

Unemployment - Hawaii (Ter.)

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PROPOSALS FOR COMBATING
UNEMPLOYMENT
IN HAWAII

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LEGISLATIVE REFERENCE BUREAU

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TERRITORY OF HAWAII

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CONCERN OVER UNEMPLOYMENT: THE BACKGROUND

LEVEL OF UNEMPLOYMENT

Unemployment in Hawaii, which had been slowly increasing up to that point, in June of 1954 rose to over 15,000, the highest level since the local recession of 1949, when as many as 28,000 persons were seeking work. Unemployment throughout the Territory, as shown in Table 1, comprised 7.9 per cent of the entire labor force, compared with an average of 4.8 per cent for the preceding year. The several islands of the Territory were variously affected in mid-1954, reports of the Department of Labor and Industrial Relations showed: the ratio of unemployed to total labor force was 8.1 per cent on Oahu, 8.2 on Maui, 7.0 on Hawaii, 5.5 on Kauai, and 15.8 per cent on Molokai and Lanai. Concern was voiced by many county officials, the governor, individual legislators, labor unions, and business groups that the economic situation might continue to worsen if a positive program were not undertaken.

Table 1.

ESTIMATED UNEMPLOYMENT IN HAWAII 1945-1953 (yearly average) 1954 (monthly average)

YEAR	MONTHLY AVERAGE TOTAL LABOR FORCE*	TOTAL CIVILIAN EMPLOYMENT	UNEMPLOYMENT	
			Number	% of Labor Force
1945	215,612	214,112	1,500	0.7
1946	194,025	191,892	2,133	1.1
1947	190,000	187,047	2,953	1.6
1948	193,752	184,304	9,448	4.9
1949	191,358	169,922	21,436	11.2
1950	187,761	170,063	17,698	9.4
1951	191,690	183,400	8,298	4.3
1952	193,130	184,708	8,422	4.4
1953	194,067	184,525	9,542	4.8
<hr/>				
January-June, 1954**	191,750	159,865	12,543	6.6
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January	192,210	161,400	11,580	6.0
February	191,294	160,250	11,820	6.2
March	191,210	159,840	12,150	6.4
April	190,677	159,400	12,020	6.3
May	190,627	158,730	12,330	6.5
June	194,484	159,570	15,359	7.9

*Civilian population employed or available for and seeking employment.

**Most recent data available during legislative hearings. See Table 3, final section of this report, for current figures.

Source: Estimates of the Bureau of Employment Security, T.H. Department of Labor and Industrial Relations.

Reductions in employment by federal agencies, coupled with lay offs in the construction industry following completion of defense projects, were apparently leading factors in the gradual rate of decline in employment during the first five months of 1954.

An important cause of the rapid increase in unemployment in June was a regularly recurring seasonal factor, the entrance into the labor market of high school and university students in search of temporary or permanent jobs. However, such was the number of these new members of the labor force--4,600--and so vulnerable to a recession of serious proportions was the Hawaiian economy believed to be by many observers, that it was widely urged that the legislature should consider the problem of unemployment and seek an expansion of job opportunities.

SOME BASIC FEATURES OF HAWAII'S ECONOMY

Contributing to the concern over the relatively high level of unemployment, was the widespread realization that the Territory's economy is a highly specialized one. An average income area compared with the 48 mainland states,¹ Hawaii relies on four types of economic activity to maintain that income for a community without sources of minerals or cheap power. These are, in order of their importance as generators of personal income, expenditures of the federal government, the sugar industry, the pineapple industry, and tourist expenditures.²

¹Per capita personal income in Hawaii, as computed by the U.S. Department of Commerce was (at \$1,721) 0.2 percentage points above the national average in 1952 and (at \$1,740) 3.0 percentage points below the U.S. average in 1953.

²Expenditures of territorial and county governments create more personal income than the tourist industry, but, since the latter--along with the plantations and the federal establishment in Hawaii--produces the "mainland dollars" which are necessary to maintain a high level of government, as well as private living standards, the tourist industry is considered the fourth leg of the territorial economy. The Department of Commerce estimated that in 1952 some 31 per cent of total personal income in Hawaii was disbursed by the federal government, 8 per cent by "local" (i.e. territorial and county) government, and 61 per cent by private industry. Of total payrolls in private industry--to consider the largest component of personal income--approximately 17 per cent was paid out directly by sugar companies and 10 per cent by pineapple firms.

Were federal expenditures again to be sharply reduced, as they were between 1946 and 1950, the impact upon the territorial economy would be extremely significant. It has been estimated that each dollar of federal expenditure, re-spent locally, causes a net increase of about two dollars in local incomes.³ A million dollar federal cutback, on this calculation, would reduce total personal incomes by approximately two million dollars.

It may be pointed that Hawaii is not unique in the narrowness of its economic base. Resort centers like Miami and Atlantic City probably derive a substantially larger portion of their income from visitors than Hawaii; naval bases such as San Diego may be as economically dependent on the fleet as Honolulu; Washington, D.C., with respect to government expenditures, is a one-industry community to an extent not approached by Hawaii. Nevertheless, the consequences of a reduction in employment by a major industry are different for an island area than for a mainland jurisdiction, where jobless persons can more easily be informed of employment opportunities in other communities, a hundred or five hundred miles away, which can be reached by an inexpensive automobile or bus trip. Geographically and sometimes culturally, many persons in Hawaii feel limited to these islands as an area of employment. The "out-migration" which would follow as a matter of course in the case of a local depression on the mainland is slower and more costly in this Territory.⁴

³Estimated in unpublished memorandum Economic and Fiscal Effects of Federal Grant-In-Aid Programs Requiring Matching Expenditures of the Legislative Reference Bureau, dated May, 1954. A similar estimate was previously made in a 1952 report prepared by the tax study committee of the Chamber of Commerce in analyzing the effects of continuing exemptions of sales to federal agencies from the territorial general excise tax.

⁴See pp. 35-37, below for discussion of proposals for encouraging out-migration from the Territory.

Realization of Hawaii's vulnerability to changes in the economic base, especially in the volume of federal expenditures, has stimulated a continued search by private industries and by governmental bodies for means of bringing a greater diversity to Hawaii's economy. This search has contributed to the establishment of new industries since 1948--cultivation of macadamia nuts, ceramics, processing of tropical fruits, etc. The desirability of further diversification is an objective, stated or implied, which underlies many of the proposals outlined in this report.

LEGISLATIVE CONSIDERATION OF UNEMPLOYMENT AT THE SPECIAL SESSION OF 1954

The territorial legislature, which had been convened in special session on April 20, 1954 to consider statehood problems and recessed on April 29, was reconvened on July 28, to complete the first task and to study the growing problem of unemployment. Meeting in committee of the whole between July 28 and August 3, 1954, the Senate heard the following persons discuss the Territory's economy and means of expanding it:

1. Leigh Stevens, Director, Territorial Employment Service, Department of Labor and Industrial Relations.
2. H. H. Warner, Director, Territorial Planning Board.
3. Atherton Richards, Financial Advisor; Trustee, Bishop Estate; President, Kahua Ranch.
4. James N. Greenwell, Manager, Hawaii Meat Company.
5. Arthur Rutledge, Representative, Unity House Group, Hawaii Federation of Labor (H.F.L.).
6. Robert McElrath, Representative, International Longshoremen's and Warehousemen's Union, Local 142.
7. L. A. Henke, Associate Director, Agricultural Experiment Station, University of Hawaii.
8. James Francis, Fisheries Research.
9. Robert S. Craig, Chamber of Commerce; Hawaii Economic Foundation.

Between August 3 and 5, 1954, the House of Representatives, also sitting as a committee of the whole, received testimony on unemployment problems from the following persons:

1. Edward B. Peterson, Director, Department of Labor and Industrial Relations.
2. Leigh Stevens.*
3. Ben E. Nutter, Superintendent, Department of Public Works.
4. Joseph L. Dwight, President, Board of Agriculture and Forestry.
5. Marguerite K. Ashford, Commissioner, Department of Public Lands.
6. Kam Tai Lee, Territorial Treasurer.
7. H. H. Warner.*
8. Robert S. Craig.*
9. J. Scott Pratt, Industrial Research Advisory Council.
10. William Vannatta, County Engineer, City and County of Honolulu.

*Also appeared before the Senate.

The ensuing portions of this report summarize the proposals made by the witnesses before the two legislative chambers, as well as the analyses and programs publicly discussed outside the legislature. The index shows the proposals made by the several suggestors and those obtained from other sources with the page numbers on which they appear in this report. There follows immediately a listing of these proposals in the order of their discussion in this report.

