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The End of Hawaii's Plantations: Back to the Future?

By Lawrence W. Boyd, Jr.

Abstract

This article explores the response taken by Hawaii's people and society to workers displaced by the closing of sugar and pineapple plantations. Rooted in culture, history, and a labor market that is institutionally different from that of much of the United States, the response to structural unemployment is both unconscious and systematic. Also explored is the potential impact these closures can have on Hawaii's economy and society. Will Hawaii go back to the future and return to a society dominated by a business oligarchy such as existed throughout much of the plantation era? Or will it go back to the future as happened with the Democratic Revolution of 1954 and the birth of the modern Hawaiian economy? Can we distinguish between the two approaches today? These questions will be resolved based on whether Hawaii's people decide on a renewal of traditional ideas and beliefs or on an overthrow of these ideas.

Prior to earning his doctorate in economics, Lawrence W. Boyd, Jr., was a coal miner who was an activist in the United Mine Workers and then became a displaced worker. He is currently employed as a labor economist at the Center for Labor Education and Research at the University of Hawaii at Manoa. He has also been a union organizer for District 1199 in Pennsylvania, a health care union.

NOTE: The author thanks Ah Quon McElrath, Guy Fujimura, Leonard Hoshijo, Joanne Kealoha, and others who read and commented on earlier drafts. In addition, Gregory Pai, director of state planning, and Xijun Tian of the Research and Economic Analysis Division, Department of Business Economic Development and Tourism, were generous with their time and advice. I also thank participants in the International Longshoremen’s and Warehousemen’s Union’s Tourism Institute who patiently educated me about the meaning of “aloha” and Hawaiian sovereignty.
In Hawaiian, “aloha” has many meanings: love, generosity, affection, compassion, mercy, welcome, as well as hello and good-bye. The definition is complex because the word encompasses a philosophy and a culture. To speak of Hawaiian aloha is to mean right action based on generosity, often without reciprocity between givers and takers; it is something that cannot be commercialized. It is part of the tangled web of culture in Hawaii that has mixed many different ethnic cultures into a larger whole. For workers displaced from their jobs, it means that they are viewed as members of a community who are deserving of generous support. Thus Hawaii’s cultural heritage has helped create a social consensus of support for displaced workers.

This view can be contrasted with one often adopted toward displaced workers, one that holds them as objects to be managed. More often than not, they are seen as a problem to be solved, or ignored, depending on one’s view of politics and economics. Sometimes they are even viewed as having created their own problems. In Hawaii, the approach taken toward them is both unconscious and systematic. It is a product of culture and history rather than a single neat idea or political program (although these, too, play a role). It is also the product of a labor market whose institutional framework is different from that found on the mainland. Yet if displaced workers are treated differently in Hawaii, there are also similarities that exist worldwide.

Sugar and pineapple production has played the same role in Hawaii’s economy as steel production has played in Pittsburgh, coal mining in West Virginia, and automobile manufacturing in Michigan. Jobs on Hawaii’s plantations, like many manufacturing jobs on the U.S. mainland, have been lost through a combination of international competition and mechanization. Thus there are important similarities in the forces that are displacing workers on the mainland and those in Hawaii. Like manufacturing and mining workers, plantation workers in Hawaii have also been relatively well-paid union members. Therefore structural unemployment will also have similar effects on the Hawaiian economy.

In 1992, Hawaii’s sugar and pineapple industries began to shut down completely. Dole’s pineapple production was shifted to Thailand while plantations on Lanai and

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1 An example of aloha is the hanai pattern of child adoption practiced in rural areas as late as the 1930s. A hanai child was given by its true parents to its foster parents as a mark of love and respect. The hanai child in turn often received greater attention by its foster parents than did their own children. This practice continued somewhat differently and was also taken up by other cultures when parents would offer a child they could not care for to friends. “Hanai” means “to feed” in Hawaiian.
their processing plant in Honolulu were shut down. Of 11 sugar plantations, 6 have ceased operations or will have done so by 1996. Should the farm bill before Congress in 1995 eliminate the protection that sugar enjoys, all of Hawaii’s remaining plantations will close. Closures on this scale are unique in Hawaii’s economic history and portend the end of more than 100 years of plantation agriculture.

