
HOUSE CONCURRENT RESOLUTION

REQUESTING THE DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS TO
CONVENE AN INTERAGENCY ENFORCEMENT TASK FORCE TO COMBAT THE
UNDERGROUND ECONOMY AND EMPLOYEE MISCLASSIFICATION.

1 WHEREAS, the "underground economy" generally refers to
2 those individuals and businesses that use various schemes to
3 conceal or misrepresent their employee population to avoid one
4 or more of their employer responsibilities related to wages,
5 payroll taxes, insurance, licensing, safety, or other regulatory
6 requirements; and

7
8 WHEREAS, the underground economy also encompasses other
9 activities, such as tax evasion, payroll fraud, under-the-table
10 work, and wage theft; and

11
12 WHEREAS, these activities may include but are not limited
13 to paying wages in cash, skimming some or all of the cash
14 takings, not paying overtime, paying sub-minimum wages, charging
15 individuals for transportation and supplies essential to the
16 work, underreporting the number of employees, misclassifying
17 employees as independent contractors, forcing employees to set
18 up shell subcontractor entities, running a part of normal
19 business activities off-the-books, and not registering a
20 business in order to avoid tax obligations or avoid obtaining
21 the necessary licenses and insurance policies; and

22
23 WHEREAS, the health of Hawaii's economy, its workers, and
24 its businesses are harmed by the existence of an illegal
25 underground economy in which individuals and businesses conceal
26 their activities from government licensing, regulatory, and
27 taxing authorities; and

28
29 WHEREAS, individuals and businesses that operate in the
30 underground economy do so in violation of labor, employment,



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1 tax, insurance, and occupational-safety laws by failing to pay
2 required wages; carry workers' compensation insurance; comply
3 with health, safety, and licensing requirements; or pay income
4 taxes and payroll taxes that fund unemployment insurance,
5 disability insurance, and Medicare and Social Security benefits;
6 and

7
8 WHEREAS, certain businesses also improperly classify their
9 employees as independent contractors and hire undocumented
10 workers to avoid compliance with labor, employment, tax,
11 insurance, and regulatory requirements; and

12
13 WHEREAS, the underground economy, particularly the practice
14 of employee misclassification:

- 15
16 (1) Exploits vulnerable workers and deprives them of legal
17 benefits and protections;
18
19 (2) Gives unlawful businesses an unfair competitive
20 advantage over lawful businesses by illegally lowering
21 violators' taxes, wage costs, and other overhead
22 costs;
23
24 (3) Defrauds the government of substantial tax revenues;
25 and
26
27 (4) Harms consumers, who suffer at the hands of unlicensed
28 businesses that fail to maintain minimum levels of
29 skills and knowledge; and
30

31 WHEREAS, in 2016, federal and state agencies formed ad hoc
32 task forces that were instrumental in enforcing wage laws
33 against employers who were found guilty of misclassifying
34 employees; and

35
36 WHEREAS, Hawaii faces an underground economy that has
37 deprived the State of significant amounts of tax revenue; and

38
39 WHEREAS, the State needs a comprehensive, unified strategy
40 and approach toward protecting Hawaii's economy, its workers,
41 and its businesses from the illegal underground economy; now,
42 therefore,



1
2 BE IT RESOLVED by the House of Representatives of the
3 Thirty-second Legislature of the State of Hawaii, Regular
4 Session of 2024, the Senate concurring, that the Department of
5 Labor and Industrial Relations is requested to convene an
6 interagency enforcement task force to combat the underground
7 economy and employee misclassification; and

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9 BE IT FURTHER RESOLVED that the interagency enforcement
10 task force is requested to be established within the Department
11 of Labor and Industrial Relations for administrative purposes;
12 and

13
14 BE IT FURTHER RESOLVED that the Director of Labor and
15 Industrial Relations, or the Deputy Director of Labor and
16 Industrial Relations, is requested to serve as the chairperson
17 of the interagency enforcement task force and to invite the
18 following individuals to serve as members of the task force:

- 19
20 (1) A representative of the United States Department of
21 Labor's Wage and Hour Division's Honolulu District
22 Office;
- 23
24 (2) The Director of Taxation, or the Director's designee;
- 25
26 (3) The Attorney General, or the Attorney General's
27 designee;
- 28
29 (4) The Administrator of the Disability Compensation
30 Division of the Department of Labor and Industrial
31 Relations, or the Administrator's designee;
- 32
33 (5) The Administrator of the Hawaii Occupational Safety
34 and Health Division of the Department of Labor and
35 Industrial Relations, or the Administrator's designee;
- 36
37 (6) The Administrator of the Unemployment Insurance
38 Division of the Department of Labor and Industrial
39 Relations, or the Administrator's designee;
- 40



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- 1 (7) The Administrator of the Wage Standards Division of
2 the Department of Labor and Industrial Relations, or
3 the Administrator's designee;
4
- 5 (8) The Division Administrator of the Professional and
6 Vocational Licensing Division of the Department of
7 Commerce and Consumer Affairs, or the Division
8 Administrator's designee;
9
- 10 (9) The Complaints and Enforcement Officer of the
11 Regulated Industries Complaints Office of the
12 Department of Commerce and Consumer Affairs, or the
13 Complaints and Enforcement Officer's designee;
14
- 15 (10) The Executive Director of the Office of Consumer
16 Protection of the Department of Commerce and Consumer
17 Affairs, or the Executive Director's designee;
18
- 19 (11) The director of the planning and permitting department
20 of each county, or their respective designees; and
21
- 22 (12) Any additional representatives from federal, state, or
23 county agencies as deemed appropriate by the
24 chairperson; and
25