PROPOSALS

I. Proposals for maintaining purchasing power in the face of unemployment.

A. UNEMPLOYMENT COMPENSATION

Proposal 1. Extension of unemployment compensation coverage to all non-government employees, including agricultural workers.

Proposal 2. Increase of benefits payable under the unemployment compensation program.

B. WAGE AND HOUR LEGISLATION

Proposal 3. Raise minimum employment standards established under territorial law.

Proposal 4. Require payment of prevailing wages on public contracts.

II. Proposals to expand employment opportunities by encouraging specific industries.

A. IN AGRICULTURE

Proposal 5. Expand area of coffee lands and fruit lands.

Proposal 6. Plant areas in hardwood trees for lumber production.

Proposal 7. Opening of new grazing lands.

Proposal 8. Establishment of feed processing plant.

Proposal 9. Exempt cattle feed lots from taxation.

Proposal 10. Reduce price of territorial lands sold to farmers.

Proposal 11. Appropriation for improvement of homestead lands.

Proposal 12. Screening of applicants for homestead lands.

Proposal 13. Appropriation for Farm Loan Fund.

Proposal 14. Appropriation for agricultural marketing aids.

Proposal 15. Establishment of cold storage and canning plants.

B. IN FISHING

Proposal 16. Improving the market for fish.

Proposal 17. Development of fish ponds.

Proposal 18. Sale of marine fish for aquariums.

C. IN TOURISM

Proposal 19. Increase appropriation to Visitors Bureau.

Proposal 20. Creation of an all-public tourist development agency.

D. IN MANUFACTURING

Proposal 21. Industrial "audit".

Proposal 22. Promotion of handicraft industries.

E. IN BUILDING CONSTRUCTION AND TRANSPORTATION

Proposal 23. Adoption of the Baltimore Plan.

Proposal 24. Expansion of inter-island surface transportation.

III. Proposals to expand employment opportunities by encouraging industry generally.

A. ENCOURAGING INVESTMENT

Proposal 25. Liberalization of banking laws.

Proposal 26. Establishment of a financial council agency.

B. TAX REVISION

Proposal 27. Reduction of taxes on new or expanding industries.

Proposal 28. Tax inducements for insurance company investments.

Proposal 29. Reduction of taxes to bolster consumption.

Proposal 30. Property tax revision.

Proposal 31. General tax revision.

C. EXPANSION OF INDUSTRIAL RESEARCH

Proposal 32. Larger appropriations for the IRAC.

Proposal 33. Establishment of an industrial research center.

IV. Proposals to reduce unemployment through direct governmental action.

A. OUT MIGRATION OF LABOR

Proposal 34. Local recruitment of labor for forward areas.

Proposal 35. Repatriation of aliens.

B. PUBLIC WORKS

Proposal 36. Creation of a Civilian Conservation program.

Proposal 37. Other labor-using public works.

Proposal 38. Expansion of the emergency employment program.

Proposal 39. Speed-up of regular public works.

Proposal 40. Improvement of tourist attractions.

Proposal 41. Long-range unemployment relief program.

C. TRAINING OF PERSONNEL

Proposal 42. Expansion of apprenticeship training.

Proposal 43. Expansion of vocational training.

Proposal 44. Establishment of fisheries school.

Proposal 45. Expansion of teacher training.

D. FINANCING AND ECONOMIC PLANNING

Proposal 46. Establishment of a revolving loan fund.

Proposal 47. Creation of a territorial economic development authority.

Proposal 48. Establishment of an economic planning board.

Proposal 49. Establishment of a central information agency.

I. Proposals for maintaining purchasing power in the face of unemployment.

A. UNEMPLOYMENT COMPENSATION

THE BACK-
GROUND

Hawaii has had an unemployment compensation program since 1937, two years after passage of the federal Social Security Act, which prompted the adoption of similar legislation by each state and organized territory. Like all states, agricultural employees are not covered for unemployment insurance,⁵ but, along with only 14 states, Hawaii does include employees of all firms within covered industries, even those firms employing just one person.⁶ Taxes on payrolls of covered employers, ranging from 2.7 per cent down to zero, depend on the "experience rating" of each firm.⁷

Exclusion of agricultural, governmental, and other employees has acted to limit the effective scope of unemployment compensation coverage to a small fraction of those out of work, as shown in Table 2. This fact, coupled with the stable balance in the unemployment compensation reserve fund, probably helped stimulate the several suggestions made to the legislature that coverage of the program and its benefits be increased. [It should be noted that the difference between total unemployment and the number covered under unemployment insurance in Table 2 includes those who have exhausted benefits or who are otherwise not eligible for benefits, although within covered industries, as well as those working in non-covered occupations.]

⁵Only the law of the District of Columbia covers agricultural workers. In addition to agricultural employees, other employees and industries exempted under the unemployment law in Hawaii include: domestic servants; persons employed by family members; government employees; employees covered by other unemployment insurance systems; employees of tax exempt groups; students in employ of schools or colleges and student nurses; insurance agents; newsboys; certain maritime workers; fishing industry; and those in the employ of a foreign government.

⁶Also Alaska and District of Columbia. It must be noted that 5 of these states have a minimum on time of work required before employees are covered; others have minimum amount of earnings required--ranging from \$37.50 (Hawaii) to \$250 per quarter--before employees are covered. (Source: Table 1 of Preliminary Report of Federal Bureau of Employment Security, to be published in January, 1955.)

⁷That is the ratio of compensation payments to persons discharged or laid off by the firm to its unemployment compensation taxes, both considered cumulatively.

Table 2.

UNEMPLOYMENT COMPENSATION COVERAGE AND RESERVES
1948-1954

As of	Labor Force*	Number Unemployed		Territorial Unemployment Compensation Reserve Available for Benefits
		Total	Covered under Em- ployment Security	
June 30, 1948	197,674	8,923	3,162	\$22,994,660
Dec. 31, 1948	195,699	13,369	4,404	23,571,768
June 30, 1949	190,966	22,564	9,178	23,433,319
Dec. 31, 1949	187,868	25,096	9,618	22,153,169
June 30, 1950	188,260	18,637	7,259	21,482,703
Dec. 31, 1950	187,739	10,041	3,996	21,664,856
June 30, 1951	195,424	9,707	1,620	22,202,423
Dec. 31, 1951	190,751	7,098	1,930	22,596,754
June 30, 1952	194,079	10,244	2,383	23,193,787
Dec. 31, 1952	194,906	9,397	3,618	23,276,397
June 30, 1953	196,768	11,414	3,341	23,194,298
Dec. 31, 1953	194,466	10,878	3,817	23,145,940
June 30, 1954	194,484	15,359	4,952	22,353,677

*Civilian population employed or available for and seeking employment.

Source: Bureau of Employment Security, Department of Labor and Industrial Relations.

PROPOSAL 1. Extension of unemployment compensation coverage to all non-governmental employees, including agricultural workers.

Nationally, approximately 70 per cent of all wage earners are covered by unemployment compensation; similarly, in Hawaii in 1953 the Department of Labor and Industrial Relations estimates that about 68% were so covered.

Arthur Rutledge, representative of the unions comprising the Unity House, and Robert McElrath of the International Longshoremen and Warehousemen's Union proposed that the territorial unemployment compensation law be amended to cover all industries and occupations, except, presumably, governmental employment. Both proposals were made in general terms, and so did not make it clear whether or not newly covered employees would be immediately eligible for full benefits. If such were the

case, the effect would be a manifold increase in claimants upon the reserve fund, as Table 2 indicates. How severe would be the resulting depletion of the reserve fund out of which benefits are paid, until checked by increased contributions (expanded by payments for newly-covered employees), cannot be closely estimated on the basis of available data.

It is also not known whether agriculture, as a sector of the territorial economy, would be actuarially self-supporting within the unemployment compensation system, at the contribution rates now set by law. Mechanization of plantation operations continually reduces the manpower needs of Hawaii's largest agricultural industry. Largely as a result of this long-term technological unemployment, total employment in agriculture continues to decline, falling by 900 workers between mid-1953 and mid-1954.⁸ Considering the dominance of plantation labor in agriculture, investigation would be required to determine the adequacy of a maximum rate of 2.7 per cent on employers' contributions, if the reserve fund is to be maintained. Seasonality of employment would also raise special problems.

PROPOSAL 2. Increase of benefits payable under the unemployment compensation program.

The Council of Economic Advisors to the 1953 territorial legislature, as well as the Unity House and ILWU spokesmen, proposed increases in the present schedule of unemployment compensation benefits, which now range from \$5 to \$25 per week for a maximum of 20 weeks. Both groups recommended the maximum payment be raised to \$30 per week. [Average payments in Hawaii in April, 1954 were \$21.24 per week, while the national average then was \$24.66.]⁹

⁸Testimony before territorial Senate on July 28, 1954 of Leigh Stevens, Director, Territorial Employment Service, Department of Labor and Industrial Relations.

