

STAND. COM. REP. NO.

1675

Honolulu, Hawaii

, 2019

MAR 22

RE: S.B. No. 789

S.D. 2

H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 789, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to:

- (1) Increase the minimum wage to \$12.00 per hour beginning January 1, 2020, and to \$15.00 per hour beginning January 1, 2023; and
- (2) Establish a minimum wage income tax credit for qualified small businesses to offset the increase in the minimum hourly wage that employers must pay employees.

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; LGBT Caucus of the Democratic Party of Hawaii; Pride at Work Hawaii; Americans for Democratic Action; Hawaii Catholic Conference; We Are One, Inc.; United Public Workers, AFSCME, Local 646, AFL-CIO; Save Medicaid Hawaii; Filipina Advocacy Network; Hawai'i Alliance for Community-Based Economic Development; PHOCUSED; Catholic Charities Hawai'i; IMUAlliance; Hawaii State Teachers Association; Democratic Party of Hawai'i Education Caucus;

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Hawaii Children's Action Network; Democratic Party of Hawaii Labor Caucus; International Longshore and Warehouse Union Local 142; Hawai'i Public Health Institute; Hawaii Appleseed Center for Law & Economic Justice; American Association of University Women of Hawaii; Living Wage Hawaii; Democratic Party of Hawai'i; Pono Hawai'i Initiative; Hawaiian Community Assets; Hawai'i Alliance for Progressive Action; Hawai'i Health & Harm Reduction Center; Drug Policy Forum of Hawai'i; League of Women Voters of Hawaii; The International Alliance of Theatrical Stage Employees Local 665; Aloha State Association of the Deaf; Poggenpohl Kitchens Hawaii; and many individuals testified in support of this measure.

Hawai'i Restaurant Association; Kona-Kohala Chamber of Commerce; Hawaiian Chip Company; Chamber of Commerce Hawaii; Island Plastic Bags, Inc.; Kauai Ice Distributors; IL Gelato Hawaii; Hawaii Petroleum Company; Charley's Taxi; Hawaii Food Manufacturer's Association; Boss Frog's Dive & Surf; Teapresso IL Gelato LLC; Hawaii Food Industry Association; ABC Stores; Gyotaku Japanese Restaurants; Retail Merchants of Hawaii; Hawaii Petroleum Marketers Association; Maui Chamber of Commerce; Hawaii Farm Bureau; Tanaka of Tokyo; Tiki's Grill & Bar; Duke's Waikiki; Hakuyosha International, Inc.; Dust-Tex Honolulu, Inc.; National Federation of Independent Business; and many individuals opposed this measure.

The Department of Labor and Industrial Relations; Department of Taxation; St. Elizabeth's Church; Democratic Party of Hawaii Hawaiian Affairs Caucus; Society for Human Resource Management-Hawaii Chapter; Moiliili Community Center; Grassroot Institute of Hawaii; Iron Workers Stabilization Fund; UNITE HERE Local 5; Hawaii Women's Coalition; and several individuals provided comments on this measure.

Your Committee has amended this measure by deleting its contents and:

(1) Inserting the substance of:

- (A) H.B. No. 1191, H.D. 1, which, beginning January 1, 2020, increases minimum wage rates annually over a five-year period, and also establishes a separate minimum wage rate scale that provides annual increases over a five-year period at lower minimum wage rates for employees who receive employer-



sponsored health benefits under the Hawaii Prepaid Health Care Act; and

(B) H.B. No. 232, H.D. 1, which includes persons with disabilities under generally applicable minimum wage requirements by repealing provisions that allow individuals whose earning capacity is impaired by old age or physical or mental deficiency or injury to be paid at subminimum rates; and

(2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Your Committee recognizes the rising wage disparity in the State and that the cost of living in Hawaii is one of the highest in the nation. Your Committee also recognizes that employees are afforded health care coverage through the Hawaii Prepaid Health Care Act, which requires Hawaii employers to provide health care coverage for eligible employees and to bear most of the cost for doing so. Preservation of our prepaid health care system remains a paramount concern. Employers also bear the costs of workers' compensation, temporary disability insurance, and unemployment insurance.

Your Committee notes the report by the Department of Commerce and Consumer Affairs' Insurance Division that the growth of health insurance premiums far outpaces workers' earnings and overall inflation and is expected to increase over the next few years, adding to the cost of providing health care for employees. In addition, average medical and drug premiums have risen steadily due to increased costs of care, medical technology, and drug utilization.

Acknowledging the concerns and testimony of both employers and employees, your Committee has adopted a balanced approach to support increases to the minimum wage, while also including in this measure a separate minimum wage rate scale that provides lower minimum wage rates for employees who receive employer-sponsored health benefits under the Hawaii Prepaid Health Care Act. If this measure is passed, every minimum wage worker will have their pay increased over the next five years. As amended, this measure raises the standard of living for working families and individuals, while noting the concerns of employers.



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 S.B. No. 789, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 789, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

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



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AARON LING JOHANSON, Chair



