

Living Wages at US Airports

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Outline

- **Airport wages and contracting out**
- **San Francisco Quality Standards Program**
- **Living Wages and Economic Performance (2003)**
- **Growth of living wage policies at Airports**
- **Evidence on the effects of wages, turnover, safety and security**

SFO Living Wage Policies

- **Airport Quality Standards Program (January 2000)**
 - Establishes compensation, training and hiring standards for all employers with workers in secure areas or performing security functions.
- **City Living Wage Ordinance (August 2000)**
 - Condition on leases and sub-leases.

Wage and Benefit Requirements

- **\$9/\$10.25 without benefits, April 2000**
- **\$10/\$11.25, January 2001**
- **Wage now set at 50 cents above city living wage policy, which is indexed to Bay Area CPI**
 - 2017 rate is \$14.50 an hour
- **Must comply with San Francisco Health Care Accountability Ordinance minimum health coverage standards**
- **12 paid days off and 10 unpaid days off a year**

Living Wages and Economic Performance: The San Francisco Airport Model

UC Institute of Industrial Relations
Michael Reich, Peter Hall and Ken Jacobs

- **Previous IIR studies for baseline**
- **Extensive employer survey**
- **Badge office database**
- **Airport documents**
- **Supplemental employee survey**

Background on Policy

- **Multi-employer labor markets with a large proportion of low-wage workers.**
 - Pre-policy 30,000 workers at SFO, 11,000 under \$11 an hour.
- **Airline service contractors employ a substantial portion of the low-wage labor at U.S. Airports.**
- **Low pay is associated with inadequate training and high turnover as well as lower service quality and security standards.**

Pre-QSP pay, in-house and contracted out jobs

	Airline Employees		Airline Services Employees	
	Entry Wage	Average Wage	Entry Wage	Average Wage
Customer Service	8.65	11.25	7.25	8.25
Ramp	8.70	12.10	7.10	7.10
Cabin cleaner	7.85	10.80	7.20	7.20
Screeners	NA	NA	5.75-7.00	6.50
Skycaps	NA	NA	5.75-6.50	6.35

Note: Data are for pre-QSP period. Includes only cash wages and not benefits and only jobs with complete wage data; all figures rounded to nearest \$0.05.

Impact on Workers

- **Over 9,700 low-wage workers at SFO received pay increases after the living wage policies were implemented.**
- **Entry level pay for directly affected workers rose an average of 33 percent.**
- **The living wage policies had a broad impact on the low-wage airport labor market, reaching beyond those firms directly mandated to increase pay.**

Change in Wages and Turnover Rates for Selected Jobs

	Percent increase in:		Percent Decrease in:
	Entry Wage	Average Wage	Turnover
Customer Service	26	17	5
Baggage/Ramp	27	18	25
Cabin Cleaner	32	15	44
Screeners	69	55	80

Source: UCB-SFO Employer Survey, 2001, conducted by the authors.

Note: All figures in percentages. Data covers April 2000 to June 2001

Service Levels Improved

Employer reports of changes in employee performance

	“Better” or “a lot better”	“No change”	“Worse” or “a lot worse”
Overall work performance	35	62	4
Employee morale	47	37	16
Absenteeism	29	66	5
Employee grievances	45	52	2
Disciplinary issues	44	47	9
Equipment maintenance	29	67	4
Equipment damage	24	69	7
Customer service	45	52	3

Source: UCB-SFO Employer Survey, 2001, conducted by the authors.