Previously, employment in the sugar and pineapple industries had declined gradually as plantations became more mechanized and their operations consolidated. As a result, other sectors of the economy, especially tourism, were able to absorb these workers as they were displaced. Recent closures, however, have been more than the Hawaiian economy can absorb. Up to this point, unemployment in Hawaii has always been a result of national recessions. Today’s unemployment, on the other hand, is created by the structural change going on within the state economy. In general, policymakers in state government, private economists, business interests, and labor have not fully understood the difference between the unemployment created by a national recession and the structural unemployment created by the virtual closure of a major industry. The effect of this closure on the economy has been the longest period of economic stagnation in the state’s history as well as a financial crisis for its government. Furthermore, the lack of understanding about the roots of the state’s economic problems has prevented a fully developed response to it.

Culture, Hawaii’s high union density, the ad hoc responses of state government, the role of the plantation workers’ union, and the growth of other sectors of the economy have led to displaced workers being treated fundamentally differently in Hawaii from the way they are treated on the mainland. The institutional framework of the labor market in Hawaii is different and reflects the evolution of politics and the state economy. It also constitutes a system of responses to these problems rather than a thought-out plan or political program.

On the mainland, displaced workers enter a labor market that has undergone what Business Week has described as a revolutionary transformation of labor. This labor market has high risks and high rewards as well as winners and losers. The fundamental
difference between the old labor market and the new labor market is that workers had greater security in the old one.\(^2\)

The comparison between *Business Week*’s vision of this new labor market and other markets is striking. In financial markets, individuals can hedge their bets; that is, they can balance a risky investment with a less risky one. In this way, individuals who are risk averse can minimize their risk. By contrast, workers entering this new labor market cannot minimize their risks. Obviously, any financial market that operated like a casino would soon collapse. Today’s new labor market, on the other hand, is a crapshoot, with each roll of the dice producing some winners and many losers. In the old labor market, workers could hedge their bets because unions provided job security, job stability and lifetime jobs existed, and there was a social safety net.\(^3\)

In this new labor market, the problem associated with dislocated workers is not that they cannot find other jobs but that they cannot find equivalent jobs. As Jacobsen, Lalonde, and Sullivan point out,

> The costs of worker displacement go beyond income losses due to unemployment and do not end with reemployment. On the contrary, displaced employees incur large losses, amounting to as much as $80,000. While there have been efforts from policy makers to establish programs to assist the thousands of workers who have been displaced, the existing system prevents them from implementing these effectively. In addition, these programs merely help workers adapt to lower incomes.\(^4\)

Thus many former plantation workers have gone directly into tourism, with a collective bargaining contract negotiated by the same union as on the plantations. Their wages and benefits are equivalent to or better than what they earned before. Furthermore, the ILWU historically has been involved in social issues such as housing. Hawaii does not necessarily have better individual retraining or other

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\(^3\) It has been suggested that education and skill training are means of reducing risk. The problem is forecasting what skills and education one would need. Unlike financial markets where risk-minimizing strategies are well known, choosing this type of training is also all or nothing. See “New World of Work”; “Business Rolls the Dice.”

programs than those found on the mainland. Nevertheless, the response to displaced workers in Hawaii is a systemic one.

Consequently, in this article I first assess the economic impact of plantation closures. I then provide an overview of the evolution of the political economy of the state. Third, I describe how various plantation closings have been handled, especially the joint problems of housing and jobs. Fourth, I examine how these closings, and the economic and political questions they raise, appear to be undermining the social consensus that exists. I conclude by raising the question of whether labor markets and, by extension, the question of displaced workers should be placed in the wider context of national policy decisions.

THE PROBLEM

One way of measuring the impact of displaced workers on the economy is to use the state input/output tables. As Table 1 indicates, between 1983 and 1993, approximately 7000 jobs were lost directly in the sugar and pineapple industries. The impact of this direct job loss led to a total loss of 16,000 jobs throughout the state economy. The net loss in personal income was nearly $558 million. It is quite possible that if direct job losses were counted from 1992 through projected job losses into 1996, the numbers would equal those from the 1983-93 period.

