask that this bill be held. Thank you for the opportunity to express my views and concerns.

Sincerely,

Michael D. Miyahira

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 7:10 PM
To: LABtestimony
Cc: vbeckhi@hawaii.rr.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/13/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
stacy vanderbeck	Aiea bowl	Oppose	No

Comments:

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To: LABtestimony
Cc: lady.flach@gmail.com
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/13/2017
 Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Teri Heede	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 14, 2017 12:27 AM
To: LABtestimony
Cc: doorae@hawaii.edu
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/14/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
doorae shin	Individual	Support	No

Comments: Aloha, My name is Doorae Shin and I am a resident of Manoa Valley. This bill is important for the present and future livelihoods of our residents in Hawaii as well as for the local economy. Higher wages always lead to a growing middle class which always leads to a healthier economy, where people have more financial freedom to support the local economy and small businesses. Raising the minimum wage empowers the people. I am in full support of this bill. Mahalo

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To: LABtestimony
Cc: natalie.okeson@phocused-hawaii.org
Subject: *Submitted testimony for HB5 on Feb 14, 2017 08:30AM*

HB5

Submitted on: 2/14/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Natalie Okeson	PHOCUSED	Support	Yes

Comments:

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To: LABtestimony
Cc: zlaprade@aol.com
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/14/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Zachary LaPrade	Quicksilver Charters	Oppose	No

Comments: Quicksilver Charters and its affiliates (the "Company") employ close to 100 people in Hawaii's boating and tourism industries. The average household income of restaurant workers who earn the federal minimum wage is \$62,507. Many restaurant employees earn significantly more than minimum wage. Nationally, the median hourly earnings of waiters and waitresses range from \$16 to \$22 depending on experience. Minimum wage increases negatively impact restaurant jobs and drive up consumer costs. According to an industry survey conducted after the 2007 federal minimum wage increase, 58 percent of restaurant operators increased menu prices, while 41 percent reduced the number of hours their employees work. Further, twenty-six percent of operators postponed plans for new hiring, while 24 percent of operators reduced the number of employees in their restaurants. Only 23 percent of restaurant operators took no mitigating actions as a result of the 2007 minimum wage increase. According to a study from ValuePenguin, 52 percent of Americans believe that a \$15 minimum wage would mean fewer minimum wage jobs. Seventy-eight percent of people also believe raising the minimum wage would increase the prices of goods and services.

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House of Representatives
Hawaii State Legislature
Committee on Labor & Public Employment

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Committee Hearing on **HB 5 – Relating to Labor (Opposition)**
Tuesday, February 14, 2017
8:30 a.m., Conference Room 309

Chair Aaron Ling Johanson, Vice-Chair Daniel Holt and members of the House Committee on Labor & Public Employment:

Thank you for this opportunity to testify in **opposition to House Bill 5**. I am Nadine Nishioka, Executive Director of the Moiliili Community Center.

Moiliili Community Center (MCC) is a private non-profit 501c3 organization. Each year, participants pay a nominal \$30 membership fee to participate in our many programs offered. The proposed minimum wage increase will have a huge impact on non-profit 501c3 organizations such as MCC. Each day, we have anywhere from 200 – 400 seniors that participate in our programs; no senior is ever charged a fee to participate in classes as all of our instructors are volunteers; their membership fee covers the cost to participate in any class they choose any day of the week, Monday through Friday.

Our nominal membership fee helps to cover overhead and administrative costs, all donations made to our Center goes directly into the programs and is not used to cover any administrative or overhead costs. MCC relies heavily on volunteers as it is not possible to hire the number of instructors needed to teach our senior center classes. MCC does not charge any fees to the seniors, “if” a senior is unable to afford our membership fee, we ask for donations to help cover the cost of our yearly membership fee. We do however, have staff that work tirelessly to make certain classes continue each day.

With the proposed minimum wage increase, we would be forced to increase our membership fee; and if we are unable to find donors to sponsor seniors who cannot pay their dues, many of our participants will not be able to participate in our daily classes. The seniors who attend classes at MCC have been participants for decades; for many, we are their family and if we are unable to cover overhead costs, we may have to cut classes.

Our MCC staff work very hard and their dedicated efforts keep our Center thriving and strong. However, if this proposed minimum wage increase goes into effect, we will be forced to lay off some of our employees and shut down many of our classes. MCC staff presently do the work of two or three people without going over their normal work hours. It is because of our dedicated employees that we are able to keep our doors open.

The proposal of \$12.50 in 2018 than \$15.00 in 2019, though intended to help the people, will in fact, hurt the people; especially the community and those that have served them at MCC for the past 115 years. An increase of this magnitude will put a demand in a pay raise across the board, having to make the needed adjustments of possibly laying off our higher paid staff. There may be a possibility that our seniors would be placed in the hands of someone with little experience, rather than one with years of experience. Because we would never endanger our participants, we would have to instead, decrease our programs. Our programs could face possible halts in taking in new clients; where will the seniors go?

Our Senior Center is grant funded and as stated in the aforementioned, the classes offered are at no cost. What fee would we be able to increase to off-set costs if the seniors are not paying for any of their classes now? We would inevitably have to decrease what we offer; keeping our seniors happy, healthy, strong and full of life.