Note: All figures in percentages. Data covers April 2000 to June 2001

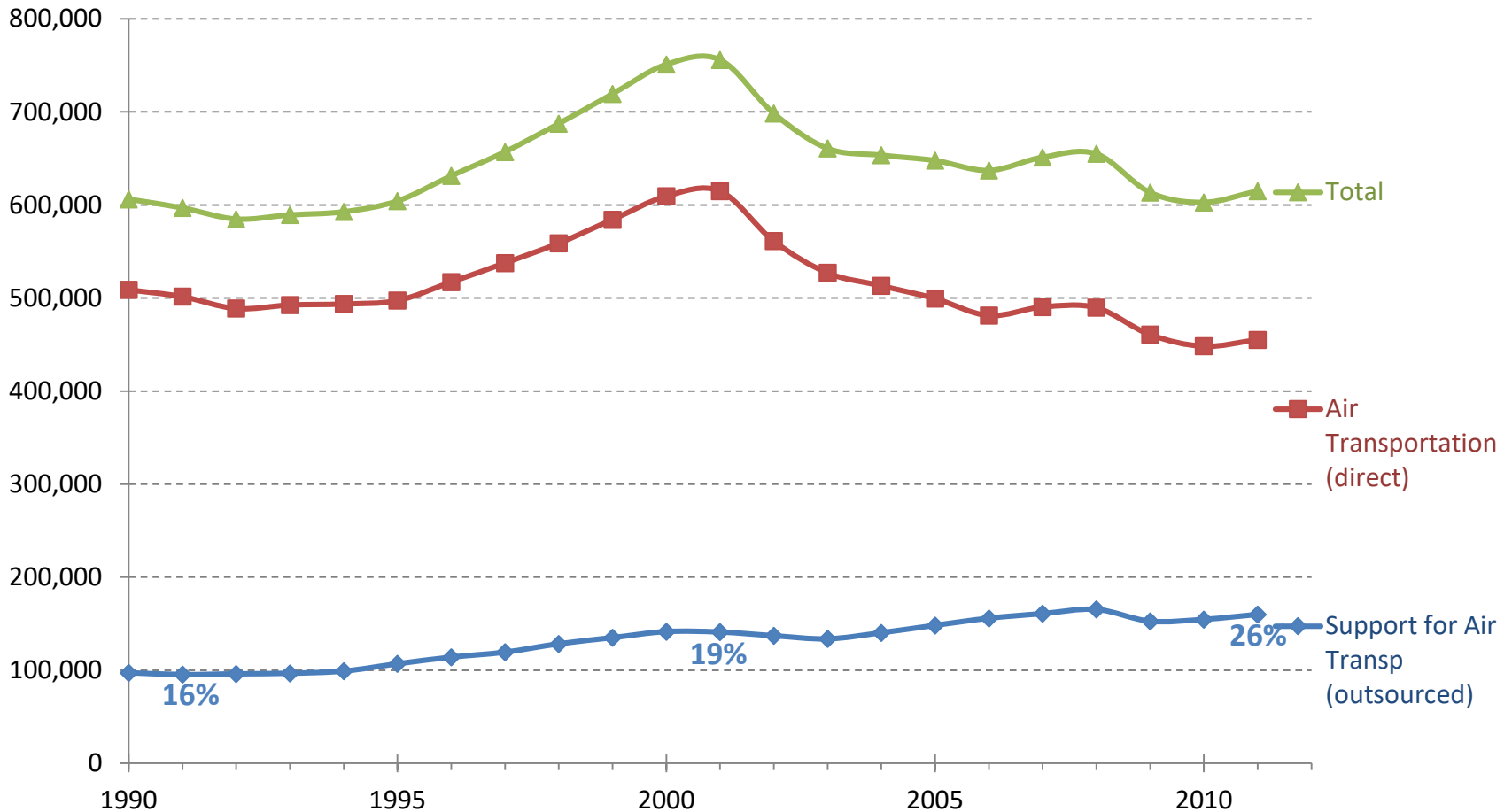
Costs of the Living Wage

- **Total cost to firms: \$42.7 million a year.**
- **0.7 percent of the fare revenue received at SFO in one year.**
- **\$1.42 per passenger.**
- **Figures don't include savings.**

Improvements in safety and security

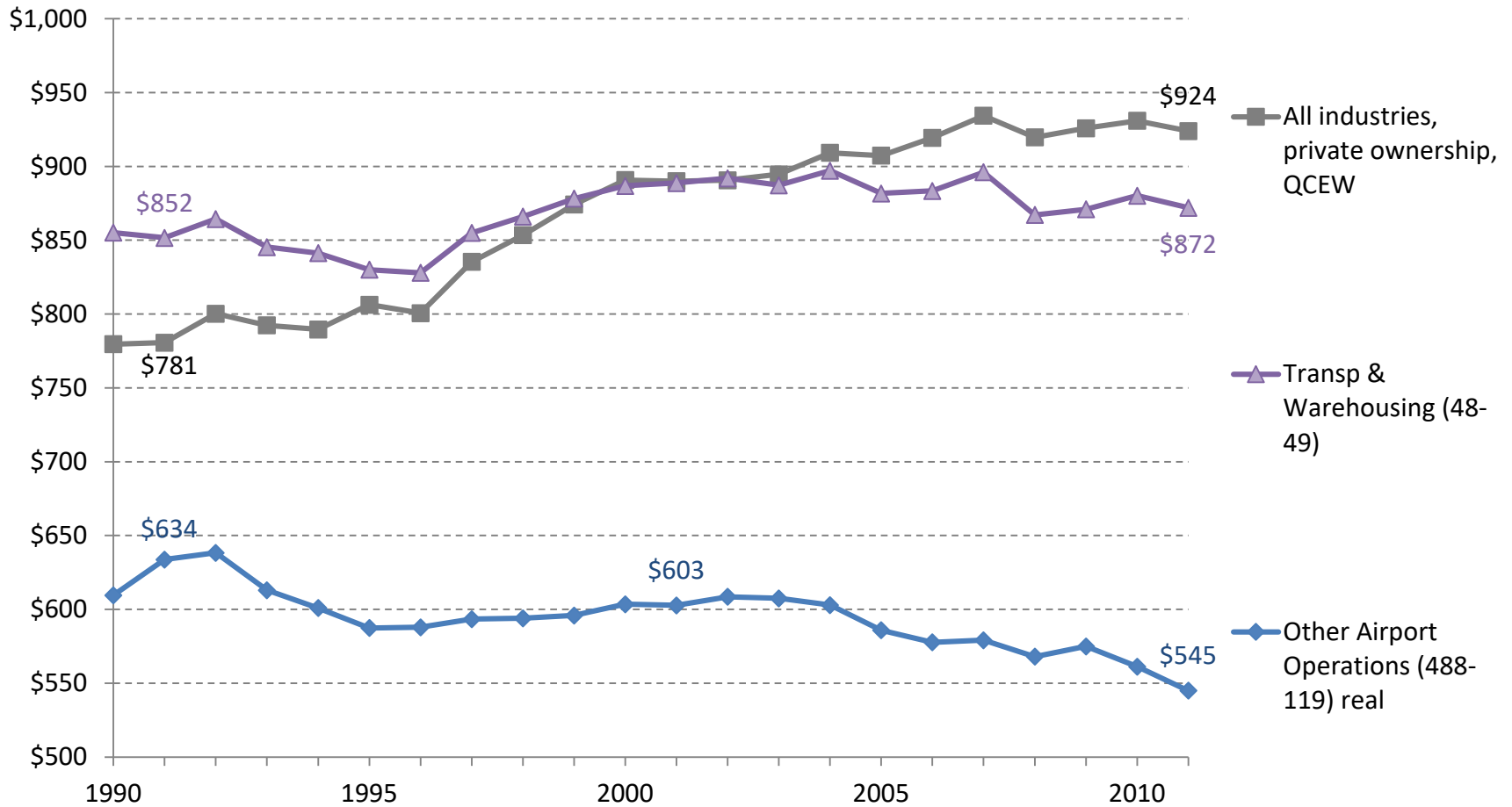
- **Our analysis of FAA data for 19 large airports found that lower turnover among screeners is associated with higher rates of detection of security breaches.**
- **For every percentage point increase in turnover rate at an airport, the number of detected security breaches fell by 0.62 percent.**
- **Safety and security goes beyond baggage screeners.**

The share of air transport-related workers outsourced grew from 16% to 26% between 1990 and 2016



