

THE EFFECTS OF BOOSTING HAWAI'I'S
MINIMUM WAGE

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HAWAI'I APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

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INTRODUCTION

Hawai'i has the highest cost of living of all the states.ⁱ When that is factored in, Hawai'i has the lowest average wage in the nation. While a law was passed to increase the minimum wage in 2014, our state's minimum wage topped out at \$10.10 an hour — or \$21,000 a year for full-time work — in January 2018.

Since Hawai'i's minimum wage does not have an automatic cost-of-living adjustment — unlike 17 other states and the District of Columbia — the minimum wage has been losing ground to inflation for over a year, and will continue to fall, if our lawmakers don't act to change it.

High housing costs in Hawai'i are a major factor driving the high cost of living. To afford a one-bedroom rental home, a Hawai'i worker would have needed to earn \$27.44 per hour in 2018.ⁱⁱ In other words, a current Hawai'i minimum wage earner would need to work 109 hours *per week* — equivalent to over 15 hours a day with no days off — to rent that one-bedroom home.

Other states have increased their minimum wages to help ensure that workers can afford to house and feed their families. Currently 10 states and the District of Columbia have minimum wages higher than in Hawai'i. California, New York, Massachusetts, the District of Columbia, New Jersey, Illinois, and Maryland have all passed laws to increase their minimum wage to \$15 per hour, while their costs of living are all lower than in Hawai'i.

How much do people need to make ends meet in Hawai'i? Our Department of Business, Economic Development, and Tourism (DBEDT) found that a “self-sufficiency income” for a single worker with no children in Hawai'i was \$15.84 an hour in 2016ⁱⁱⁱ — which comes out to about \$17 per hour in 2019, after adjusting for inflation.

The Economic Policy Institute (EPI) has a “family budget calculator” that measures “the income a family needs in order to attain a modest yet adequate standard of living.”^{iv} A single person with no children in Honolulu County needed \$24.78 per hour in 2017 according to that calculator, or \$25.86 an hour in 2019.

The Institute for Women's Policy Research (IWPR) has estimated the annual income needed for basic economic security in 2018.^v They find that a single working adult without keiki, and with health benefits, needed to earn \$21.85 per hour, or \$22.35 in 2019 in Hawaii. Without benefits, that individual needed \$25.22 per hour, or \$25.80 in 2019.

With Hawai'i household incomes failing to keep up with our highest-in-the-nation cost of living, it is not surprising that recent local studies have found that close to half of Hawai'i families are living paycheck-to-paycheck^{vi} and struggling with incomes below a minimum survival budget.^{vii}

DEMOGRAPHIC CHARACTERISTICS OF AFFECTED WORKERS

In Hawai'i, raising the minimum wage by \$1.00 to \$1.50 per year for 5 years, as well as eliminating the lower wage for tipped workers, would result in a \$17 minimum wage for nearly all workers in the state in 2024.

Such an increase would provide a boost to hundreds of thousands of Hawai'i workers and their families. An estimated 208,000 workers would be directly affected by the five years of increases in the minimum wage. In addition, 61,000 workers who earn slightly above the minimum wage would also get raises, or be indirectly affected.

This analysis^{viii} examines the demographics of directly and indirectly affected workers, including their age, gender, race and ethnicity, education levels, family status, household composition, and family income, as well as the industry in which they work.

Raising the Hawai'i minimum wage to \$17 an hour by 2024 would increase pay for a wide range of workers:

- The majority of affected workers would be women (55.7 percent). Close to half of women working in Hawai'i would be affected (47.8 percent).
- 46.4 percent of Native Hawaiian workers, and 64.3 percent of Pacific Islander workers, would be affected by the minimum wage increase.
- Over a quarter (28.7 percent) of affected workers would be parents. Over half (52.9 percent) of single parents would be affected.
- Only 4.5 percent of directly or indirectly affected workers would be teenagers. Over three in four (78.3 percent) of affected workers would be age 25 or older.
- Over half (51.1 percent) of affected workers have at least some college education.
- Nearly two-thirds (65.8 percent) of retail workers, and over four in five (80.6 percent) of restaurant and food service workers would be affected.