Non-profit organizations do not have the capacity to support such a change in pay. It bares too much of a negative impact. I urge you to please consider programs and services for seniors that will be terminated should this measure pass.

Thank you very much for your kind attention and consideration.

Nadine N. Nishioka
Moiliili Community Center
2535 South King Street
Honolulu, Hawaii 96826
Phone: (808) 955-1555
NadineN@moiliilicc.org

Executive Director

E-mail:



Randy Perreira
President

LATE | **LATE** | **LATE**

HAWAII STATE AFL-CIO

345 Queen Street, Suite 500 • Honolulu, Hawaii 96813

Telephone: (808) 597-1441
Fax: (808) 593-2149

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

Testimony by
Hawaii State AFL-CIO
February 14, 2017

H.B. 5 – RELATING TO LABOR

The Hawaii State AFL-CIO strongly supports H.B. 5 which annually increases minimum wage 1/1/18 - 1/1/2021 and on 9/30/2021 and thereafter requires DLIR to adjust the minimum hourly wage in accordance with the Honolulu region consumer price index and deletes the tip credit.

Hawaii's cost of living is the highest in the country; yet Hawaii's minimum wage often remains well below poverty levels and rarely increases to the amount needed to keep up with inflation and other economic factors. The truth of the matter is, most residents simply cannot afford to survive on the current minimum wage of \$9.25 an hour including the scheduled increase to \$10.10 an hour on January 1, 2018. The fact is, according to the National Low Income Housing Coalition (NLIHC) the Fair Market Rent (FMR) for a two-bedroom apartment in Hawaii is \$1,644 a month. A minimum wage earner would need a staggering \$20 increase an hour to simply afford a two-bedroom rental apartment in the State of Hawaii. This is simply wrong - a full-time wage earner should not have to struggle to afford rent and basic necessities to survive.

Fortunately, supporting H.B. 5 will help improve the quality of life for thousands of workers in the state of Hawaii and get them closer to financial and economic security. H.B. 5 will make certain the minimum wage rises with inflation by being indexed to the Consumer Price Index (CPI) ensuring workers do not fall further behind. We shouldn't have to wait six to eight years to increase the minimum wage. Workers need the increase today.

Thank you for the opportunity to testify.

Respectfully submitted,

Randy Perreira
President

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 4:02 PM
To: LABtestimony
Cc: bettylou.larson@catholiccharitieshawaii.org
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

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HB5

Submitted on: 2/13/2017

Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Terry Walsh	Catholic Charities Hawaii	Comments Only	No

Comments: See attachment

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Cc: millera012@hawaii.rr.com
Subject: Submitted testimony for HB5 on Feb 14, 2017 08:30AM

HB5

Submitted on: 2/13/2017
Testimony for LAB on Feb 14, 2017 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Antya Miller	Individual	Oppose	No

Comments: Aloha Legislators: The minimum wage is meant to be a floor for wages, not a living wage. The more you increase the minimum wage, the more businesses will have to increase their prices to customers, and the more consumers will have to pay. Hawaii's cost of living is already too high. Doing this will only make matters worse. In addition, the more you increase the minimum wage the few minimum wage jobs there will be. This means the fewer jobs for entry level workers and high school students who tend to get their first employment experience in these types of jobs. Please vote "no" on HB 5. Mahalo, Antya Miller Haleiwa, HI

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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Business Strategies
Helping Family Owned & Closely Held Businesses

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February 13, 2017

**Testimony to the House Committee on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 5 RELATING TO LABOR

Chair Johanson, Vice Chair Holt, and Members of the Committee:

I oppose HB 5, which raises the minimum wage from the present \$9.25 per hour to:

- \$10.50 per hour on January 1, 2018;
- \$12.00 per hour on January 1, 2019;
- \$13.50 per hour on January 1, 2020;
- \$15.00 per hour on January 1, 2021; and

removes the tip credit completely. I also **oppose** the implementation of an automatic increase in the minimum wage based on the consumer price index.

This bill will **increase the minimum wage by \$5.75 per hour in the next four years**. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. **Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.**

Hawaii is Different: Prepaid Healthcare Law Mandates Employers to Pay for Insurance Premium Costs

While I understands that other states have recently considered increases in their minimum wage, it is essential to keep in mind that **Hawaii is the only state in the nation** that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business, but will also **increase mandated benefit costs and taxes.**

The average annual health insurance premium for a single employee in Hawaii is about \$7,500. Under state law, this benefit is paid for almost entirely by the employer. If you add just the cost of health insurance to the **present minimum wage (2018)** for a full-time employee, the total benefit received by the employee is **\$13.55 per hour**, one of the highest in the country. Adding on payroll taxes, the present minimum wage benefit to the employee is about **\$14.66 per hour**. For part-time workers who receive healthcare benefits, the benefit to the employee is anywhere from **\$15.87-**

\$18.27 per hour. Below is a chart showing the present minimum wage, health insurance premium costs and the proposed increases from SB 107.

Under the proposed minimum wage increases, in 2018, the total benefit to be provided to the employee (including payroll taxes and healthcare premiums) will be **\$15.31-\$19.14 per hour** and in 2021, it will increase to **\$21.01-\$25.56 per hour**.