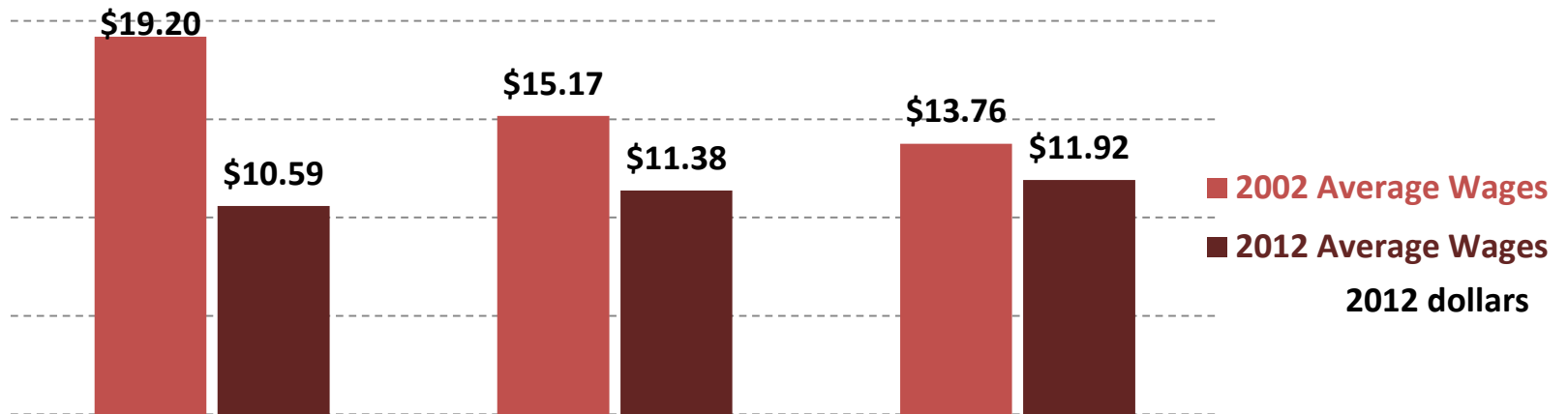
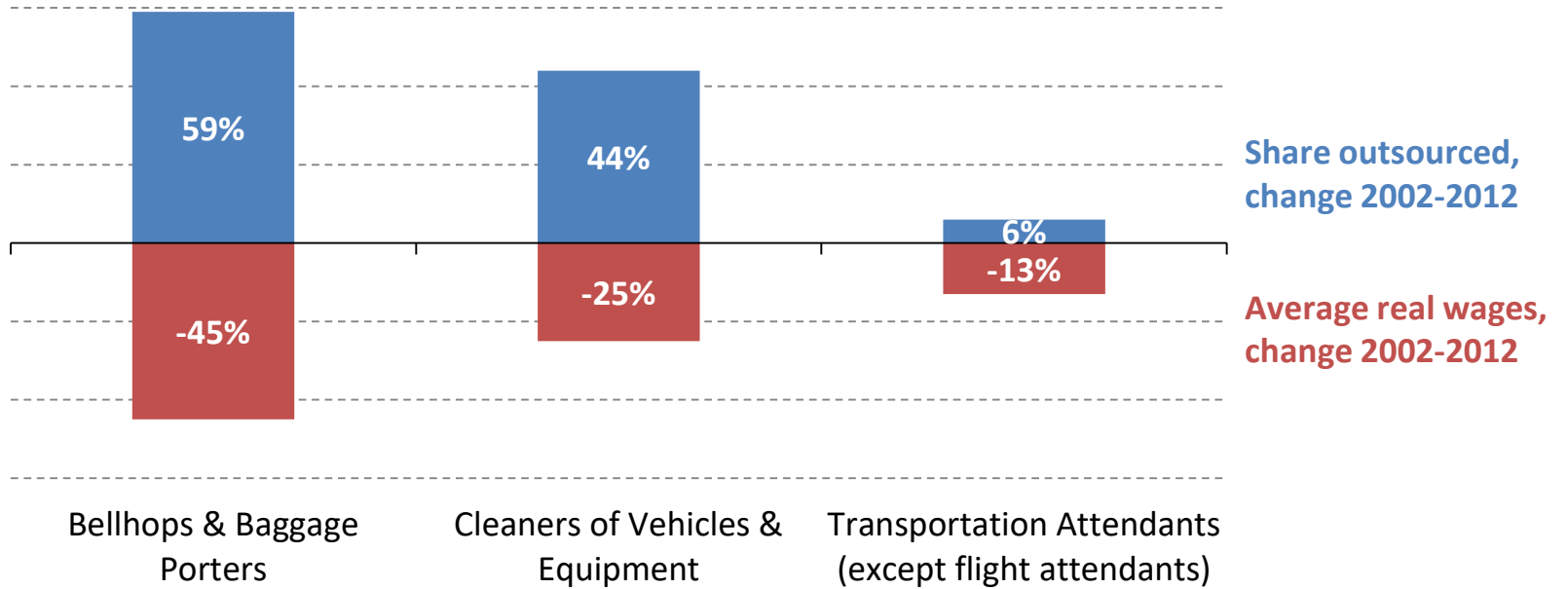
Source: National QCEW 1990-2011; adjusted to 2011\$ using CPI-W

Average real weekly wages fell 14% over two decades for workers in airport operations



Source: National QCEW 1990-2011; adjusted to 2011\$ using CPI-W

Increase in outsourcing, decrease in wages



Source: 2002-2004 OES

The number of Airports with Living Wage Policies continues to grow

Airport	Year Adopted or Amended
Los Angeles	1997; 1998; 2009
Miami	1999; 2009
San Francisco	2000
Oakland	2002
St. Louis	2002
San Jose	2010
Syracuse	2012
Seattle-Tacoma	2013
Philadelphia	2014; 2015
Port Authority of New York	2014
Massport (Boston)	2014
Minneapolis	2015
Broward County, FL	2015
Metropolitan Washington, DC	2017
Chicago	2017

Evidence on relationship between wages, turnover and safety and security

- **Wages and Turnover**

- Reich, Michael, Peter Hall, and Ken Jacobs (2003)
- Cotton and Tuttle (1986)
- Dube, Naidu, and Reich (2007)
- Dube, Lester, and Reich (2016)
- Fairris (2005)

- **Productivity and Performance**

- Howes (2014)
- Mas (2006)
- Hirsch, Kauffman, and Zelenska (2015)
- Wolfers and Zilinsky (2015)
- Levine (1991, 1992)

Evidence on relationship between wages, turnover and safety and security

- **Safety and Security at Airports**

- GAO (2000)
- Port of Seattle (2014)
- Skorupski and Uchroński (2015)
- Yoo and Choi (2006)

- **Safety and Security in other Occupations**

- Trucking: Corsi and Fanara (1988); Rodríguez, Targa, and Belzer (2005)
- Nursing and Nursing Homes: Castle and Engberg (2005); Zimmerman, Gruber-Baldini, Hebel, Sloane, and Magaziner (2002)

At SFO, as the minimum wage grows relative to the QSP rate, employers are reporting an increase in turnover