Table 1

DIRECT AND INDIRECT JOB LOSSES ON HAWAII'S PLANTATIONS, 1983-93

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<tr>
<th>Industry Sector</th>
<th>Direct Jobs</th>
<th>Total Jobs</th>
<th>Income Loss</th>
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<tr>
<td>Pineapple/field-workers</td>
<td>1,117</td>
<td>1,755</td>
<td>$53,010,130</td>
</tr>
<tr>
<td>Pineapple/cannery</td>
<td>1,863</td>
<td>5,082</td>
<td>$220,292,140</td>
</tr>
<tr>
<td>Department</td>
<td>Field Workers</td>
<td>Processing</td>
<td>Total</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------</td>
<td>------------</td>
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</tr>
<tr>
<td>Sugar/field-workers</td>
<td>1,829</td>
<td>5,666</td>
<td>$178,906,690</td>
</tr>
<tr>
<td>Sugar/processing</td>
<td>2,179</td>
<td>3,466</td>
<td>$105,397,240</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>6,988</strong></td>
<td><strong>15,969</strong></td>
<td><strong>$557,606,200</strong></td>
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Since 1983, the total loss in jobs and personal income has represented 5 percent of all jobs and 4 percent of all income in Hawaii. The economy, however, boomed between 1983 and 1991, creating approximately 100,000 jobs. The convergence of a strong union, the unionization of the service sector, state commitment to aid these workers, and a vibrant economy lessened the problems that displaced workers faced and the effect that these job losses had on the economy. Beginning in 1991, however, these job losses were combined with the effects of the national recession. Since the end of the recession, job losses of the same magnitude, actual and projected, have been occurring over a much shorter time period, two to three years. The shock of job losses within agriculture cannot be made up by other sectors in such a short time. Slow economic growth has in turn created potentially serious problems for recently laid-off workers. How these problems are resolved in Hawaii has much to do with the evolution of Hawaii’s economic and political system.

**LABOR, LAND, AND POLITICS IN HAWAII**

Hawaii’s labor market resembles the labor market that has existed on the mainland, but in some important respects it has evolved independently from the mainland. There are two seminal events that have determined much of Hawaii’s modern history. The first was the organization of Hawaii’s plantations by the ILWU in 1944 and the 1946 strike in the sugar industry that demonstrated its success. The second was the Democratic Revolution of 1954 that overturned Hawaii’s old political system. These events have largely shaped Hawaii’s political economy and labor market.

Before these events, Hawaii’s economy and political system were dominated by an oligarchy whose financial power rested on control of the islands’ economy through the Big Five. The Big Five were corporations that evolved out of Honolulu.
merchandising stores, or plantations, which acted as agents for sugar planters. These agents, or factors, secured loans, transportation, and supplies and marketed the sugar produced by the islands’ plantations. Eventually they came to control much of the land, 90 percent of all sugar production, all of the pineapple production, transportation, banking, and much of Hawaii’s economy. To maintain this sort of financial dominance, the Big Five also had to dominate the territory of Hawaii’s political system.⁵

The ILWU as an organization functioned as both a union and an economic and political opposition to the Big Five. For example, the ILWU responded politically to the recession of 1949 and the mechanization of the plantations. In a letter to the chairman of the Hawaiian Senate’s Ways and Means Committee, the regional director of the ILWU in Hawaii, Jack Hall, pointed out that the workforce was becoming “progressively smaller” in the sugar and pineapple industries. As he noted, employment had been 54,000 in 1932, 31,000 in 1941, and less than 20,000 in 1949. He pointed out, “The reduction in the work force is continuing because of further mechanization and improved production methods.” Moreover, outside of these industries, there were only two other major sources of jobs: “military employment and the tourist trade.” Military employment was “being decimated.” He suggested, “The tourist trade is likely to fail us when we need it most—in the period of a national recession.”⁶

Hall went on to say that it was the “responsibility of government ... to provide employment for all who are able to work if private industry is unable.” It was also the “responsibility of government to provide adequate subsistence to residents of our community who are unable to work.” Hall also explained how these “responsibilities” should be paid for.⁷

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⁷ Ibid.
Hall argued that the tax structure was “highly” unfair. “Few of our taxes,” he said, “take into consideration the principle of ‘ability to pay.’ Over 94 percent of our income is derived from flat rate, or regressive taxes.” Therefore part of the solution was “a better balance between regressive and progressive taxes.” Hall and others displayed a sophisticated knowledge of state public finance, one that is sadly lacking today. As Hall put it, “Additional new taxes ... are not desirable in a period of economic recession.”

