

# Business Revitalization Task Force

**Hawai'i's General Economic Competitiveness and Business Climate**

5 June 2025

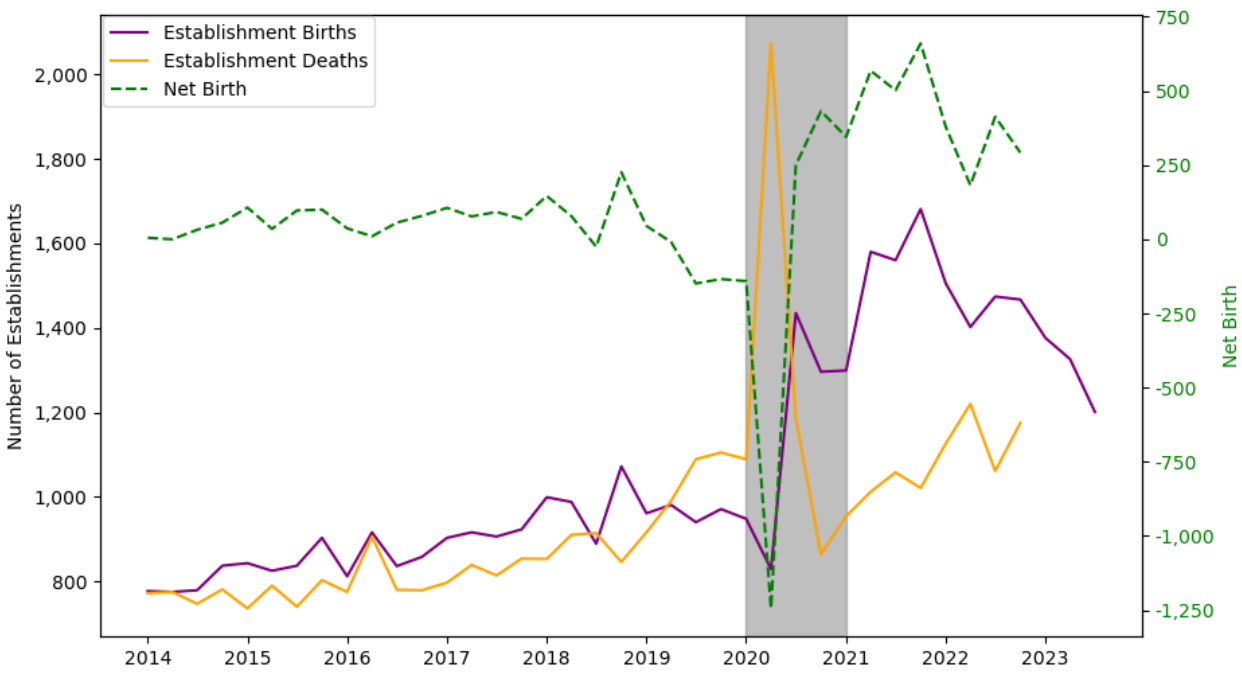
READ/DBEDT

# Hawai'i's Business and Economic Environment Ranking by Multiple Entities

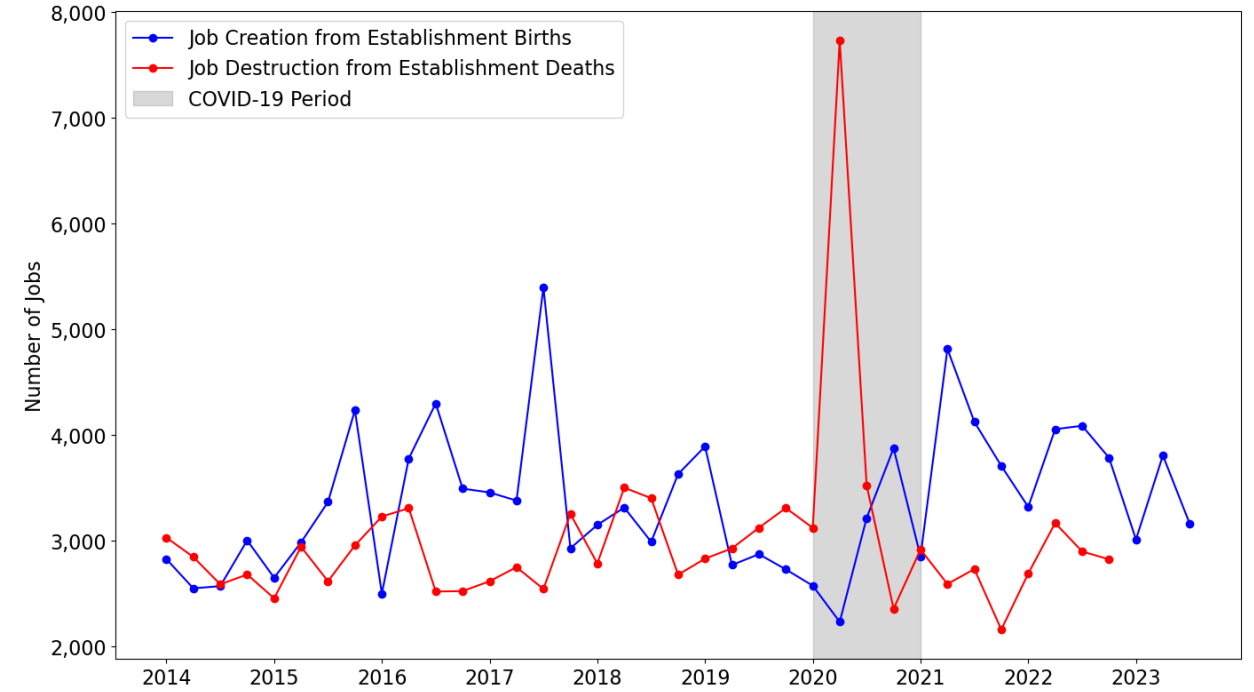
Ranking Institution	Description	Year	Overall Ranking	Business/ Economy Climate	Business Cost	Workforce	Access to Capital	Cost of Living /Affordability	Infrastructure	Technology & Innovation
CNBC	American Top States for Business	2024	50	49	50	32	48	48	47	45
US News	Best State Ranking	2024	31	47	49	12	46	41	47	
ITIF	State New Economy Index	2020	46	42		32	40		40	47
Forbes	Best States for Business	2019	47	24	50	32		40		
Wallet Hub	Best & Worst State Economies	2024	50	49		50				50
ALEC	Economic Outlook	2024	41	42	41					
Tax Foundation	State Business Tax Climate Index	2024	42		42					

# 1. Business Environment

Annual Hawai'i Establishment Birth and Death (2014-2023)



