



# HAWAI‘I WAGES AND HOUSEHOLD COSTS:

A Chartbook for Building a Better Economy

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Hawai'i's post-COVID-19 economy should be one in which everyone has the opportunity to thrive. The design of this new economy must be informed by an understanding that the old economic order had been failing many Hawai'i residents for decades. It featured ever-widening gaps between wages and the cost of living and persistent inequity in the ability to build household financial security. Essential household costs — housing, childcare, transportation, health care, and technology — have been growing faster than general inflation, with the increase in housing costs outpacing all others.

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Ominously, the number of low-income workers who barely make ends meet from one month to the next (the ALICE population) continued to be substantial, even as the economy flourished and unemployment was low. Too many residents responded to Hawai'i's lack of job opportunities and high costs by relocating to states that offered better economic prospects.

This “chartbook” highlights trends of increasing economic inequity in Hawai'i. Part 1 focuses on wages and jobs, while Part 2 addresses household costs.

Establishing a more equitable economy that increases opportunities and provides incomes that outpace rising costs is challenging but necessary in order to make Hawai'i the kind of place we all want it to be. Smart public policy is the solution for building opportunities to secure a better future for working families and an economy that leads to a better life for all Hawai'i residents. We need to address at least these priorities:

- **HOUSING.** Local residents need homes that are safe and affordable. The construction of workforce housing can be an immediate economic stimulus, while the availability of housing is a linchpin for future economic growth and diversity. In addition, studies point to enhanced economic mobility for low-income families who live in mixed-income neighborhoods.
- **JOBS.** Working people in Hawai'i deserve to have jobs that provide economic security without having to sacrifice time for family, community, and leisure. Alternative income supports and public works projects need to be considered as jobs in the old economy give way to technology and changing demand.
- **EDUCATION.** The best investment Hawai'i can make in its future is to ensure that every child has access to high-quality public school, from pre-K to an advanced degree. Studies show the lifelong economic benefits of good early learning. Access to many of the kinds of jobs that provide economic security and personal satisfaction depend on opportunities to get affordable skills training or graduate from an institution of higher education. Expanding education jobs also enhances economic diversity and sustainability.
- **INFRASTRUCTURE AND ENVIRONMENT.** Improving and expanding Hawai'i's infrastructure for transportation, water, waste, and broadband information technology builds the foundation for a productive economy and environmental sustainability. Investments here, as with housing development, support immediate and long-term economic growth.
- **FOOD.** Healthy residents and the economy that supports them need a reliable, affordable supply of healthy food. Supporting the expansion of local agriculture is an economic investment that increases Hawai'i's food security.
- **HEALTH.** Good health depends on positive social and economic conditions. Ensuring that people have decent housing, paying jobs, quality education, and good food will reduce health care costs and absenteeism. Access to timely, affordable health care is a continuing goal that has the added benefit of supporting a growing, sustainable economic sector with jobs on every island.
- **STRONG COMMUNITIES, CIVIC ENGAGEMENT, AND TRUST-WORTHY GOVERNMENT.** Making Hawai'i the kind of place where people can live good lives isn't just about incomes and material needs. Our policies must encourage widespread involvement in community and civic engagement activities, and they need to uphold accountability, transparency, and engagement on the part of our leaders.
- **FAIRNESS, EQUITY, OPPORTUNITY.** A strong commitment to ensuring that the economy we're rebuilding shares gains and opportunities equitably and fairly must inform all policies and investments. The priorities outlined here contribute to the social and economic inclusion and mobility that Hawai'i needs for a better future.

