

## Fair Pay for Women in Hawaii Requires Increasing the Minimum Wage and the Tipped Minimum Wage

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Nearly one hundred thousand workers in Hawaii – mostly women and people of color – would benefit from raising Hawaii's minimum wage.<sup>1</sup> A pending state Senate bill (SB 2609) would raise the state's minimum wage and change the minimum cash wage for tipped workers. The bill would increase the minimum wage to \$10.10 per hour by January 2018, but it would increase the tip credit that employers may apply to hourly wages. The tip credit would rise from its current level of 25 cents to \$1.00 per hour by January 2017, but employers could only take advantage of the higher tip credit when an employee's gross income – including both wages and tips – is at least 250 percent of the poverty level. This means that tipped workers would be guaranteed a minimum cash wage of \$10.10 per hour when the bill takes full effect, but once their gross wages and tips put their income over 250 percent of the poverty threshold for that year, employers could opt to pay tipped workers \$9.10 for the rest of the calendar year.

Increasing the state minimum wage from \$7.25 to \$10.10 per hour could give an estimated 54,000 women in Hawaii a raise<sup>2</sup> – and maintaining a strong minimum cash wage for tipped workers would ensure that restaurant servers and other tipped workers, who are also predominantly women, fully benefit from a wage increase. **Raising the minimum wage and the tipped minimum wage are key steps toward fair pay for women in Hawaii.**

### It's time to give hardworking women in Hawaii a raise.

- Women earning the minimum wage or less provide important services in Hawaii – caring for children and elders, cleaning hotels and offices, and waiting tables. But a woman working full time, year round in Hawaii at the current minimum wage of \$7.25 per hour will earn just \$14,500 annually.<sup>3</sup> That's more than \$8,200 below the poverty guideline established by the Department of Health and Human Services for a mother with two children in Hawaii,<sup>4</sup> in a state with one of the highest costs of living in the country.
- The minimum cash wage for tipped workers in Hawaii is \$7.00 per hour – far better than the federal tipped minimum cash wage of \$2.13 per hour, but still inadequate for many women trying to lift their families out of poverty. In Hawaii, women are 68 percent of tipped workers and 62 percent of restaurant servers, the state's largest group of tipped

workers.<sup>5</sup> Nationally, restaurant servers experience poverty at nearly three times the rate of the workforce as a whole.<sup>6</sup>

- Families in Hawaii are struggling in this tough economy. Nearly one-third (30 percent) of Native Hawaiian/Pacific Islander families with children are in poverty, 22 percent of Hispanic families with children are in poverty and 34 percent of single-mother families are in poverty.<sup>7</sup>

### Raising the minimum wage and the tipped minimum wage would promote fair pay for women in Hawaii.

- The Economic Policy Institute (EPI) estimates that if the federal minimum wage were gradually increased to \$10.10 per hour beginning this year, by 2016, 99,000 Hawaii workers would get a raise. Of the total affected workers, about 54,000 (55 percent) are women and 86,000 (87 percent) are people of color.<sup>8</sup>



- Increasing Hawaii's minimum wage to \$10.10 per hour would raise annual earnings to \$20,200, an increase of \$5,700 per year.<sup>9</sup> This boost would help struggling families, although a woman with two children would still fall short of the poverty guideline for families in Hawaii.<sup>10</sup>
- Currently, Hawaii requires employers to pay their tipped employees no less than 25 cents below the regular minimum wage, and an employer may only take this 25-cent tip credit if the employee's total pay (with tips) is at least 50 cents above the regular minimum wage. The proposed change would allow an employer to take a higher tip credit – \$1.00 once the law is fully implemented – but only once an employee's annual earnings have reached 250 percent of poverty. Maintaining a strong tipped wage policy with an increased minimum wage is essential to ensure that tipped workers share in the full benefit of a minimum wage increase.
- Higher pay for thousands of Hawaii women could help close the state's gender wage gap.<sup>11</sup> In 2012, Hawaii women working full time, year round were paid 83 cents for every dollar paid to their male counterparts.<sup>12</sup> Asian women in Hawaii working full

time, year round, however, made 71 cents for every dollar paid to their white, non-Hispanic male counterparts, which is a wider wage gap than for Asian women nationally (84 cents).<sup>13</sup> Native Hawaiian/Pacific Islander women working full time, year round only make 60 cents for every dollar paid to their white, non-Hispanic male counterparts.<sup>14</sup> Maintaining a strong tipped cash wage while raising the minimum wage to \$10.10 per hour would support further progress toward fair pay for women in Hawaii.