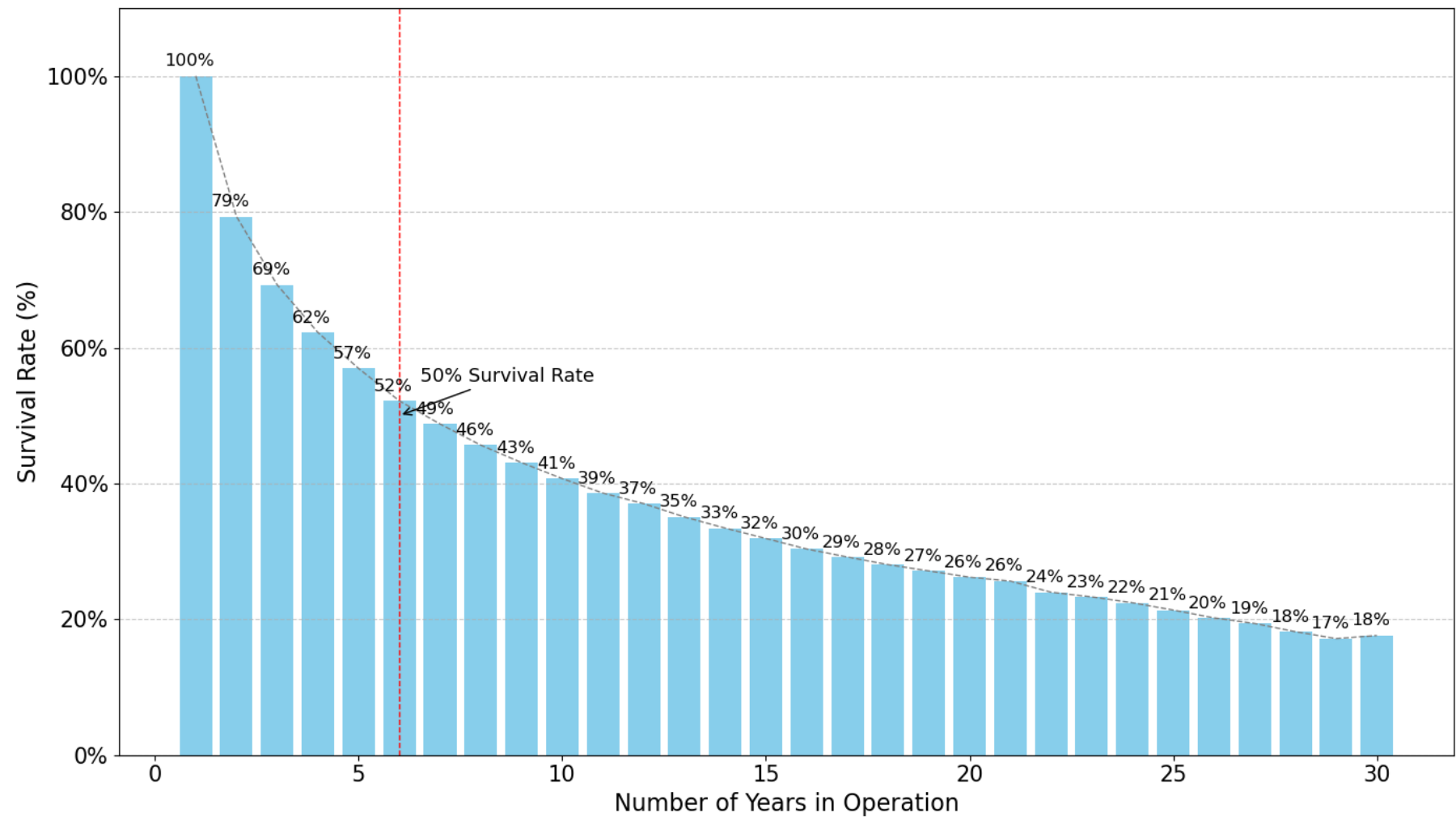
Annual Hawai'i Jobs Creation and Destruction by Establishment Births and Deaths (2014-2023)



Source: Bureau of Labor Statistics, BED. Shaded area represents Covid-19 period. Seasonally adjusted data

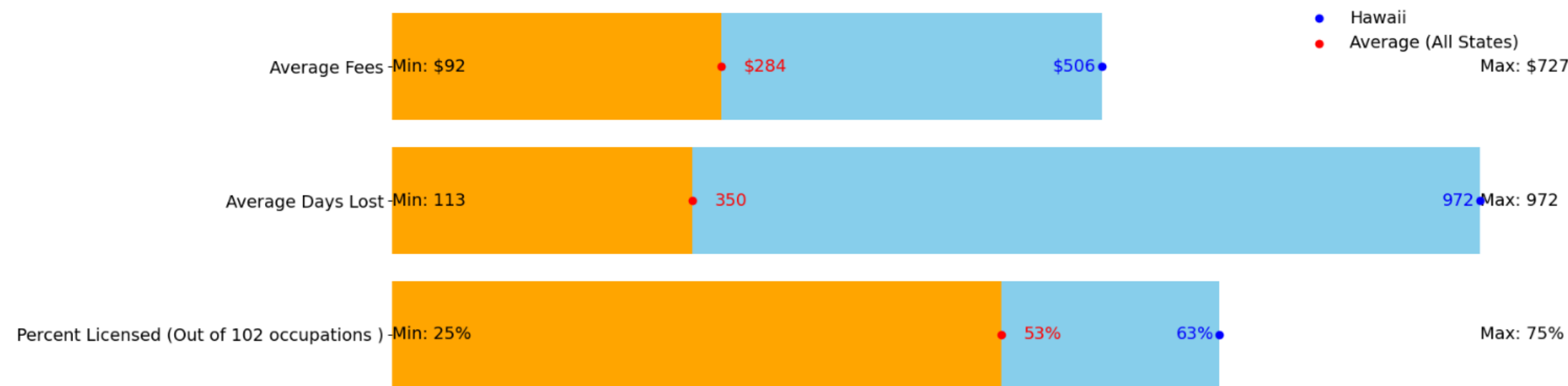
Cont.

Hawai‘i Average Survival Rate of Establishments by Number of Years in Operation (1994-2023)



Source: Bureau of Labor Statistics, Establishments age and survival rate. READ estimation  
Department of Business, Economic Development and Tourism | Research and Economic Analysis Division

