

JAN 17 2025

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# 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) Require the department of business, economic development, and tourism's research and economic analysis division to:

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

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

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

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



(1) The effect that increasing the minimum wage would have on:

(A) Hawaii based small business operating costs;

(B) Current hiring practices, employee retention, and the availability of part- and full-time positions in small businesses within the retail, food service, tourism, health care, and agriculture sectors;

(C) Business operations and human resources, including the impact on employee benefits, workers' compensation, retirement benefits, and medical coverage;

(D) Prices of locally produced agricultural products and other commodities in the State, and the effect on the State's agriculture industry as a whole;

(E) Imports and exports;

(F) Consumer prices, inflationary pressures, and local economic cycles in sectors that rely 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



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

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

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

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

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

Herbert M. Runkel *HR*



# 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.

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