Rather, it was desirable for the legislature to float a bond issue of “not less than 20 million dollars for public improvements.” These projects should “require a minimum of expenditure for materials and supplies and a maximum for personal services.” While this might appear as nothing very new to those who are somewhat familiar with Keynesian economics, it was new for Hawaii during this period. In fact, nationally, it is doubtful that many officials in labor, government, business, or the union movement displayed the understanding of the relationship between fiscal policy and the economy that Hall did. It is also doubtful that many unions understood their state’s tax structure as well as the ILWU did. As Hall’s letter suggests, the ILWU at this point in time had a clearly thought-out political and economic program.

In 1950, the ILWU developed a plan to cope with the introduction of new technology on the plantations and the effects of the declining workforce. The plan called for the union to work toward a meaningful share of the benefits of technology for the workers who remained on the plantations and to negotiate early-retirement plans for those forced out of the industry. The union also would work politically to pass legislation that dealt with unemployment, housing, and social services. Furthermore, the union would begin organizing efforts in service industries such as tourism and retail stores, which were also dominated by the Big Five. Surprisingly, the ILWU was able to successfully carry out almost every element of this plan.

The ability of the union to work successfully toward these goals was a result of a convergence of the union’s own successes in organizing and the political upheaval known as the Democratic Revolution of 1954. Until 1954, the Republican Party, which was directly tied to the Big Five, had controlled the major political institutions.

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8 Ibid.
9 Ibid.
10 Ibid.
in Hawaii: the state legislature, the nonvoting delegate to Congress, and the territorial governor. Union organization barred discrimination based on political preference and loosened plantation managements’ control over plantation voters. In 1954, the Democratic Party won two-thirds of the seats in the House and a 9-to-6 majority in the Senate. A simple change in which party was in the majority does not deserve to be called a revolution, however. The term implies some form of social upheaval.

That social upheaval rested on the Democratic Party’s having become the party of Japanese, Filipino, and Chinese immigrants. Although the growth of the labor movement obviously added votes to the Democrats, the ethnic component of the Democratic Party was largely led by young, upwardly mobile, middle-class professionals. Not only labor but also small business joined what amounted to a political coalition that led to this overturn.11

During this period, the ILWU had been under attack repeatedly as a Communist union. At one point, between 1948 and 1952, the ILWU was seen as trying to take over the Democratic Party and was opposed by the new forces that had come into the party. As Hall later wrote, “We made a grievous error in 1948 when we tied ourselves to the Democratic Party... Some of our worst enemies have been Democrats, masking as liberals and friends of the workers.”12 The victory in 1954 could not really be described as a win for labor; rather, it combined a labor upheaval with an upheaval among Hawaii’s various ethnic communities who had been discriminated against.

The 1956 election gave the Democratic Party a second decisive victory. One historian stated, “For Hawaii, 1956 was what 1936 had been in the states—endorsement of the New Deal and repudiation of the Old Guard policies.”13 At this point in time, the political program outlined by Hall in 1949 was enacted with several additional points. The legislature increased spending on education, lowered tuitions at the University of Hawaii, and increased teachers’ salaries. It doubled welfare assistance and expanded public housing. It also raised the minimum wage, increased unemployment benefits, and extended workers’ compensation coverage. Tax laws were rewritten to make the

11 See Fuchs, Hawaii Pono, chap. 13.
12 Cited in ibid., p. 312.
13 Ibid., p. 327.
system more progressive. Finally, a bill was passed that encouraged investment from the mainland.

As a political and economic opposition to the Big Five, an issue that evolved naturally for the ILWU was housing. When the 1946 strike occurred, a central demand of the union concerned perquisites. These were the value that plantations added to wages for “free” housing and medical care to comply with minimum wage standards. Plantations not only hired labor; they also traditionally provided housing and medical care to their workers. Once the Fair Labor Standards Act was passed in 1937, plantations began to unilaterally add the costs of housing and medical care on to wages in order to bring wages up to the minimum wage level. In other words, the equivalent of rent and insurance premiums was tacked on to the wages and deducted as though money had actually changed hands.  