Please also note that health insurance premiums increase roughly 5-9% each year. With premiums rising each year, and employers paying on average 90% of the cost of premiums, this represents an **existing 2.5% to 3% increase in compensation to the employee each year**. Lastly, the amounts listed above are for the single coverages. The family coverage premium which is a 50/50 split between employer and employee is over **\$16,000 per year**.

Job Growth Data Unclear

According to national data, prior increases in the minimum wage have led to the loss of jobs in certain economic sectors. Below is data that reflects this concern of the business community. These are “snap shots” of some of the low-wage occupations that proponents of the increase in the minimum wage hope to help. After the 2006/2007 increase in the minimum wage, while there was 3% growth for all sectors overall, **low wage earners in the food industry lost jobs**.

Following the 2014/2015 increase in the minimum wage, Hawaii also experienced job losses, mainly for low-income workers. At this time, data is only available for the first increase (50 cents per hour).

The Minimum Wage is a Base Floor Wage

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

We also oppose the removal of the tip credit. The tip credit helps provide better compensation to non-tipped employees. Removal of the tip credit is likely to hurt food and beverage workers, who among the types of employees this bill attempts to help.

Large Increases Would Negatively Impact Business

While only a small percentage of workers earn the minimum wage, a large increase would greatly impact many businesses as they will be forced to raise the wages of their other employees. As an example, if John started working with a company a year ago and earns \$9.50 per hour and then Lisa is hired after the new law at \$9.25 per hour, the employer will have to raise John’s hourly wage to provide parity in compensation. This could increase businesses labor costs by up to 15-20% in the first year alone.

The Consumer Price Index Is A Tool To Measure Inflation, CPI Does Not Reflect Hawaii's Overall Economy And The Legislature Should Retain The Ability To Adjust The Minimum Wage

I also oppose an automatic increase in the minimum wage tied to the consumer price index ("CPI").

The CPI is one tool used by economists to measure the change in the cost of a basket of goods and services. The CPI is limited, based on the types of goods and services that are measured. We believe that the Legislature is in the best position to set the minimum wage according to the many other economic factors that the CPI does not take into account, such as the overall rate of growth, unemployment, wage differentials across industries, cost of prepaid healthcare and many others. For example, when Hawaii and the national economy went through the Great Recession and unemployment was over 7% statewide (and higher on the neighbor islands), the CPI actually increased by 2%. Had the minimum wage been tied to CPI at that time, employers would have had to bear increased labor costs during the worst recession since the Great Depression.

Important Considerations

As a direct result of the significant proposed increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit the hiring of new employees. In Hawaii between December 2015 and November 2016, the average hours worked per week dropped from 33 to 32.1. While that may seem small, this reduction effectively lowered a person's work hours by 46.8 hours in a year. At \$9 per hour that reduced their total annual income by over \$420.

Increasing the minimum wage will also greatly affect job opportunities, especially for new, unskilled workers. In addition to traditional adult workers changing industries, young adult workers also often receive their initial work experience by starting at unskilled jobs.

When Seattle instituted a \$15 per hour minimum wage, their economy had interesting and similar results. A study conducted by the University of Washington concluded that the increase in the minimum wage reduced the number of hours worked each week, affected employment by about 1.2 percentage points and had a minimal impact on workers' average total earnings. Overall, Seattle's experiment with the minimum wage may have magnified both the positive and negative impacts, resulting in little to no net benefit. Workers who did not lose hours may have enjoyed gains in income, while those who lost hours had a hard time finding a second job to make up for their lost hours and may have earned much less. Notably, neither Seattle nor Washington State have a prepaid healthcare mandate on all businesses that **adds to the minimum wage anywhere from \$3.45-\$7.06 per hour per employee.**

If the minimum wage increases too rapidly, the market (as driven by consumers) will decide at the point of sale what they are willing to pay for. Hawaii is already ahead of the national average in hourly wages. In 2015, the national median wage was **\$17.40 per hour**, and in **Hawaii workers**



earned \$18.63 per hour. The Chamber respectfully submits that the quality of life of residents in Hawaii is largely a cost issue, driven in large part by the cost of housing.

While our economy is presently on strong footing, we note that the minimum wage has never been decreased when the economy enters a recession. The Council on Revenues also recently lowered the State's forecasted revenue growth because of a projected slowdown.

For all the above reasons, I respectfully ask that this bill be held. Thank you for the opportunity to express my views and concerns.

Sincerely,

Michael D. Miyahira



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Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
Committee on Labor & Public Employment

Lane T. Muraoka, Owner
Big City Restaurants, Inc.
94-800 Ukee Street, Suite 305
Waipahu, HI 96797
Ph # (808) 678-3895

Monday, February 13, 2017

In opposition to H.B. No. 5, Relating to Labor

Chair Johanson, Vice Chair Holt and members of the House Committee on Labor & Public Employment, I would like to thank you for the opportunity to testify on House Bill 5. My name is Lane Muraoka and I am owner of Big City Restaurants. We currently have six restaurants on Oahu. We operate our restaurants as "old style Hawaii diners" that take pride in service, quality food and value. We are here today because all facets of House Bill 5 will grossly impact our ability to continue to provide service to people of Hawaii.