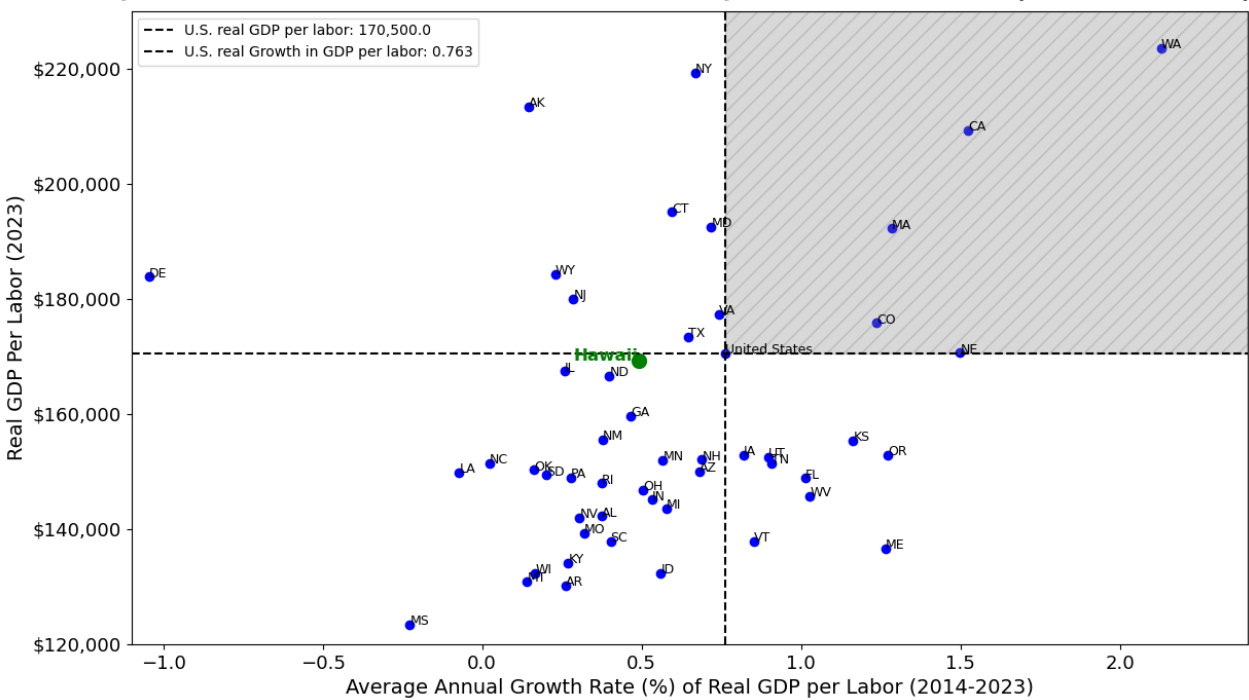
## 2. Regulation



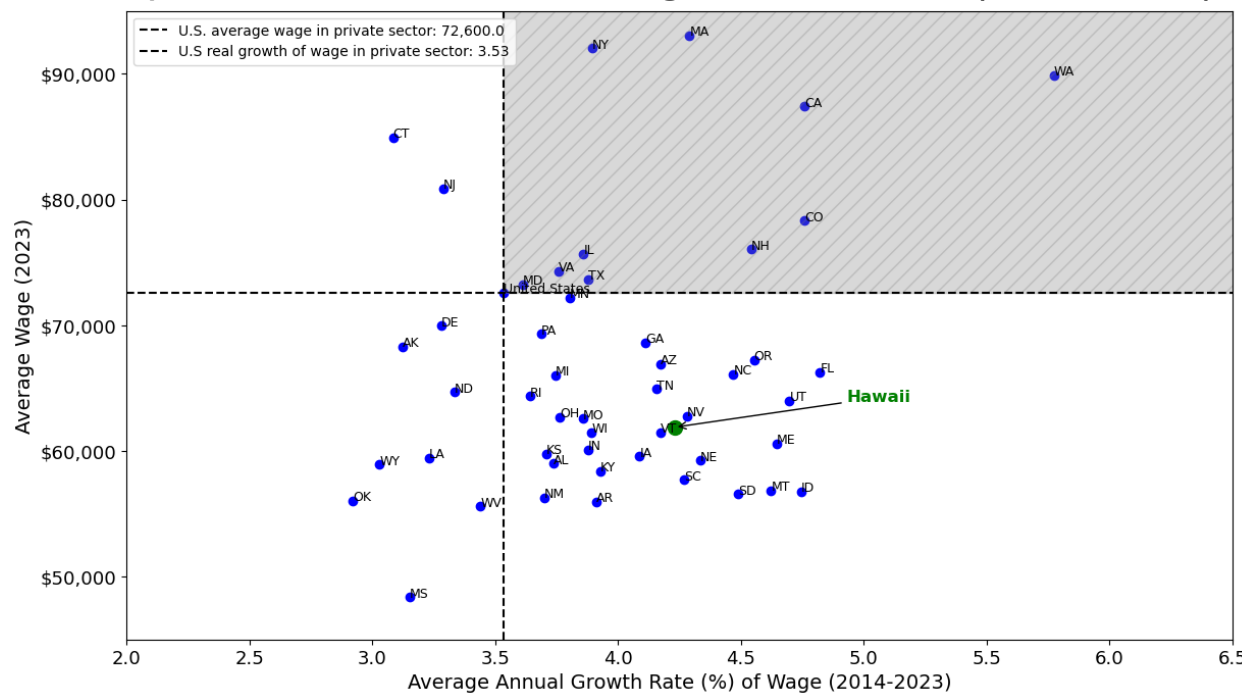
Source: Institute for Peace, License to Work 3<sup>rd</sup> Edition November 2022.

### 3. Workforce Development

Comparative State Labor Productivity Performance (2014-2023)



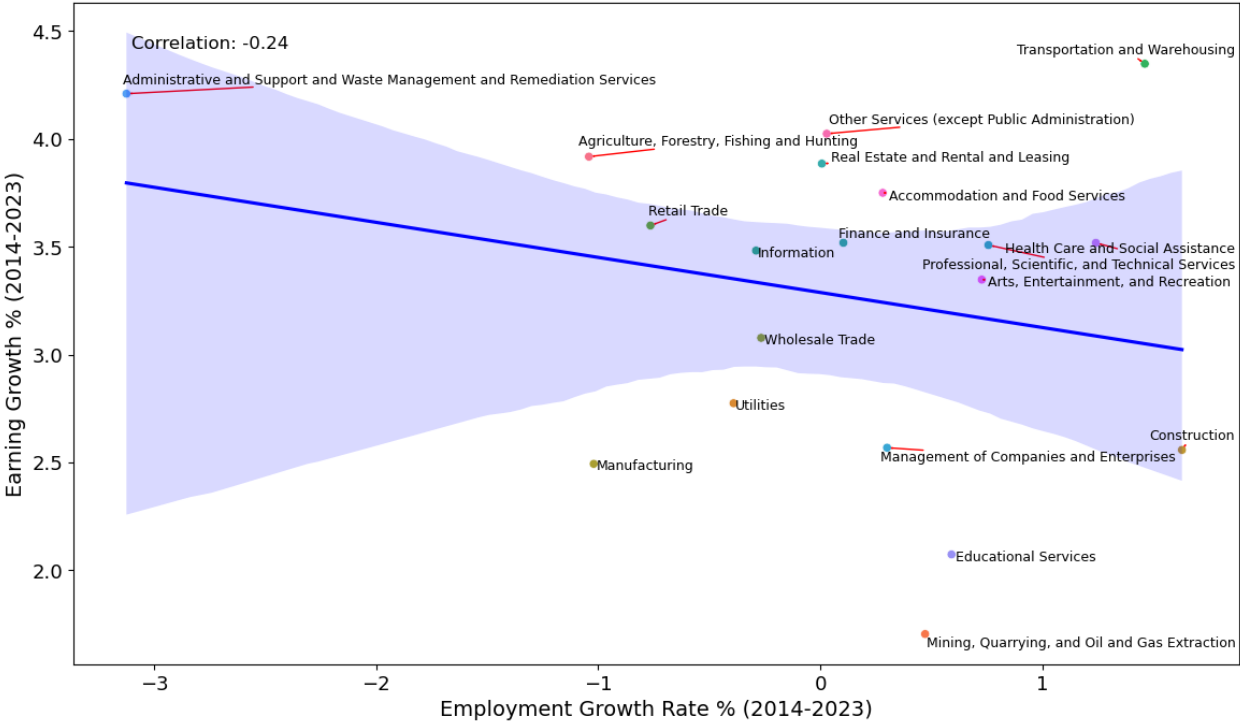
Comparative State Nominal Wage Performance (2014-2023)



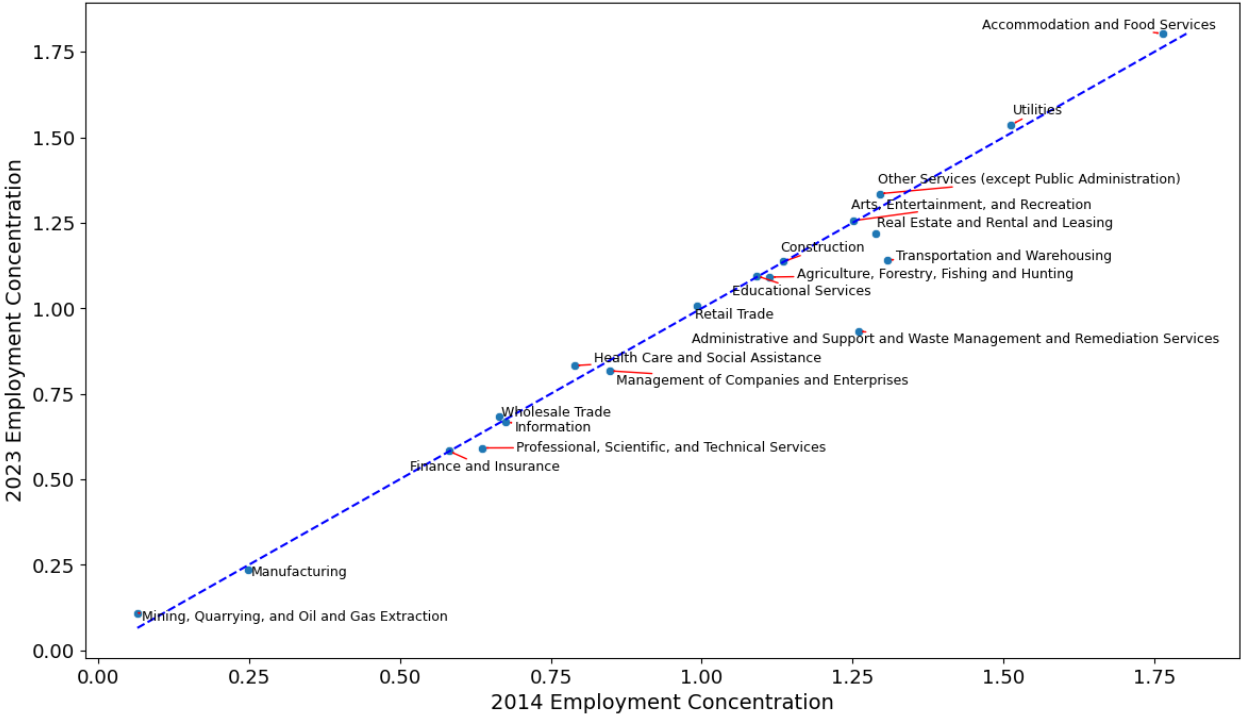
Source: Bureau of Labor Statistics, QCEW private sector labor force and total wages all industries for all establishment sizes. Average annual growth rate is calculated as compound annual growth rate for 10 years period in percentage. READ estimation.

