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McGarry Curran said in the past, restaurants typically closed because of poor management, challenging leases, retirement or, frankly, bad food. She believes 2026 will be different.

Between the rising costs of goods, tariffs, trouble retaining staff, turbulent tourism, declining infrastructure and more economic factors, the restaurant industry is at a devastating tipping point.

“The disgrace in this is that restaurants will close because the running of their own businesses is being taken out of their own hands,” McGarry Curran said. “Some of the best restaurant operators in the country are in Hawaii, but even they can’t keep up with these kinds of costs.”

Tom Jones, a past HRA chairman, has spent 30 years advocating for the restaurant industry, specifically when it comes to the tip credit and minimum wage. Jones is the president and co-owner of the Gyotaku Japanese Restaurants.

But long before he began advocating and running restaurants, Jones spent a lot of years working in back-of-house jobs in restaurants washing dishes and cooking. He understands what it’s like to be on the losing end of an uneven pay gap in a restaurant.

“If you ask a lot of servers whether they’d prefer a minimum wage increase or for the kitchen staff to get a \$2 raise, I think most would say, ‘Give it to the kitchen,’” Jones said.

His opposition to the tip credit does not stem from a desire to line his own pockets as an owner, but rather he wants to make sure the back-of-house is taken care of financially. Jones said most restaurants want to pay the dishwashers and cooks more than minimum wage, and do, but if they must pay the front-of-house near minimum wage, there’s less money to compensate the back-of-house while servers and bartenders walk out of work making three times more than their colleagues.



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“When minimum wage increases, it often benefits those who already earn the most – like servers – because we’re mandated to raise their base pay. Then, as menu prices rise to offset higher labor costs, tips also increase since they’re calculated as a percentage of the bill,” Jones said.

“Historically, servers are the first to see a pay bump, both in wages and tips. Meanwhile, this makes it harder for restaurant owners to raise wages for other staff in the

When wages increase for servers and other tipped employees, it makes it harder for restaurant owners to raise wages for kitchen staff.

middle, because we lose flexibility. Government mandates limit our discretion, and the people already earning the most end up getting even more.”

Competition

Even beyond high-end restaurants, the minimum wage increase and tip credit could not have come at a more difficult time in the industry, Hookipa Partners owner Mike Palmer said. Palmer owns Kuhio Food Hall in the International Mar-

ket Place and is the current chairman of HRA.

He doesn’t take advantage of the tip credit because the majority of his employees work at counters as cashiers, so although they do receive tips, it isn’t as significant as sit-down establishments.

“If I paid my entire staff minimum wage, I wouldn’t have a staff,” Palmer said. “Right now, everyone is competing for workers, so most restaurateurs I know pay more than minimum wage for anyone

who isn’t a tipped employee. Even for dishwashers, you’re competing with a lot of other restaurants.”

In the same vein, competition for management roles can be steep. Merriman said it’s hard to get people to go into management because there’s not enough money to pay them as well, if not better, than servers or bartenders, particularly at high-end restaurants such as Merriman’s.

Palmer said when the math is done between labor, food, leases

and maintenance, restaurateurs are making pennies on the dollar. Something must give, so either hours are going to be cut, workers will be laid off or replaced by kiosks, or the restaurants will close.

“The cost of living here is big and we do understand that,” Palmer said. “You know, we want our employees to be able to pay their bills and make a decent living for their hard work.... It’s sad because the ones that are really grinding it



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Mike Palmer, owner, Hookipa Partners and Kuhio Food Hall, and chairman of the Hawaii Restaurant Association

out, me included, it’s really a labor of love and passion that people in the restaurant business have.”

Merriman, Palmer, Lim and Jones all started “at the bottom of the food chain” in the restaurant industry. Each has experience working back-of-house jobs in the kitchen and they want to make sure employees now in those positions feel appreciated and paid.

“The control of business has been taken out of the hands of restaurant owners,” McGarry Curran said. “Restaurants will be forced to close through absolutely no fault of their own.”

Jones has advocated for a 25% tip credit, which he believes would be the most fair system across the industry.

“That would guarantee that they’re making three times over the minimum wage to tip credit,” Jones said, but added that the Legislature argued that math would be too hard to calculate. “Not for restaurant owners it’s not, but for legislators, maybe.”

Jones, Merriman, Palmer and McGarry Curran believe better communication and understanding between well-meaning legislators and veteran industry leaders could have prevented the dire situation the industry is now facing.

When asked if the tip credit has the potential to be the nail in the coffin for some Hawaii restaurants, Palmer said, “Absolutely.”

“I’ll be surprised if there’s not quite a few closures by June,” Jones said.

McGarry Curran predicted restaurants will start to shutter by February.

“When you raise prices, customers don’t suddenly have more money to spend. Most people have a set budget. So, if they expect to spend around \$30 for dinner and see the bill is \$35, they wonder what happened,” Jones said. “They might look for cheaper restaurants – only to find prices have gone up everywhere. There’s a limit to what people can spend, especially those on fixed incomes, so revenue often stays about the same.” ❧