House Bill 5 will increase the minimum wage by \$5.75 per hour in the next four years. This increase will cause our annual base payroll to increase by more than \$2,000,000 by 2021. We need to keep in mind that there are also many items such as TDI and worker's compensation insurance that are based on the company's payroll value. Being a non-manufacturing company, we will also be faced with additional cost increases for all of our providers.

With the intent of House Bill 5 of bringing worker's pay in line with the cost of living, all the above expenses will force us to increase prices. Increased will only help continue to increase the cost of living. Therefore, people that House Bill 5 is intended to help will only be negatively impacted by its actual implementation.

The removal of the tip credit will also negatively impact the same group that House Bill 5 is intended to help. The removal of the tip credit will only increase the pay for a group of employees who are currently receiving in excess of \$60,000 per year. Tipped employees are currently receiving more

than \$20.00 per hour in reported tips. Add this to the current minimum wage of \$9.25 per hour and these very employees are receiving in excess of \$29.25 per hour. We rely on the tip credit to assist us with pay increases for non-tip employees. The only way these employees will get increases otherwise is for us to increase prices, once again increasing the cost of living for our customers.

House Bill 5 also authorizes the increase of the minimum wage based on the consumer price index. The CPI is used to determine our current inflation rate. Increasing the minimum wage will only cause the consumer price index to increase. This increase will then lead to another increase in the minimum wages, which then leads to the CPI going up again. This is a vicious circle. Also, a big part of the annual increase can be attributed to increased cost of medical expenses. The increase in medical expenses (monthly insurance premiums) is already borne by employers. Therefore, this will create a double dipping affect.

There are numerous points than can be and should be made about the impacts of this bill. There are also many comments that need to be made of the testimony given to the Labor Committee on behalf of this bill. For the sake of expediency, I will only list a couple:

- 1) Minimum wage positions are designed and meant to be entrance level jobs for individuals with little or no work experience and/or education. Employers, like Big City Diner, spend an extraordinary amount of money training these individuals to move up in the workforce. We receive no compensation for doing this, and our reward is that quality employees move on to other positions and/or companies. Raising the minimum wage to the proposed levels will force us to only bring in qualified staffing. We will not be able to afford the start-up expense for non-experienced individuals.
- 2) Big City Diner strongly supports our military and their families, National Guard employees and second chance employees. We recently signed agreement to work with an organization to give National Guard employees a chance at employment. Their need for additional time off for maneuvers is costly. We proudly work with them. These areas may be impacted indirectly by passing of this bill. We will not be able to afford these programs.

In conclusion, I must oppose the passing of House Bill No. 5. I look forward to working with you to help develop a bill that will address the needs of all parties.

Thank you for your consideration.

Lane T. Muraoka

Owner
Big City Restaurants, Inc.



Perfect moments, always

JTB HAWAII, INC.

818 PINE STREET
HONOLULU, HAWAII 96817-5072
(808) 397-5000

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February 14, 2017

Testimony on HB 5, February 14, 2017, Room 309
Representative Holt and Members of this Committee:

LATE

To the Honorable Members of the Hawai'i State Legislature:

I offer this written letter in opposition to House Bill No. 5 that addresses the increase of the minimum wage in Hawaii.

Please allow me to introduce myself: I am Lena Young, Corporate Director of Operations & Human Resources for JTB Hawaii. JTB is a company that has been in existence since 1964. We are involved in the travel hospitality and transportation industry.

This bill will increase the minimum wage by \$5.75 per hour in the next four years. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.

While JTB Hawaii understands that other states have recently considered increases in their minimum wage, it is essential to keep in mind that Hawaii is the only state in the nation that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business, but will also increase mandated benefit costs and taxes.

As a direct result of the significant proposed increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit the hiring of new employees.

For all the above reasons, we respectfully ask that this bill be held. Thank you for the opportunity to express our views and concerns.

Mahalo,

Lena Young

Corporate Director

Corporate Operations & Human Resources

LATE

LATE

holt1 - Joyleanne

From: Charles Y. Kaneshiro <charlesk@g70.design>
Sent: Tuesday, February 14, 2017 8:14 AM
To: LABtestimony
Subject: Opposition to HB 5 Hearing on 2/14 at 8:30am

LATE

Dear Legislator,

I am writing to oppose this bill.

Our firm hires 12-15 full time college interns every summer. These are STEM students in engineering and architecture. This bill would severely impact the number of interns we can hire.

Because more than half of these students are studying on the mainland, this is a strategy to reverse the brain drain that Hawaii has been experiencing and we have been successful in convincing some of our talented young people to return to home.

Thank you,

Charles Kaneshiro
President
G70



The Pacific Club

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**Testimony to the House Committee on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 a.m.
Conference Room 309, State Capitol**

RE: HOUSE BILL 5 RELATING TO LABOR

Chair Johanson, Vice Chair Holt, and Members of the Committee:

The Pacific Club opposes HB 5, which raises the minimum wage from the present \$9.25 per hour to:

\$10.50 per hour on January 1, 2018;
\$12.00 per hour on January 1, 2019;
\$13.50 per hour on January 1, 2020;
\$15.00 per hour on January 1, 2021; and

removes the tip credit completely. We also oppose the implementation of an automatic increase in the minimum wage based on the consumer price index.