AGE

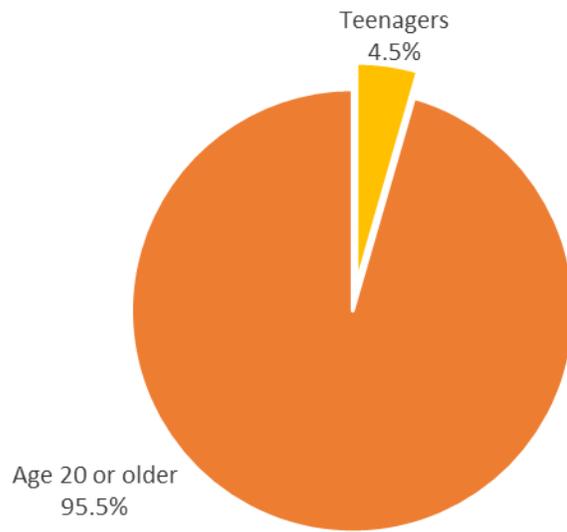
Arguments opposing minimum wage increases often rely on the stereotype of the minimum wage earner as a teenager working a part-time job to make some extra cash. In reality, however, teenagers would make up only a small percentage of the workers who would benefit from an increase in the minimum wage. As shown in Figure 1, teenagers would make up just 4.5 percent of affected workers, while 95.5 percent of affected workers would be age 20 or

older. As shown in Figure 2, more than three in four affected workers (78.3 percent) would be age 25 or older.

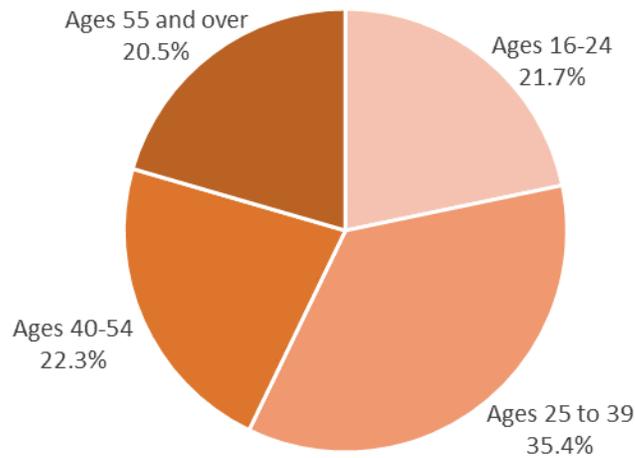
Figure 1.

WORKERS 20 AND OLDER MAKE UP MORE THAN 3/4 OF THOSE WHO WOULD GET A RAISE IF HAWAII RAISED ITS MINIMUM WAGE

Age of workers who would benefit from increasing the minimum wage to \$17 in 2024



Age breakdown of affected workers



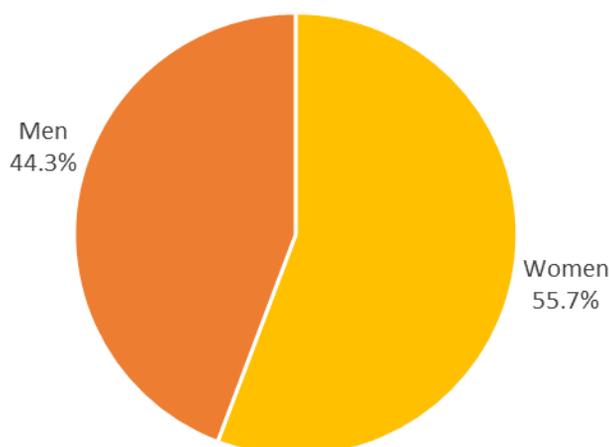
GENDER

Women comprise just under half of the Hawai'i workforce (48.9 percent). Yet as shown in Figure 2, women would disproportionately benefit from raising the minimum wage, comprising over half of affected workers (55.7 percent). That means that close to half of the women working in Hawai'i (47.8 percent) would get a boost from the newly raised minimum wage.

Figure 2.

WOMEN MAKE UP A MAJORITY OF THOSE WHO WOULD GET A RAISE IF HAWAI'I INCREASED ITS MINIMUM WAGE

Gender of workers who would benefit from increasing the minimum wage to \$17 in 2024



RACE/ETHNICITY

Asian workers comprise the plurality (41.6 percent) of Hawai'i workers that would be affected by the increase, as shown in Figure 3. However, workers of all races and ethnicities would benefit: 15.3 percent would be white, 6.1 percent Native Hawaiian, 4.6 percent Pacific Islander, 10.0 percent Hispanic, 1.4 percent black, and 21.1 of another race or ethnicity.

