

Data Show Sudden, Severe, and Lasting Impacts of COVID-19 on Native Hawaiian Businesses

ISSUE BRIEF: COVID-19 AND NATIVE HAWAIIAN COMMUNITIES

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BY

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PURPOSE

To demonstrate the current impacts of the coronavirus disease 2019 (COVID-19) public health crisis on Native Hawaiian-owned businesses and identify the resources needed to support their survival.

CONTEXT

- The global COVID-19 pandemic and resulting pause in economic activity is having “**a profoundly negative impact on the State of Hawai'i**,” with a sharp drop in spending, employment, and income.”ⁱ
- Recent data demonstrate that **11.1% of all businesses in the State are owned by Native Hawaiians** (13,147), and 9.1% (1,202) of these businesses have paid employees.”ⁱⁱ
- National reports indicate that **small and micro-businesses owned by traditionally marginalized community members, such as native peoples, have begun to bear the greatest brunt of the pandemic-related liquidity and spending crisis**. Additionally, federal assistance loan distribution was heavily skewed toward larger, non-minority-owned businesses.”ⁱⁱⁱ
- Some of the most dramatically impacted businesses operate within the “Arts, Entertainment, and Recreation” and the “Accommodation and Food Services” sectors.
 - **17.1%** of Native Hawaiian-owned business fall within the **Arts, Entertainment, and Recreation** sector. In comparison 5.3% of all businesses in the state are within this industry.
 - A **lower percentage of (5.9%)** Native Hawaiian-owned businesses operate within the **Accommodation and Food Services** sector. In comparison 3.8% of all businesses in the state are within this industry.”^{iv}

DISCLAIMER: The data presented have been vetted for accuracy; however, there is no warranty that it is error-free. The data itself does not represent or confer any legal rights of any kind. Please use suggested citation and report discrepancies to the OHA Systems Office at carlah@oha.org.

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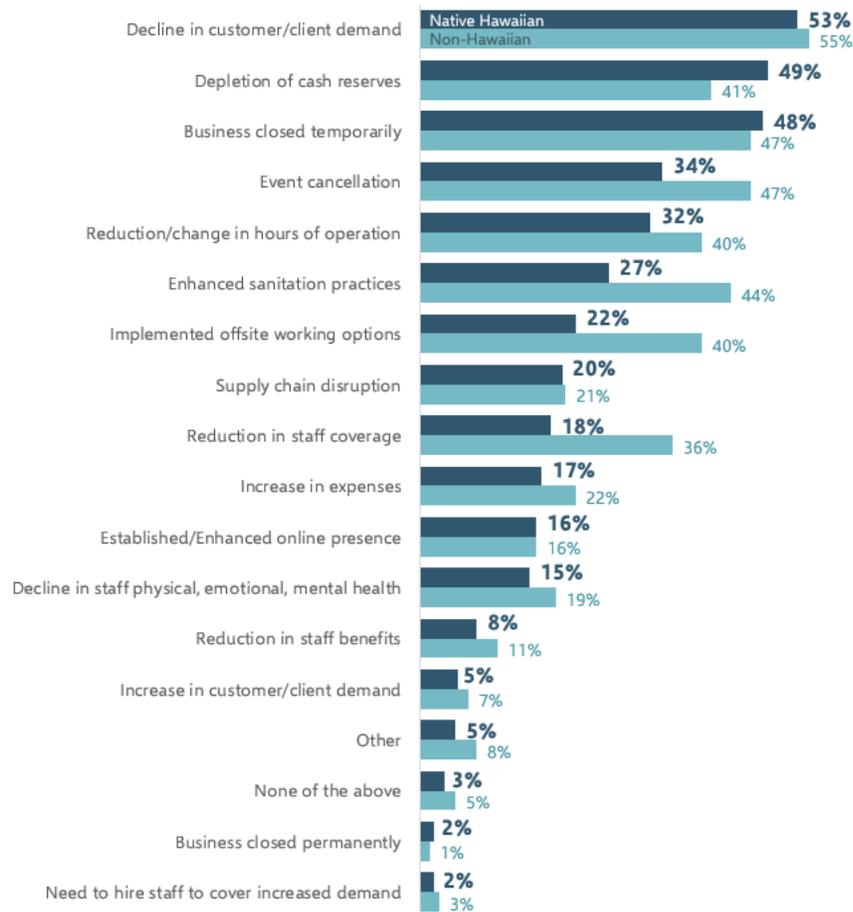
- In April 2020, the **Native Hawaiian Chambers of Commerce** and the **Office of Hawaiian Affairs** administered an online survey on the impact of COVID-19 on businesses.
 - **1,044 business owners** responded.
 - **84.2%** of the businesses surveyed **were fully owned or owned in-part by Native Hawaiians** (count=879), with 7.9% of the businesses not owned by Native Hawaiians (count=82). 8.0% of businesses did not indicate the race of the business owners (count=83).
 - **Responses were gathered from all counties** in Hawai'i (Honolulu 52.2%, Hawai'i 21.8%, Kaua'i 5.3%, and Maui 15.2%), Guam (0.2%) and the Continental United States (5.3%).