This bill will increase the minimum wage by \$5.75 per hour in the next four years. This is a huge increase for the Club, at a time when other costs are also increasing. Should this bill pass, our Club will be faced with difficult decisions that will affect service to our members and ultimately will affect the very employees that this bill is trying to help. At present, the only employees that earn minimum wage at the Club also earn commissions that significantly increase their average hourly wage. Increases in the minimum wage over the last three years have affected the allocation of increases amongst all of our employees with employees earning higher wage rates getting lower annual increases to allow the Club to stay within its budget each year. This creates a discrepancy in the wages earned by job position and seniority.

While we strive to treat our employees fairly and to pay them a fair wage for a day's work, labor costs account for approximately 70% of our total expenses. We provide generous benefits to our employees. In addition to health insurance and other mandated benefits, we provide on-premises meals, 401(k) matching and group life insurance. Rapid, significant increases in the minimum wage may require the Club to cut back employee hours or reduce benefit plans.

It is essential to keep in mind that Hawaii is the ONLY state in the nation that requires employers to provide health insurance to its full-time and part-time employees. No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance and unemployment insurance are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business but will also increase mandated benefit costs and taxes.

Finally, we would like to emphasize that the minimum wage is meant to be a FLOOR WAGE and not to represent a living wage. The minimum wage is usually paid for entry-level positions that require significant time and money by the employer to train these employees.

For all of the above reasons, we respectfully ask that this bill be held. Thank you for the opportunity to express our views and concerns

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February 13, 2017

RE: Testimony to the House Committee on Labor and Public Employment
House Bill 5 Relating to Labor

Chair Johanson, Vice Chair Holt, Members of the Committee:

As a business owner, I strongly oppose HB 5 which raises the minimum wage from the present \$9.25 per hour to:

- \$10.50 per hour on January 1, 2018;
- \$12.00 per hour on January 1, 2019;
- \$13.50 per hour on January 1, 2020;
- \$15.00 per hour on January 1, 2021; and

removes the tip credit completely. I also oppose the implementation of an automatic increase in the minimum wage based on the consumer price index.

This bill will increase the minimum wage by \$5.75 per hour in the next four years. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.

Hawaii is the only state in the nation that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business, but will also increase mandated benefit costs and taxes.

The average annual health insurance premium for a single employee in Hawaii is about \$7,500. Under state law, this benefit is paid for almost entirely by the employer. If you add just the cost of health insurance to the present minimum wage (2018) for a full-time employee, the total benefit received by the employee is \$13.55 per hour, one of the highest in the country. Adding on payroll taxes, the present minimum wage benefit to the employee is about \$14.66 per hour. For part-time workers who receive healthcare benefits, the benefit to the employee is anywhere from \$15.87-\$18.27 per hour.

Under the proposed minimum wage increases, in 2018, the total benefit to be provided to the employee (including payroll taxes and healthcare premiums) will be \$15.31-\$19.14 per hour and in 2021, it will increase to \$21.01-\$25.56 per hour.

Please also note that health insurance premiums increase roughly 5-9% each year. With premiums rising each year, and employers paying on average 90% of the cost of premiums, this represents an existing 2.5% to 3% increase in compensation to the employee each year. Lastly, the amounts listed above are for the single coverages. The family coverage premium which is a 50/50 split between employer and employee is over \$16,000 per year.

If the minimum wage increases too rapidly, the market (as driven by consumers) will decide at the point of sale what they are willing to pay for. Hawaii is already ahead of the national average in hourly wages. In 2015, the national median wage was \$17.40 per hour, and in Hawaii workers earned \$18.63 per hour. The Chamber respectfully submits that the quality of life of residents in Hawaii is largely a cost issue, driven in large part by the cost of housing.

While our economy is presently on strong footing, we note that the minimum wage has never been decreased when the economy enters a recession. The Council on Revenues also recently lowered the State's forecasted revenue growth because of a projected slowdown.

For all the above reasons, I respectfully ask that this bill be held. Thank you for the opportunity to express my views and concerns.

Respectfully,

A handwritten signature in black ink, appearing to read "Emile C. Alano", written in a cursive style.

Emile C. Alano, AIA
Architect

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**Dennis McCoola
Insurance Broker
1132 Bishop Street, Suite 2101
Honolulu, HI 96813**

**Testimony to the House Committee on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 A.M.
Conference Room 309, State Capitol
RE: HOUSE BILL 5 RELATING TO LABOR**

Chair Johanson, Vice Chair Holt, and Members of the Committee:

I wish to submit testimony to opposes HB 5, which raises the minimum wage from the present \$9.25 per hour to:

\$10.50 per hour on January 1, 2018;
\$12.00 per hour on January 1, 2019;
\$13.50 per hour on January 1, 2020;
\$15.00 per hour on January 1, 2021; and removes the tip credit completely.

I also oppose the implementation of an automatic increase in the minimum wage based on the consumer price index. This will harm many of my small business owner clients. This bill will increase the minimum wage by \$5.75 per hour in the next four years which is a huge increase for business, at a time when other costs and other mandates are increasing. Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.