⁹Social Security Bulletin, June, 1954, p. 26.

Introduction of another element within unemployment compensation benefits was also proposed by the two union representatives: this is the payment of dependency allowances, so that the total payment to unemployed persons would vary with the number of their dependents. The H.F. of L. Unity House program was in general terms; that of the ILWU suggested \$3 per week additional payment for each dependent. [Nine states, Alaska and the District of Columbia now allow dependent allowances.]

Extension of the maximum period of benefits from 20 to 26 weeks was a further suggestion of Mr. Rutledge. [The longest period of benefits now used--26 weeks--is in operation in 25 states and Alaska.]

B. MINIMUM WAGE-MAXIMUM HOUR LEGISLATION

THE BACK- GROUND

The legislature adopted a statutory minimum for hourly wages in certain industries in 1941,¹⁰ the original minimum being set at 25¢ an hour (20¢ an hour outside the City and County of Honolulu). In 1953 the minimum wage was set at its present level of 65¢ an hour (55¢ an hour outside the City and County) for work up to 48 hours per week, labor in excess of that time to be compensated at time-and-one-half of regular hourly rates. [Twenty-five states, 3 territories, and the District of Columbia also have minimum wage laws, their minima ranging from 12½¢ to \$1.00 per hour.]¹¹

Hawaii's wage and hour law is estimated to cover approximately 80 per cent of the employing units in the Territory.¹² Because of the inclusion of agricultural

¹⁰Excluded from coverage under the law are persons employed in agriculture (if less than 20 persons employed), fishing, taxi drivers, caddies, domestic employment, seamen, etc.; those covered by the Federal Fair Labor Standards Act; persons employed by their immediate family; executives and managers, professional persons; salesmen and collectors; and those receiving a guaranteed monthly salary of \$300 or more.

¹¹U.S. Department of Labor, State Minimum-Wage Laws and Orders, Supplement II to Bulletin 227, Revised, January 1953, p. 1.

¹²Wage and Hour Division, Department of Labor and Industrial Relations.

workers (if over 20 persons are employed) and other groups, it is assumed that the effective coverage of the labor force by the wage and hour law is slightly greater than the coverage under the employment security law.

PROPOSAL 3. Raise minimum employment standards established under territorial law.

The Council of Economic Advisors coupled its recommendation for an increase in unemployment compensation with a suggestion that territorial minimum employment standards with respect to wages and hours be raised "so that they will be in line with Federal standards."¹³

The representative of the Unity House who testified before the Senate at the recent special session was more explicit: he recommended that the minimum age for "general employment" be raised from sixteen to seventeen,¹⁴ that the statutory minimum wage be raised to 85¢ per hour for employers of fewer than eight persons, to a dollar per hour for employers of eight or more. He also suggested that the maximum number of hours, above which overtime rates begin, be reduced from 48 to 40 hours, with a further reduction to 35 hours, if unemployment continued to increase.¹⁵

Previously, in late 1949, a similar proposal for a standard 40-hour work week had been made by the Joint Council of Teamsters, No. 79, of Hawaii to the Governor's Full Employment Committee. In summarizing various plans to alleviate unemployment, the Department of Labor and Industrial Relations reports that in rejecting this proposal:

¹³Report to territorial legislature (May, 1953), p. 20.

¹⁴Some limited employment is allowed from fourteen to sixteen years of age.

¹⁵From materials furnished Legislative Reference Bureau in amplification of remarks to Senate committee of the whole.

The Committee task group on research and planning made a thorough study of the suggestion [to reduce the work week] and concluded that the solution for unemployment lies not in spreading of work but increasing of productivity. Marginal firms forced out of business by a 40-hour law would only add to the unemployment problem.¹⁶

The Committee did not hazard an estimate as to how many marginal firms might be forced out of business (and understandably, for such an estimate would be most difficult to make), nor did it comment on any positive values of the suggestion, in adding to the volume of employment by non-marginal firms. In the absence of data, it can only be stated that as a general principle for a highly competitive economy, the conclusion of the Committee is justified; what is not known is the degree of non-competitiveness in Hawaii's economy and the extent to which it may permit an increase in minimum wages without a commensurate reduction in employment. That higher wages tend to reduce the demand for labor in the firms affected is uncontrovertable; that overall employment would thereby be reduced is probable, but not certain; that total wage payments would be decreased by an increase in minimum employment standards is questionable.

PROPOSAL 4. Require payment of prevailing wages on public contracts.

Federal statutes (Walsh-Healy Act, Davis-Bacon Act) require that contractors working on federal projects pay their employees no less than those wages generally prevailing in the community for like skills. It was recommended by the Council of Economic Advisors and by the Unity House that similar legislation be adopted by the Territory with respect to territorial and county contracts. The Unity House proposal was made in connection with a suggestion that the Territory undertake an enlarged program of public improvements. (See Proposal 37, below.) The 1953 legislature had provided, by Act 96, that territorial and county contractors pay time-and-one-half for work in excess of 8 hours per day or 40 per week.

¹⁶Department of Labor and Industrial Relations. Undated mimeographed Report on Programs Designed to Improve the Economy of Hawaii and to Alleviate Unemployment, p. 7.

II. Proposals to expand employment opportunities by encouraging specific industries.

A. IN AGRICULTURE

THE BACK-
GROUND

An economy which makes intensive utilization of less than 8 per cent of total land area and which depends heavily on only two major agricultural crops invites suggestions for diversification and expansion. Over the past several years scores of products have been suggested as sources of additional mainland dollars or as means of reducing Hawaii's imports of food and animal feed.

Narrow economic limitations on the expansion of acreage in basic foodstuffs are, however, apparent. It has been stated by the University of Hawaii agricultural extension service¹⁷ that approximately 300 additional acres are all that would be required to fully supply such additional truck farm crops as can be profitably sold in local markets for civilian use. Even with an enlarged demand for such crops by locally based military forces, it seems clear that an expansion of this sector of the Islands' economy can be no more than a minor source of new jobs. This report, therefore, for the most part concentrates its attention on areas of greater employment potential.

The general area to which many proposals have been directed is the expansion of agricultural production for export. The Territorial Planning Board, in its mimeographed report of August 1954, selected coffee and tropical fruits as offering promise for expansion. Former director of the Department of Institutions, Thomas B. Vance, had made a similar selection in a 1953 publication,¹⁸ adding hardwoods to his list.

¹⁷Quoted in the mimeographed report of the Territorial Planning Board of August 1954, p. 9. The report recommended that if additional acreage in truck gardening is required, it be put into production at Lalamilo, South Kohala, where water would be available from the reservoir at Kamuela.

¹⁸Thomas B. Vance, Director of Institutions. New Potential Industries Suggested for Study to Determine the Possibilities for Success in Hawaii, January, 1953.

PROPOSAL 5. Expand area of coffee lands and fruit lands.

The Territorial Planning Board recommended that some 1,600 acres of burned-over territorial land in the Panaewa Forest Reserve, near Hilo, be cleared and made available to homesteaders for coffee growing. It was estimated by the Board that an expenditure of about \$2,500,000 (including subsistence payments to support homesteaders during the first five years, in which yields from new trees are inconsequential) would make available for cultivation some 1,280 acres, enough for 80 family farms. Annual gross returns to the farmers would be upward of \$1,000,000, according to the Board's estimates, even if the then prevailing prices (August, 1954) fell as much as 50 per cent. Should the Panaewa project prove successful, the Board pointed out that there are 2,500 to 3,000 additional acres of lands in territorial forest areas suitable for raising coffee, a standardized crop with a wide market.¹⁹

The Planning Board made no proposals for making available any specified lands for other promising crops. It did, however, pick out cultivation of passion fruit papaia, and fresh pineapple (of a small size selected for export as a fresh fruit) as worthy of encouragement, to which list Mr. Vance had added avocados, mangoes, mangosteen (an East Indian fruit unrelated to the mango), litchi, as well as "dry land" taro, and berries--the latter three crops to be raised primarily for local markets.

PROPOSAL 6. Plant areas in hardwood trees for lumber production.

Since the destruction of the aboriginal stands of sandalwood under the early Kamehamehas, Hawaii has had no lumber industry, other than the small cuttings

¹⁹The Hawaii Board of Supervisors appropriated \$20,000 in December, 1954 for clearing and improving a portion of the Panaewa Forest area with the expectation of receiving reimbursement from the Territory, according to the newspaper account.

necessary to supply the demand for locally constructed furniture, curios, and objects of art.

