

Honolulu, Hawaii  
February 14 2014  
RE: H.B. No. 2580

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2580 entitled:

"A BILL FOR AN ACT RELATING TO LABOR,"

begs leave to report as follows:

The purpose of this measure is to update the minimum wage by:

- (1) Increasing the minimum hourly wage annually by a specified amount from January 1, 2015, to January 1, 2017;
- (2) After January 1, 2017, adjusting the minimum wage rate by requiring the Department of Labor and Industrial Relations to adjust the minimum wage rate in accordance with the Honolulu Region Consumer Price Index; and
- (3) Deleting the tip credit.

The Hawaii State Commission on the Status of Women; League of Women Voters of Hawaii; Hawaii Catholic Conference; Catholic Charities Hawaii; ILWU Local 142; UNITE HERE Local 5; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Honolulu Pride; Gay, Lesbian, Bisexual, and Transgendered Caucus of the Democratic Party of Hawaii; Hawaii Ports Maritime Council; Hawaii State AFL-CIO; MoveOn.org; Hawaii Laborers' Union; HPBS, Inc.; Hawaii Alliance for Retired Americans; Hawaii Regional Council of Carpenters; Dr. Martin Luther King, Jr. Coalition; Hawaii Pilots Association; and numerous individuals provided

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testimony in support of this measure. The Hawaii Business League; Aloha Petroleum, Ltd.; Grand Café & Bakery; Hawaii Food Manufacturers Association; City Mill Company, Ltd.; Molokai Chamber of Commerce; Maui Chamber of Commerce; The Chamber of Commerce of Hawaii; Foodland Supermarket, Ltd.; Coffee Pacific, LLC; Food Pantry Ltd.; Hawaii Food Industry Association; Times Supermarkets; and numerous individuals provided testimony in opposition to this measure. The Department of Labor and Industrial Relations; Executive Office on Early Learning; Hawaii Appleseed Center for Law and Economic Justice; Hawaii Lodging & Tourism Association; International Organization of Masters, Mates & Pilots; Tanaka of Tokyo Restaurants, Ltd.; Hawaii Nurses' Association, OPEIU Local 50; Keoki's Paradise; Anna Miller's and Bravo Restaurant; Kimo's Restaurant; Advocates for Consumer Rights; T S Restaurants; Faith Action for Community Equity; Hula Grill; Nursing Advocates & Mentors, Inc.; Filipino American Citizens League; Filipino Coalition for Solidarity; PHOCUSED; Kona-Kohala Chamber of Commerce; SAG-AFTRA Hawaii Local; Progressive Democrats of Hawaii; State Central Committee of the Democratic Party of Hawaii; University of Hawaii Professional Assembly; Seafarers International Union; Jose's Restaurant; Partners in Care; Duke's Beach House Maui; Duke's Canoe Club Kauai; Duke's Canoe Club Waikiki; Leilani's on the Beach; Sailors' Union of the Pacific; Island Princess; and several individuals provided comments on this measure.

Your Committee notes that it considered a number of measures that address the current minimum hourly wage in Hawaii. President Obama's decision to exercise executive power to pay federal contractors at the rate of \$10.10 per hour beginning in 2015 has increased pressure to follow suit and raise the state minimum wage to over \$10 per hour. Such an adjustment would be justified as the minimum hourly wage in Hawaii has not increased since January 1, 2007. However, recognizing the interconnected nature of Hawaii's economy and the difficulty that some small businesses may have with absorbing a rapid increase, your Committee has recommended a more moderate rate of increase over the next three years to enable businesses to plan for these increases.

Your Committee has also recommended that the future increases in minimum wage be tied to the Honolulu Region Consumer Price Index to enable economic and market forces to determine future minimum hourly wage adjustments. Your Committee believes that the Consumer Price Index will likely result in smaller annual increases in the minimum hourly wage compared with the larger



increases required by irregular adjustments made by the Legislature.

Your Committee heard much discussion on the issue of a tip credit, which places a portion of the cost of employee pay directly on the generosity of the customer. This issue is generally limited to employers in the restaurant industry who have informed your Committee of the high hourly rate of pay, which is usually a direct function of the per person cost of a meal. Your Committee sought to reconcile the great disparity in the per person cost of meals in the wide range of restaurant establishments; however, your Committee was unsuccessful in this regard.

Your Committee notes that it is sensitive to concerns that an increase in the minimum hourly wage may be accompanied by a higher cost of living; however, one testifier noted that the cost of a tray of eggs increased from approximately \$9 per tray to \$12 per tray in the last three months. This increase in price occurred absent an increase in the minimum hourly wage during that time. This example illustrates the fact that prices continue to rise and the buying power of minimum wage earners continues to diminish.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2580 and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,



MARK M. NAKASHIMA, Chair



