

JAN 19 2024

A BILL FOR AN ACT

RELATING TO TIPPED EMPLOYEES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the tip credit
2 unfairly penalizes employees who work in the service industry.
3 According to historians, tipping originated in feudal Europe.
4 The practice spread throughout the United States after the Civil
5 War as employers in the hospitality industry looked for ways to
6 avoid paying freed slaves.

7 The legislature further finds that numerous studies have
8 found that the tip credit worsens sexual harassment in the
9 workplace. Tipped employees are often reluctant to file
10 complaints about sexually predatory customers for fear of losing
11 the tips on which they rely for income. According to a study
12 performed by a team of researchers from the University of Notre
13 Dame, Pennsylvania State University, and Emlyon Business School
14 in France that was published in the "Journal of Applied
15 Psychology", dependency on tips and a requirement to appear
16 emotionally pleasant on the job increase an employee's risk of
17 being sexually harassed. Additionally, a 2018 report by the



1 Restaurant Opportunities Center, a nonprofit group that
2 advocates for better working conditions for restaurant workers,
3 found that a majority of respondents who reported experiencing
4 sexual harassment associated that harassment to their dependence
5 on tips.

6 The legislature also finds that the tip credit acts as a
7 "tip penalty" that decreases the financial well-being of service
8 industry workers. According to the Massachusetts Institute of
9 Technology's living wage calculator, a single individual must
10 earn \$22.76 per hour to meet basic needs in Honolulu, while an
11 individual with only one child must earn \$45.12 per hour.
12 However, service sector workers are often paid the State's base
13 minimum wage rate. Some service industry employees have even
14 reported that the tip credit is deducted from their wages
15 automatically, regardless of whether they are compensated at the
16 minimum level required by state law for the tip credit to become
17 applicable. This problem may be occurring more frequently than
18 public data or workplace complaints show because tip-credit
19 requirements are often inadequately understood by service
20 industry employers and employees.



1 The legislature notes that President Joe Biden has
2 repeatedly expressed support for abolishing the tip credit.
3 Accordingly, the purpose of this Act is to strengthen the
4 financial security of service industry employees by repealing
5 the tip credit.

6 SECTION 2. Section 387-2, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§387-2 Minimum wages.** [~~(a)~~] Except as provided in
9 section 387-9 [~~and this section~~], every employer shall pay to
10 each employee employed by the employer, wages at the rate of not
11 less than:

- 12 (1) \$6.25 per hour beginning January 1, 2003;
- 13 (2) \$6.75 per hour beginning January 1, 2006;
- 14 (3) \$7.25 per hour beginning January 1, 2007;
- 15 (4) \$7.75 per hour beginning January 1, 2015;
- 16 (5) \$8.50 per hour beginning January 1, 2016;
- 17 (6) \$9.25 per hour beginning January 1, 2017;
- 18 (7) \$10.10 per hour beginning January 1, 2018;
- 19 (8) \$12.00 per hour beginning October 1, 2022;
- 20 (9) \$14.00 per hour beginning January 1, 2024;
- 21 (10) \$16.00 per hour beginning January 1, 2026; and



1 (11) \$18.00 per hour beginning January 1, 2028.

2 [~~(b) The hourly wage of a tipped employee may be deemed to~~
3 ~~be increased on account of tips if the employee is paid no less~~
4 ~~than:~~

5 ~~(1) 25 cents;~~

6 ~~(2) 50 cents per hour beginning January 1, 2015;~~

7 ~~(3) 75 cents per hour beginning January 1, 2016;~~

8 ~~(4) \$1.00 per hour beginning October 1, 2022;~~

9 ~~(5) \$1.25 per hour beginning January 1, 2024; and~~

10 ~~(6) \$1.50 per hour beginning January 1, 2028,~~

11 ~~below the applicable minimum wage by the employee's employer and~~
12 ~~the combined amount the employee receives from the employee's~~
13 ~~employer and in tips is at least 50 cents more than the~~
14 ~~applicable minimum wage; provided that beginning January 1,~~
15 ~~2015, the combined amount the employee receives from the~~
16 ~~employee's employer and in tips is at least \$7.00 more than the~~
17 ~~applicable minimum wage.]"~~

18 SECTION 3. Statutory material to be repealed is bracketed
19 and stricken.

20 SECTION 4. This Act shall take effect upon its approval.



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INTRODUCED BY:





S.B. NO. 2784

Report Title:

Tip Credit; Tipped Employees; Repeal

Description:

Repeals the authority of employers to pay tipped employees less than the minimum wage.

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