Mr. Vance proposed that thousands of acres, unsuitable for agriculture, might be planted in hardwood trees to be cultivated for production of lumber, for local consumption and for export. He suggested that the planting of new hardwood forests be done under a territorial work program similar to the federal Civilian Conservation Corps of the 1930's, estimating that each 5,000 acres of planting would cost approximately \$1,000,000²⁰ and would, on maturity, yield some \$100,000 annually. This planting would presumably be done on territorial lands; no suggestion was made as to how the trees would be turned over to private ownership or management, or how the forests were to be administered, if retained under governmental control.

PROPOSAL 7. Opening of new grazing lands.

Witnesses before the Senate pointed out the Territory's heavy reliance on imported animal feeds (approximately 95 per cent of hog and poultry feed is imported, 25 per cent for dairy cattle, but only some 5 per cent of cattle feed) and the limitation on cattle production imposed by a relative scarcity of good grazing lands and feed lots for fattening of cattle. Readily available in Hawaii is an ample supply of sugar cane bagasse, pineapple by-products, and molasses (about a quarter of a million pounds annually); lacking is sufficient protein, sources of which are being sought by researchers of the University of Hawaii.²¹

²⁰Op. cit., pp. 18-19. Vance estimated that per acre yields from hardwood forests would approximate those from sugar cane lands, but would be realized from areas which are marginal or submarginal for plantation use.

²¹Some of the more likely sources mentioned by Louis Henke of the University's experiment station and others testifying before the Senate are: soya beans, koa haole, cocoanut meal, and fish meal.

The Territorial Planning Board propounded that some 6,000 acres of "reasonably good" cattle grazing lands at Kilauea, Hawaii previously transferred to the National Park Service be reclaimed by the Territory and made available to ranchers. The Board suggested that discussion by territorial officials with park authorities, offering to move or protect rare trees and plants, might accomplish this reversion of the lands.²²

PROPOSAL 8. Establishment of feed processing plant.

Two persons testifying before the Senate committee of the whole advanced the suggestion that the Territory seek the establishment of a local feed processing plant. Atherton Richards proposed that the statute authorizing the territorial Board of Harbor Commissioners to construct bulk storage facilities for rice and other products (Act 248, Session Laws of 1953) be amended "to permit the Harbor Board to in addition provide dehydrating and processing facilities here on Oahu primarily, and on the other islands where you can actually raise this foodstuff [koa haole, soya beans, etc.]. . . ."²³ In response to a question by a senator as to whether the plant could be constructed by private enterprise, the witness replied: "Yes, but at the moment I don't see that kind of private enterprise."

James Francis, independent fishing researcher, thought that a processing plant might be used to convert copra produced in the Trust Territory of the United States and wastes from the local fishing industry into cattle feed. He urged that territorial officers seek from the federal government priority to purchase the copra,

²²August 1954, report, p. 13. As of December, 1954, no action had been taken on this proposal.

²³Typewritten transcript of Senate testimony, p. 47.

stating that a local feed plant, using cheap raw materials, might reduce feed costs to Hawaii cattlemen by as much as one-third.²⁴

PROPOSAL 9. Exempt cattle feed lots from taxation.

In order to "finish off" cattle into a source of prime meat demanded by some hotels and restaurants, now chiefly supplied by mainland packers, the Territorial Planning Board pointed out that feed lots, jointly operated by several ranches, might be economically feasible. In light of the "unusual financial risk" attendant upon the use of feed lots, the Board recommended that those put into operation within the next two years be exempted from all territorial taxes for a period of three years.²⁵

The preceding suggestions have been of the nature of encouragement to specified types of agricultural production. A number of other proposals for generally bettering agriculture in Hawaii, and so stimulating a wide variety of farm and plantation activities, are reviewed below.

PROPOSAL 10. Reduce price of territorial lands sold to farmers.

During the testimony of Mr. Warner before the Senate, Senator Nobriga raised the point that direct stimulation to agriculture would be given by a reduction in the price of lands sold by the territorial government. ("The territorial government is not in the land business, and since the administration . . . wants to make land available to homesteaders . . . why not reduce the original cost of the homestead land?")

In discussing this suggestion, Mr. Warner pointed out that in the sale of public lands which have been homesteaded the Organic Act required a determination

²⁴Ibid., p. 76.

²⁵Report of August 1954, p. 13.

of values by appraisers. (Section 73-j) He went on to state that the Governor had also raised the question as to whether change in the law might not be desirable.²⁶

PROPOSAL 11. Appropriation for improvement of homestead lands.

A homestead revolving fund, administered by the Department of Public Lands, is established to improve homesteads on territorial lands, other than Hawaiian Homes Commission lands. In reply to Senate Resolution 20 of the special session, which requested a report on governmental programs for alleviating unemployment, the Governor recommended that \$500,000 be appropriated to the fund. The funds, Mr. Warner stated in his appearance before the Senate, would be expended for clearing land, for constructing roads, and providing utilities for homestead areas.

PROPOSAL 12. Screening of applicants for homestead lands.

To ensure that territorial lands are made available only to persons who both know how to farm and the economics of farming, the suggestion was made, by the Planning Board and individually by Mr. Warner, that the Commissioner of Public Lands be authorized to screen applicants for homesteads or for farm loans, and to eliminate applications from persons with no demonstrated ability to run a farm or ranch. Adopting this program would require amendment of the Organic Act.²⁷

PROPOSAL 13. Appropriation for Farm Loan Fund.

Territorial loans to Hawaii farmers have been made from a farm loan revolving fund, administered by a board comprised of the Commissioner of Public Lands, the

²⁶Senate transcript, p. 30.

²⁷A minimum screening is presently secured under the Hawaiian Organic Act (Section 73-i) through the provision that persons who have received loans under the Bankhead-Jones Farm Tenant Act (available only to qualified farmers) may directly purchase public lands. The Commissioner of Public Lands proposes more extensive screening of applicants in addition to this minimum requirement.

Treasurer, and the Attorney-General. As of September 30, 1954, there were 29 loans, totalling \$251,485, outstanding; the amount of \$257,583 was available for loans.²⁸

It was proposed by Mr. Warner that the legislature appropriate \$1,000,000 to replenish the farm loan fund. Under his suggestion, new loans would be limited to farmers "who qualify to participate under the Farmers Home Administration."²⁹ The proposal was repeated, in general terms, in the August report of the Planning Board (at page 11).

PROPOSAL 14. Appropriation for agricultural marketing aids.

Witnesses testifying before the Senate spoke of the need for assistance to Hawaii agricultural producers in marketing their produce locally or on the mainland, assistance that would go beyond the market-estimating services of the agricultural extension service of the University of Hawaii and the inspection and produce standardization services of the Board of Agriculture and Forestry.

Market surveys and consumer stimulation have been undertaken under grants from the territorial Industrial Research Advisory Council for a few newly exploited commodities--papaia, passion fruit, etc. This experience contributed, perhaps, to the suggestion by Atherton Richards that the legislature appropriate money ("some small percentage of their sales") to the fruit industry for a continuing marketing program. He stated: "If the legislature would come forward with an active backing for some development, I think your banks will step up and proceed to finance."³⁰

²⁸Administrators of the Farm Loan Board anticipated that most of the funds would be distributed shortly upon approval of the Farmers Home Administration for Waimanalo homesteads.

²⁹Senate transcript, pp. 22, 25.

³⁰Senate transcript, p. 36.

In 1953 the temporary Council of Economic Advisors had gone further to suggest that, failing private efforts to improve marketing of agricultural produce in Hawaii, that "territorial operation of farmers' markets at wholesale and retail should be considered."³¹ Territorial law permits and encourages the formation of agricultural cooperatives, but relatively few have been organized, 23 being in operation in all islands of the Territory as of December, 1954.³²

PROPOSAL 15. Establishment of cold storage and canning plants.

A final proposal for expanding agriculture and agricultural employment in Hawaii was made by Mr. Vance. Pointing out the difficulties faced by truck farmers in marketing crops with widely fluctuating supply, and therefore widely fluctuating price, he suggested that a cold storage plant be erected to handle temporary surpluses and further proposed the construction of commercial canning and freezing plants for processing of vegetables and fruits. Whether or not the territorial government would finance or operate the proposed plants is not discussed in Mr. Vance's report.³³

B. IN FISHING

THE BACK-
GROUND

Aside from its soil and climate, fishing is at present Hawaii's only natural resource. As of September, 1954, some 1,564 persons were licensed as commercial fishermen and 544 employed in tuna canning; the annual catch averaged over the past two years about 18,878,000 pounds, valued at

³¹Page 22 of report.

³²Treasurer's Office, Territory of Hawaii.

³³Op. cit., p. 22-23.

\$3,656,000.³⁴ Post-War Hawaii remains a fish-importer, rather than a fish-producer, however, with canned and frozen fish products exceeding the value of the local catch.

