



**Testimony to the House Committee on Labor & Public Employment  
Tuesday, January 24, 2012  
9:00 a.m. – 12:00 p.m.  
State Capitol - Conference Room 309**

**RE: HOUSE BILL NO. 1691 RELATING TO LABOR**

Chair Rhoads, Vice Chair Yamashita, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's opposition to House Bill No. 1691 relating to Labor.

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

The concept of this measure is to ensure that workers earning a minimum wage can make ends meet and we truly understand and emphasize especially given this current economic situation.

The enactment of a minimum wage increase at this time, however, will undermine efforts made to turn Hawaii's economy around. Hawaii's business community is at a critical point -- where any additional mandates could mean the difference between continued existence, or bankruptcy. As evidenced by recent media accounts, many local establishments, some of which have faithfully served consumers for generations, are going out of business.

The real cost to business includes all of the other employee benefits and taxes that are tied to the employee's wages. Those basic costs include, but not limited to:

- Social Security tax
- Unemployment tax
  - The unemployment insurance fund is 100% employer funded.
- Pre-paid Health Care
- Workers Compensation premiums
  - Employers pay the full cost of the premium.

- Temporary Disability Insurance premiums
  - Employers pay either the entire premium, or may charge 50% of the premium (not to exceed .5% of weekly wages) to eligible employees).

Increasing the minimum wage will require employers to pay additional costs after adding the additional taxes of FICA, Medicare and FUTA. In addition, employers are required to pay a number of other taxes including GET, to run their business.

The intent of this bill is to increase the wage for the lowest paying jobs to ensure that the minimum wage keeps up with inflation. The bill intends to have the minimum wage raised in proportion to the rate of inflation Hawaii experienced over the past few years.

Economists have argued, however, that raising the minimum wage will:

- Not improve the quality of life for minimum wage earners and will actually hurt those who are seeking entry-level jobs.
- Most employees earn far more than the minimum wage
- Minimum wage increase actually causes a reduction in the number of entry-level jobs because of the increased cost to employers to maintain such jobs.

The Chamber opposes an increase in the minimum wage because there is no evidence to suggest that an increase is necessary. An increase in the minimum wage will cause inflation and a reduction in the number of available entry level jobs. That is an economic reality. Unless the legislature can properly analyze the impact of the proposed increases, the consequence could be far more damaging and will not have the beneficial impact the bill intends.

The damaging effect of a minimum wage increase will be an increase in the rate of inflation. The cost of goods produced and sold will go up because of increased labor cost. The segment of our population that will be most greatly impacted will be those very poor people this bill claims it seeks to help. Goods and services will cost more so, while the minimum wage earners will earn more, the actual purchasing power of that income may stay the same. Another large sector of our population it will hurt will be our seniors who are on a fixed income. Their income will not increase, and any inflation caused by an increase in the minimum wage will shrink the value of their fixed income.

In addition, the economy will be better served if the minimum wage is kept at its current level because if employers can afford to hire workers at the minimum wage, more employees will be able to find employment. Once employed, the employee can improve their economic position by performing well on the job and receiving raises. If fewer jobs are available, the population this bill seeks to assist will find it harder to secure an entry level job.

While we understand the intent of the bill, the Chamber urges your Committee to hold this bill.

Thank you for the opportunity to testify.