Notes: The confidence interval for Native Hawaiian-owned business data is 3 percent; the confidence interval for non-Hawaiian owned business data is 11 percent. Data throughout this brief represent responses from businesses who completed the survey, generalizations beyond this sample should not be made.

FINDINGS

NEW DATA HIGHLIGHT THE IMPACT OF COVID-19 ON NATIVE HAWAIIAN BUSINESSES

Figure 1. Percent of Businesses Reporting Area of Impact*



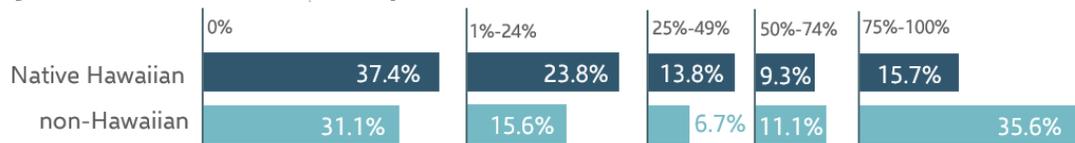
Revenue Impact

Native Hawaiian businesses most frequently report impacts related to revenue and cash flow.

- The majority of Native Hawaiian businesses surveyed report a **decline in customer/client demand** as an impact of COVID-19 (**53.0%**). Other highly reported impacts on Native Hawaiian businesses include depletion of cash reserves (48.9%), temporary closure (48.2%), event cancellation (34.1%), and reduction/change in hours of operation (32.4%).
- 64.0%** of responding Native Hawaiian businesses indicate **a loss in revenue** for the impacted time period of January 31, 2020 to March 31, 2020 in comparison to the same period last year. The median loss reported by Native Hawaiian businesses was \$10,000.

Native Hawaiian business revenue is less dependent on tourism than non-Hawaiian businesses.

Figure 2. Percent of Revenue Dependent on Tourism



- The tourism industry is one of the sectors most dramatically impacted by COVID-19 in Hawai'i.^v However, only 25.0% of Native Hawaiian businesses surveyed report their business revenue to be over 50% dependent on the tourist industry. In comparison, 46.7% of non-Hawaiian businesses report their business revenue to be over 50% dependent on the tourist industry.

Positive impacts and permanent closures were reported by few Native Hawaiian businesses.

- Few Native Hawaiian businesses report an increase in customer/client demand (5.3%) or a need to hire staff to cover increased demand (1.9%). Additionally, 3.2% report their business did not experience any of the impacts listed and 5.0% report experiencing other impacts.
- Few Native Hawaiian businesses also report permanently closing their business (2.0%).