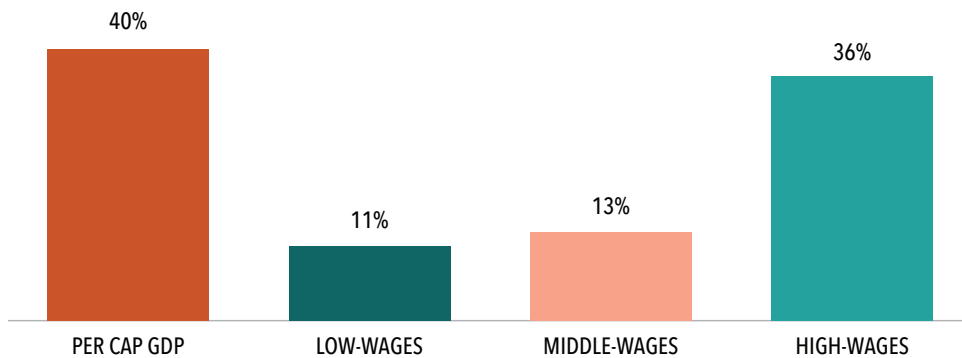
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*The Hawai'i Budget & Policy Center (HBPC) is committed to a Hawai'i where all can thrive, and where state and local policies increase economic opportunity for all residents. We do this by analyzing and understanding the implications of tax and budget decisions and providing clear, compelling explanations to the public and policy-makers. Our principles include independence, economic fairness, empowerment, and nonpartisanship. HBPC is part of the nonprofit Hawai'i Appleseed Center for Law & Economic Justice.*

# PART 1. WAGES AND JOBS<sup>1</sup>

## HAWAI'I INFLATION-ADJUSTED PER CAPITA GDP GAINS COMPARED TO WAGE INCREASES, 1980-2018

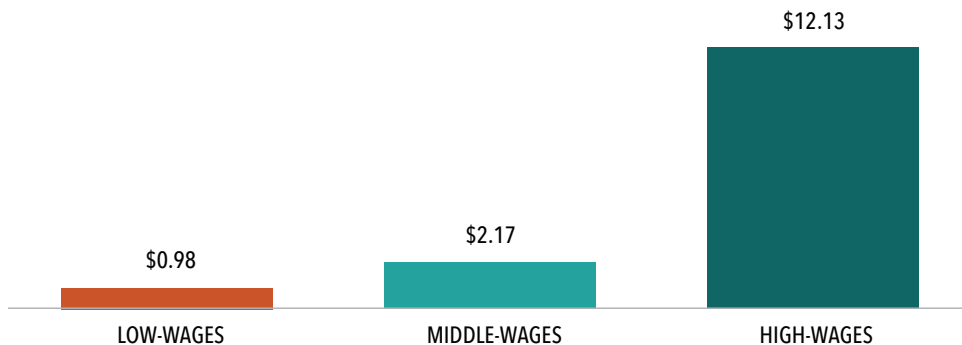
*Low- and Middle-Wage Workers Enjoyed Little of the Economic Growth*



**Figure 1.** After adjusting for inflation, Hawai'i's per capita GDP has grown by 40 percent since 1980.<sup>2</sup> GDP reflects increases in the value of goods and services produced by labor and property. Wage earners, especially those in low- and median-wage jobs, have enjoyed very little of Hawai'i's growing prosperity.

## INFLATION-ADJUSTED HOURLY WAGE INCREASES IN HAWAI'I, 1980-2018

*Low- and Middle-Wage Pay Gains Were Minimal*

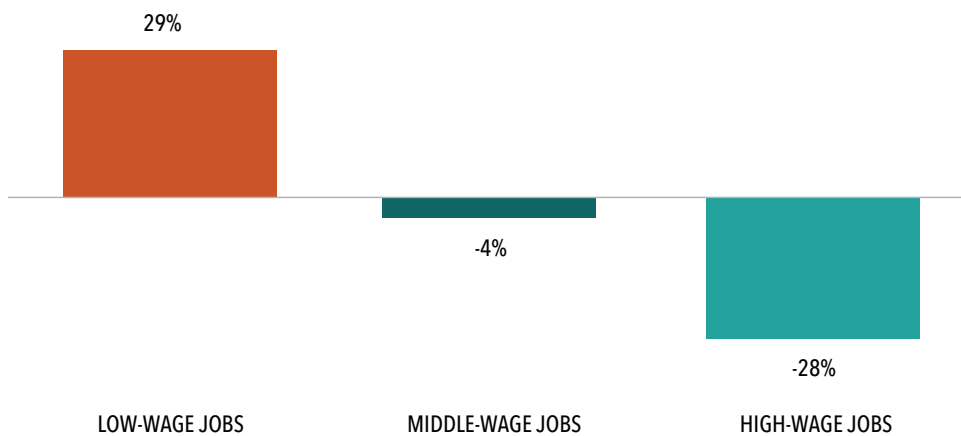


**Figure 2.** Low- and middle-income workers have seen their hourly pay increase by only a few dollars since 1980, far behind the gains of high-income workers. Hourly wage increases reflected in the chart are adjusted for inflation.