### 3.1 Industry Level Analysis

Cross-Plot of Employment Growth Versus Earnings Growth by Industry (2014-2023)



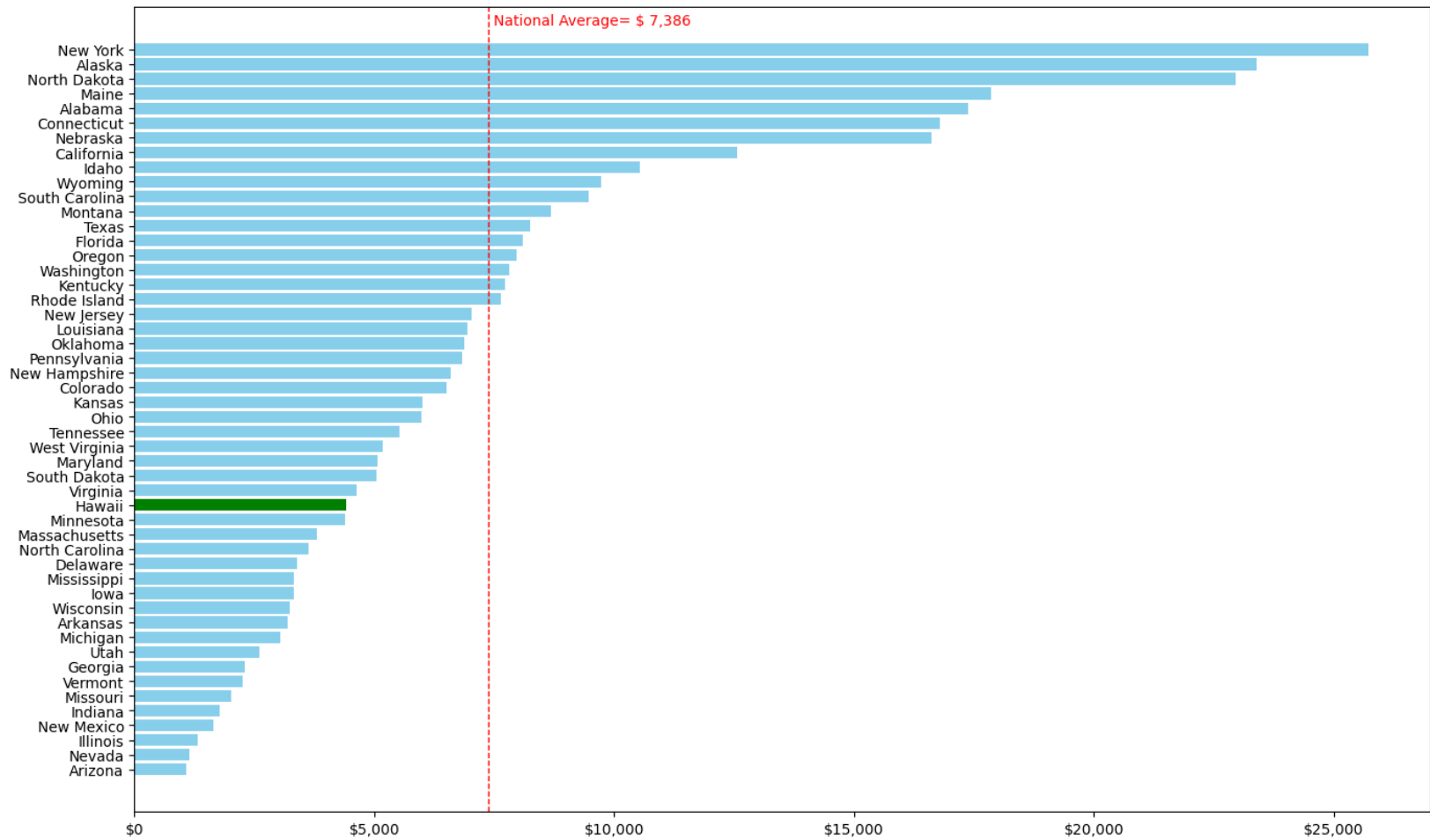
Hawai'i Private Sector Employment Concentration by Industry 2014 vs 2023



Source: Lightcast, QCEW. Growth rate is calculated as compound annual growth rate in %. Unclassified industry is not included in this analysis. READ estimation.

### 3.2 Research and Development

Research and Development Expenditure per Thousands of Populations (2022)

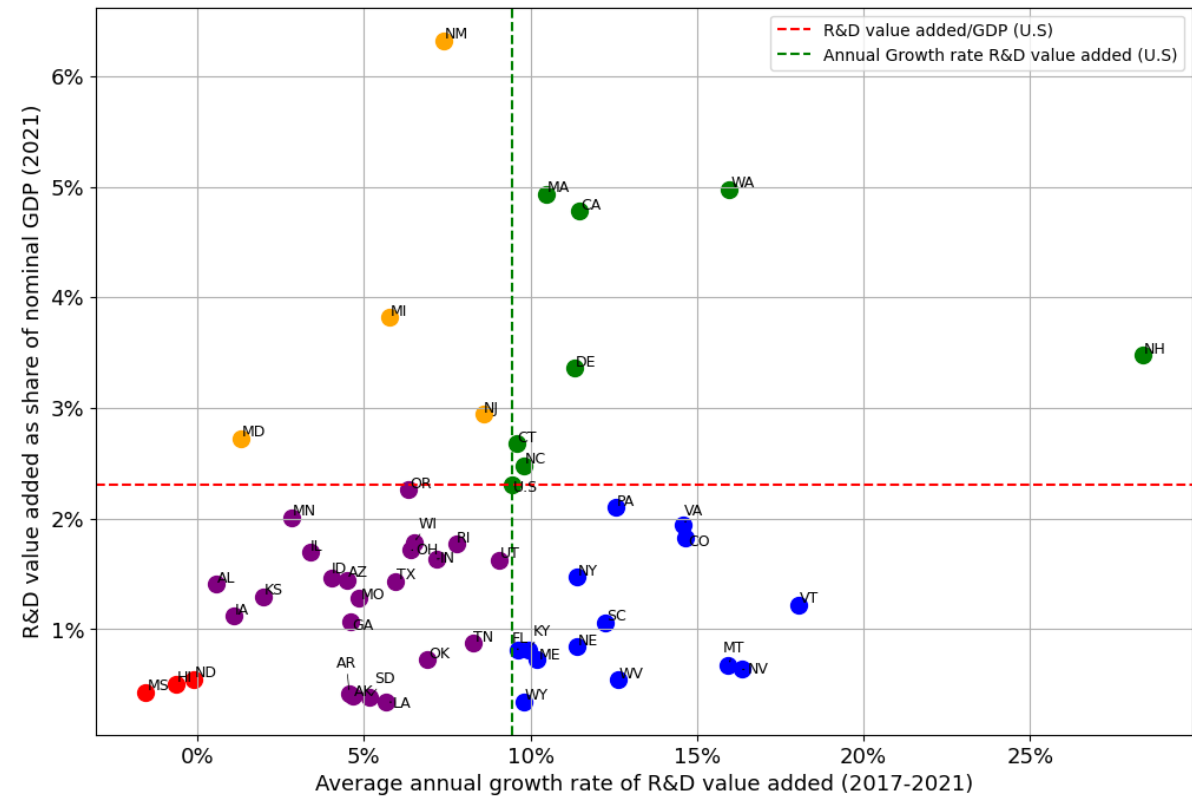


Source: National Center for Science and Engineering Statistics, State government expenditures for R&D and plant, by state and performer: FY 2022. READ estimation.

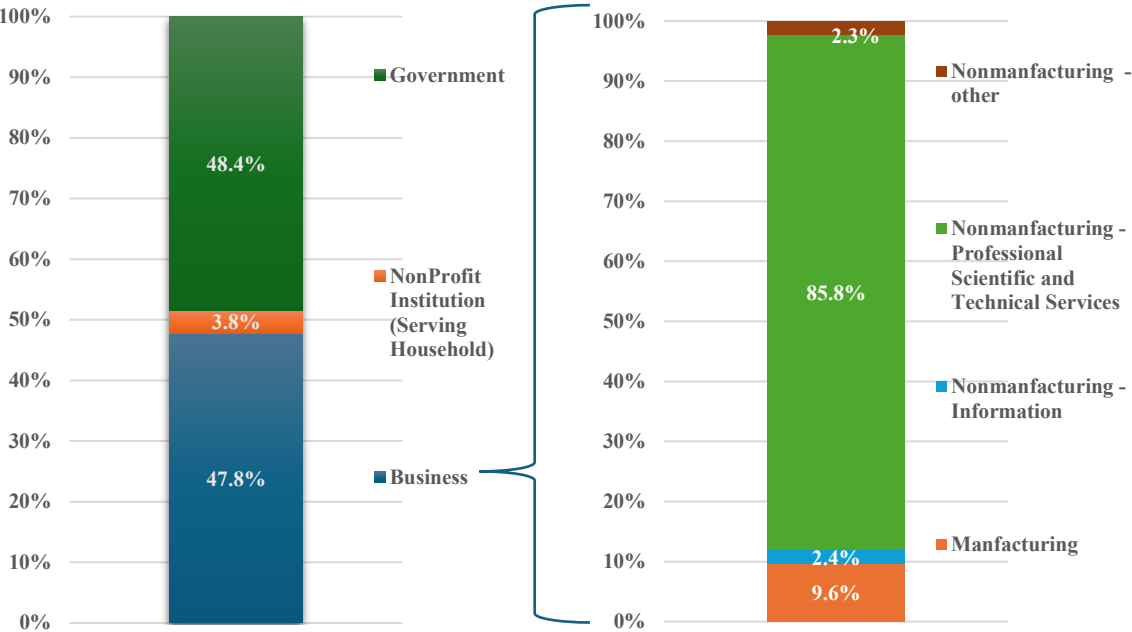


Cont.