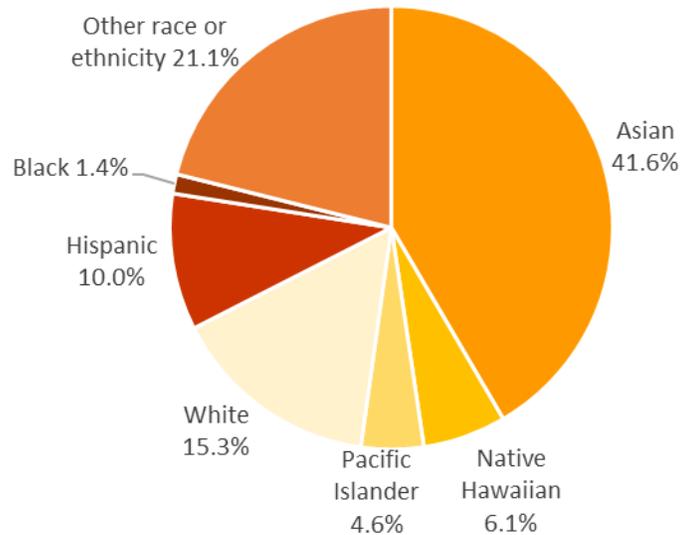
The bar graph in Figure 3 shows that high percentages of each race or ethnic group in Hawai'i would be affected by the increase. Close to two-thirds (64.3 percent) of Pacific Islander workers would be affected, as would close to half of Native Hawaiian workers (46.4 percent). Half (50.4 percent) of Hispanic workers and just over two in five Asian American (42.6 percent) and black (41.6 percent) workers would be affected. Three in ten (30.2 percent) white workers and one-fifth (21.1 percent) of workers of another race or ethnicity would be affected as well.

Ultimately, an increase in the minimum wage stands to give Hawai'i workers of all races and ethnicities a substantial boost.

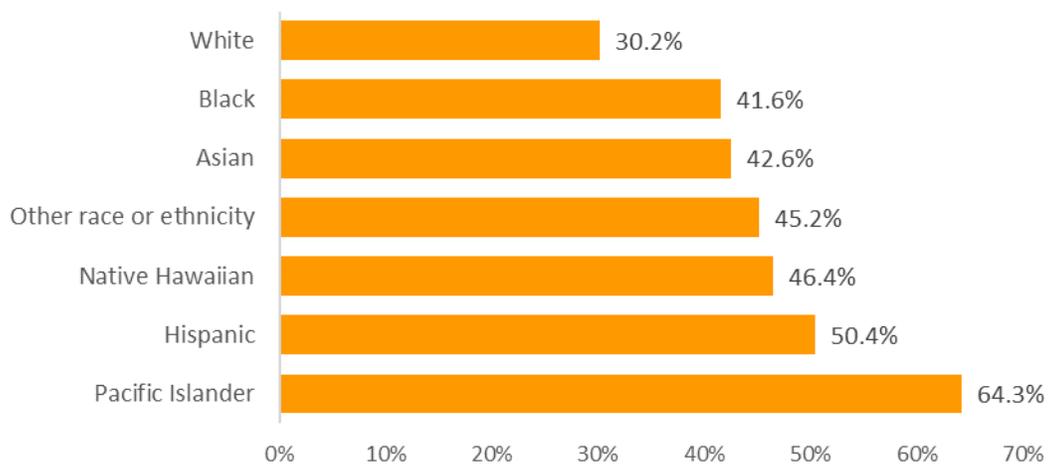
Figure 3.

WORKERS OF ALL RACES AND ETHNICITIES WOULD GET A RAISE IF HAWAI'I INCREASED ITS MINIMUM WAGE TO \$17 BY 2024

Race or ethnicity of workers who would benefit from raising the minimum wage



Share of each Hawai'i race or ethnic group that would benefit



EDUCATION

Another commonly held stereotype is that all minimum wage workers have low levels of education. The reality, as shown in Figure 4, is that just over half of workers in Hawai'i (51.1

percent) who would be affected by the minimum wage increase have at least some college education. Over one-fifth (21.9 percent) have at least an associate's degree.

This data is consistent with research showing that college-educated workers are increasingly competing for lower-paying and lower-quality jobs that do not require a degree. Furthermore, these studies also show that wages have stagnated or fallen for most graduates since 2000^{ix}. As a consequence, minimum-wage policy is much more relevant for workers with higher levels of education today than in the past.