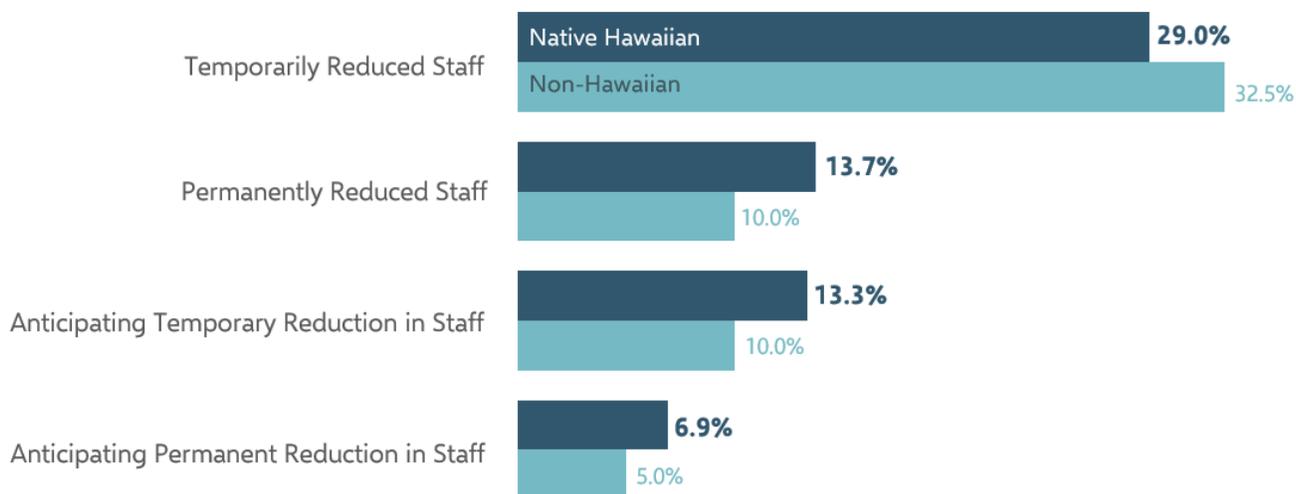
Health and Safety Impact

Fewer Native Hawaiian businesses report health and safety precaution impacts than non-Hawaiian businesses.

- In comparison to non-Hawaiian businesses, smaller percentages of Native Hawaiian businesses report a reduction in staff coverage, implementation of off-site working options and enhancement of sanitation practices (about a 17 percentage point difference for each area of impact).

Staff Impact

Figure 3. Percent of Businesses Reducing Staff*



A larger percentage of Native Hawaiian businesses were forced to permanently reduce staff size, rather than temporarily lay off employees, in comparison to non-Hawaiian businesses.