### Raising the minimum wage would strengthen Hawaii's economy.

- Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers<sup>15</sup> – and raising the minimum wage does not cause job loss, even during periods of recession.<sup>16</sup>
- Most minimum wage workers need this income to make ends meet and spend it quickly, boosting the economy. Research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.<sup>17</sup>

1 EPI, State-by-state characteristics of workers who would be affected by increasing the federal minimum wage to \$10.10 by July 2016 (Dec. 2013), *available at* <http://s2.epi.org/files/2013/minimum-wage-state-tables.pdf>. EPI's estimates are based on an analysis of the Fair Minimum Wage Act (H.R. 1010/S. 460) and the Minimum Wage Fairness Act (S.1737), which would raise the federal minimum wage to \$10.10, much like Hawaii's Senate Bill 2609. The tipped provisions are different, however, with Hawaii's tipped workers receiving a cash wage of more than 70 percent of the regular minimum wage, even after the state's tip credit is applied. Figures based on the Harkin-Miller bill provide a conservative estimate for the number of affected workers, because the federal bill does not provide as large a raise as the state bill under consideration.

2 EPI, *supra* note 1. Includes workers who are directly and indirectly affected.

3 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour.

4 U.S. Dep't of Health & Human Servs., 2014 Poverty Guidelines for Hawaii, <http://aspe.hhs.gov/poverty/14poverty.cfm> (last visited Apr. 1, 2014). The 2014 HHS poverty guideline for a family of three in Hawaii is \$22,760. The proposed bill (SB 2609) states that tip credit calculations will be based on the HHS annual poverty guidelines for Hawaii.

5 Steven Ruggles et al., *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010. Data are from the American Community Survey 2007-2011 five-year averages; refers to employed tipped workers.

6 The White House, The Impact of Raising the Minimum Wage on Women, at 1 (Mar. 2014), *available at* <http://www.whitehouse.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>.

7 NWLC calculations from U.S. Census Bureau, 2012 American Community Survey, <http://www.census.gov/acs/www/> (Tables B17010E, B17010I, S1702). Figures are based on householder's race. These rates are based on the federal poverty thresholds used by the Census Bureau to determine poverty rates (see U.S. Census Bureau, Poverty Thresholds for 2012, <http://www.census.gov/hhes/www/poverty/data/threshld/index.html> which are somewhat lower than the HHS Poverty Guidelines see *supra* note 4).

8 EPI, State-by-state characteristics of workers who would be affected by increasing the federal minimum wage to \$10.10 by July 2016 (Dec. 2013), *available at* <http://s2.epi.org/files/2013/minimum-wage-state-tables.pdf>. See *supra* note 1 for a discussion on the differences between EPI's analysis of the federal proposed changes and Hawaii's proposed bill.

9 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.10 per hour.

10 U.S. Dep't of Health & Human Servs., 2014 Poverty Guidelines for Hawaii, *supra* note 4.

11 The White House, The Impact of Raising the Minimum Wage on Women, *supra* note 6 at 2.

12 NWLC calculations based on U.S. Census Bureau, 2012 American Community Survey <http://www.census.gov/acs/www/> (Table B20017). Figures are the ratio of female and male median earnings for full-time, year-round workers. Earnings are in 2012 dollars.

13 NWLC calculations based on U.S. Census Bureau, 2010-2012 American Community Survey <http://www.census.gov/acs/www/> (Tables B20017D, B20017H). Figures are the ratio of female and male median earnings for full-time, year-round workers. Earnings are in 2012 dollars.

14 NWLC calculations based on U.S. Census Bureau, 2010-2012 American Community Survey <http://www.census.gov/acs/www/> (Tables B20017E, B20017H). Figures are the ratio of female and male median earnings for full-time, year-round workers. Earnings are in 2012 dollars.

15 T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, An Increased Minimum Wage is Good Policy Even During Hard Times (June 2011), *available at* [http://www.americanprogressaction.org/issues/2011/06/higher\\_minimum\\_wage.html](http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html).

16 Mary Gable & Douglas Hall, Econ. Policy Inst., The Benefits of Raising Illinois' Minimum Wage at 2-3 (Jan. 2012), *available at* <http://www.epi.org/files/2012/ib321.pdf>.

17 Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Revised Feb. 2011), *available at* [http://www.chicagofed.org/digital\\_assets/publications/working\\_papers/papers/2007/wp2007\\_23.pdf](http://www.chicagofed.org/digital_assets/publications/working_papers/papers/2007/wp2007_23.pdf).