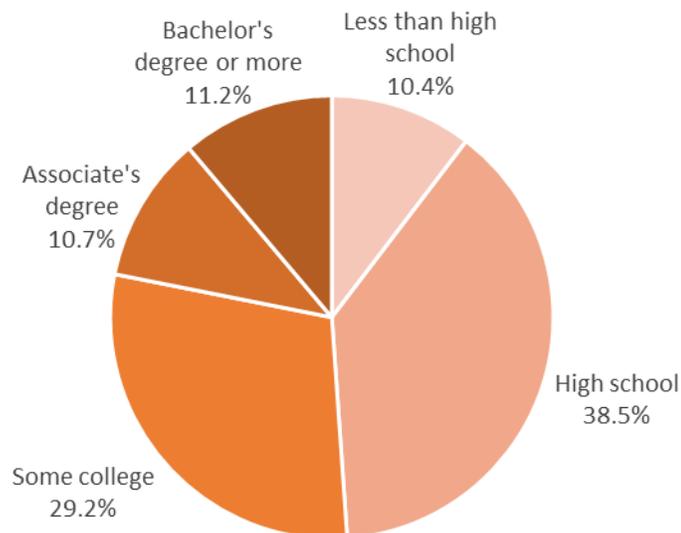
However, those with less education are still more likely to be minimum wage workers and to be affected by a minimum wage increase, as seen in the bar graph in Figure 4. Over seven in ten Hawai'i workers with less than a high school education would be affected by the minimum wage increase. More than three in five (60.6 percent) of Hawai'i workers with a high school diploma would receive a boost from the increase, as would over half of those with some college but no degree (52.5 percent). Nearly four in ten (39.3 percent) of Hawai'i workers with an associate's degree and one in seven (14.3 percent) of Hawai'i workers with a bachelor's degree or higher would be affected.

While data shows that the minimum wage increase would disproportionately affect workers with lower levels of education, many Hawai'i workers at all education levels would nevertheless receive a boost as well.

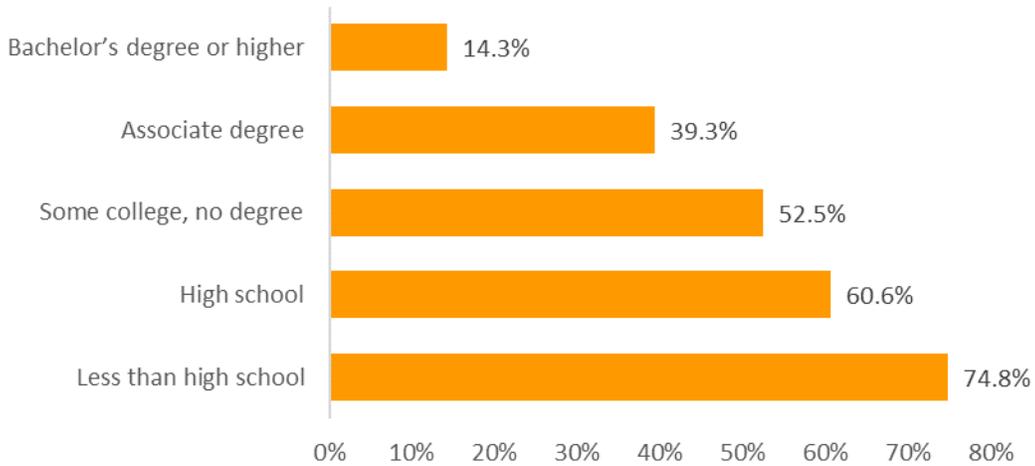
Figure 4.

WORKERS WITH AT LEAST SOME COLLEGE EDUCATION MAKE UP HALF OF THOSE WHO WOULD GET A RAISE IF HAWAII INCREASED ITS MINIMUM WAGE TO \$17 IN 2024

