

Testimony to the Senate Committee on Judiciary and Labor
Thursday, January 26, 2012
2:30 p.m.
State Capitol - Conference Room 229

RE: SENATE BILL 2203 RELATING TO LABOR

Chair Hee, Vice Chair Shimabukuro, 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"). The Chamber does not support Senate Bill No. 2203 relating to Labor at this time.

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.

This measure increases the minimum wage to \$7.75 for 2012 and \$8.25 from 7/1/2013. Effective 7/21/2012. 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.

While we understand the intent of the bill, the Chamber urges your Committee to revisit the minimum wage issue when the economy improves. Until then, we suggest that the Legislature analyze the impact of proposed increases.

Thank you for the opportunity to testify.