By 1946, most workers were very dissatisfied with their housing and medical care. The union demanded the creation of a labor-management housing improvement fund and a classification of housing by type and quality of building. Furthermore, the union demanded that perquisites be eliminated in favor of rents, with wages adjusted to cover those rents, and that plantation housing be operated on a not-for-profit basis. From the beginning of the negotiations, management was ready to eliminate perquisites because of the complexity of the calculations and the potential tax payments. Other union demands included a 16.5-cent wage increase, a union shop, a 40-hour workweek, a job classification system, and an end to discrimination based on race, creed, color, or political activity. Negotiations quickly stalled on the issues of perquisites, wages, and the union shop, and a 79-day strike ensued.

Although the ILWU did not win all its demands, the strike was seen as an overwhelming union victory. Perquisites were eliminated, rents were listed as part of the union contract, and wages were raised to cover these rents. Thus, virtually from its inception, the ILWU became concerned with a key issue, housing, important to displaced workers.

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15 Ibid.
The ILWU expanded its role in housing over the years, becoming one of the major community nonprofit organizations providing low-income housing. In 1994, the union reported, “The lack of secure housing for working people remains one of our primary social problems. Hawaii’s loss of industrial jobs and the growth of yet unorganized, lower wage businesses make home ownership an even more distant goal for 60 percent of the population.”

The ILWU currently operates six low- or moderate-income rental projects, aids workers in keeping housing during plantation shutdowns, and actively participates in homeless-shelter issues and self-help projects for homeowner-built housing. In addition, thousands of housing units have been purchased. Collective bargaining contracts state that companies may not evict residents from housing or close housing without providing alternatives.

The social and political changes outlined have operated in a specific economic context as well. Along boom began in 1959 and lasted into the late 1970s. Federal government expenditures on defense in Hawaii grew to be a major sector of the economy. Statehood opened the door to economic expansion by companies other than the Big Five. Beginning in 1960, with the advent of jet airline service to the islands, tourism began to rapidly overtake agriculture as the leading sector of the economy. After the recession of the early 1980s, the economy boomed again until 1991. Indeed, by 1987, the unemployment rate on Oahu was only 2.5 percent and business interests were concerned about a labor shortage.

Thus several things have combined in Hawaii to lessen the problems that displaced workers face:

- the development of a service sector within the economy that could provide jobs for them;

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• a strong union, which has understood the evolution of the industry it organized from a very early period;
• a strong union presence in the service sector, a presence that has caused wages and benefits to rise substantially;
• the transformation of the economic and political lives of people in the plantation villages as a result of union organization; and
• the uniting of people from different ethnic cultures in the plantation villages as a result of union organization.

In addition, the state government has basically maintained a commitment to aiding displaced workers. Furthermore, the state government has also appeared to follow an implicit policy of expanding employment as gross state product rose and expanding bond-financed public works projects during recessions (unfortunately, during booms as well).

The New Deal came late to Hawaii and has operated in a much different historical and cultural context from that on the mainland: one of prosperity rather than depression, one of aloha rather than narrow self-interest.

RECENT PLANTATION CLOSURES

Beginning in 1992, declining employment in agriculture was accompanied by a series of plantation closures. This presented a different set of problems to all concerned with the problem of dislocated workers. Closures had to be negotiated between the union and the company. The state often had to intervene as a partner in retraining and, in one instance, as a loan guarantor. Ultimately, workers on these plantations had to decide whether or not to accept wage concessions in order to continue working. Workers also had to seriously assess their future and decide what type of career and retraining they wanted to have. What has begun to emerge from these closures is the realization that a way of life is ending, with no clear alternative available. The result has been anxiety and stress for the workers involved and soul searching for many policymakers and residents.

Prior to 1992, the last major plantation shut down was Puna Sugar 10 years earlier. The company and the ILWU negotiated an agreement that led to 3300 acres of land being turned over to former employees. The land was to be transferred in five-acre
lots; however, ultimately, the land was turned over in one-acre lots to former Puna employees who wanted it along with some major earth-moving equipment from the plantation and $2 million for infrastructure development. Consequently, these workers could develop small farms that grew coffee, papaya, truck-garden crops, and flowers. Those who did not want the land received the value of the land in cash. Many employees had previous experience outside of the plantation in agriculture. When these employees were polled by state government officials about the type of training they wanted, “strong interest was indicated for training in marketing, production, fertilization, disease, weed control, and financing.” The state appropriated supplemental funds to the state Extension Service, the University of Hawaii’s local community college, and the Hawaii Employment Service to carry out supplemental training. Although no follow-up study was done, anecdotal evidence suggests that many former Puna employees successfully entered diversified agriculture and the tourist industry or moved on to other plantations.