Comparative State R&D Value Added as share of Nominal GDP vs R&D Value Added Average Annual Growth Rate (2017-2021).



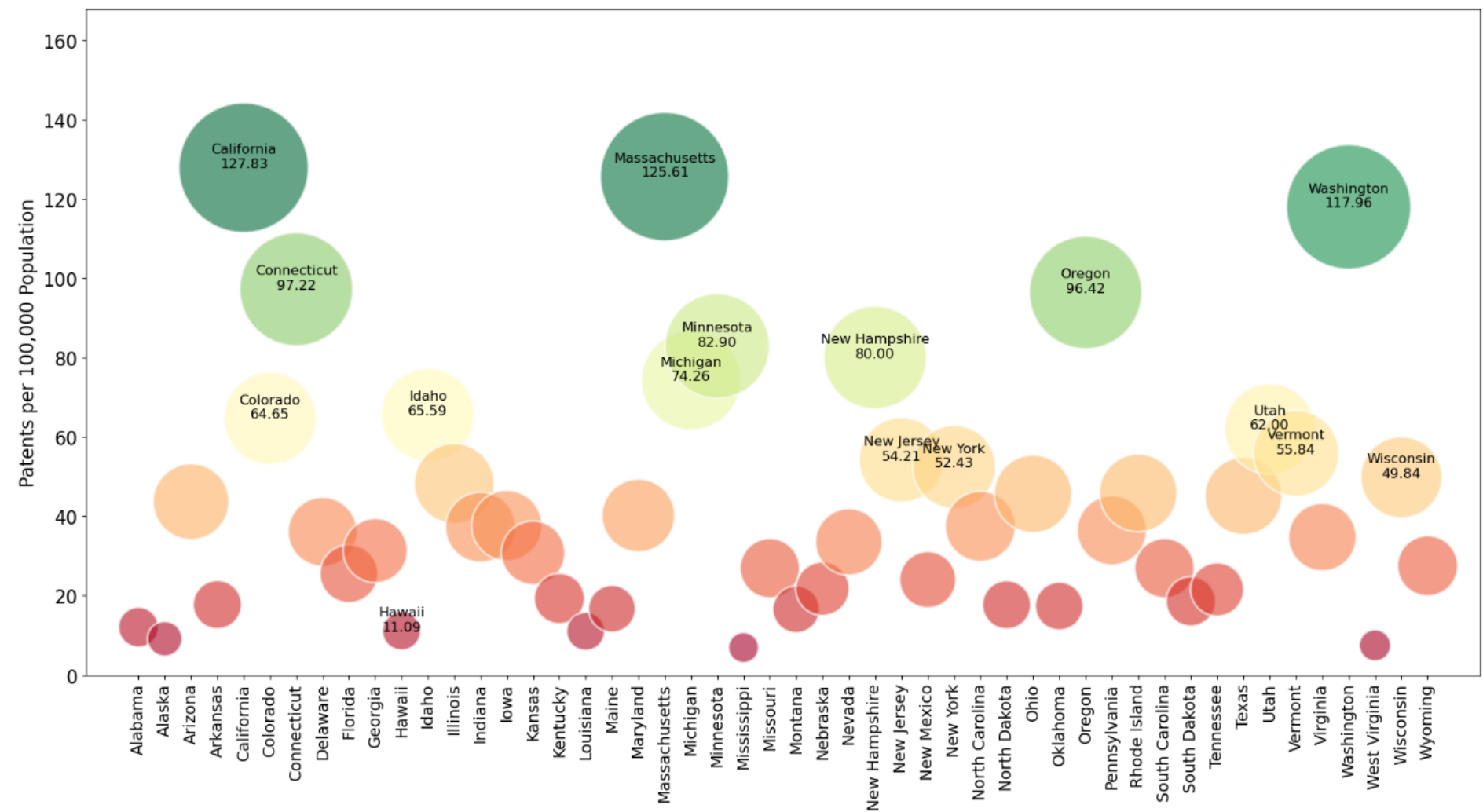
Sector and Business Industry Comparison: Hawaii R&D Value Added, Year 2021



Source: Bureau of Economic Analysis, Experimental R&D value added (millions of current dollars) statistics & Nominal GDP (millions of current dollars).

### 3.3 Patent Issuance

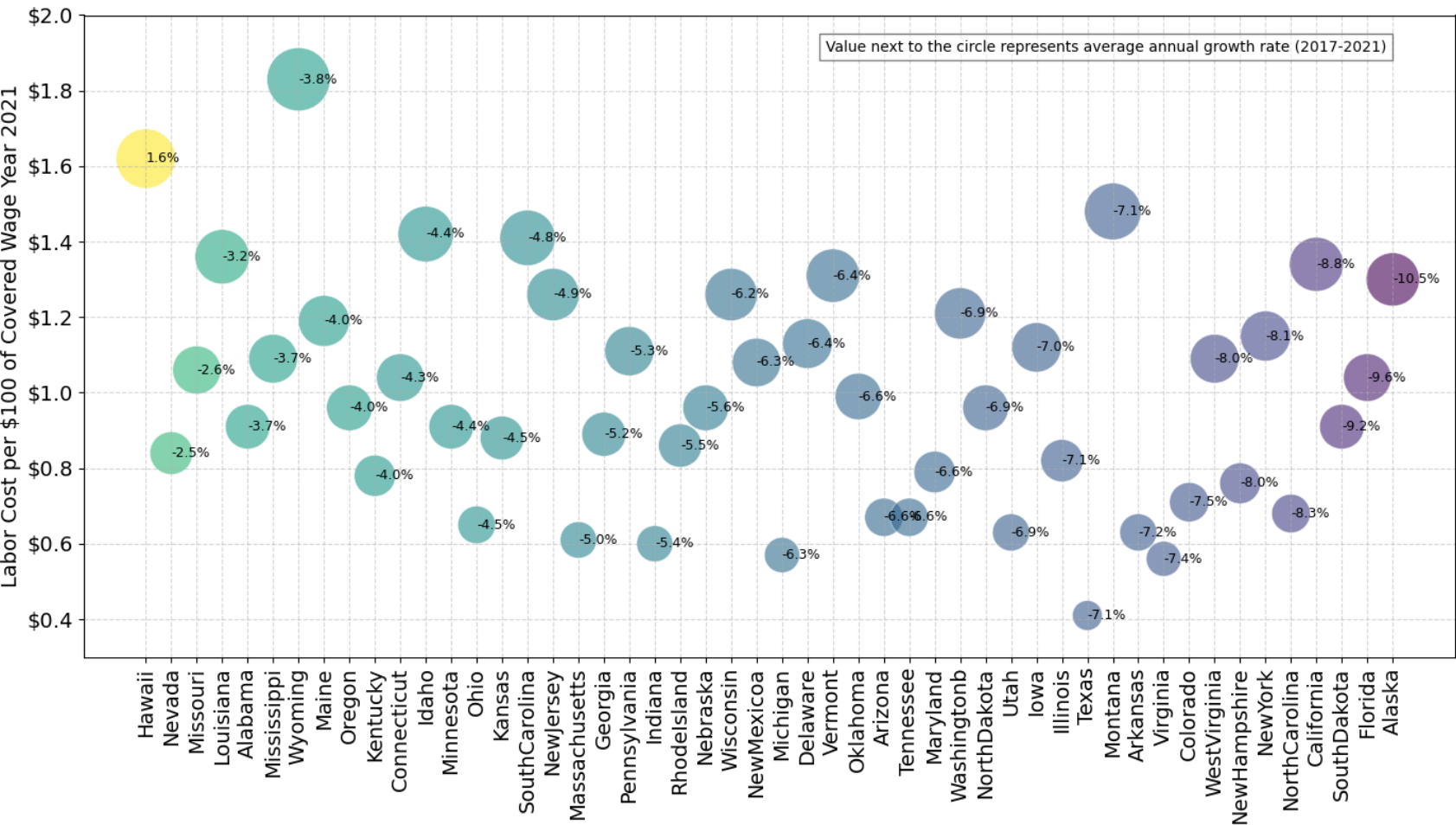
Number of Patents per Hundred Thousand Population by States, Year 2020