Educational attainment of workers who would benefit from the higher minimum wage



Share of each Hawai'i educational attainment level that would benefit



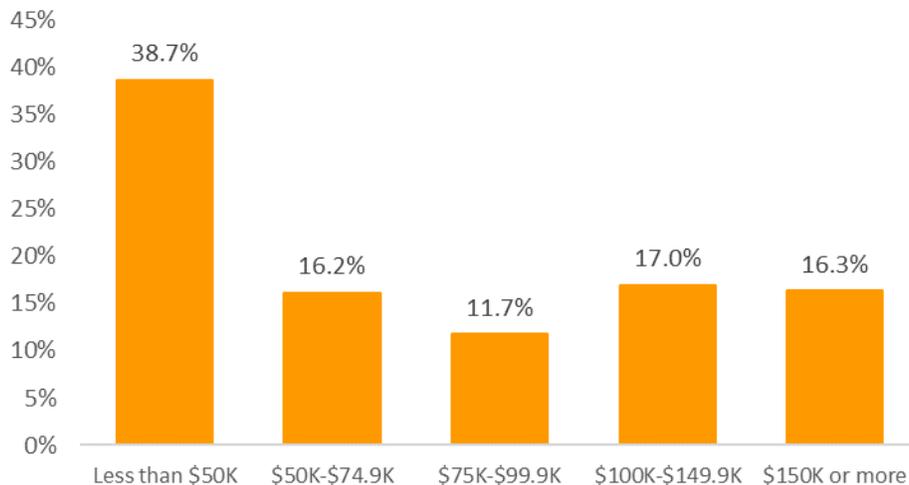
HOUSEHOLD AND FAMILY INCOME

The majority of workers who would benefit from raising the minimum wage to \$17 come from modest means, with 54.9 percent of affected workers living in households earning less than \$75,000 a year. As depicted in Figure 5, nearly four in ten (38.7 percent) of affected workers would be from households making less than \$50,000 per year.

Figure 4.

WORKERS WITH HOUSEHOLD INCOME BELOW \$75,000 MAKE UP MORE THAN HALF OF THOSE WHO WOULD GET A RAISE IF HAWAII INCREASED ITS MINIMUM WAGE

Share of each household income bracket that would benefit from increasing the minimum wage to \$17 in 2024



FAMILY STATUS AND CHILDREN

Raising the wage to \$17 an hour would give a boost to many Hawai'i families and children. As shown in Figure 5, over a quarter (28.7 percent) of affected workers have children. As a result, more than half (50.7 percent) of Hawai'i children—or 87,000 children—would have at least one parent affected by the higher minimum wage. Over 100,000—or six in ten keiki—would live in a household with at least one adult affected by the wage increase.

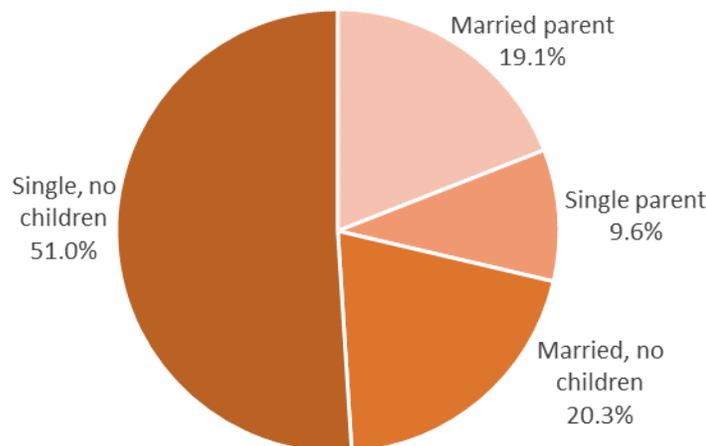
Such a raise would have a real impact on workers with children. More than three in ten (31.2 percent) of married working parents and over half (52.9 percent) of single working parents would receive a boost from the wage increase.

Married working parents who would be affected by the raise would see their annual income increase by an average of \$4,206 by 2024. Single working parents who would be affected would see their annual income increase by an average of \$5,112. Such an income increase could give working parents greater flexibility to afford childcare and keep their children out of poverty and homelessness.

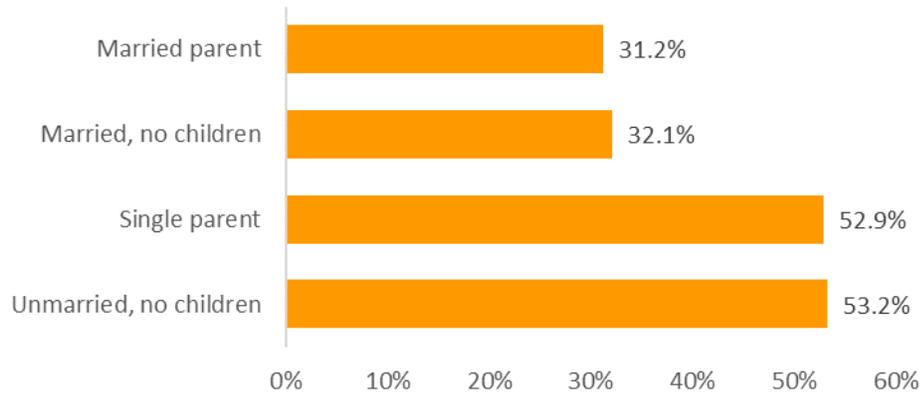
Figure 5.