In contrast to this relatively benign ending, the most recent plantation shutdowns on the Big Island of Hawaii have been far more difficult. These shutdowns occurred in some of the most isolated parts of Hawaii, with little alternative employment available. These plantations, as federal judge Lloyd King described one, functioned as a “quasi-government” that supplied housing, utilities, and medical service.

Perhaps the most difficult closure was that of Hamakua Sugar, the second-largest plantation in the state, which in 1992 announced it would shut down after a final harvest in 1993. Hamakua went through a long and agonizing bankruptcy proceeding. As the union described it,

The situation at Hamakua Sugar is entirely different. It is a disorderly liquidation forced by bankruptcy. Hamakua Sugar will be shut down in March [1993] and the sugar crop will be left in the fields. The company has no money to pay severance

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benefits owed to the workers under the union contract. Medical coverage with Hamakua Infirmary will end and there will be no company to run the housing.20

The short-term remedy was to allow the plantation to complete its final harvest.

In a complicated arrangement, the bankruptcy court allowed the harvest to go forward after the state agreed to guarantee the loan for operating expenses. Workers voted on a concession contract that essentially gave them a 5 percent production pay raise and a 20 percent share in the profits if a profit did occur. The clinic has been transformed into the Hamakua Health Center and is run as a not-for-profit corporation. Fortunately, the last harvest was profitable.

Unfortunately, the problem of housing for the 430 families who lived in six main camps at the plantation has not been resolved. With no other private or government entities willing to take over the camps, the ILWU formed the nonprofit Hamakua Housing Corporation. It has secured the initial funds necessary to keep the infrastructure operating. The substandard condition of these camps also presents enormous obstacles. Proposals concerning the turnover of the camps to Hamakua Housing Corporation will be decided in court. As the union has reported, “The non-profit corporation could fail under the weight of physical, legal, political, or internal problems.”21 Currently the situation appears to have stabilized, and residents are working on long-term plans.

The closure of Hilo Coast Processing Company during this same period presented different problems. The company’s owner, C. Brewer, wanted to renegotiate contract provisions concerning severance pay and medical coverage. These negotiations did lead ultimately to severance pay being awarded, continued medical coverage, and retiree benefits. In addition, the company has offered one- to five-acre plots rent free for five years; former employees could engage in diversified agriculture on the plots. Most of these workers had bought their own homes through a union program. As their unemployment benefits end, it is unknown whether these workers can meet their payments without further assistance.


21 “Housing Report,” p. 3.
These closings can be compared with what happened on the island of Lanai. In 1993, Castle & Cooke, which own Dole Pineapple, phased out all pineapple operations on Lanai. These operations were the major center of Hawaii’s pineapple production. At the same time, the company was developing major resort hotels on the island. It appeared natural that the workers on the former plantations would get jobs in the tourism industry. It appeared natural, at least to everyone except the agricultural workers involved. For most of these workers, English was a second language, and culturally they were not prepared for the type of work that the service industry demanded. For example, many workers came from cultures where it was impolite for someone to look directly at another person when they were speaking. The ILWU funded a pilot class on getting hired in the tourist industry before the shutdown announcement.

Subsequently, a state grant made a full-scale training program possible. An important part of the training was an orientation to the tourist industry that encouraged pineapple workers to consider hotel employment. As Honorata Nefalar, a twenty-year employee, explained, “I gained confidence in myself. . . . I’m not afraid to face people now. In fact, I think a lot of people learned a lot of social skills from the classes. It’s cute to walk up to old Filipino workers who say, ‘Hello, how are you?’”

As Nefalar indicates, many of these workers simply had cultural problems with the face-to-face encounters found in service jobs. For example, almost all plantation workers grew up speaking pidgin, a dialect of English that is difficult for outsiders to understand. In addition, they grew up in tightly knit plantation villages where strangers were rare, especially wealthy white strangers. Thus the curriculum integrated literacy training, English as a second language, and the vocabulary of the hotel industry along with skill modules on various aspects of the hotel industry.