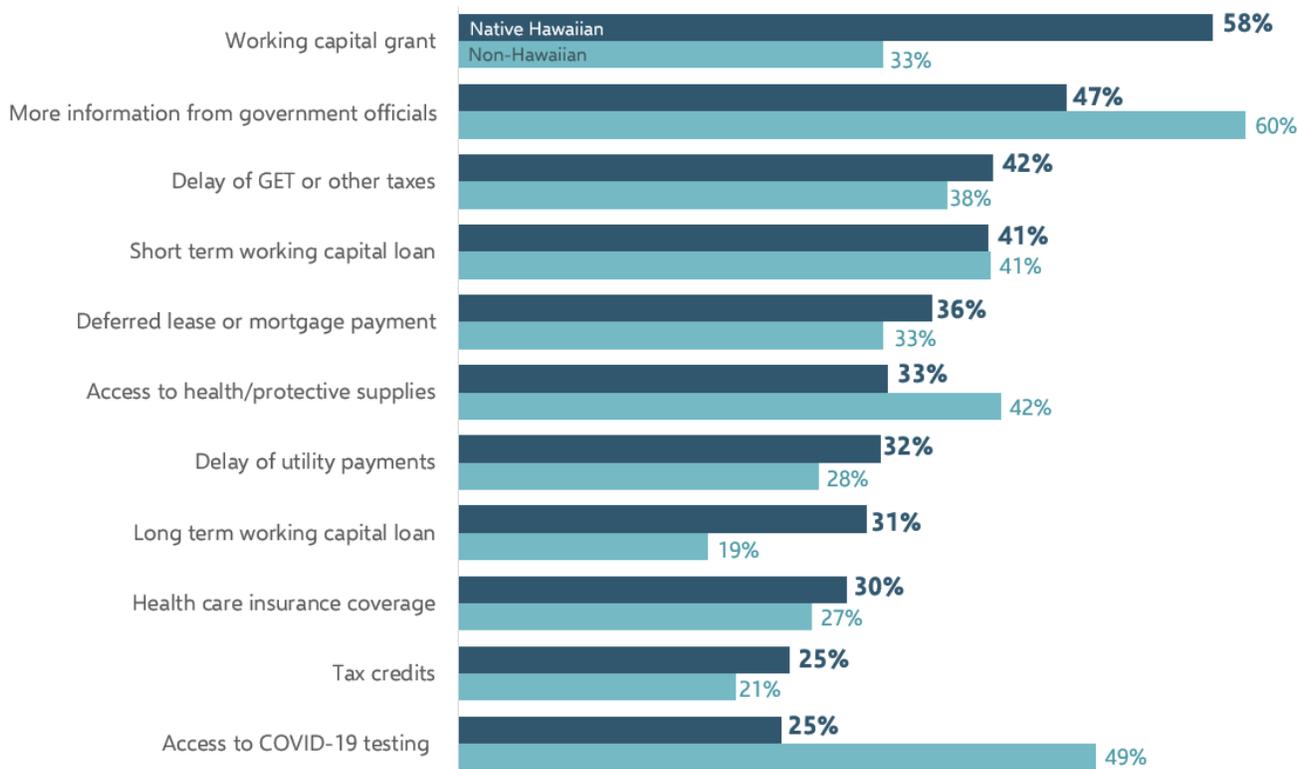
- **29.0%** of Native Hawaiian businesses responding indicate they have **temporarily laid off or reduced their staff**, while **13.7%** report they have **permanently laid off employees**. In comparison, a larger percentage of non-Hawaiian businesses indicate they have temporarily reduced their staff (32.5%), and a smaller percentage indicate they permanently reduced their staff (10.0%).
- On average Native Hawaiian businesses have **temporarily reduced their staff by 5.1 employees per business** in comparison to 13.8 employees per non-Hawaiian business.
- Permanent reduction in staff by Native Hawaiian businesses averaged 4.0 employees per business in comparison to 1.8 employees per non-Hawaiian owned business.

Native Hawaiian businesses anticipate greater temporary and permanent staff reductions than non-Hawaiian businesses.

- **13.3%** of Native Hawaiian businesses indicate they **anticipate having to further lay off or reduce their staff on a temporary basis**, while **6.9%** report they **anticipate having to permanently lay off employees**. In comparison, smaller percentages of non-Hawaiian businesses indicate they anticipate additional temporary staff reductions (10.0%) and permanent staff reductions (5.0%).
- On average Native Hawaiian businesses anticipate additional temporary reductions in their staff by 10.5 employees per business in comparison to 9.5 employees per non-Hawaiian business.
- Native Hawaiian businesses anticipate an additional permanent reduction of 5.1 employees per business, in comparison to 2.0 employees per non-Hawaiian owned business.

NATIVE HAWAIIAN BUSINESSES NEED FINANCIAL RESOURCES

Figure 4. Percent of Businesses Requesting Type of Assistance*



Financial Needs

The most needed resource by Native Hawaiian-owned businesses are financial resources to ease cash flow or working capital limitations.