Vernon E. Brock, director of the fish and game division of the Board of Agriculture and Forestry, recently reviewed the prospects for offshore fishing, as explored by the federal Pacific Oceanic Fishery Investigations operating out of Honolulu. Mr. Brock concluded that "if problems of catching, transporting and processing the fish from this equatorial fishing grounds to the south of Hawaii [for albacore and other tuna] could be solved Hawaii might be able to embark upon the development of a new industry whose potentiality may approach an annual income to the fishermen of \$30,000,000."³⁵

PROPOSAL 16. Improving the market for fish.

The report of the Planning Board, the 1954 report of the department of business research of the Bank of Hawaii,³⁶ newspaper items, and other sources have suggested the desirability of encouraging Hawaii's fishing industry. Construction of cold storage facilities (as under Proposal 15) has been proposed to help stabilize the price of tuna and other commercial fish over the summer months, when seasonal high catches depress prices. Encouragement of fishermen's cooperatives (as under Senate Bill 471 and House Bill 252 of the 1953 legislative session) and regulation of fish marketing have also been proposed to better the competitive position of fishermen. A suggestion for training of fishermen is digested below (see Proposal 44).

PROPOSAL 17. Development of fish ponds.

The fish ponds of Hawaii, an ancient but failing source of food, elicited a more specific proposal from the Planning Board. The Board stated (at page 12 of

³⁴Source: Division of Fish and Game, Board of Agriculture and Forestry.

³⁵In memorandum dated July 13, 1954, appended to mimeographed report to Governor King from the Territorial Planning Board, August 18, 1954.

³⁶Islands at Work: The Economy of Hawaii in Action, p. 44.

its August report) that: "A much smaller, but nevertheless useful, addition to our economy may be developed by the Territory cleaning and leasing the territorial owned fish ponds on Molokai, provided such an expenditure would prove feasible."

PROPOSAL 18. Sale of marine fish for aquariums.

Expansion of sport fishing as a means of attracting more tourists was suggested by Mr. Brock. He also included in his memorandum the suggestion that "a ten to twenty thousand dollar business could be built up on the sale of salt water aquarium fish from Hawaiian waters. Should success be realized in some the handling procedure now being experimented with, it is likely that this estimate could be multiplied by a factor of four or five times."³⁷

C. IN TOURISM

Tourism, one of the more rapidly growing sectors of Hawaii's economy, has been the subject of several proposals for legislative action in the past few years.

PROPOSAL 19. Increase appropriation to Visitors Bureau.

The Council of Economic Advisors recommended to the 1953 legislature that the Territory increase its matching grant to the Hawaii Visitors Bureau to an amount "not to exceed \$700,000" per biennium; (\$525,000 was appropriated). The Council further suggested that the Bureau also receive a non-matching legislative grant for development in cooperation with territorial agencies, of tourist recreational facilities and for "encouragement of investment in new private tourist accommodations."³⁸ Details of the program were not supplied.

The report of the Planning Board, remarking that the tourist industry was "undoubtedly the most promising field for increasing our territorial income and for

³⁷At p. 3 of memorandum attached to August 1954 report of the Planning Board.

³⁸Op. cit., Council of Economic Advisors, p. 23.

providing additional jobs", made similar suggestions. It recommended a biennial appropriation to the Visitors Bureau of \$1,300,000 and the undertaking of beach improvements and other public works which might enhance tourism in Hawaii.³⁹ (See Proposal 40 for a discussion of the public works program.)

Mr. Robert Craig, in addressing the House of Representatives at the special session, spoke of the need for more research on visitors' attitudes in shaping the expansion of the tourist industry. The 1954 economic report of the Bank of Hawaii mentioned the desirability of another kind of research, one directed toward long-range planning for the uniform growth of the industry. "The need is for a forward-looking manual based on prospective growth, outlining when and what new developments must be undertaken if the visitor industry is to move forward in balance."⁴⁰

PROPOSAL 20. Creation of an all-public tourist development agency.

A different approach to seeking the expansion of tourism in Hawaii was taken by a bill introduced before the last regular session of the territorial legislature. Senate Bill 555 of 1953, which was not enacted, would have created a territorial recreational development commission, supported half by public funds and half by private funds administered as a public agency. The commission would have been empowered to make loans for hotel construction, to manage recreational areas, to integrate the recreational program of the Territory and to take other action in catering to tourists and residents, in addition to promoting travel to Hawaii.

D. IN MANUFACTURING

THE BACK-
GROUND

The post-war search in Hawaii for a more diversified economy has evoked a large number of nominations of potential manufac-

³⁹A portion of the motor fuel tax would have been earmarked for a tourism development fund, to be expended by the Visitors Bureau, under Senate Bill 365. The bill failed of enactment by the legislature in 1953.

⁴⁰Islands at Work, pp. 42-43.

turing activities which would utilize the scarce natural resources of the Islands.

A group from the Armour Research Foundation of Illinois, under contract with the Industrial Research Advisory Council, in March, 1954, surveyed the following twenty-seven "potential industries" for Hawaii:

- | | |
|------------------------------------------------------------------------|-------------------------------------------------------------------|
| 1. Paper and cardboard container industry | 16. Alkali manufacturing |
| 2. Bottle and glass container industry | 17. Vitamins and pharmaceuticals from brewery wastes (yeast) |
| 3. Fabricated metal industry | 18. Plastic pipe and other plastic products |
| 4. Anhydrous ammonia production | 19. Organic waste from sewage and garbage for fertilizer |
| 5. Volcanic lava and ash for building materials | 20. Napier grass as substitutes for alfalfa meal |
| 6. Volcanic ash for fertilizer | 21. Rum industry |
| 7. Vegetable oil industry based on castor bean, avocado, etc. | 22. Exotic liquors (kona coffee, lilikoi, banana, pineapple) |
| 8. Salt recovery by solar evaporation | 23. Industrialization of poi (dehydrated, extract or concentrate) |
| 9. Foundry, ferrous and nonferrous | 24. Coconut by-products (coir, soap, oils) |
| 10. Paints, wood preservatives, corrosion preventatives, adhesive, ink | 25. Acetylene industry |
| 11. Tannin (wattle, koa extracts) | 26. Tobacco and tobacco by-products |
| 12. Cast iron soil pipe manufacturing | 27. Toy manufacturing |
| 13. Clay sewer pipe | |
| 14. Hydrochloric acid | |
| 15. Wood chemicals (destructive distillation) | |

Of this group, two were selected "as being the most promising and having sound possibility of aiding in broadening the economic base of Hawaii." They are the ceramics and building materials industry (including production of bottles, building tile, cement, ceramic building blocks, terra cotta pipe, pottery, etc.) and fabrication of metals (including casting, concrete reinforcing rods, structural shapes, special forgings for plantations, etc.).

Titanium, discovered in accessible deposits in the last few years, was also considered as the basis of a new industry. The Armour survey team pointed out, however, that in view of the presently limited market for this light weight fissionable metal and subsequent discovery of richer deposits in Wyoming, Hawaii's titanium supply may not be currently of commercial importance. Its report instead suggested the mining of ceramic clays which occur in combination with titanium, producing the latter as a by-product for future exploitation.

PROPOSAL 21. Industrial "audit."

Preliminary to the launching of any of these potential new industries, the Armour report suggested that a "technological audit" of the industries be undertaken. Such an audit presumably would look to the sources and costs of ingredients, the optimum size of plant and optimum plant lay-out, possibility of shipping and storing ingredients and products, etc., all undertaken (perhaps along with market surveys) to determine the possibility of the enterprise and the problems which would have to be solved. The report did not go into the question of the agency, public or private, which should undertake the "audit."

PROPOSAL 22. Promotion of handicraft industries.

The Governor's Full Employment Committee had recommended in 1949 that a study be made of Hawaii's diverse, small-scale handicraft industries--including lauhala, ceramic, wood, tapa products, etc.--and that there be established on the Board of Agriculture and Forestry a department of island industries to promote the expansion of these trades.⁴¹

A survey was undertaken in 1951 under a grant by the Industrial Research Advisory Council and disclosed that some 672 persons⁴² were then engaged in various handicraft industries throughout the Territory. No action has been taken, however, toward establishment of the proposed department of island industries.

⁴¹T. H. Department of Labor and Industrial Relations. Undated mimeographed report, Report on Programs Designed to Improve the Economy of Hawaii and to Alleviate Unemployment, p. 7.

⁴²Industrial Research Advisory Council. Survey of Hawaiian Handicrafts. June, 1951, p. 61. This figure does not include employment in several small crafts for which no reliable data were available.

E. IN BUILDING CONSTRUCTION AND TRANSPORTATION

PROPOSAL 23. Adoption of The Baltimore Plan.