PARENTS MAKE UP OVER A QUARTER OF THOSE WHO WOULD GET A RAISE IF HAWAI'I INCREASED ITS MINIMUM WAGE

Family status of workers who would benefit from increasing the minimum wage to \$17 in 2024



Share of each Hawai'i family type that would benefit



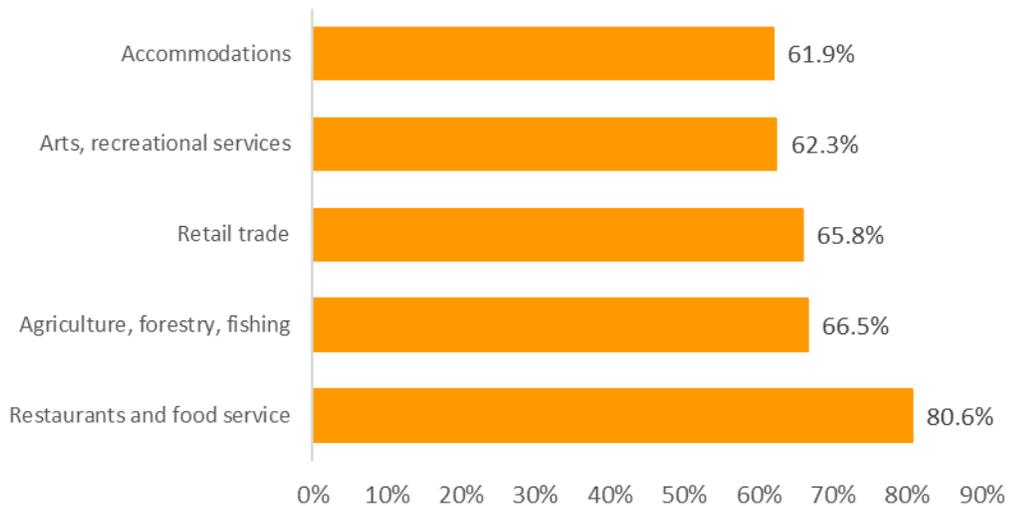
INDUSTRIES

The three industries with the highest concentrations of affected workers are restaurants and food service; agriculture, forestry and fishing; and the retail trade. Figure 6 shows that four out of five (80.6 percent) of food and restaurant workers and close to two-thirds of agriculture and retail workers would be affected by the wage increase. Over three in five workers in accommodations and the arts and recreation sector would also get a boost from the wage increase. In other words, these low-wage workers play vital roles across Hawai'i's economy.

Figure 6.

A MAJORITY OF WORKERS IN HAWAI'I'S HOSPITALITY AND RETAIL INDUSTRIES WOULD BENEFIT FROM A RAISED MINIMUM WAGE

Hawai'i industries with the largest shares of workers who would benefit from increasing the Hawai'i minimum wage to \$17 in 2024



LOCAL ECONOMY AND BUSINESSES

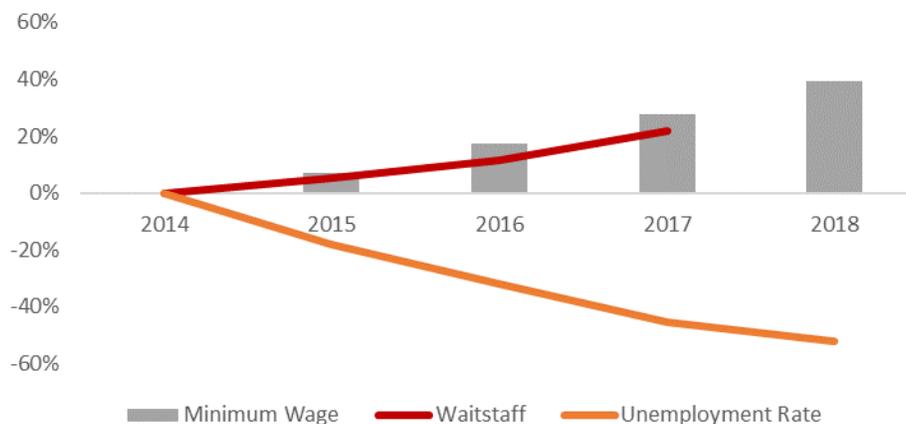
Raising the minimum wage in Hawai'i to \$17 in 2024 would result in a total wage increase of over \$1.3 billion for all affected workers over five years. This would rev up the local economy, as consumer spending accounts for about two-thirds of economic growth. Research finds that when minimum wage workers earn more, they plow almost all of their additional income back into local businesses, which leads to greater demand for goods and services and job growth.

