

Honolulu, Hawaii

Feb 17, 2006

RE: H.B. No. 3209
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Labor & Public Employment and Economic Development & Business Concerns, to which was referred H.B. No. 3209 entitled:

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

beg leave to report as follows:

The purpose of this bill is to incrementally increase the minimum wage tip credit for tipped employees over the next two fiscal years.

The Department of Labor and Industrial Relations (DLIR), The Chamber of Commerce of Hawaii, Hawaii Hotel and Lodging Association, Nick's Fishmarket Restaurant, Gyotaku Japanese Restaurant, Eastside Bar & Grill, Hawaii Restaurant Association, Auntie Pasto's Restaurant, Hawaii Full Service Restaurant Owners, Ruth's Chris Steak House, Wailana Coffee House, Dream Dining Honolulu LLC, Douglas Trade Shows, Sorabol Korean Restaurant, Kona Brewing Company, Dixie Grill Bar-B-Que & Crab Shack, Tanaka of Tokyo Restaurants, Desert Island Restaurants, Hana Kikaku, Inc., and several concerned individuals testified in support of this bill. The Hawaii State AFL-CIO, ILWU Local 142, Hawaii State Teachers Association, and several concerned individuals opposed this measure. Big City Diner submitted comments.

Current law allows for employers to pay tipped employees below the minimum wage if tipped employees earn a specified amount over the minimum wage when their tips are factored into their

HB3209 HD1 HSCR LAB-EDB HMS 2006-2155



wages. Although a number of other states that have "tip credit" laws have increased their "tip credits" over the years, Hawaii's "tip credit" has not increased since 1969. As a result, 40 states and Washington, D.C., currently allow for tipped employees to be paid less than \$4.00 per hour while Hawaii's tipped employees must be paid a minimum of \$6.25 per hour.

Your Committees understand the concerns raised by various businesses that recent increases in the minimum wage without an increase in the "tip credit" have diminished their ability to significantly increase their employment rolls and their ability to increase the wages of non-tipped employees, including individuals working in the "back" of restaurants, such as cooks and dishwashers. While your Committees received assurances from many businesses that the resulting cost savings from a tip credit would be passed on to non-tipped employees through wage increases, your Committees note that increasing the "tip credit" will not necessarily result in non-tipped individuals' receiving pay raises. Accordingly, your Committees have amended this measure by:

- (1) Providing that the wages of non-tipped, non-salaried employees shall be increased by 50 percent of the "tip credit" in order for an employer to claim a tip credit for their tipped employees; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Labor & Public Employment and Economic Development & Business Concerns that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 3209, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 3209, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Labor & Public
Employment and Economic
Development & Business
Concerns,



JON RIKI KARAMATSU, Chair



KIRK CALDWELL, Chair