## PART 1. WAGES AND JOBS (CONTINUED)

### CHANGE IN HAWAI'I JOBS BY WAGE CATEGORY, 2007-2018

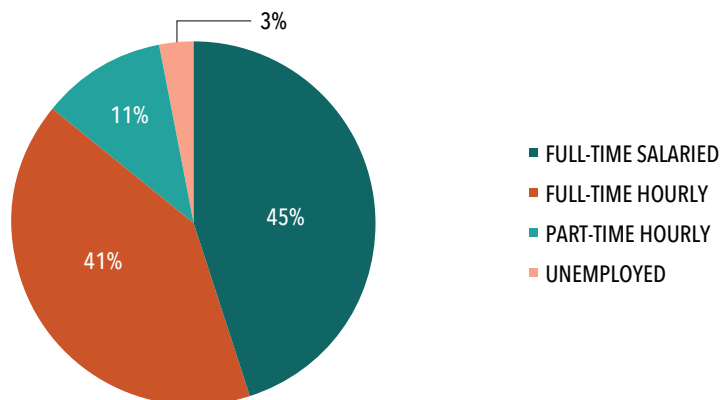
*More Low-Wage Jobs, Fewer Higher-Paying*



**Figure 3.** Stagnant wage growth for low-income jobs has been made worse by the proliferation of jobs that pay less than the cost of a survival budget. While the number of low-wage jobs grew, middle- and high-wage jobs disappeared.<sup>3</sup>

### WORKERS IN HAWAI'I BY HOURLY OR SALARIED JOBS, 2018

*Nearly as Many Full-Time Workers are Hourly as Salaried*

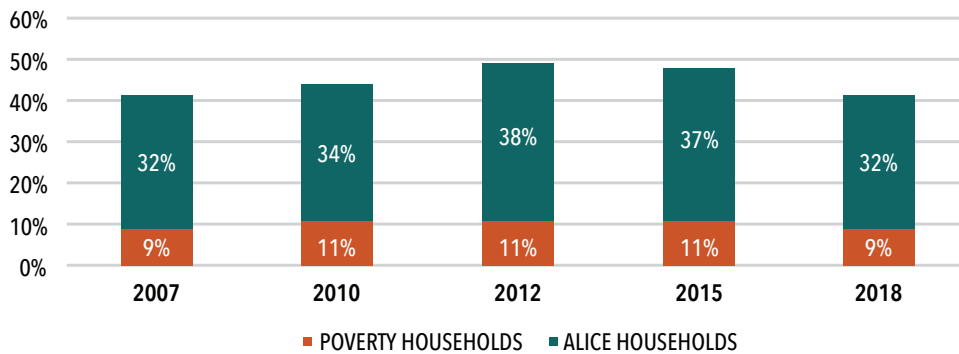


**Figure 4.** More than half of all jobs in Hawai'i are hourly rather than salaried. Hourly workers have much less stability and predictability in earnings, and such work typically offers few, if any, paid benefits.<sup>4</sup>