- The most needed resource reported by Native Hawaiian-owned businesses is **working capital grants (57.9%)**. Other financial needs include delaying GET or other taxes (41.5%) and accessing short-term working capital loans (40.6%).
- For Native Hawaiian businesses needing a working capital grant or a short-term working capital loan the estimated need is in the range of **\$10,000 to \$19,999**.
- Most businesses seeking payment delays indicate needing an estimated four to six month delay (e.g., a delay of GET or other taxes, deferral of lease or mortgage payments, or delay of utility payments).

Health and Safety Needs

Many Native Hawaiian businesses are seeking more information from government officials. Additionally, smaller percentages of Native Hawaiian businesses are requesting health and safety resources in comparison to non-Hawaiian businesses.

- Nearly half (46.7%) of responding Native Hawaiian-owned businesses are seeking more information from government officials; this is 13.7 percentage points less than non-Hawaiian businesses requesting more information.
- The least frequently requested resource for Native Hawaiian businesses is access to COVID-19 testing (24.8%). In comparison, testing is one of the most requested resources by non-Hawaiian businesses (48.9%).
- Additionally, 32.9% of Native Hawaiian businesses requested access to health and protective supplies. This is 8.8 percentage points lower than non-Hawaiian businesses (41.7%).

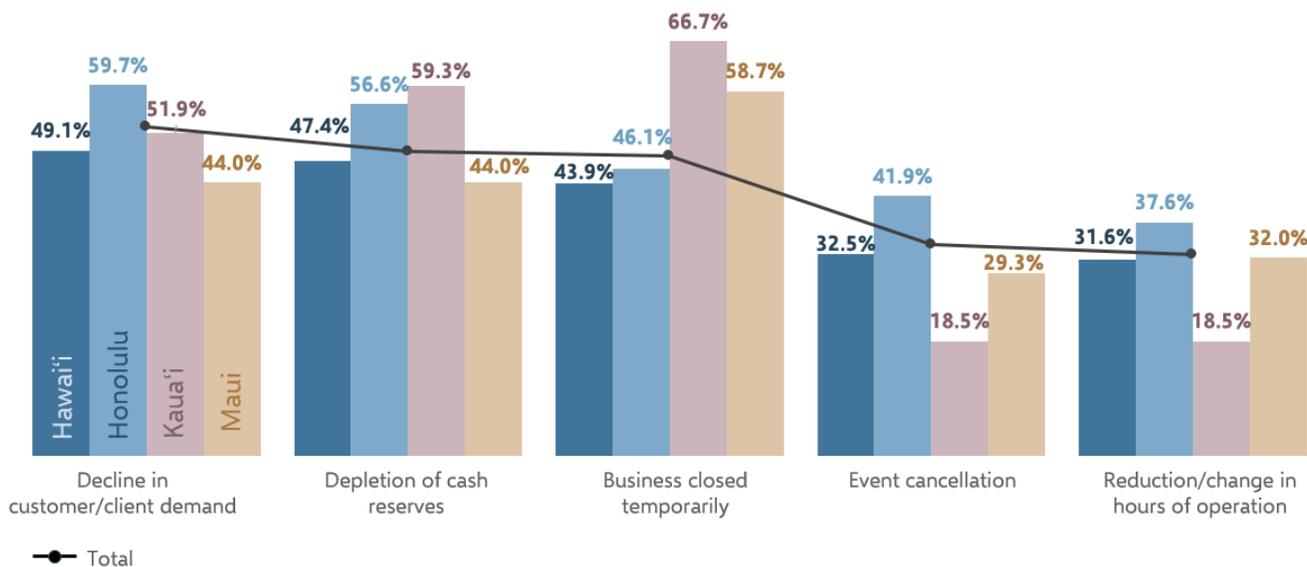
Capacity Building Needs

Trainings related to business needs are most frequently requested; trainings on employee protection are the least requested.

