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25,000 or more could leave Hawaii as economy struggles, economists predict By Kevin Dayton June 2, 2020

University of Hawaii economic researchers are predicting an out-migration of 25,000 people or more from Hawaii by 2022, many of whom will leave to find work on the mainland as the state struggles to revive and reopen its tourism industry.

Carl Bonham, executive director of the University of Hawaii Economic Research Organization, told members of the House Select Committee on COVID-19 on Monday that the departures will likely accelerate later this year as the extended unemployment benefits designed to cushion the impact of the COVID-19 pandemic finally expire.

"If you don't have family ties in Hawaii, and you were working in tourism here and your unemployment benefits run out, there's actually nothing to keep you here," he said. "And even people who have deep family ties will be drawn to other parts of the country where tourists can drive to get to Vegas or to get to Orlando, and where businesses have reopened more rapidly."

The out-migration prediction is generated from a UHERO economic model that takes into account variables such as the unemployment rate and the types of jobs that are available, and projects what might happen next.

The "baseline" projections from that model suggest the unemployment rate in Hawaii will average 18% this year and about 9% in 2021.

A more pessimistic scenario generated by the same model using different assumptions projects the unemployment rate will be almost 4 percentage points higher, he said. Under that grim scenario, 34,000 would be expected to leave the state.

"Our unemployment rates would be even worse than we predicated except that our models are generating big outflows of population, bigger than we have seen certainly in my lifetime," Bonham told the committee members.

The Hawaii population in 2019 was about 1,416,000, so a net outflow of 26,000 people would amount to a population decline of more than 1.8%. Bonham said the last time Hawaii lost even 1% of its population was in 1954, five years before statehood.

"The reason for that is that as the national economy recovers more rapidly than Hawaii — we say that because Hawaii depends on air travel and because tourism is such a dominant piece of the economy — many other state economies and county economies will recover much more rapidly. The job opportunities will simply not exist here that will exist in the rest of the country, and that will draw people."

Apart from the hardship for people and families as they pack up and move in search of work, a shrinking labor force tends to be a drag on the economy, economists said.

"I don't know about the numbers, but any number that's big enough to be scary ought to be taken seriously in the situation we're in right now," said Paul Brewbaker, an economist who is principal of the consulting firm TZ Economics.

Brewbaker worries that much of the political debate about the economy in recent years has been about political resistance to the seed industry and biotechnology, or to astronomy development. It may be particularly damaging to layer on top of that pattern the disaster of the pandemic and a reduction in the labor pool, he said.

He cited the example of Kauai's economy after the damage done by Hurricane Iniki in 1992. The island economy began to recover after about three to five years, but it took about 25 years before the visitor arrivals reached previous levels, he said.

Hawaii has already seen smaller annual population declines of about one-third of 1% during each of the last three years, which Bonham said was probably because people could find better jobs and better-paying jobs in other parts of the country. At the same time, local birthrates have been dropping.

There will be a variety of economic implications as that trend accelerates. It means fewer taxpayers, fewer retail customers and fewer people to patronize Hawaii's bars and restaurants, he said.