Moreover, study after study shows that higher wages are good for businesses' bottom lines. Research suggests that better-paid employees perform better and are more loyal because they want to keep their jobs, rather than be looking for higher pay. That means that higher wages improve employee morale, productivity, and loyalty, in turn reducing costly turnover and training. An analysis by the Center for American Progress estimates that the cost of replacing low-wage workers is equal to about 16 percent of the employee's annual salary.^x Another study by three prominent economists concluded that increases in the minimum wage can reduce turnover substantially, resulting in savings in turnover costs.^{xi} A 2010 paper concluded that higher minimum wages are associated with lower rates of absenteeism from work, also leading to increased productivity.^{xii}

Despite claims to the contrary, decades of research—as well as real-world evidence—have proven that raising the minimum wage does not cause businesses to shed jobs. Between 2015 and 2018, when the minimum wage in Hawai'i rose by 39 percent, our state's unemployment rate dropped by 52 percent. And since the minimum wage started rising in 2015, there has been an increase in restaurant server jobs of 22 percent, as shown in Figure 7.

Figure 7.

THE MINIMUM WAGE ROSE AND RESTAURANT JOBS ROSE IN HAWAI'I AS THE UNEMPLOYMENT RATE WENT DOWN BETWEEN 2015 AND 2018



The latest major academic study on the minimum wage, in 2017, found that, 137 minimum wage increases since 1979 on average reduced the number of jobs paying *less* than the new minimum while adding jobs paying *at or above* the new minimum, effectively canceling each other out, while workers earned more.^{xiii} Also in 2017, a University of Washington paper that claimed to find negative job effects from Seattle's minimum wage increase made a lot of headlines mainly because it contradicted the existing body of research.^{xiv} Since then, major flaws in that study have been found and, as a result, some eminent economists who initially affirmed the Seattle paper have retracted their endorsements of it.^{xv}

Experts have found many reasons why higher minimum wages have not resulted in significant job losses.^{xvi} In addition to benefitting from increases in employee productivity and consumer demand as well as reductions in worker turnover and training, businesses adjust through wage compression—meaning that raises for higher-paid workers are delayed or reduced—and small price increases. The associated higher minimum wage enables the large portion of the workforce affected by it to afford the increases, and businesses are not placed at a competitive disadvantage when the wage is raised for all employers at the same time.

The research on the effects of minimum wage increases on prices suggests that even in industries with a high percentage of workers at or near the minimum wage, costs to consumers rise by less than 5 percent over several years.^{xvii} Extrapolating these research results to Hawai'i, if the minimum wage rose to \$17 over 6 years, the higher wage would cause the price of a spam musubi, for example, to go up by only around 7 cents. That same wage increase would cause the price of a fast food combo meal that costs \$6.59 in Honolulu now to go up to \$6.91 in 2025.

CONCLUSION

Raising the minimum wage to \$17 by 2024 would give 269,000 Hawai'i workers a pay increase. This means that in 2024, about four in ten Hawai'i workers would earn roughly \$4,356 more each year than she does today. This raise would especially help working women and parents in low- to middle-income households, helping to keep them and their families out of poverty and homelessness.

By 2024, Hawai'i's minimum and near-minimum wage workers would receive a total of over \$1.3 billion in additional wages. Not only would such a pay increase help to improve the living standards of affected Hawai'i workers, it but would also strengthen local businesses, as low-wage workers plow almost every additional dollar of earnings back into the local economy.

Decades of research has shown that past minimum wage increases have achieved their intended effects: raising pay for low-wage workers with little to no negative impact on employment. Moreover, studies that have looked beyond the narrow question of employment impacts has found clear, meaningful benefits from higher minimum wages to low-wage workers, their families, and their broader communities and economies.

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