While other states have recently considered increases in their minimum wage, it is essential to keep in mind that Hawaii is the only state in the nation that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. Another consideration to oppose this bill is the fact that workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits.

This bill will not only increase direct labor costs to business, but will also increase mandated benefit costs and taxes. The average annual health insurance premium for a single employee in Hawaii is about \$7,500. Under state law, this benefit is paid for almost entirely by the employer. If you add just the cost of health insurance to the present minimum wage (2018) for a full-time employee, the total benefit received by the employee is \$13.55 per hour, one of the highest in the country. Adding on payroll taxes, the present minimum wage benefit to the employee is about \$14.66 per hour. For part-time workers who receive healthcare benefits, the benefit to the employee is anywhere from \$15.87-\$18.27 per hour. Below are figures showing the present minimum wage, health insurance premium costs and the proposed increases from SB 107. Under the proposed minimum wage increases, in 2018, the total benefit to be provided to the employee (including payroll taxes and healthcare premiums) will be \$15.31-\$19.14 per hour and in 2021, it will increase to \$21.01-\$25.56 per hour.

Please also note that health insurance premiums increase roughly 5-9% each year. With premiums rising each year, and employers paying on average 90% of the cost of premiums, this represents an existing

2.5% to 3% increase in compensation to the employee each year. Lastly, the amounts listed above are for the single coverages. The family coverage premium is often over \$16,000 per year.

Following the 2014/2015 increase in the minimum wage, Hawaii also experienced job losses, mainly for low-income workers. At this time, data is only available for the first increase (50 cents per hour).

For many employees earning the minimum wage, it is because this is their first job and generally, are in entry-level positions. Employers must invest time and money to train these individuals. In the food and beverage industry, many employees who earn minimum wage also earn tips, which allows them to earn anywhere from \$18-30 per hour. I am also opposed to the removal of the tip credit. The tip credit helps provide better compensation to non-tipped employees. Removal of the tip credit is likely to hurt food and beverage workers, who among the types of employees this bill attempts to help. While only a small percentage of workers earn the minimum wage, a large increase would greatly impact many businesses as they will be forced to raise the wages of their other employees. As an example, if Kimo started working with a company a year ago and earns \$9.50 per hour and then Lei is hired after the new law at \$9.25 per hour, the employer will have to raise Kimo's hourly wage to provide parity in compensation. This could increase businesses labor costs by up to 15-20% in the first year alone.

I also oppose an automatic increase in the minimum wage tied to the consumer price index ("CPI"). The CPI is one tool used by economists to measure the change in the cost of a basket of goods and services. The CPI is limited, based on the types of goods and services that are measured. I believe that the Legislature is in the best position to set the minimum wage according to the many other economic factors that the CPI does not take into account, such as the overall rate of growth, unemployment, wage differentials across industries, cost of prepaid healthcare and many others. For example, when Hawaii and the national economy went through the Great Recession and unemployment was over 7% statewide (higher on the neighbor islands), the CPI actually increased by 2%. Had the minimum wage been tied to CPI at that time, employers would have had to bear increased labor costs during the worst recession since the Great Depression.

As a direct result of the significant proposed increase in the minimum wage, some businesses may have to cut back hours, reduce benefits, or limit the hiring of new employees. In Hawaii between December 2015 and November 2016, the average hours worked per week dropped from 33 to 32.1. While that may seem small, this reduction effectively lowered a person's work hours by 46.8 hours in a year. At \$9 per hour that reduced their total annual income by over \$420. Increasing the minimum wage will also greatly affect job opportunities, especially for new, unskilled workers. In addition to traditional adult workers changing industries, young adult workers also often receive their initial work experience by starting at unskilled jobs. When Seattle instituted a \$15 per hour minimum wage, their economy had interesting and similar results. A study conducted by the University of Washington concluded that the increase in the minimum wage reduced the number of hours worked each week, affected employment by about 1.2 percentage points and had a minimal impact on workers' average total earnings. Overall, Seattle's experiment with the minimum wage may have magnified both the positive and negative impacts, resulting in little to no net benefit. Workers who did not lose hours may have enjoyed gains in income, while those who lost hours had a hard time finding a second job to make up for their lost hours and may have earned much less. Notably, neither Seattle nor Washington State have a prepaid healthcare mandate on all businesses that adds to the minimum wage anywhere from \$3.45-\$7.06 per hour per employee.

If the minimum wage increases too rapidly, the market (as driven by consumers) will decide at the point of sale what they are willing to pay for. Hawaii is already ahead of the national average in hourly wages. In 2015, the national median wage was \$17.40 per hour, and in Hawaii workers earned \$18.63 per hour. It is my belief that that the quality of life in Hawaii is largely a cost issue, driven in large part by the cost of housing. The minimum wage has never been decreased when the economy enters a recession. The Council on Revenues also recently lowered the State's forecasted revenue growth because of a projected slowdown. For all the above reasons, I respectfully ask that this bill be held. Thank you for the opportunity to present testimony.