The Lanai workers also maintained their traditional housing contract. The ILWU, the Lanai Company, and Lanai Resort Partners signed an agreement that covered 280 rental units in five housing projects. The agreement determined rents based on size and condition of the rental units. (Rents range from $13 to $650 a month.) It also placed the rental housing program under the administration of a joint union-company housing committee. The housing committee, composed of four union members, four management members, and an unaffiliated community representative, administers the

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written agreement, makes housing assignments based on seniority, and establishes conditions for eviction. The agreement also fixed rents for retirees within a range of $13.50 to $98.35 a month.

The shutdown of O’ahu Sugar was also orderly, and the union was able to negotiate a severance allowance, a moving allowance, and continuation of the medical plan for six months. Worker education, retraining, and housing relocation were financed from a state grant. The problem of housing has largely been left unresolved both here and for the planned Wailua shutdown in 1996 (also on Oahu). The difficulties in negotiating housing for these workers arises because real estate development is planned for these lands, with homes selling at $500,000 and up in nearby communities. At O’ahu Sugar, the housing was turned over to the city of Honolulu largely so that the company could avoid any liability for housing.

The ILWU has formed the Ewa Housing Foundation to raise funds and operate 84 rental units for the elderly. Many of these units are occupied by retirees from O’ahu Sugar. The ILWU has also participated in a project by the city of Honolulu to rehabilitate and sell to ILWU members and pensioners houses in three plantation villages. This project was planned for residents who had had jobs and incomes, all of whom were displaced by the shutdown. The ILWU is now advocating relief programs for those unable to find adequate employment.

At Ka’u, also on the Big Island, sugar production is scheduled to shut down in 1996. Housing will continue to be provided for five years at standard rents ($39.20 to $58.80 per month). After that time, housing will be sold to tenants at 20 percent below market value. Most have already bought their housing. In addition,

there is an Agricultural Land Program for Displaced Workers. Under this program, workers will pay no rent for five years on leases that run year to year. Up to 15 acres is provided for raising livestock and five acres for nonlivestock farms. Many details remain to be worked out at Ka’u, which is in the least populated part of the state. One problem is that plantation workers do not generally have experience with small-scale agriculture.

Although each shutdown has been different and those involved with them have had to confront many different challenges, there has been a common general approach.
First, the closures were negotiated, thereby bringing together the union, the company, and state and local government. Beginning in 1994, all parties in these negotiations have addressed the twin problems of jobs and housing for displaced workers. Second, reasonable retraining has been established which meets displaced workers’ desires and the demand for their services in the area. Third, the union is strongly committed to work through the problem of housing even though it has not always been completely successful. The main problem with these closures has been the slow growth of the economy, whose condition is partly a result of the scale of these closures.

ALOHA?

“Aloha” means both hello and good-bye. In an ironic sense, bidding aloha to the plantations and the workers who built them can mean good-bye to an old system and hello to a new system at the same time. The reason for this is that these closures have the potential to destroy the communities and culture that sustain the current social consensus about what should be done about them. If plantation closures in Hawaii have not followed the pattern that factory, mill, and mine closures have followed on the mainland, they may yet do so. As one observer noted, almost gleefully,

With the decline of Hamakua Sugar, we are seeing the end of more than an industry. We are bidding aloha to a political power base spawned by the labor movement and rooted in a way of life. Hawai‘i will never be the same, and neither will the power structure within the state legislature.

The ILWU in Hawaii has been effective politically because of the geographical breadth of its membership and the very culture of which it is part. It has been able to exert political influence in rural areas where union strength is normally absent.

The decline of sugar and the rise of tourism have effectively split the county comprising the Big Island of Hawaii into a prosperous west side and an economically troubled east side. This has led to calls to split the county into two separate county governments. It has also led to the election of two Republican county commissioners from the west side of the island. One of them, Jim Rath, has called the Big Island “the

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most antibusiness . . . county in the world.” Referring to east-side political leaders, he has said, “If they can’t overtax it, unionize it, and regulate it, they don’t want it.” Furthermore, he claims that the west side is “supporting an east-side welfare system.”