26 BE IT FURTHER RESOLVED that the Department of Labor and
27 Industrial Relations is requested to serve as the lead agency to
28 coordinate joint efforts to combat the underground economy and
29 employee misclassification to:
30

- 31 (1) Ensure safe working conditions for and proper payment
32 of wages to workers;
33
- 34 (2) Create an environment where legitimate businesses can
35 thrive; and
36
- 37 (3) Support the collection of all taxes, fees, and
38 penalties due from employers; and
39

40 BE IT FURTHER RESOLVED that the interagency enforcement
41 task force is requested to serve as an advisory and enforcement



1 body to combat the underground economy and employee
2 misclassification to:

- 3
- 4 (1) Strengthen compliance with the law by educating
5 business owners and employees about applicable
6 requirements;
- 7
- 8 (2) Conduct interagency, targeted investigations and
9 enforcement actions against violators;
- 10
- 11 (3) Protect the health, safety, and rights of workers; and
12
- 13 (4) Restore an environment of equal competition for law-
14 abiding businesses; and
15

16 BE IT FURTHER RESOLVED that the interagency enforcement
17 task force is requested to:

- 18
- 19 (1) Serve as the State's interagency advisory and
20 enforcement entity, with representation from state and
21 county government agencies, to combat the underground
22 economy and employee misclassification;
- 23
- 24 (2) Facilitate the timely sharing of information between
25 and among task force members, including through the
26 establishment of protocols by which participating
27 agencies will advise or refer to other agencies
28 matters of potential investigative interest;
- 29
- 30 (3) Identify industries and sectors where the underground
31 economy and employee misclassification are most
32 prevalent and target task force members' investigative
33 and enforcement resources against those industries and
34 sectors, including through the formation of
35 interagency investigative and enforcement teams;
- 36
- 37 (4) Assess existing investigative and enforcement methods,
38 in Hawaii and other jurisdictions, and develop and
39 recommend strategies to improve those methods;
- 40
- 41 (5) Encourage businesses and individuals to identify
42 violators by soliciting information from the public,



- 1 facilitating the filing of complaints, and enhancing
2 the available mechanisms by which workers can report
3 suspected violations;
4
- 5 (6) Solicit the cooperation and participation of
6 prosecutors at the federal, state, and county levels
7 and other relevant federal, state, and county
8 enforcement agencies, including the United States
9 Department of Labor, and establish procedures for
10 referring cases to prosecuting authorities as
11 appropriate;
12
- 13 (7) Work collaboratively with employers, labor, and
14 community groups to diminish the size of the
15 underground economy and reduce the incidences of
16 employee misclassification by, among other means:
17
- 18 (A) Disseminating educational materials regarding
19 applicable laws, including the legal distinctions
20 between independent contractors and employees;
21 and
22
- 23 (B) Increasing public awareness of the harm caused by
24 the underground economy and employee
25 misclassification;
26
- 27 (8) Work collaboratively with federal, state, and county
28 social-services agencies to provide assistance to
29 vulnerable populations that have been exploited by the
30 underground economy and employee misclassification,
31 including but not limited to immigrant workers;
32
- 33 (9) Identify potential regulatory or statutory changes
34 that would strengthen enforcement efforts, including
35 any changes needed to resolve existing legal
36 ambiguities or inconsistencies as well as potential
37 legal procedures for facilitating individual
38 enforcement efforts;
39
- 40 (10) Consult with representatives of business and organized
41 labor, members of the Legislature, representatives of
42 county governments, community groups, and other



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1 agencies concerning the activities of the task force
2 and its members and ways of improving its
3 effectiveness, including whether to establish an
4 advisory panel under the Department of Labor and
5 Industrial Relations;

6
7 (11) Submit an annual report, no later than twenty days
8 prior to the convening of each Regular Session, to the
9 Governor, Legislature, mayor of each county, and
10 chairperson of each county council that summarizes the
11 task force's activities during the year; provided that
12 the annual report:

13
14 (A) Describes the task force's efforts and
15 accomplishments during the year;

16
17 (B) Identifies any administrative or legal barriers
18 that impede the more effective operation of the
19 task force, including any barriers to
20 information-sharing or joint action;

21
22 (C) Proposes, after consultation with representatives
23 of business and organized labor, members of the
24 Legislature, representatives of county
25 governments, community groups, and other
26 agencies, the appropriate administrative,
27 legislative, or regulatory changes to strengthen
28 the task force's operations and enforcement
29 efforts and to reduce or eliminate any barriers
30 to those efforts; and

31
32 (D) Identifies successful preventive mechanisms to
33 reduce the extent of the underground economy and
34 employee misclassification, thereby lessening the
35 need for greater enforcement; and

36
37 (12) Take appropriate steps to publicize its activities;
38 and

39
40 BE IT FURTHER RESOLVED that to the extent permitted by law,
41 every agency within the State's and each county's executive
42 branch is requested to make all reasonable efforts to cooperate



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1 with the interagency enforcement task force and to furnish any
2 information and assistance as the task force reasonably deems
3 necessary to accomplish its purposes; and
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5 BE IT FURTHER RESOLVED that the interagency enforcement
6 task force is requested to regularly hold meetings that are
7 closed to the public when task force members plan to discuss
8 sensitive matters related to its investigations, potential
9 criminal referrals, and public safety and security topics; and
10

11 BE IT FURTHER RESOLVED that certified copies of this
12 Concurrent Resolution be transmitted to the head of the United
13 States Department of Labor's Wage and Hour Division's Honolulu
14 District Office, Governor, Director of Labor and Industrial
15 Relations, Director of Taxation, Attorney General, Director of
16 Commerce and Consumer Affairs, mayor of each county, chairperson
17 of each county council, and director of the planning and
18 permitting department of each county.
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OFFERED BY: _____



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