The "Baltimore plan" for rehabilitating urban properties has received attention in Hawaii as throughout the nation. Leigh Stevens, director of the territorial employment security service, proposed adoption of the plan as a means of stimulating employment in the construction industry.

Under the Baltimore plan special courts, staffed with building inspectors, are established to ensure that owners of rundown tenements and other dilapidated structures improve their buildings to established standards, or face quick trial and punishment. Adoption of the plan would require enabling legislation, probably by the territorial government even if administration is made a county function.

PROPOSAL 24. Expansion of inter-island surface transportation.

Since the cessation of scheduled, inter-island steamer service late in 1949, only barge traffic and unscheduled calls of west coast freighters provide surface transportation between the islands of Hawaii. Traffic which would go by truck, train, or ship in other parts of the United States, including vegetables and livestock, are here frequently transported by air.

To supply a less expensive means of moving commodities, and for supplementing the passenger service of Hawaii's two scheduled airlines, the Council of Economic Advisors proposed continued study of surface transportation. "Government subsidy or tax adjustments may be justified on this case."⁴³

Governor King recently suggested that federal aid be sought to subsidize inter-island shipping. After requesting the Department of the Interior to investigate the possibility of a federal grant, he stated:

⁴³Op. cit., p. 23.

I feel there is a hiatus between the fast expensive air freight and the much cheaper, but slower barge freight. . . . The best solution . . . would be for private industry to enter this field. . . . However, the costs for water transportation are so high that private transportation would need some grant of Federal subsidy.⁴⁴

⁴⁴Reported in Honolulu Advertiser, December 1, 1954.

III. Proposals to expand employment opportunities by encouraging industry generally.

Several suggestions for expanding Hawaii's economy go to the problem of improving the business climate or of making new facilities available to industry in general. In a broad sense, all ideas for making Hawaii a healthier, better educated, or more efficient community would fall in this broad category. Some proposals, however, are sufficiently closely related to economic activity to warrant inclusion in this survey of plans to combat unemployment.

A. ENCOURAGING INVESTMENT

PROPOSAL 25. Liberalization of banking laws.

"Foreign" (i.e. mainland as well as alien) banks are limited to a narrow range of banking functions in Hawaii by territorial statute (Section 8085, Revised Laws of Hawaii 1945). Another provision of law (Section 8013) requires that at least three of each bank's directors (of a minimum of five) be residents of the Territory. The effects of these statutes have been to exclude the establishment of mainland banks or of their branches in Hawaii and, so it has been urged, to limit the amount of capital locally available for loans and investments.

The report of the Council of Economic Advisors recommended that: "The [territorial] banking laws should be appropriately amended so that mainland banks could be established here."⁴⁵

PROPOSAL 26. Establishment of a financial council agency.

Robert Craig, in testifying before the committee of the whole, House of Representatives, at the special session of 1954 spoke of the need of an agency to

⁴⁵Op. cit., p. 21.

give advice to local firms as to how and where to seek risk capital for their business ventures. Whether such an agency should be private, public, or comprised (like the Visitors Bureau) of both private and public members was not specified.

B. TAX REVISION

Revision of Hawaii's tax laws in the interest of expanding or stabilizing the territorial economy has been the subject of many recent suggestions and of bills introduced before each legislature. Tax changes relating to specific industries are included elsewhere in this report;⁴⁶ outlined here are proposals for tax revision intended to encourage the economy generally.

PROPOSAL 27. Reduction of taxes on new or expanding industries.

Appearing as a witness before both the Senate and the House of Representatives during the special session, Robert Craig suggested partial or complete tax exemptions for new enterprises. He mentioned the multiple general excise (or gross income) tax as being particularly burdensome to growing businesses. The only exemption under the present general excise tax law--other than those to non-profit organizations and firms, such as public utilities, which pay special taxes in lieu of the general excise--is on sales to instrumentalities of the federal government.

PROPOSAL 28. Tax inducements for insurance company investments.

The use of tax reduction to encourage insurance companies to invest in Hawaiian industry was proposed by the Council of Economic Advisors in 1953.⁴⁷ Recommended was a sliding scale for the present taxes on insurance premiums, the

⁴⁶See Proposals 9 and 24.

⁴⁷Op. cit., p. 21.

tax rate to be lowered as the rates of an insurance firm's investments in Hawaii increased relative to its total investments in all jurisdictions. Texas has utilized such a tax device since 1905.

The territorial insurance commissioner reported that, as of December 31, 1953, insurance companies doing business in Hawaii--both those locally incorporated⁴⁸ and those incorporated elsewhere--had the following local investments:⁴⁹

Mortgage Loans	\$2,304,958
Collateral Loans	278,496
Government Bonds	5,807,986
Utilities	304,427
Industrial & Misc.	1,205,140
Real Estate	98,600
	<u>\$9,999,607</u>

PROPOSAL 29. Reduction of taxes to bolster consumption.

A different approach to tax revision was offered by labor union officials appearing before the Senate. Arthur Rutledge proposed substitution of income taxes for taxes on consumption, such as the general excise tax. Robert McElrath suggested the repeal of the flat 2 per cent tax on compensation and dividends and its replacement by a comprehensive graduated net income tax.⁵⁰ In both instances it was pointed out that consumption would be bolstered by a shifting of a portion of the total tax burden from persons in lower income brackets and that the economy would thereby be strengthened.

PROPOSAL 30. Property tax revision.

Mr. Rutledge further recommended a change in property tax laws and

⁴⁸Under a 1953 statute (Act 226) local insurance companies pay 5 to 50 per cent less than the rate imposed on mainland and alien firms.

⁴⁹Territory of Hawaii. Insurance Commissioner's Report, 1954, pp. 14 & 15.

⁵⁰In extension to remarks before Senate committee of the whole supplied to the Legislative Reference Bureau.

tax administration to the end that undertaxed properties would bear a larger portion of the levy. He argued that appraisal of land at its "fair market value," considering its best economic use, by exerting pressure on owners to put their land to its most profitable employment would promote a better utilization of land resources.

PROPOSAL 31. General tax revision.

The Council of Economic Advisors included in its report⁵¹ a finding that the economic health of Hawaii required that its "taxation should minimize detrimental effects on the growth of enterprise and [should] distribute the tax burden fairly." It endorsed Senate Bill 695, then pending before the 1953 legislature, as a "step forward in the tax program of the Territory which would assist local production and manufacturing."

A program of tax reform was recommended in The Report of the Governor's Advisory Committee on Taxation, dated February 10, 1954. Major recommendations included: revising the general excise tax (primarily through eliminating or reducing the levy on producing and middlemen operations and through increasing the tax on retail sales); expanding the compensation-wage tax to cover all income, coupled with a reduction in rate from 2 to 1 1/2 per cent; repealing the 75 per cent credit of the latter tax under the personal net income tax; taxing banks and public utility firms under general, instead of special taxes; and increasing liquor and tobacco tax rates, to 14 and 20 per cent, respectively.

C. EXPANSION OF INDUSTRIAL RESEARCH

The Industrial Research Advisory Council, established by the territorial

⁵¹Op. cit., pp. 20-21.

legislature in October 1949, has provided grants for surveys, experiments, pilot tests, and market studies for the development and expansion of several areas of agriculture and fisheries in Hawaii.⁵² Limitation of time, funds, and facilities has apparently precluded comparable activity with respect to manufacturing and other non-agricultural production, except for the study of handicraft and the Armour survey, previously mentioned.⁵³

PROPOSAL 32. Larger appropriations for the Industrial Research Advisory Council.

Leigh Stevens, testifying before the Senate committee of the whole, stated: "We think industry needs the same attention and study that IRAC gave agriculture, to know where they are going...before they get new capital." He suggested a larger appropriation for the Council to enable it to undertake a wide program.

PROPOSAL 33. Establishment of an industrial research center.

J. Scott B. Pratt, former Chairman of the Industrial Research Advisory Council, and Robert Craig told the House of Representatives and the Senate during the recent special session of the need for continued and expanded business research. The latter proposed that the legislature invite the Stanford Research Institute, a non-profit and independent arm of Stanford University specializing, among other things, in industrial and marketing research, to establish a branch office in Honolulu. House Resolution No. 17 extended such an invitation.⁵⁴

The Stanford Research Institute subsequently did set up a Honolulu office,

⁵²See IRAC reports to the 1951 and 1953 legislatures.

⁵³See pp. 24-26.

⁵⁴Resolution was adopted on August 5, 1954.