Dennis McCoola
Insurance Broker



Native Hawaiian Chamber of Commerce

P.O. Box 597
Honolulu, HI 96809

nativehawaiianchamberofcommerce.org nhccoahu@gmail.com

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**Testimony to the House Committee
on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 A.M. Conference Room 309, State Capitol**

RE: HOUSE BILL 5 RELATING TO LABOR

Chair Johanson, Vice Chair Holt, and Members of the Committee:

The Native Hawaiian Chamber of Commerce (NHCC) opposes HB 5, which raises the minimum wage from the present \$9.25 per hour to:

- \$10.50 per hour on January 1, 2018;
- \$12.00 per hour on January 1, 2019;
- \$13.50 per hour on January 1, 2020;
- \$15.00 per hour on January 1, 2021;

and removes the tip credit completely. We also oppose the implementation of an automatic increase in the minimum wage based on the consumer price index.

The NHCC is the Native Hawaiians' leading statewide business advocacy organization, representing over 300 Native Hawaiian small businesses and Native Hawaiian professionals. Most our members are small businesses with less than 20 employees. The NHCC mission is to connect and strengthen Native Hawaiian businesses, professions and communities by building on a foundation of

relationships, resources and Hawaiian values. The NHCC serves as a means to organize the Native Hawaiian business community into a viable economic and social voice. The NHCC provides the necessary facilities for members' educational advancement in subject areas relevant to business, industry and commerce.

This bill will increase the minimum wage by \$5.75 per hour in the next four years. This is a huge increase for business, at a time when other costs such as healthcare and other mandates are on the rise. Should this bill pass, it will seriously harm local businesses, the state economy, job creation and potentially the very employees it is trying to help.

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

While our economy is presently on strong footing, we note that the minimum wage has never been decreased when the economy enters a recession. The Council on Revenues also recently lowered the State's forecasted revenue growth because of a projected slowdown. For all the above reasons, we respectfully ask that this bill be held. Thank you for the opportunity to express our views and concerns.

Me Ka Ha'a Ha'a,

A handwritten signature in black ink, appearing to read 'Ron Jarrett', with a long horizontal flourish extending to the right.

Ron Jarrett,
Government Relations Chairman,
Native Hawaiian Chamber of Commerce



Testimony to the House Committee on Labor & Public Employment
Tuesday, February 14, 2017 at 8:30 A.M.
Conference Room 309, State Capitol

LATE

LATE

RE: HOUSE BILL 5 RELATING TO LABOR

Dear Chair Johanson, Vice Chair Holt, and Members of the Committee:

The Kauai Chamber of Commerce opposes HB 5, which raises the minimum wage from the present \$9.25 per hour to:

- \$10.50 per hour on January 1, 2018;
- \$12.00 per hour on January 1, 2019;
- \$13.50 per hour on January 1, 2020;
- \$15.00 per hour on January 1, 2021; and
- removes the tip credit completely.

The cost of doing business in Hawaii is high. Some costs are unavoidable and are due to circumstances beyond our control, such as our remote geographic location. While other costs are purely self-imposed and make the cost of doing business in the state artificially high, such as the one being considered by your committee.

Increased Inflation

While this measure is designed to help employees that make a minimum wage earn more in order to afford the high-cost of living in Hawaii, the simple fact is that this measure will lead to increased consumer costs and even higher prices for Hawaii's residents and visitors. For example, if Joe Smith was making \$9.25 an hour now, but would make \$15.000 per hour in 2021, his employer will likely pass that costs on to consumers by raising their prices.

Hiring

A government dictate to substantially increase the minimum wage could force many employers to forgo hiring new employees. For example, a manufacturer may be considering hiring an entry level position to help sew clothing. Bringing on this new employee will require training and the new employee will likely not work as fast or as accurately as someone with more experience. In this instance, rather than fill this position, the owner of the company decides not to hire anyone as it doesn't make financial sense at \$15.00 per hour. Alternatively, the owner may decide to only hire experienced workers, who don't require the same level of on-the-job training. This makes finding work for unskilled laborers that much more difficult.

In addition, because the minimum wage has been made artificially high by the government, employees making more than minimum wage will inevitably require pay increases as well. In this example, the manufacturer's more experienced workers were already making \$15.00 per hour. Our factory owner cannot on-board new inexperienced employees at the

same rate of pay as the experience employee, so she is forced to raise wages for others already employed at her factory. This furthers the likelihood that no new hires take place

Summary

The minimum wage is a floor not the ceiling. Drastically increasing the minimum wage over a short period of time like this bill proposes, will hurt the state's workforce by forcing many companies to forgo hiring new employees and by contributing to inflation. Therefore, this bill could result in a tougher job market and increased costs for your constituents.

About the Kauai Chamber of Commerce

The Kauai Chamber of Commerce has served Kauai's diverse business community since 1913. Our mission is to promote, develop and improve commerce, quality growth and economic stability in the County of Kauai. We boast an active membership of more than 650 businesses and professional women and men representing 450 Kauai firms who give freely of their time and talents to advance the commercial, financial, industrial, civic and social well-being of the County of Kauai and the State of Hawaii.

Thank you for your consideration of the Kauai Chamber's position on this important issue.