- The most popular trainings requested by Native Hawaiian business owners include **general business management** and assistance with **completing emergency assistance forms**.
- Compared to non-Native Hawaiian businesses, Native Hawaiian businesses are more likely to seek business management trainings (10.0 percentage points higher) and less likely to request trainings on how to protect employees (7.3 percentage points lower).

NATIVE HAWAIIAN BUSINESSES - IMPACTS AND NEEDS VARY BY COUNTY

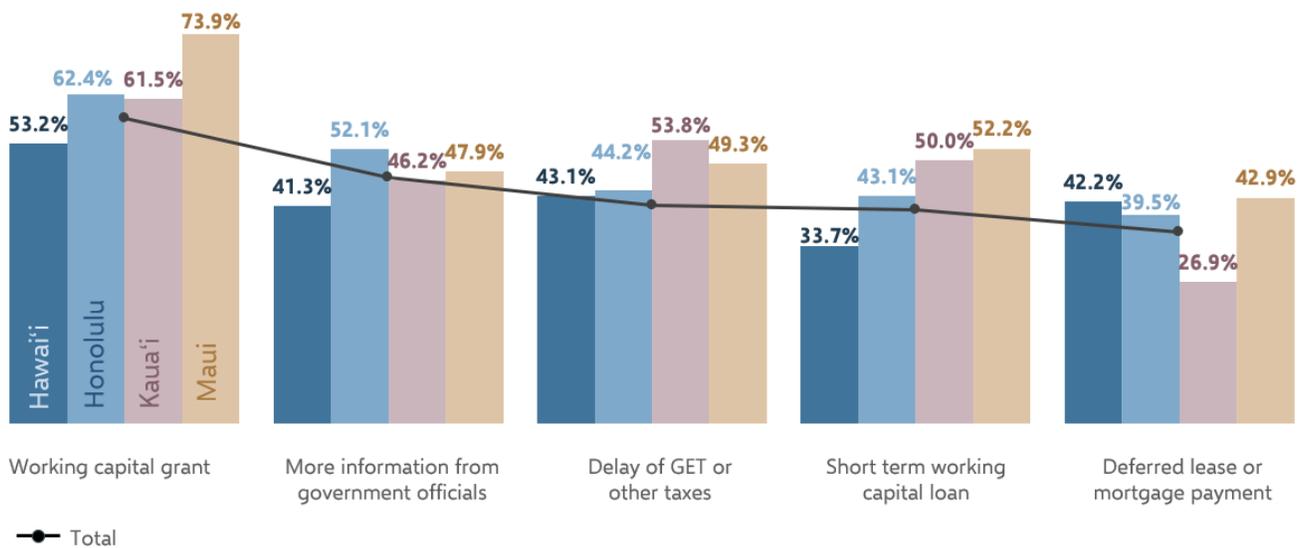
Figure 5. County Differences in Areas of Impact for Native Hawaiian Businesses*



Native Hawaiian businesses in Kaua’i and Maui Counties experience different impacts than businesses in Hawai’i and Honolulu Counties.

- Native Hawaiian businesses in **Kaua’i and Maui Counties** most frequently report **temporarily closing** (66.7% and 58.7%, respectively). In comparison, Native Hawaiian businesses in **Hawai’i and Honolulu Counties** most frequently report a **decline in customer/client demand** (49.1% and 59.7%, respectively).
- Additionally, in **Kaua’i County** a **reduction in staff coverage** was one of the **top five impacts** reported by Native Hawaiian businesses (22.2%) (not shown in figure). A smaller percentage of Kaua’i Native Hawaiian businesses report event cancellation (18.5%) and reduction/changes in hours of operation (18.5%).

Figure 6. County Differences in Types of Assistance Requested by Native Hawaiian Businesses*



Native Hawaiian businesses in Kaua’i and Maui Counties differ from the State in their most frequently requested types of assistance.

- Although working capital grants are the most frequently requested assistance in all counties, a greater percent of Native Hawaiian businesses in Maui need this type of financial help (73.9%). Also, the need for delay of taxes and short-term working capital loans are more frequently reported in both Kaua’i and Maui Counties.
- Native Hawaiian businesses in Kaua’i and Maui Counties also report a delay of utility payments as one of their top five needs (not shown in figure).

IMPLICATIONS

Data suggest **Native Hawaiian-owned businesses will need greater access to capital** (a long-standing struggle), **support to keep employees working**, and **technical assistance to manage their business and complete various applications**. Additionally, educational material on health and safety for employees, targeting Native Hawaiian business owners should be developed and disseminated.

On a positive note, **Native Hawaiian-owned businesses appear to be less dependent upon tourism**, suggesting they may be able to better stabilize prior to the lifting of travel quarantine and thus, serve as important drivers in flattening the state's unemployment curve as we enter into the "kama'āina economy" stage of recovery.

Native Hawaiian business owners have overcome socio-economic barriers and obstacles to accessing capital to develop businesses that contribute to Hawai'i's economy. By providing appropriate support and equitable access to assistance programs, the state can sustain Native Hawaiian entrepreneurs in driving and building long-term resiliency of the overall economy.

ADDITIONAL INFORMATION:

Resources

U.S. Small Business Administration. Hawai'i District Office. 808-541-2990.

<https://www.sba.gov/offices/district/hi/honolulu>

U.S. Senator Brian Schatz Website. Supporting Small Businesses page for list of Federal Resources and Frequently Asked Questions.

<https://www.schatz.senate.gov/coronavirus/small-businesses>

Survey Notes

The goal of the survey was to produce rapid and rough policy relevant data reflecting the impact of COVID-19 on local businesses, especially Native Hawaiian-owned businesses. It would be ideal if these responses were entirely random however, as the survey was distributed online and shared throughout the authors' networks, the reality is that some business owners were more likely to hear about the survey and fill it out. Thus, the data are not representative of all Hawai'i business owners or sectors.

Due to sample sizes and confidence intervals, findings should not be generalized beyond the survey sample.

Figure Notes

Denominators based on number of respondents that indicated race and responded to this question.

*Percentages do not equal 100% because respondents were able to choose more than one answer.

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Digital Brief

<https://sites.google.com/ksbe.edu/nh-covid19/native-hawaiian-businesses>

This brief was produced through a collaboration by the Hawai'i Island Native Hawaiian Chamber of Commerce, Kaua'i Native Hawaiian Chamber of Commerce, Maui Native Hawaiian Chamber of Commerce, Native Hawaiian Chamber of Commerce, Office of Hawaiian Affairs, Lili'uokalani Trust, and Kamehameha Schools' Strategy & Transformation Group

ⁱ Bonham, C., Fuleky, P., and Gangnes, B. (May 4, 2020) COVID-19: Developing Economic Recovery Scenarios for Hawai'i. University of Hawai'i Economic Research Organization. Available at <https://uhero.hawaii.edu/covid-19-developing-economic-recovery-scenarios-for-hawaii/>

ⁱⁱ U.S. Census Bureau. (2012). Survey of Business Owners, File SB12000CSA0

ⁱⁱⁱ Prosperity Now Scorecard. (May 2020). The Cascading Impact of COVID-19 on Microbusinesses and the U.S. Economy.

<file:///C:/Users/carlah/OneDrive%20-%20Office%20of%20Hawaiian%20Affairs/Covid-19/COVID%20Brief.%20NH%20Businesses/Impact-of-COVID-19-on-Microbusiness.pdf>

^{iv} U.S. Census Bureau. (2012). Survey of Business Owners, File SB12000CSA0

^v Bonham, C. (April 27, 2020) COVID-19's Uneven Impact on Businesses and Workers: Results from a UHERO-Chamber of Commerce Hawaii Survey. Available at <https://uhero.hawaii.edu/covid-19s-uneven-impact-on-businesses-and-workers-results-from-a-uhero-chamber-of-commerce-hawaii-survey/>