# 4. Business Cost

## 4.1 Labor Cost

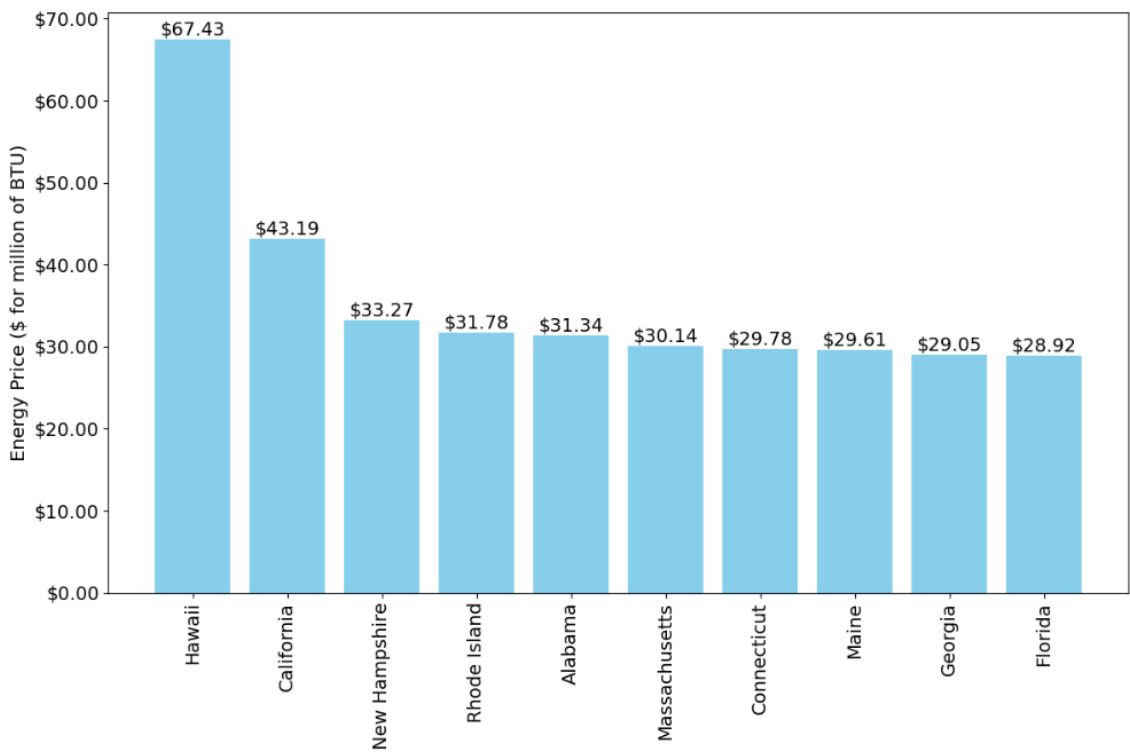
Employee Cost and Growth Rate in Cost per \$100 of Covered Wage (Year 2021)



Source: National Academy of Social Insurance (NASI, 2024)

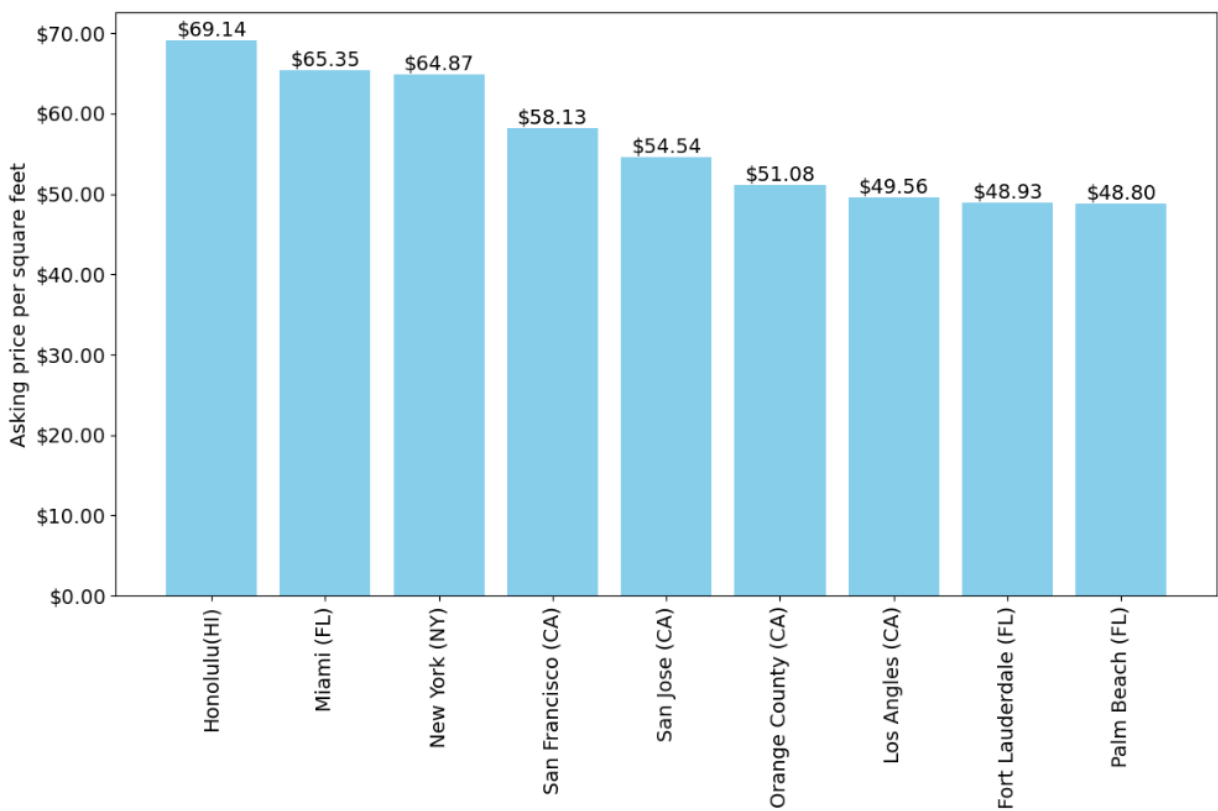
## 4.2 Energy and Rent Costs

Energy Price for the Most Expensive States, Year 2022



Source: U.S. Energy Information Administration, State Energy Data System. Energy price represents a composite value for both primary energy (fuel, gas, etc) and electricity for commercial activities.

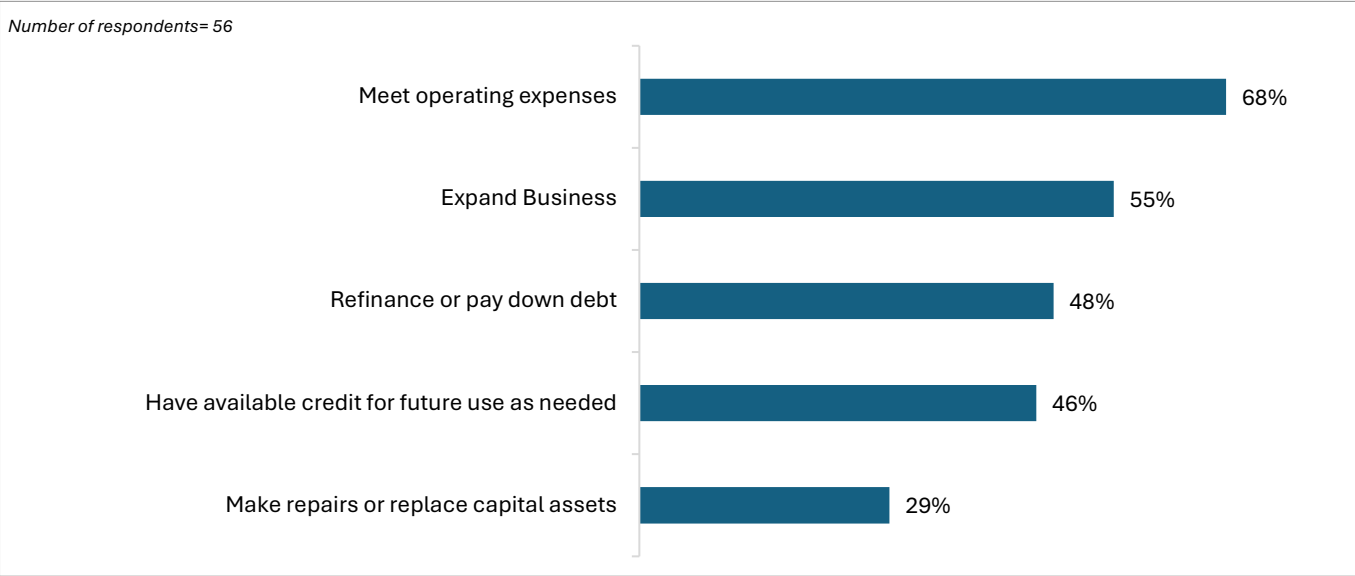
Asking Rent Price per Square Foot for Commercial Space, Year 2024 Q2



Source: Collier, Retail Market Statistics Report, 2024 Q2.