## PART 1. WAGES AND JOBS (CONTINUED)

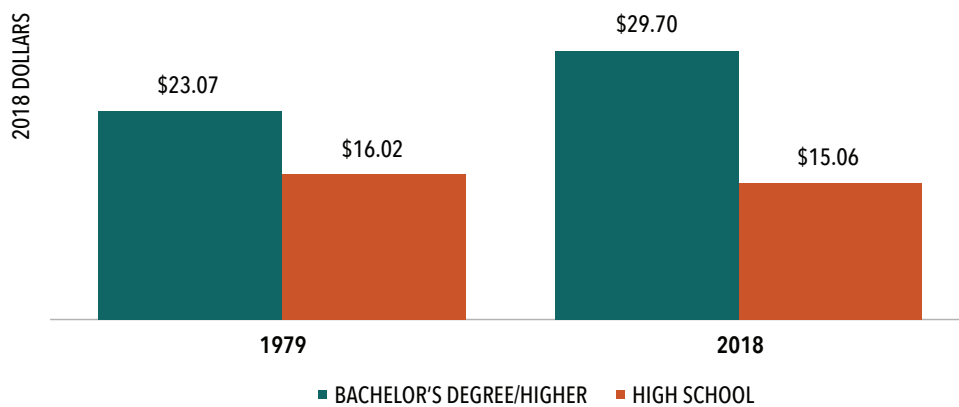
### HAWAII' I ALICE AND POVERTY HOUSEHOLDS AS A PERCENTAGE OF ALL, 2007-2018

COVID-19 Economic Crisis Will Challenge Recent Progress



**Figure 5.** Despite economic growth and low unemployment, the number of ALICE households<sup>5</sup> and those in poverty remained substantial. By 2018 ALICE households appeared to be finally recovering from the Great Recession a decade earlier; however, these gains have likely been reversed by the COVID-19 economic shock.

### INFLATION-ADJUSTED EARNINGS INCREASED FOR WORKERS WITH MORE EDUCATION AND DECLINED FOR THOSE WITH LESS, 1979-2018

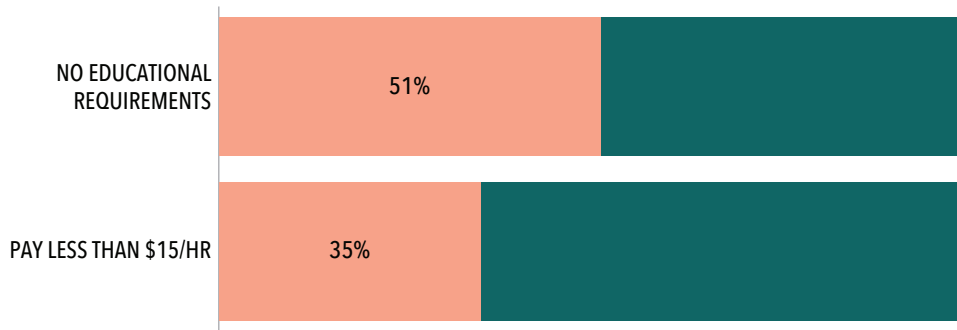


**Figure 6.** The value of an education has increased since 1979. After adjusting for inflation, wages increased by 29 percent for individuals with a bachelor's degree or higher, while decreasing by 6 percent for those with only a high school education.<sup>6</sup>

# PART 1. WAGES AND JOBS (CONTINUED)

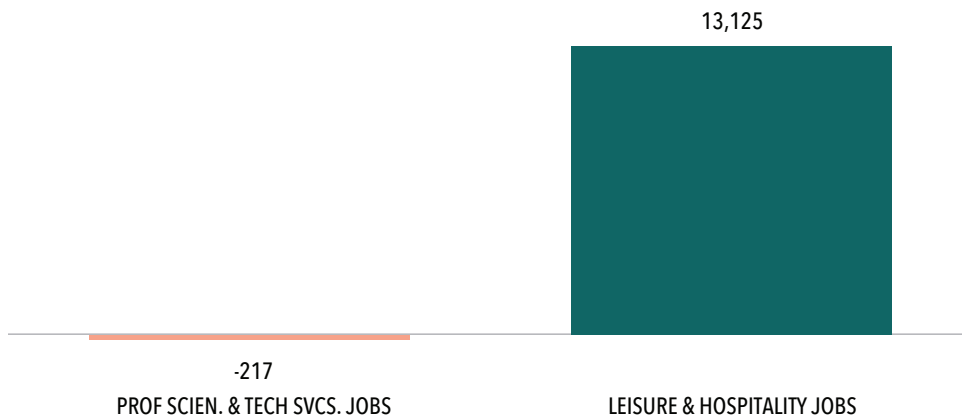
## HAWAII'S TOP 20 GROWTH OCCUPATIONS, 2016-2026

*Much of the Growth will Maintain Economic Inequity*



**Figure 7.** Workers with a college education earn higher wages than those without. Unfortunately, more than half of Hawaii's fastest growing jobs have no particular educational requirements. Much of the projected growth is for jobs that pay less than \$15 per hour.<sup>7</sup>