A non-profit industrial research and engineering center for Hawaii, either governmental or jointly financed by private industries, was suggested by the Armour survey team. (See Proposal 21, supra.)

on September 27, 1954, staffed by six researchers. Among its initial contracts was a grant from the Industrial Research Advisory Council to review the product of IRAC activities, to evaluate "the needs of IRAC for new information,....and to develop conclusions which will indicate the future patterns of a program of industrial research."⁵⁵

⁵⁵IRAC Newsletter, No. 47 (November 1954).

IV. Proposals to reduce unemployment through direct governmental action.

All of the proposals reviewed in this report require some activation or encouragement by government primarily through appropriations to public or quasi-public agencies and by amendments to territorial laws. In each of the foregoing proposals, however, the government appears in a relatively passive role, as a setter of rules (as with respect to wage and hour, tax, and land laws) or as a stimulator of private enterprise (as a seller of land, granter of subsidies, patron of research). The following proposals would require a more direct engagement by the Territory in the tasks of reducing unemployment and expanding Hawaii's economic base.

A. OUTMIGRATION OF LABOR

One direct means of reducing the volume of unemployment is to encourage or arrange for the departure from the territory of persons in the work force: even if already locally employed their departure would create job opportunities for those presently unemployed.

PROPOSAL 34. Local recruitment of labor for forward areas.

Hawaii serves as a natural recruiting area for persons, largely construction workers, needed on federal installations on Guam, Okinawa, and other forward areas in the Pacific. Joseph Upsher Smith, executive secretary of the (federal) Regional Defense Mobilization Committee was recently quoted⁵⁶ as urging an expansion of this local recruitment. Such an expansion would presumably require programming by the territorial Department of Labor and Industrial Relations as well as the federal Civil Service Commission.

⁵⁶In Honolulu Star-Bulletin, December 13, 1954.

PROPOSAL 35. Repatriation of aliens and return of unemployed to mainland.

A substantial outmigration of persons from Hawaii's labor force has apparently occurred in the past several years. Of Filipinos alone, including both aliens and American nationals, more than 3,500 were repatriated to the Philippines from Hawaii since 1947.⁵⁷

A proposal for territorial action to encourage additional outmigration was made before the Senate committee of the whole by Robert McElrath. He suggested an appropriation of funds "so the Territory can offer to resident aliens who care to depart free transportation for himself and family, to depart voluntarily from the Territory for permanent residence in a foreign country."⁵⁸

That the number of persons who might be removed from the ranks of the unemployed through a repatriation program is not a large one is indicated by the testimony of Leigh Stevens, director of the Employment Security Service, before the Senate during the 1954 special session. Referring, again, to persons of Filipino ancestry, among whom the rate of unemployment has frequently been high, he stated:

In 1946 the Territory imported 6,000 males and 1,000 females and children.... But going back through my active files in my Honolulu office, I had only 102 of the 1946 group registered with me as unemployed.... In Honolulu we have 1,500 classified as non-citizen [Filipino unemployed], but they are the older group that came prior to that [1946].

The territorial Employment Service Advisory Council, considering the unemployment problem in October 1949, recommended a program of loans to persons wishing to return to the American mainland. It advised⁵⁹ reviving a measure, Senate Joint

⁵⁷Estimate quoted in August 23, 1954 report of Territorial Planning Board, p.5.

⁵⁸Transcript of hearing, p. 67.

⁵⁹Quoted in U. S. Department of Labor, Employment Security Bureau, Community Programs to Combat Unemployment, p. 7.

Resolution 29, which had been intended to accomplish this purpose but which had failed of passage at the regular legislative session of 1949.

B. PUBLIC WORKS

A second means of relieving unemployment is a governmental work program. A number of suggestions for public works to be undertaken by the territorial government have been presented for consideration of the legislature. Some of them form part of developmental programs--new agricultural lands, tourist recreational sites, etc.--while others are primarily concerned with the creation of jobs for the unemployed, and only secondarily with the results of their labor.

PROPOSAL 36. Creation of a Civilian Conservation Program.

A recurring proposal in the past several years is that the territorial government establish an employment program similar to the federal Civilian Conservation Corps of the 1930's. (It may be noted that at the peak of its operations in Hawaii, in 1936, the CCC employed 1,200 young men in forestry camps throughout the Territory. A 1939 report of the Territorial Planning Board stated that the members of the Corps planted some two million trees in forestry reserves.)⁶⁰

A Hawaiian Civilian Conservation Corps would have been established within the Board of Agriculture and Forestry under Act 63 of the 1949 special session. The act appropriated \$3,000,000 of bond funds for the Corps, but the necessary consent of Congress was not obtained, and, after the peak of unemployment had passed, the act was repealed in 1951 (Act 321).

⁶⁰T. H. Department of Labor and Industrial Relations. Report on Programs Designed to Improve the Economy of Hawaii and to Alleviate Unemployment, p. 2.

The Governor's Full Employment Committee in 1949 recommended a CCC program to combat unemployment and "to increase the resources of the Territory".⁶¹ Robert McElrath made a similar suggestion before the Senate at the 1954 special session, urging the formation of a CCC "to take care of unemployment between 17 and 25".⁶²

PROPOSAL 37. Other labor-using public works.

Arthur Rutledge suggested that priority be given in territorial and county public works to those projects which use manpower, rather than machine power, so that the expenditure of any given amount of public funds would employ the largest possible number of persons. He further suggested that contracts awarded to private contractors incorporate minimum wage requirements.⁶³ (See Proposal 4.)

William Vannatta, chief engineer of the City and County of Honolulu, gave as his opinion in testifying before the House of Representatives at the special session that what should be sought for the employment program were public works utilizing "up to 95 per cent" of an appropriation for wages. Pointing out that on many public works only a third or less of total expenditures were paid out directly to employees, he suggested appropriations to public agencies for cleaning parks and streams, improving beaches, and landscaping schools--all projects requiring considerable manpower.

⁶¹Ibid., p. 6.

⁶²Transcript of hearings before the Senate committee of the whole, p. 66.

⁶³In extension to remarks before Senate committee of the whole, supplied to the Legislative Reference Bureau.

Two House bills, H. B. 475 of the 1949 regular session and H. B. 98 of the 1949 special session, stipulated that not less than three-fourths of the bond funds they would have appropriated for public works (\$10,000,000 and \$25,000,000, respectively) must be spent for labor costs. Thomas Vance, in commenting on these bills --both of which passed the lower House but failed of passage in the Senate--stated that the labor requirement "would have made it extremely difficult if not impossible to plan the use of the ... bond issues so as to expand and improve the base of our economy. The major purpose of the bills was simply to create more jobs."⁶⁴

PROPOSAL 38. Expansion of the emergency employment program.

Governor King ordered the creation of the Hawaii Employment Program on July 20, 1954, when the volume of reported unemployment had reached about 12,600.⁶⁵ The Bureau of Employment Security worked out a formula for allocating funds among the islands for the program, which funds were obtained from the governor's contingent fund (fed by lapsed departmental appropriations). Unemployed men, paid at the rate of \$9.00 per day, were employed by the Territory under the direction of the Department of Public Works and the Board of Agriculture and Forestry on various projects, e.g. improvement of public grounds and buildings, road improvement, mosquito control, etc. Employment by the Hawaiian Employment Program from August through December has been as follows:

⁶⁴Op. cit., pp. 1-2.

⁶⁵Op. cit., Territorial Planning Board, p. 1.

<u>Month</u>	<u>Number Employees in Territory</u>		
	<u>Agriculture and Forestry^a</u>	<u>Public Works</u>	<u>Total</u>
August	319	109 ^b	428
September	537	449 ^c	986
October	509	450 ^d	959
November	242	303 ^e	545
December	17	307 ^a	324

a As of last day of the month.

b As of 9-1-54.

c As of 9-29-54.

d As of 11-3-54.

e As of 12-1-54.

Sources: Department of Public
Works.
Board of Agriculture
and Forestry.

Senate Bill 7 of the special session of 1954 authorized the governor to allot to the territorial Department of Public Works and to the four county boards of supervisors all portions of unexpended appropriations for the biennium ending June 30, 1955, for an expansion of the works program. The bill failed of passage.

PROPOSAL 39. Speedup of regular public works.

The Territorial Planning Board, in its report of August 23, 1954, suggested that all existing appropriations for public construction be put under bid by February 1955, in order to stimulate employment in the construction industry. It was announced just previous to the report that the governor's office had ordered a speedup of the public works program of the Territory, then estimated to include some \$93,000,000 of construction.⁶⁶

PROPOSAL 40. Improvement of tourist attractions.