## 5. Access to Capital

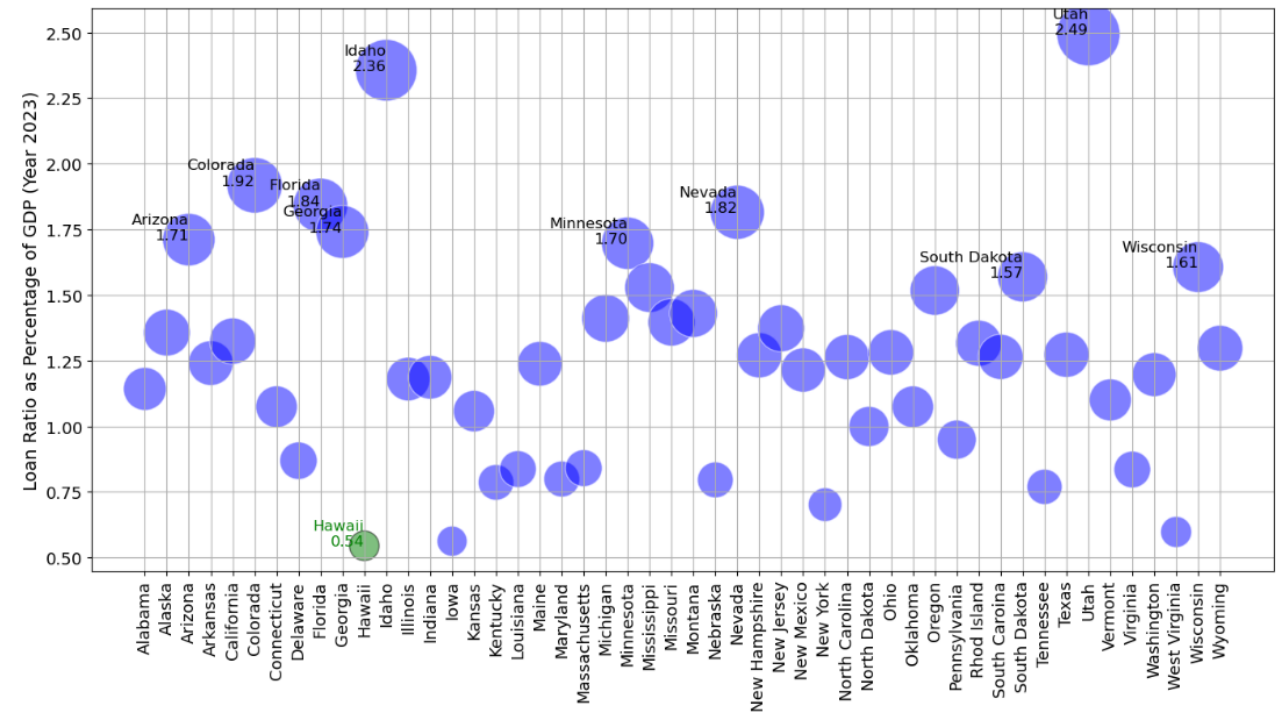
### Reasons Firms/Business Seek Financing, Hawai'i Year 2023



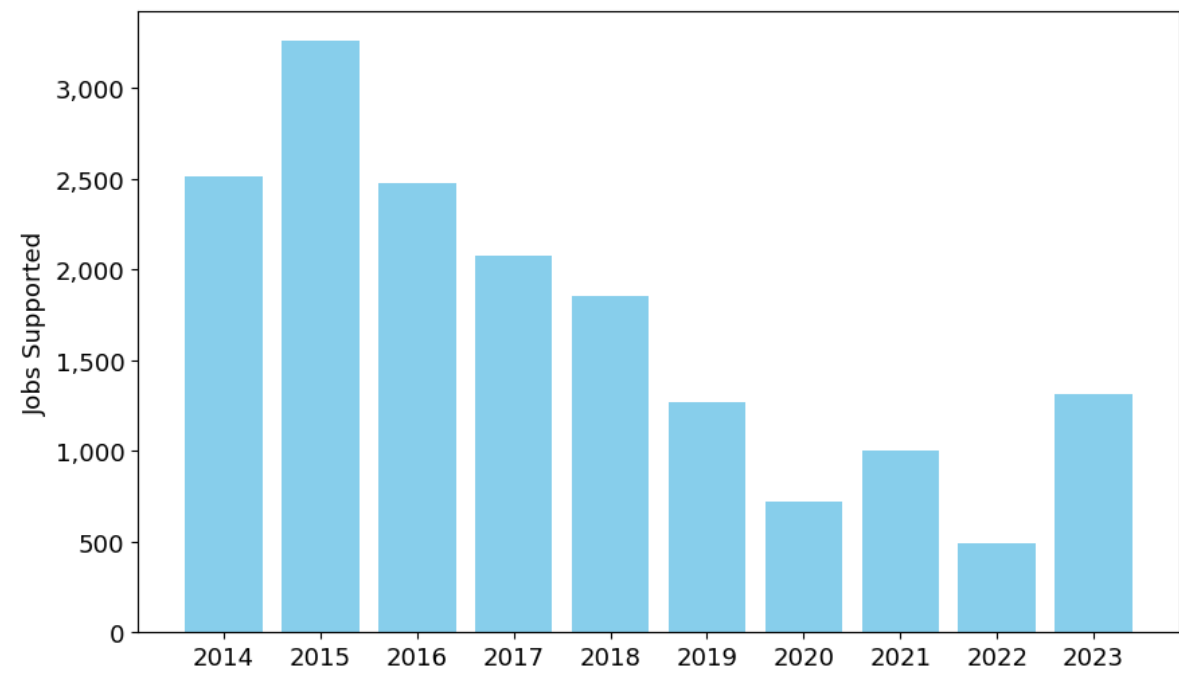
Source: Small Business Credit Survey (SBCS, 2024). Note: Respondents could select multiple options.“other” not shown. Respondents could select more than one options.