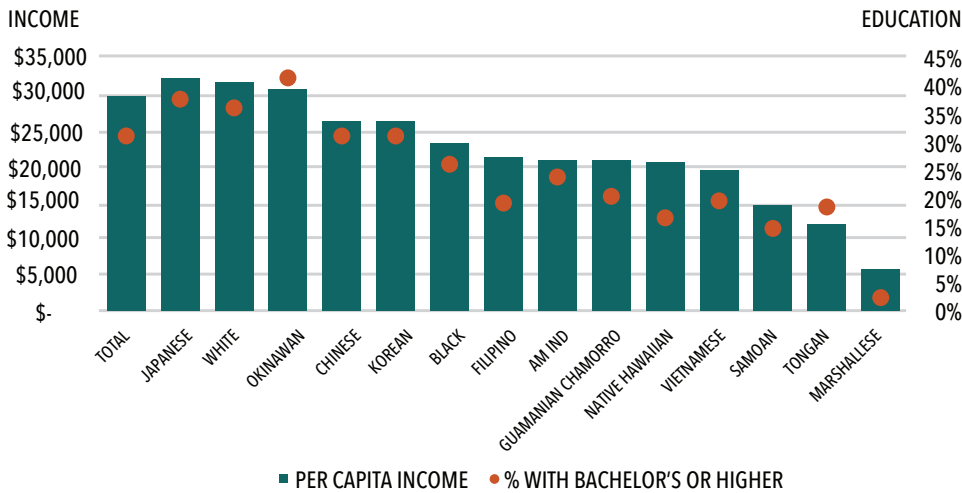
## JOB GROWTH, 2007-2019: FEWER HIGHER-PAYING SCIENCE/TECH JOBS, MORE LOWER-PAYING LEISURE JOBS



**Figure 8.** Since the Great Recession, the state has promoted the value of increasing jobs that require a college education and command higher pay, but little progress has been made. For example, the number of desirable scientific and technical positions has decreased while those requiring less education and offering lower pay in the leisure and hospitality sector have burgeoned.<sup>8</sup>

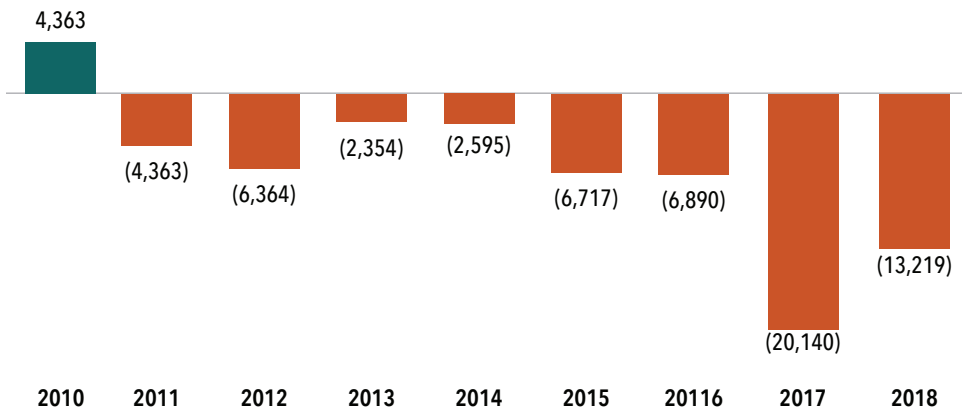
# PART 1. WAGES AND JOBS (CONTINUED)

**HAWAII ETHNIC DISPARITIES IN PER CAPITA INCOME AND EDUCATION, 2011-2015**



**Figure 9.** Racial and ethnic disparities in per capita earnings closely parallel disparities in attaining at least a bachelor's degree.<sup>9</sup>

