

STAND. COM. REP. NO. 2059

Honolulu, Hawaii

FEB 04 2014

RE: S.B. No. 2609

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 2609 entitled:

"A BILL FOR AN ACT RELATING TO MINIMUM WAGE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Increase the minimum wage rate to:
 - (A) \$8.20 per hour beginning on January 1, 2015;
 - (B) \$9.15 per hour beginning on January 1, 2016; and
 - (C) \$10.10 per hour beginning on January 1, 2017;
- (2) Repeal the tip credit;
- (3) Authorize the Department of Labor and Industrial Relations to adjust the minimum hourly wage to the nearest 5 cents based on the Honolulu region consumer price index beginning on September 30, 2017, and on September 30 of each year thereafter to take effect on the following January 1; and
- (4) Require that if the adjustment based on the Honolulu region consumer price index results in a lower minimum wage rate, the minimum wage rate will not decrease and remain at the most recently established minimum wage rate.



Your Committee received testimony in support of this measure from the Office of the Governor; Department of Labor and Industrial Relations; Department of Human Services; Hawaii State Commission on the Status of Women; Democratic Party of Hawaii; Pacific Alliance to Stop Slavery; International Brotherhood of Boilermakers Local 627 Hawaii; Hawaii Catholic Conference; League of Women Voters of Hawaii; Inlandboatmen's Union of the Pacific, Hawaii Region; HPBS, Inc.; Catholic Charities Hawaii; Seafarers International Union; Hawaii State AFL-CIO; University of Hawaii Professional Assembly; Hawaii Regional Council of Carpenters; International Organization of Masters, Mates and Pilots; Hawaii Ports Maritime Council; PHOCUSED; Marine Engineers' Beneficial Association, AFL-CIO; United Public Workers, AFSCME Local 646, AFL-CIO; Americans for Democratic Action/Hawaii; Screen Actors Guild - American Federation of Television and Radio Artists, Hawaii Local; International Longshore and Warehouse Union Local 142; Hawaii Alliance for Community-Based Economic Development; Community Alliance on Prisons; Pride At Work Hawaii; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Partners In Care; Hawaii Appleseed Center for Law and Economic Justice; UNITE HERE Local 5; Sailors Union of the Pacific; Asian Pacific American Labor Alliance, AFL-CIO; Kauai Community Alliance; Marine Firemen's Union, Honolulu Branch; Progressive Democrats of Hawaii; National Association of Social Workers, Hawaii Chapter; Hawaii Primary Care Association; Hawaiian Community Assets; Citizens for Equal Rights; Women's Caucus of the Democratic Party of Hawaii; Labor Caucus of the Democratic Party of Hawaii; Dr. Martin Luther King, Jr. Coalition Hawaii; Life of the Land; Hawaii Women's Coalition; Rainbow Family 808; Gay, Lesbian, Bisexual, and Transgender Caucus of the Democratic Party of Hawaii; Honolulu Pride; Ironworkers Stabilization Fund; Hawaii Alliance for Retired Americans; and forty-seven individuals.

Your Committee received testimony in opposition to this measure from the Hawaii Food Industry Association; National Federation of Independent Business Hawaii; Hawaii Petroleum, Inc.; The Chamber of Commerce of Hawaii; R&R Restaurants, Inc.; TS Restaurants; Hula Grill; Keoki's Paradise; Duke's Canoe Club Kauai; Duke's Beach House Maui; Kimo's Restaurant; Leilani's on the Beach; Duke's Canoe Club Waikiki; Times Supermarket; Smart Business Hawaii; Hawaii Restaurant Association; Island Princess; Foodland Supermarket Ltd.; Food Pantry Ltd.; Coffee Pacific LLC; and five individuals.



Your Committee received comments on this measure from the Hawaii State Teachers Association and one individual.

MINIMUM WAGE INCREASE

Your Committee finds that the minimum wage rate in Hawaii was last amended in 2007 and has remained at \$7.25 per hour for the last seven years. The Department of Labor and Industrial Relations testified that the average weekly earnings have increased sixteen percent since 2007, but zero percent for minimum wage workers. In comparison, as of January 1, 2014, twenty other states have higher minimum wage rates than Hawaii's rate, including Washington with the highest minimum wage rate in the nation at \$9.32 per hour.

According to the United States Census Bureau, Hawaii's poverty rate of 17.3 percent makes Hawaii the ninth poorest state in the nation. A single parent with one child with a minimum wage job earns \$15,080 per year, if this individual works forty hours per week for fifty-two weeks per year. This is \$2,770 or sixteen percent below the 2013 federal poverty guidelines for a family of two. As a result, many families earning wages at or below the minimum wage rate receive various types of public assistance, including food stamps, Medicaid, and free or reduced priced school meals for children. A study indicates that economists on both sides of the issue agree that raising the minimum wage reduces poverty.