# 5.1 Business Loans

Small Business Loan Amount as Ratio of GDP (nominal) Year 2023



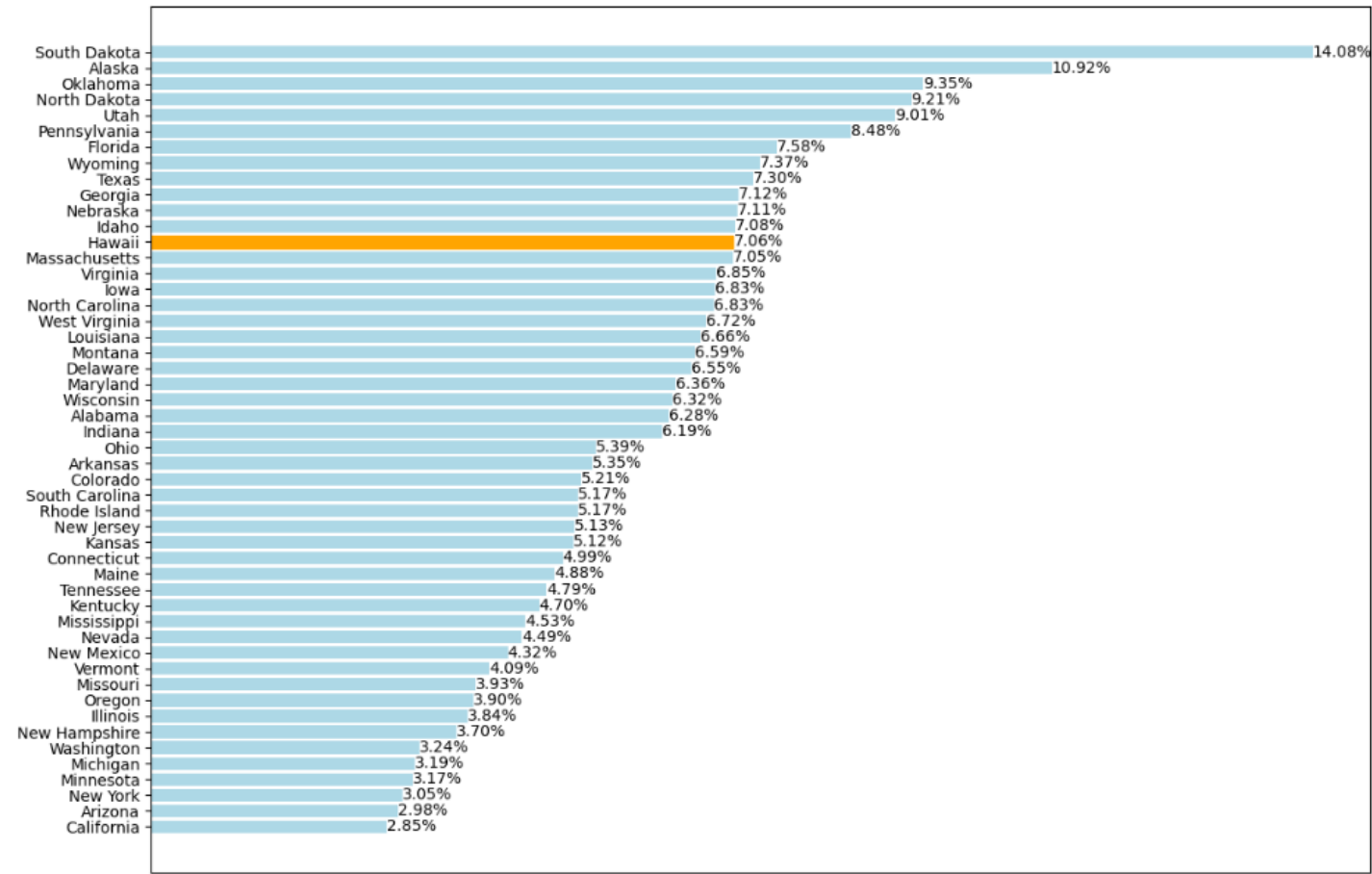
Annual Supported Jobs by SBA Loans in Hawai'i (2014-2023)



Source: Small Business Administration, [7\(a\) & 504 Activity Reports](#), (Disaster loan data is not included in this estimation). Bureau of Economic Analysis, GDP (Thousands of current dollars). READ estimation.

## 5.2 Capital Expenditure

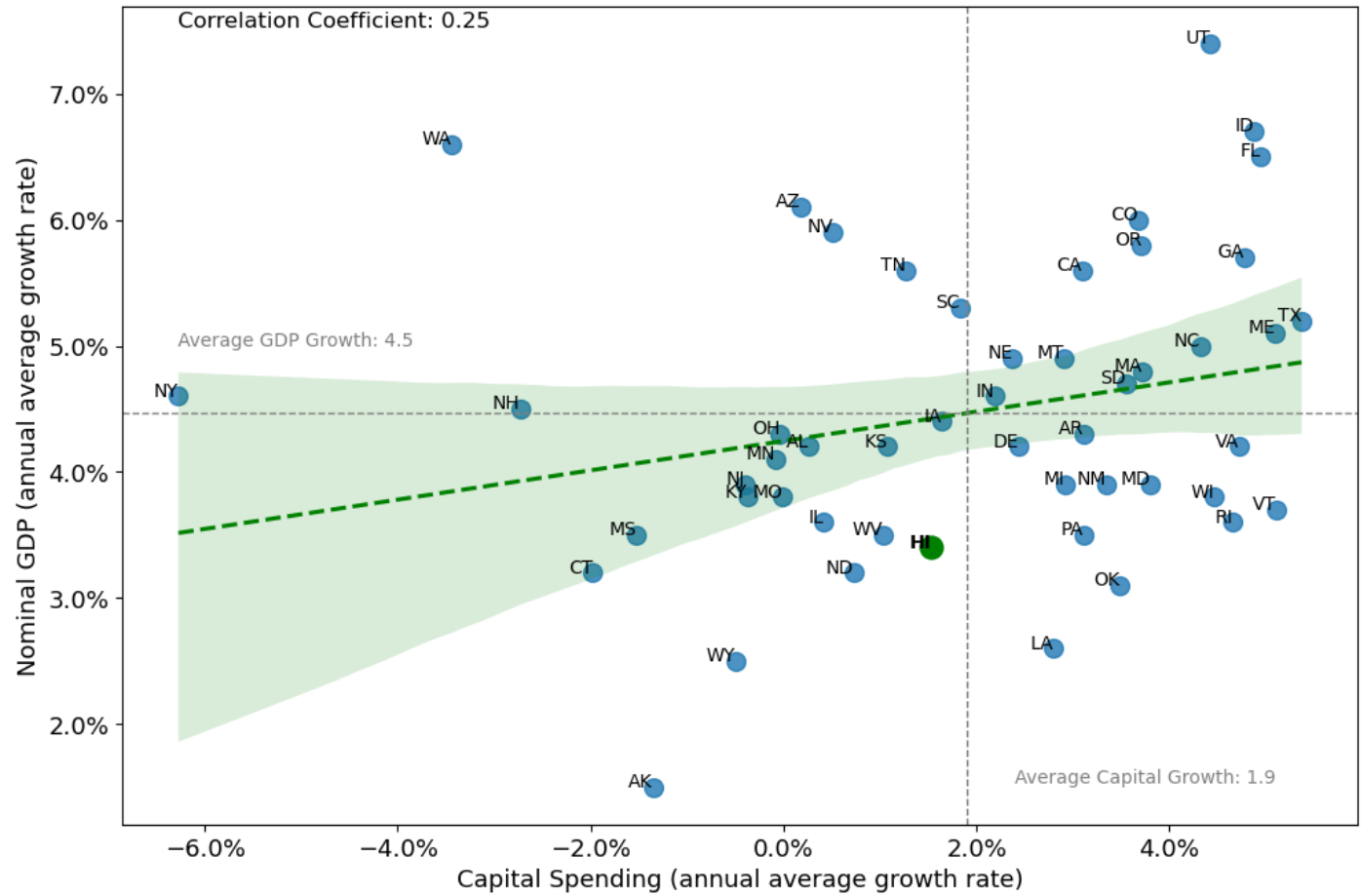
Capital Spending as Share of Total State Spending, 2022



Source: U.S Census Bureau, Annual Surveys of State and Local Government Finances. READ Estimation.

Cont.

Annual Average Growth Rate, Capital Spending vs Nominal GDP (2013-2022)



Source: U.S Census Bureau, Annual Surveys of State and Local Government Finances. Bureau of Economic Analysis, State Annual Summary Statistics: GDP State. READ estimation.



## PIG Recommendation Rankings

Rank	Category
1	Tax businesses based on net profits rather than gross revenues to reduce burdens on operational cash flow.
2	Reform state labor cost structures by reducing unemployment insurance tax rates and exploring tiered healthcare benefit requirements that ease the burden on employers of lower-wage workers, while maintaining essential coverage standards.
3	Remove food and essential goods from the General Excise Tax to ease the cost of living.
4	Prioritize worker retention in workforce development programs instead of focusing solely on training.
5	Reduce or eliminate the estate tax to support locally owned businesses.
6	Integrate housing and transportation affordability directly into workforce development planning.
7	Prioritize rent/land cost by rezoning more land for industrial and commercial use and allow for greater density.
8	Initiate legislative briefings involving diverse stakeholders (public agencies, private sectors, nonprofits, education institutions) to create a unified workforce development strategy.
9	Diversify capital availability for small businesses by attracting venture capital, angel investors, microloans, traditional bank loans, and wealthy individual investors (related to 11, 16, & 18).
10	Restructure Hawaii's social safety net programs to remove disincentives for earning and working more.
11	Establish centralized hubs and funding connectors to simplify and expedite access to capital for entrepreneurs and small businesses.
12	Use Artificial Intelligence to analyze workforce development plans statewide to identify overlaps, gaps, and integration opportunities.
13	Make reducing utility costs a primary objective for the Public Utilities Commission to support economic competitiveness.
14	Expand high-speed internet access statewide and develop innovation hubs modeled after successful ecosystems (e.g., North Carolina).
15	Provide business education programs focusing on financial literacy, capital planning, and pitch preparation.
16	Create centralized funding information hubs and connectors to improve access to financial resources.
17	Distribute entrepreneurial resources equitably across all islands, not just O'ahu, to foster statewide business growth.
18	Tailor capital programs based on business lifecycle stages, including R&D, equipment investment, and market expansion.

**Thank you.**