**HAWAII'S NET DOMESTIC MIGRATION, 2010-2018**  
Since 2011, More Residents Left than Arrived



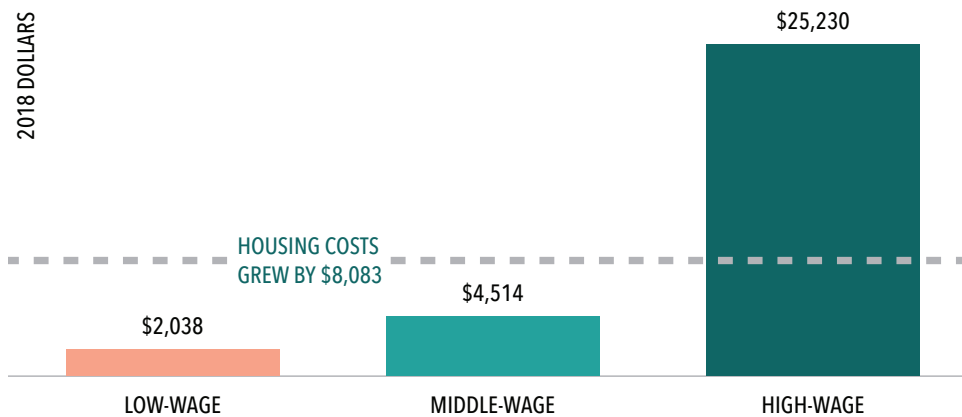
**Figure 10.** Migration of residents away from Hawaii has increased since 2011.<sup>10</sup> "Net migration" is the difference between intended residents arriving from and current residents departing for other states and territories. Compared with the general population, out-migrants have lower incomes and are more likely to be nonelderly adults, better educated, and renters rather than homeowners.



## PART 2. THE COST OF LIVING<sup>11</sup>

### INFLATION-ADJUSTED ANNUAL RENTAL HOUSING COSTS AND WAGES IN 2018 COMPARED WITH 1980

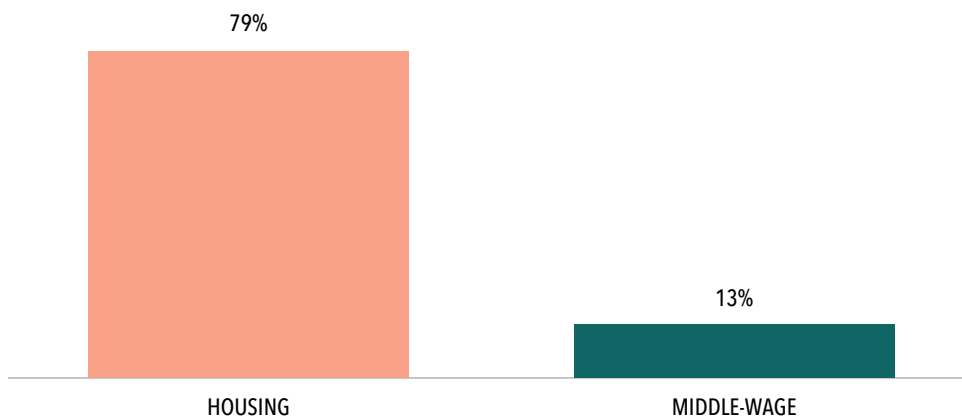
Fair-Market 1 BR Costs Increased Much More than Low- and Middle-Wage Pay



**Figure 1.** The cost of housing is the single greatest expense for households. After adjusting for inflation, the 2018 renter pays nearly \$8,100 more per year than their 1980 counterpart. The gap between housing costs and wage gains for low- and median-wage workers is striking. Only a high-wage worker's earnings kept up.

### INFLATION-ADJUSTED PERCENTAGE INCREASES IN RENTAL HOUSING COSTS AND WAGES, 1980-2018

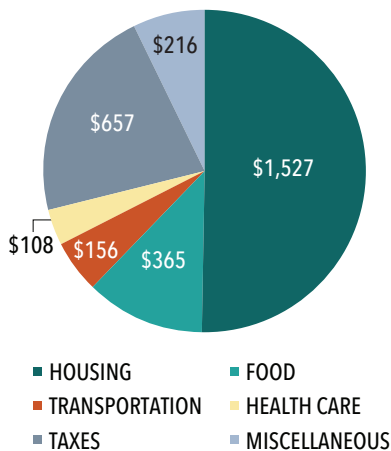
Fair Market 1 BR Costs Grew Much More than Middle-Wage Pay



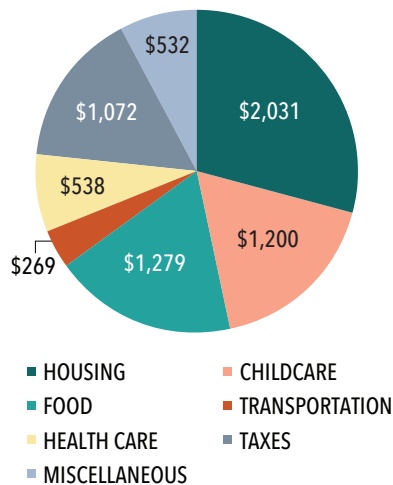
**Figure 2.** Housing costs are the biggest part of the household budget, and they have increased steeply since 1980. Rental housing costs increased by 79 percent compared to a modest increase of 13 percent in earnings for a middle-wage worker.

## PART 2. THE COST OF LIVING (CONTINUED)

**MONTHLY SELF-SUFFICIENCY BUDGET OF \$3,029 SINGLE ADULT, 2018**



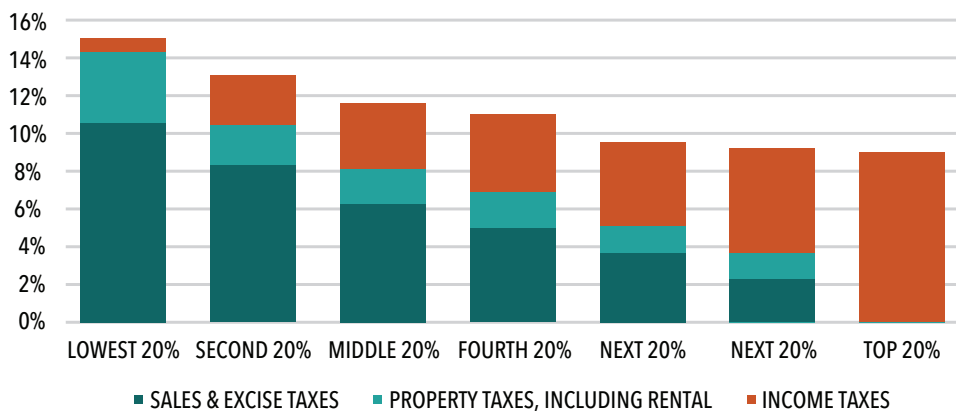
**MONTHLY SELF-SUFFICIENCY BUDGET OF \$6,921 2 ADULTS, 2 CHILDREN, 2018**



**Figure 3.** In 2018, the cost of housing accounted for half of the monthly self-sufficiency budget of a single adult. For working families with young children, the household's biggest expenses are for rent, food, and childcare and/or private preschool.<sup>12</sup>

**PERCENTAGE OF HAWAI'I HOUSEHOLD INCOME PAID IN TAXES, 2017**

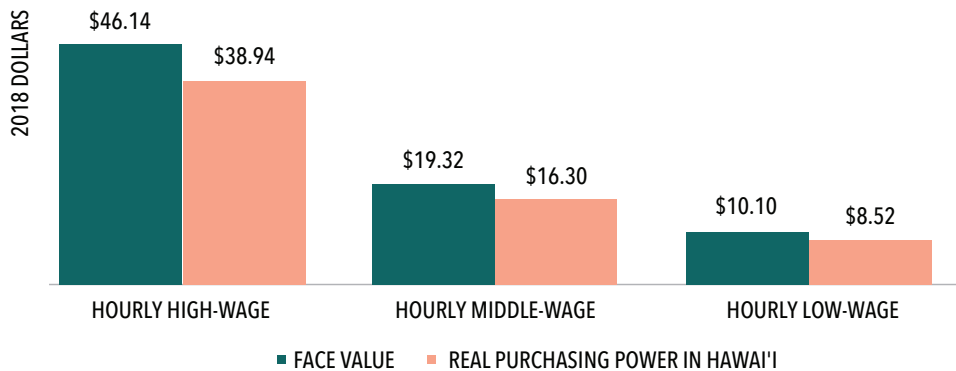
*Low-Income Households Pay Highest Proportion*



**Figure 4.** Low-income families pay a larger percentage of their income in taxes than do households in the top tax brackets.<sup>13</sup> This is largely due to the general excise tax, which is applied to nearly every purchase and service. It disproportionately affects low-income families because they usually have to spend all their earnings, in contrast with higher-income households that have money for savings and investments.