There was appended to the report of the Territorial Planning Board, issued in August 1954, an outline prepared in the preceding month by the tourist industry committee of the Honolulu Chamber of Commerce. The 23-page outline listed 16 projects--

⁶⁶ Honolulu Star-Bulletin, August 4, 1954, p. 12.

four on Oahu, four on Hawaii, two on Maui, two on Molokai, one on Lanai, and three on Kauai--covering a variety of facilities, from roads and trails to lodges and ski-lifts, designed to create better recreational facilities for tourists and residents of the Territory.⁶⁷ A rule of thumb used by the committee is that one man-year of employment would be created for each \$10,000 of construction costs; its estimates of expenditures for the several projects showed construction costs ranging from \$100,000 (for a lookout at Koko Crater on Oahu) to \$6,550,000 (for re-routing of Kalakaua Avenue in Waikiki).

PROPOSAL 41. Long-range unemployment relief program.

Marguerite Ashford, Commissioner of Public Lands, in the discussion before the House of Representatives, spoke of a "long-range" program for the relief of unemployment, as opposed to the solution of the immediate problem of high unemployment. She mentioned specifically the restoration of fishponds, the development of new coffee areas, and road improvements as those likely to provide continuing benefits to the territorial economy.⁶⁸ The Territorial Planning Board added reforestation, beginning on Molokai, to this proposal for a long-range program.⁶⁹

⁶⁷ Money-making facilities, such as lodges and restaurants, would apparently be leased to private concessionaires. The outline included estimates of private employment at the facilities created or improved, as well as estimates of new territorial tax revenues generated, calculated at 10 per cent of the gross receipts of the privately managed facilities.

⁶⁸ As quoted in the Honolulu Star-Bulletin, August 5, 1954.

⁶⁹ Op. cit., p. 4.

C. TRAINING OF PERSONNEL

Within a general surplus of labor, relative to the existing demand, there may be shortages of specific skills. Recent proposals to remedy such shortages in Hawaii are reviewed here.

PROPOSAL 42. Expansion of apprenticeship training.

The report of the Department of Labor and Industrial Relations on unemployment programs noted that "the Territory requires 10 per cent [of apprentices] in skilled occupations in normal times."⁷⁰ In view of the fact that a number of indentured apprentices then in training was considerably smaller than this indicated level of 10 per cent, the report recommended an expansion of the apprenticeship program, which is administered by the territorial Apprenticeship Council.

PROPOSAL 43. Expansion of vocational training.

A program of vocational training for trades and crafts is regularly conducted by the Department of Public Instruction. Arthur Rutledge, in testifying before the Senate, proposed: "Let us ... build a couple of [additional] vocational schools.... Industry is suffering from having too many inefficient employees because they haven't been taught to do the job properly.... Vocational schools are a necessity."⁷¹

PROPOSAL 44. Establishment of fisheries school.

Bills drafted for the territorial legislature have provided that training in commercial fisheries be undertaken by the University of Hawaii. Such courses, added to the present research and zoology programs of the University, were urged as a means of better equipping Hawaii's fishermen to exploit the fish resources of the Central Pacific. Similar curricula are found at the Universities of Michigan and Washington.

⁷⁰Op. cit., p. 8.

⁷¹Transcript of hearings before the committee of the whole, special session of 1954, p. 56.

PROPOSAL 45. Expansion of teacher training.

A rapid increase in public school enrollment has resulted in a severe shortage of teachers in the Department of Public Instruction.⁷² In part, this shortage can be met by recruiting teachers from the mainland United States, but, in the interest of a more stable teaching corps as well as a means of qualifying local residents for this employment, an expansion of teacher training has been sought.

Bruce White, Dean of the Teachers' College of the University of Hawaii--only normal school in the Territory--working with the other administrators of the University, has prepared two programs for enlarging the number of persons graduated by the Teachers' College. Either of the proposed plans can go into effect immediately upon receiving an additional appropriation. Under the first or emergency program, the Teachers' College would accept graduates from other university curriculums. Through an accelerated program, including two summer sessions and one additional year, they would receive a regular teaching certificate after a total of five years and two summers of university work, rather than the normal five years in Teachers' College. The second program calls for an expansion of the present Teachers' College facilities from a maximum of 150 to 325 students each year.

D. FINANCING AND ECONOMIC PLANNING

BACKGROUND The same opinion of inadequate risk capital which prompted the suggestion that for business expansion mainland banks be permitted to function in Hawaii (see Proposal 25) apparently underlies proposals for territorial appropriations to supply or guarantee business loans. In addition,

⁷²Of the 1,633 new teachers hired by the Department of Public Instruction since 1951, 50 per cent have received only temporary appointments because of the inability to secure trained teachers with Island residence.

proposals have been made for the creation of an agency to direct the flow of investment among alternative uses.

PROPOSAL 46. Establishment of revolving loan fund.

The August 1954 report of the Territorial Planning Board suggested the appropriation of a \$5,000,000 revolving fund "to assist in financing, production and marketing operations in connection with the many potential opportunities available for increasing Hawaii's agricultural and industrial production". This proposal apparently contemplates direct governmental loans, as well as guaranteeing of bank loans, for it speaks of assistance in "financing the development of new industries ... and other enterprises which are unable to obtain loans from private and [federal] government sources."⁷³

PROPOSAL 47. Creation of a territorial economic development authority.

A measure introduced before the special session of 1954 (Senate Bill 6) would also have made an appropriation--\$4,000,000 was the amount--for industrial and agricultural loans. In addition to making loans, the economic development authority established under the bill would have been empowered itself to undertake production where private enterprisers failed to take advantage of entrepreneurial opportunities.

PROPOSAL 48. Establishment of an economic planning board.

It was proposed by Arthur Rutledge that a planning board be created by legislative act, to be composed, equally, of representation of labor, management, and the general public. The board would be authorized to study economic and employment

⁷³Op. cit., p. 2.

trends in Hawaii, to consider and make recommendations to the legislature concerning economic development, and, finally, functioning as a "little RFC", to make loans of public funds to industries with growth potential, where private capital is wanting.⁷⁴

PROPOSAL 49. Establishment of a central information agency.

A kind of economic agency, but one of distinctly more limited scope than the one just outlined, was proposed in the 1954 report of the Bank of Hawaii on the state of the territorial economy.⁷⁵ Remarking that there are six "centers of activity in which daily decisions are made that continuously affect our entire economy" --plantations, the business community, labor unions, the federal defense establishment, the civilian agencies of the United States, and the territorial government-- the report stressed the need for an interchange of information and plans among these sectors of the economy in their mutual interest.

A center for collection and analysis of economic data would accomplish this interchange, to review economic developments and point up critical problems, and to make suggestions for stimulating the economic growth of Hawaii. The agency contemplated by the Bank of Hawaii report, however, would have no policy-making or operating powers.

⁷⁴In typewritten extension of remarks before Senate at the 1954 special session, supplied to the Legislative Reference Bureau.

⁷⁵Bank of Hawaii, Islands at Work, p. 46.

EMPLOYMENT TRENDS SINCE JULY 1954

Even as the legislature was holding its hearings, the upward trend of unemployment had begun to reverse. Although the data available in mid-year to the legislators indicated a sharp rise in unemployment (Table 1), the number of unemployed have decreased significantly since June.

Table 3.

	MONTHLY AVERAGE TOTAL LABOR FORCE	TOTAL CIVILIAN EMPLOYMENT	UNEMPLOYMENT	
			Number	% of Labor Force
June	194,484	159,570	15,359	7.9
July	201,173	168,950	12,620	6.3
August	201,516	169,970	11,940	5.9
September	196,702	166,640	10,750	5.5
October	197,021	167,500	10,180	5.2
November	195,962	166,150	10,190	5.2
Average:				
JANUARY-NOVEMBER	194,807	163,506	11,904	6.1

Source: Estimates of the Bureau of Employment Security, T.H. Department of Labor and Industrial Relations.

Various reasons have been suggested as contributing to this decrease in unemployment. One of the primary factors was the withdrawal of students from the labor market after the summer vacation. Coupled with this, the return of the 25th Infantry Division of the Army to Hawaii in October brought approximately 15,000 soldiers plus their families and has led to an increase of job opportunities.

Other factors have influenced both the prospective labor situation and the general economic outlook of the Territory. The announcement in November, 1954 by the Standard Oil Company of New Jersey that they would be building an oil refinery in Hawaii, at a cost of \$30,000,000 or more, which would employ some 700-800 persons to service the entire Pacific area, tentative decisions to base additional military forces in Hawaii, plans for large-scale expansion of tourist facilities, have all tended in recent months to more optimistic expectations of local employment.

Generally, it appears that the urgency for short-run unemployment solutions has decreased. However, analysis of the reasons for Hawaii's high percentage of unemployment (an average of 5.7% from 1950-1953 as compared to 3.3%⁷⁶ on the mainland) and consideration of programs to stimulate continued expansion in employment opportunities may still be desirable.

⁷⁶Source: President's Council of Economic Advisors, Economic Indicators, December, 1954.

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