Testimony to House Committee on Labor and Public Employment

Tuesday, February 14, 2017 at 8:30AM

Conference Room 309, State Capitol

LATE

LATE

RE: House Bill 5 Relating to Labor

Chair Johanson, Vice Chair Holt, and Members of the Committee

I oppose HB 5, which raises the minimum wage from the present \$9.25 per hour to:

\$10.50 per hour on January 1, 2018

\$12.00 per hour on January 1, 2019

\$13.50 per hour on January 1, 2020

\$15.00 per hour on January 1, 2021; and removes the tip credit completely. I also oppose the implementation of an automatic increase in the minimum wage based on the consumer price index.

I am an owner of a small business with about 30 fulltime employees. As a service business, our payroll is the highest expense, which is currently 50% of our annual gross revenue, while health insurance and rent are a distant 2nd and 3rd respectively. My industry allows for starting salaries that are higher than the current minimum wage, but the proposed increases will make it more difficult sustain a viable business. This will cause us to either increase prices based on what the market can bare, or reduce headcount to achieve reasonable margins. Market and business need must be allowed to determine competitive wages. While I agree that there should be a basic minimum to be used as a floor, it should never be considered to determine a living wage. We train individuals for entry level positions, and many of the employers that hire our graduates usually start them at less than the proposed minimum wage. Once these graduates gain some experience they become more competitive in the marketplace and earn higher wages. The market certainly rewards them for their effort.

Respectfully,

Ashton Cudjoe

LATE

LATE

LATE

holt1 - Joyleanne

From: Brian Arkle <barkle@alsco.com>
Sent: Monday, February 13, 2017 3:53 PM
To: LABtestimony
Subject: HB 5 Hearing on 2/14 at 8:30am

LATE

Follow Up Flag: Follow up
Flag Status: Flagged

The real cost of a \$10.00 an hour employee is actually 1.7 times the dollar amount. So the employee pays about \$17.00 an hour to have a \$10.00 an hour employee.

I have 267 employees with the majority making less than \$15.00 an hour. My company rents textiles to businesses. For example, the rental price on a napkin generates maybe \$.01 profit on this item after labor, textiles and utility costs are paid. Labor costs make up 50% of our total cost. Raising the labor to \$15.00 an hour means a raise to \$25.50 an hour in total costs That would make my labor costs rise 50% which would change my labor cost as a percent to revenue to 75% and that napkin at its current price would now be done at a loss of approx.. \$.02 So I raise my price by 25% and all my customers switch to paper napkins.

It is that simple. I encourage all legislators to take a basic Macro Economics course, so that you can realize price fixing one area (labor) hurts the entire economy and at best causes more inflation and at worst turns Honolulu into Detroit.

Aloha,
Brian Arkle
General Manager
Alsco Honolulu
barkle@alsco.com
(808) 834-7503

LATE

LATE

LATE

holt1 - Joyleanne

From: Kenjo Inc <kenjoinc@hawaii.rr.com>
Sent: Tuesday, February 14, 2017 7:05 AM
To: LABtestimony
Subject: HB 5 Hearing on 2/14 at 8:30am

We are already struggling to keep our employees compensation above the current minimum wage. The increases are coming too fast.

- a. This bill will raise the minimum wage cost to \$21-25 per hour including healthcare benefits and other mandated taxes and benefits.
- b. Minimum wage is meant to be a floor and not a living wage.
- c. This could force employers to reduce hours and other benefits and hurt those that this bill seeks to help.
- d. CPI will hurt businesses and their employees in bad economic times.

We would have to either put employees on part time so they do not get health benefits or shut our doors.

Mahalo,
Sidney Lynch
President
Kenjo, Inc.
524 Kalihi St.
Honolulu, HI 96819

LATE

LATE

LATE TESTIMONY for Measure: HR 5

Committee	LAB
Committee Referrals	LAB
Date of Hearing	2/14/2017
Organization	IL GELATO HAWAII
Name of Testifier	DIRK KOEPPEN KASTROP Ph.D.
Job Title of Testifier	OWNER
Position – Circle One	Support / <u>Oppose</u> / Comments
Category – Circle One	Fed Govt. / State Govt. / County Govt. / Industry / Private
Notes:	I will submit testimony in writing

holt1 - Joyleanne

LATE

LATE

LATE

From: Andrew Chun <andrew_chun@ktasuperstores.com>
Sent: Wednesday, February 15, 2017 2:13 PM
To: LABtestimony
Subject: HB 5 Hearing on 2/14 at 8:30am

LATE

To the Committee on Labor and Public Employment,

I support the testimony provided by the Hawaii Chamber of Commerce. Please carefully consider raising the minimum wage. What is being proposed in my opinion is too high and will be detrimental to small businesses as they will most likely have to pass on the cost increases to their customers. Thus in the end it will only hurt those whom you are intending to benefit.

Also, the minimum wage is not a living wage, its an entry level wage. Having the minimum wage too high will take away from those who are more deserving. Not all employees are created equal and as employers we need to have the flexibility to compensate those who are more deserving. By creating a high minimum wage, again you will be harming those who are more deserving.

Please allow market forces determine the prevailing wage. As it is now in our industry, our starting wage is substantially over and above the current state minimum so there is really no reason to adjust.

Andrew Chun