

JAN 17 2025

A BILL FOR AN ACT

RELATING TO THE MINIMUM WAGE.

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

1 SECTION 1. The legislature finds that the economic
2 vitality of the State is intrinsically tied to the success and
3 sustainability of its small businesses, which form the latent
4 structures of our local economy. Small businesses provide
5 essential services and employment to residents, fosters
6 community cohesion, and increases economic activity that is
7 critical to the State's revenue and gross domestic product. The
8 minimum wage serves as a critical policy lever for addressing
9 income inequality, improving living standards, and ensuring that
10 local workers are able to meet the high cost of living within
11 the State. A thorough understanding of the multifaceted impacts
12 that increasing the minimum wage will have on small businesses
13 and the broader economic landscape is essential to forming a
14 comprehensive State approach to mitigate any negative
15 consequences of financial and income-based inequalities.

16 The legislature further finds that the increasing
17 complexity of the State's economy requires a data-driven



1 approach to policymaking, ensuring that any changes to minimum
2 wage policy are not only equitable to and supportive of workers
3 but also recognize the operational realities faced by small
4 businesses. The legislature also finds that the effects of
5 minimum wage increases on businesses can vary widely depending
6 upon business size, product type, industry sector, geographic
7 location, and other socio-economic factors. Because these
8 fluctuating market driven forces affect behaviors, investments,
9 and revenues of businesses, there is a need for research and
10 analysis that considers both the direct and indirect
11 consequences of increasing the minimum wage on local businesses
12 and the State's overall economy.

13 The legislature additionally finds that this type of study
14 will provide a comprehensive and nuanced understanding of the
15 dynamic interplay between the minimum wage policy and the health
16 of small businesses, which will help ensure that future wage
17 decisions are rooted in economic reality while remaining
18 committed to the principle of fostering a fair, equitable, and
19 thriving economy for all residents.

20 Accordingly, the purpose of this Act is to:



1 (1) Require the department of business, economic
2 development, and tourism's research and economic
3 analysis division to:

4 (A) Conduct a comprehensive study to assess the
5 impacts of minimum wage increases on small
6 businesses and the overall economic health of the
7 State; and

8 (B) Submit a report of its findings and
9 recommendations, including any proposed
10 legislation, to the legislature; and

11 (2) Appropriate funds to establish one full-time
12 equivalent (1.0 FTE) research consultant position to
13 conduct the study and prepare the report.

14 SECTION 2. (a) The department of business, economic
15 development, and tourism's research and economic analysis
16 division shall conduct a comprehensive study to assess the
17 impacts of minimum wage increases on small businesses and the
18 overall economic health of the State. The study shall utilize
19 both quantitative and qualitative analysis and research methods.
20 The study shall examine:



- 1 (1) The effect that increasing the minimum wage would have
2 on:
- 3 (A) Hawaii based small business operating costs;
- 4 (B) Current hiring practices, employee retention, and
5 the availability of part- and full-time positions
6 in small businesses within the retail, food
7 service, tourism, health care, and agriculture
8 sectors;
- 9 (C) Business operations and human resources,
10 including the impact on employee benefits,
11 workers' compensation, retirement benefits, and
12 medical coverage;
- 13 (D) Prices of locally produced agricultural products
14 and other commodities in the State, and the
15 effect on the State's agriculture industry as a
16 whole;
- 17 (E) Imports and exports;
- 18 (F) Consumer prices, inflationary pressures, and
19 local economic cycles in sectors that rely
20 heavily on small businesses and how these effects



1 may interact with broader economic trends in the
2 State;

3 (G) Wage compression and wage differentials across
4 positions within small businesses, and income
5 distribution and economic equity within the
6 State; and

7 (H) The competitive landscape for small businesses,
8 particularly against large corporations;

9 (2) How small businesses adjust to wage increases through
10 cost-cutting measures, price adjustments, or other
11 operational changes, and how these adjustments may
12 affect business viability in the short- and long-term
13 time frames;

14 (3) The variance in economic effects, if any, that minimum
15 wage increases would have on businesses, depending on
16 their size, type, and geographic location;

17 (4) How the impacts of minimum wage increases may vary
18 among:

19 (A) Counties, considering each county's unique
20 economic landscape and cost of living; and



1 (B) Industry sectors, specifically the industry
2 sectors most vulnerable to labor cost
3 fluctuations;

4 (5) How wage policy adjustments affect the State's long-
5 term economic competitiveness in comparison to other
6 states and countries that attract higher levels of
7 business investment and a larger, skilled labor force;
8 and

9 (6) The types of support measures that would be effective,
10 and that small business owners find beneficial, in
11 mitigating any negative effects of increasing the
12 minimum wage.

13 (b) The department of business, economic development, and
14 tourism's research and economic analysis division shall submit a
15 report of its findings and recommendations, including any
16 proposed legislation, to the legislature no later than twenty
17 days prior to the convening of the regular session of 2026.

18 SECTION 3. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$200,000 or so much
20 thereof as may be necessary for fiscal year 2025-2026 and the
21 same sum or so much thereof as may be necessary for fiscal year



1 2026-2027 to establish one full-time equivalent (1.0 FTE)
2 research consultant position within the department of business,
3 economic development, and tourism's research and economic
4 analysis division to conduct the study and prepare a report
5 pursuant to this Act.

6 The sums appropriated shall be expended by the department
7 of business, economic development, and tourism for the purposes
8 of this Act.

9 SECTION 4. This Act shall take effect on July 1, 2025.

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INTRODUCED BY: *Alex M. Ruckelshaus* *YR*



S.B. NO. 505

Report Title:

DBEDT; READ; Minimum Wage; Small Business; State Economy; Study; Report; Appropriation

Description:

Requires the Department of Business, Economic Development, and Tourism's Research and Economic Analysis Division to conduct a comprehensive study to assess the impacts of minimum wage increases on small businesses and the overall economic health of the State. Requires a report to the Legislature. Makes an appropriation.

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