Furthermore, the Department of Labor and Industrial Relations testified that since 2002, the minimum wage rate has increased four times and on each of these occasions, the number of jobs increased by an average of 2.2 percent over the next twelve months after the minimum wage rate increased. For example, a total of fifteen thousand seven hundred jobs were added to Hawaii's economy twelve months following the minimum wage increase in 2002 and a total of fifteen thousand jobs were added in the twelve months following the minimum wage increase in 2006.

Therefore, by raising the minimum wage rate by 95 cents per year for the next three years to achieve a minimum wage rate of \$10.10 per hour beginning January 1, 2017, this measure will boost the State's economy, improve the quality of life for minimum wage workers, and increase the number of jobs available.



Your Committee recognizes the written testimony submitted in opposition to this measure that increasing Hawaii's minimum wage rate in 95-cent increments over a three year period may pose a financial burden on businesses. However, your Committee notes that the United States Senate is currently deliberating a measure that proposes to raise the federal minimum wage rate to \$10.10 per hour over the span of three years. Furthermore, during the State of the Union Address on January 27, 2014, President Obama stated his intention to use his executive power to increase the minimum wage rate to \$10.10 per hour for workers on new government contracts. Thus, raising the minimum wage rate to \$10.10 per hour for Hawaii would mirror the changes proposed in the federal minimum wage rate.

MINIMUM WAGE ADJUSTED BASED ON THE CONSUMER PRICE INDEX

Your Committee finds that the low minimum wage rate is exacerbated by Hawaii's high cost of living. According to the Missouri Economic Resource and Information Center, Hawaii continues to have the highest cost of living as of the third quarter of 2013. However, the lack of increase in Hawaii's minimum wage fails to correlate with Hawaii's rising cost of living. Furthermore, according to the Massachusetts Institute of Technology's minimum wage calendar for the City and County of Honolulu, the minimum wage rate should be \$12.91 for a single individual and \$25.83 for a single parent with one child. However, Hawaii's existing minimum wage rate remains at \$7.25 per hour.

The Department of Labor and Industrial Relations testified that of the twenty states that have a higher minimum wage rate than Hawaii, thirteen of these states index their minimum wage rate to inflation so that the real value of the minimum wage does not fall every year. For example, Washington's minimum wage rate at \$9.32 per hour is twenty-nine percent higher than Hawaii's minimum wage rate, but Washington's cost of living is fifty-five percent lower than Hawaii's cost of living.

Your Committee notes the written testimony in opposition to this measure that indicate that adjusting the minimum wage rate based on a price index may cause difficulties for businesses to create budgets in advance because the price index is unpredictable. However, your Committee strongly believes that adjusting the minimum hourly wage to the nearest 5 cents based on the Honolulu region consumer price index will more accurately



reflect Hawaii's economic changes, provide a mechanism to keep up with the cost of inflation, provide employers with more predictable and gradual increases in the minimum wage rate over time, and avoid continual review by the Legislature. Furthermore, this measure requires that if the adjustment based on the Honolulu region consumer price index results in a lower minimum wage rate, the minimum wage rate will not decrease and remain at the most recently established minimum wage rate. Thus, this requirement preserves the purchasing power of minimum wage workers and helps to lift minimum wage workers and their families out of poverty.

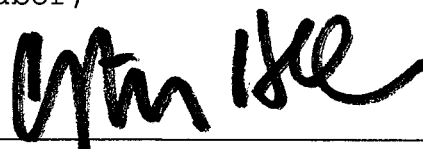
REPEAL OF THE TIP CREDIT

Your Committee finds that the tip credit has made Hawaii's service industry workers particularly vulnerable due to the varying levels of customer tips, which supplement wages that are lower than the minimum wage rate. According to the Department of Labor and Industrial Relations, the average tipped worker in Hawaii earns approximately \$9.87 per hour including tips and that tipped workers are more likely to live under the federal poverty guidelines. This measure repeals the tip credit to treat all workers equally.

Your Committee notes that written testimony was submitted which opposed the repeal of the tip credit and instead proposed that the tip credit be increased. However, data submitted to your Committee indicates that participation by employers is low enough that no undue harm will result in the elimination of the tip credit.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2609 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,

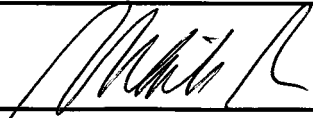


CLAYTON HEE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:* SB 2609	Committee Referral: JDL, WAM	Date: 01-30-14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile S.L. (VC)	✓			
GABBARD, Mike	✓			
GALUTERIA, Brickwood	✓			
IHARA, Jr., Les				✓
SOLOMON, Malama	✓			
SLOM, Sam			✓	
TOTAL	5	0	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes