CHAPTER 15

TOURISM & JOBS

BRUCE S. PLASCH
President
Decision Analysts Hawaii, Inc.
Bruce Plasch

"Does tourism provide mostly low-income jobs?"

A common complaint about tourism—voiced by many people, including influential government officials, community leaders, and University of Hawai'i researchers—is that most of the jobs it provides pay low wages. This is a serious allegation, since tourism is by far Hawai'i's largest industry, and misconceptions about its economic impacts can undermine public and government support.

Even though many jobs in the visitor industry do indeed pay low wages, the perception that tourism keeps Hawai'i incomes low is simply wrong. Quite the opposite is true. After adjusting for workers who hold two or more part-time jobs, nonwage incomes, and the many jobs generated by tourism which are outside the visitor industry, one finds that tourism generates respectably high incomes: nearly $30,000 per worker in 1991. Furthermore, the visitor industry supports far more jobs than is generally recognized. Counting all jobs directly and indirectly supported by tourism, the visitor industry is responsible for more than half of all jobs in Hawai'i.

Paradise "premium." Because of tourism, average per capita income in Hawai'i is 11 percent higher than that for the nation as a whole: $21,190 for Hawai'i in 1991 versus $19,092 for the nation. Although this "income premium" for living in Hawai'i is insufficient to fully compensate for Hawai'i's high cost of living, it is an amazing accomplishment, given our distance from major markets, lack of resources available to other states, limited area, and small population. If Hawai'i had not developed a visitor industry but instead remained heavily dependent upon agriculture, then incomes in Hawai'i would be much lower than they are today.

Furthermore, many people, some of them quite critical of tourism, are unaware that they themselves depend financially on the industry. Without tourism, many of these people would be unable to live here for lack of an income-producing job.

Low-wage tourism jobs. The basis for the misconception that tourism keeps incomes low is obvious: many jobs in the visitor industry *do* pay low wages. While in 1991 the statewide average annual wage was $23,176, hotels paid an average annual wage of $19,263, retail shops paid $17,112, and eating and drinking establishments paid $11,512. Although all three are lower than the average wage, three comments are in order.

First, low-wage jobs in the visitor industry are usually unskilled, entry-level positions filled by (1) those who lack language, education, and other skills and are therefore unable to obtain more advanced employment; (2) young people who are new to the labor force and who will gain work experience before they eventually move on to more advanced employment; and (3) young people from the mainland who work as part of an extended vacation before returning home. Many of these people would be unemployed if low-skill entry-level positions were not available. None of them, presumably, would be making more elsewhere in Hawai'i's economy, or they would go elsewhere. So, given their job qualifications and employment options, these workers benefit from having tourism jobs available to them.

Second, low wages do not necessarily mean low annual incomes. As explained further below, many jobs in the visitor industry provide substantial tip and other nonwage incomes.

Third, hotel, retail, and restaurant jobs account for only about 30 percent of all jobs generated by tourism. The remaining jobs are scattered throughout the economy (see Adjustment 6 below), and many of these jobs provide relatively high salaries.

Wage statistics can be misleading. To properly determine *real* income, we should consider six adjustments:

Adjustment 1: Part-time jobs. Many jobs in the visitor industry are part-time. For a person who holds two part-time jobs each paying $10,000 per year, the average annual salary *per job* is $10,000, but the average annual salary *per worker* is $20,000. If the average wage for hotel workers is adjusted to a 40-hour week, the average annual wage income is $23,069; a similar adjustment for retail workers results in an average annual wage of $22,080. (Data are not available to make the adjustment for restaurant employees.) These figures are significantly higher than the average annual wage for hotel and retail jobs on the preceding page.

Adjustment 2: Tips. Food servers, bartenders, busboys, bellhops, valets, maids, beach boys, taxi drivers, and other workers in the visitor industry earn substantial income from tips—income that does not get included in the wage statistics. Tips received by minimum-wage waiters and waitresses, for example, often triple their actual income. It's not unusual for bartenders to receive wage-plus-tip income that exceeds the incomes of many recent graduates with UH master's degrees.

Adjustment 3: Unreported cash income. Many visitors pay for goods and services with cash, and some people yield to the temptation to not report it as income. The economic incentive to do this is quite strong: for a person with a taxable income above $30,000, not reporting cash income can "save" federal and state taxes of more than $400 per $1,000 pocketed. It also results in statistics that make it look as though that job doesn't pay as well as it really does.

Adjustment 4: Income from profits. Owners of small businesses often derive income from profits rather than pay themselves a wage as an employee. This is often true of family-operated vendors such as those found in the International Market Place. Since income derived from such profits is not reported as wages, what may be substantial earnings simply do not show up in the wage statistics.

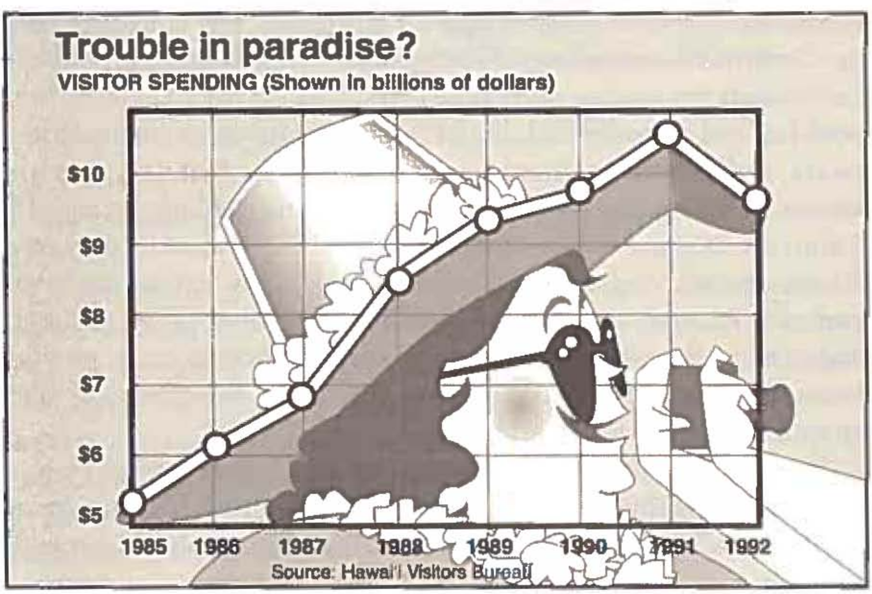
Adjustment 5: Benefits. Many small business owners/employees choose to take a portion of their compensation in the form of very generous health, retirement, and other benefits rather than as wages. Their incentive is to avoid a variety of employment and income taxes. This choice is perfectly legal, but it distorts wage statistics, making it look as though these workers earn less than they actually do.

Adjustment 6: Indirect jobs. The biggest adjustment is to account for all jobs that are directly or indirectly supported by the visitor bids workers away from agriculture, not vice versa. In addition, simple observation reveals that the residential neighborhoods that depend on tourism (e.g., West Maui, Kihei, Kona, Po'ipu) exhibit greater wealth than those that depend on agriculture (e.g., Ka'u, Honoka'a, Kekaha). Also, the few remaining communities that are far removed from tourism and still depend on plantation agriculture suffer from relatively high unemployment and low incomes.

Hawai'i compares favorably. As indicated earlier, the average per capita income in Hawai'i compares favorably to that for the nation as a whole, thanks largely to tourism. In 1990, with nearly the same average age in Hawai'i as in the nation (32.6 years for Hawai'i vs. 32.9 years for the nation) and nearly the same participation in the labor force (67.6 percent of adults vs. 66.8 percent for the nation), Hawai'i ranked tenth among the fifty states in per capita income.

Surprisingly, for the economy as a whole, Hawai'i had fewer multiple-job holders (5.2 percent vs. 6.2 percent for the nation), ranking fortieth among the states. Hawai'i also had fewer people below poverty level (11 percent for Hawai'i vs. 13.5 percent for the nation), ranking thirty-second.

In short, tourism may have its problems, but providing mostly low-income jobs is *not* one of them.




SO WHERE ARE YOU GOING FOR YOUR VACATION?...
Registration
OH, MAINLAND- IT'S JUST TOO EXPENSIVE HERE...
CORKY

"HAWAIIAN O'OS MIGRATING HERE BECAUSE OF RIDICULOUSLY HIGH COST OF LIVING IN THE ISLANDS..."