The most recent state elections, in 1994, reflected the same sort of polarization. Business interests backed Republican Patricia Saike while—with one exception—the labor unions backed Democrat Ben Cayetano. A third candidate, Frank Fasi, mayor of Honolulu, formed the Best Party and ran also. Saike essentially called for the end of “mandates,” a code word for the islands’ prepaid health care system and temporary disability insurance. At the same time, she attempted to win over labor votes with her advertising. Cayetano won with 37 percent of the vote, with Fasi finishing second.

Ironically, nearly forty years after the reform legislature of 1956, the 1995 legislature began to move in precisely the opposite direction. The state’s financial problems appear to have been resolved on the basis of interest-group power rather than overall social and economic policy. The budget was balanced through a combination of regressive taxes and spending cuts with no thought given to the economic consequences of these actions. The tourism subsidy was maintained at the same level while higher education was cut. The legislature took the first steps toward reforming workers’ compensation at the expense of injured workers. The new budget, although it avoided the worst extremes, has the potential to delay Hawaii’s recovery and thereby increase the polarization that already exists. The polarization occurring on the Big Island, however, could be an isolated circumstance.

Other closures are occurring in counties such as Honolulu where alternative jobs exist and it is possible the transition will be a smooth one. On Lanai, the transition to tourism left behind only a small percentage of the displaced workers. Furthermore, despite an estimated budget shortfall of $350 million, the state legislature approved bills for state aid to displaced sugar workers.

If the present course of events appears to be moving in contradictory directions, what of the future?

BACK TO THE FUTURE?

The significance of the plantation closures and the social issues raised by displaced workers lies in what sort of society Hawaii will be in the future. The organization of plantation workers into the ILWU, that union’s political agenda, and the power exercised by plantation workers helped pull Hawaii out of colonialism. The closings raise deep questions about land use, water, the political structure, the environment, economic development, housing, and social policy. They also come at a time when no obvious solutions are being presented that are acceptable to all segments of society.

Essentially, the business community has taken up the questions of taxes, regulatory burdens, labor costs, governmental efficiency, and mandatory health care and has decided the burden is too great. It calls for reductions in governmental employment, reform of workers’ compensation, an increased subsidy for the tourism industry, reductions in the permitting process, and an end to prepaid health care. Presumably, a healthy business climate will allow small business to be “an engine of growth” for the economy, although such an outcome is dubious at best.

On the other hand, the economic history of Hawaii could be described as a 35-year boom punctuated with occasional returns to normalcy. Most portions of society have benefited from the Hawaiian economy. The poverty rate is about half of what it is on the mainland, and real wealth from development has been spread among both developers and home owners. Unfortunately, the boom that ended in 1991 left many union members with virtually flat real wages. During 1989, inflation on the islands was as high as 9 percent. For example, real wages for workers in the tourism industry began to rise only after the bust because all parties anticipated a boom. Thus, on the one hand, there is a large segment of workers whose living standards have been stagnant or eroded by inflation. On the other hand, there is a large body of employers who appear to want to reduce labor costs. Conflict would appear to be inevitable. Will it be back to the future that existed before 1954?

Or will it be back to a future that is a renewal of 1954? What is needed now is the sort of political program enunciated clearly by the ILWU in 1949, when Hawaii faced a similar situation. Regressive tax increases, public sector layoffs, and budget decisions that affect the economy adversely should be avoided. Bond- financed projects, such as school construction, that do aid the economy should be approved. Where cuts are
absolutely necessary, the savings should be weighed against the economic impact as well as the services that government provides. A return to this sort of program has long-term benefits for all and could bring together a social consensus that aids displaced workers and smooths the transition out of plantation agriculture.

Can Hawaii’s experience contribute anything that will benefit others who struggle with the problems of structural unemployment? One point, which would please many conservatives, is that individual states can successfully cope with many of the problems with displaced workers by employing traditional values. That success, however, rests on a New Deal social structure that includes strong unions that can raise the standard of living of workers in the service sector; a big government that aids in retraining and housing and also uses fiscal policy to affect the economy; a traditional culture of social solidarity that leads to a consensus in which people believe that these measures should be enacted; and, of course, a sector or sectors that are creating jobs that displaced workers can move into. All of these require conscious action, yet some of them are diametrically opposed to a large body of conventional wisdom. Hopefully, Hawaii’s successes will be noticed and incorporated into other states’ activities while other states’ failures will not be imported into Hawaii. Perhaps all that Hawaii can ultimately offer is wisdom: Hawaii aloha.