## PART 2. THE COST OF LIVING (CONTINUED)

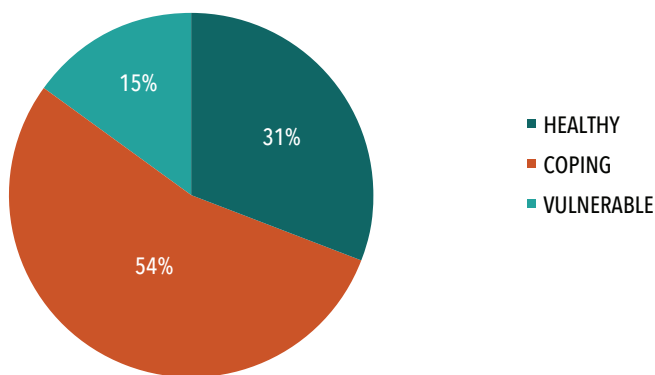
### HAWAI'I WORKERS' WAGES ARE WORTH NEARLY 20% LESS THAN THE NATIONAL AVERAGE



**Figure 5.** Because of the high cost of living, Hawai'i's wages, which are similar to the national average, are worth 20 percent less.<sup>14</sup> For low-wage workers, this reduces buying power by nearly \$3,300 annually, and middle- and high-wage workers lose \$6,300 and \$15,000 per year, respectively.

### HAWAI'I 2019 HOUSEHOLDS' FINANCIAL HEALTH

*The COVID-19 Economic Shock is Likely to Make More Households Vulnerable*



**Figure 6.** The Hawai'i Financial Health Pulse 2019 Survey<sup>15</sup> reported that 69 percent of Hawai'i residents struggled financially, an unsurprising finding given wage and cost trends. The report noted that for 54 percent of Hawai'i residents spending equaled or exceeded their income, and nearly a quarter (23 percent) worked more than one job. Only 31 percent spent less than they earned, paid bills on time, and had both liquid and long-term savings, manageable debt, and appropriate insurance.

## NOTES FOR CHARTS:

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Economic data is inflation adjusted to 2018 dollars so that costs can be compared on an equal basis.

- <sup>1</sup> For purposes of this analysis, “low-wages” are the bottom 10 percent of pay earned by all workers. “Middle-wage” is the half-way point between low-wages and high-wages. “High-wages” are the top 10 percent of earnings among workers. The source for wage data is the Economic Policy Institute’s analysis of the Bureau of Labor Statistics’ “Current Employment Statistics” survey of nonfarm employment, hours, and earnings of workers on payrolls.
- <sup>2</sup> GDP data comes from the Dept. of Business and Economic Development and Tourism Data Book (2018).
- <sup>3</sup> Bureau of Labor Statistics (2018).
- <sup>4</sup> American Community Survey (2018).
- <sup>5</sup> ALICE refers to households that are “Asset Limited, Income Constrained, Employed.” ALICE households earned incomes above poverty, but not enough to afford basic household necessities.
- <sup>6</sup> Analysis of data from Bureau of Labor Statistics.
- <sup>7</sup> Ibid.
- <sup>8</sup> Current Employment Statistics, Hawai’i Workforce Infonet.
- <sup>9</sup> U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates, as reported by the Dept. of Business, Economic Development and Tourism.
- <sup>10</sup> U.S. Census Bureau, American Community Survey, as reported in Dept. of Business and Economic Development and Tourism Data Book for various years.
- <sup>11</sup> Historic cost data comes from the Bureau of Labor Statistics Consumer Price Index for Hawai’i.
- <sup>12</sup> Self-Sufficiency Budget for Hawai’i, 2018, Dept. of Business and Economic Development and Tourism.
- <sup>13</sup> “Who Pays,” Institute on Taxation and Economic Policy.
- <sup>14</sup> Regional Price Parities, U.S. Bureau of Economic Analysis.
- <sup>15</sup> Hawai’i Financial Health Pulse: 2019 Survey Results.



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