

CITY OF LOS ANGELES  
INTERDEPARTMENTAL CORRESPONDENCE

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Date: February 22, 2016

To: Honorable Members of the Public Works and Gang Reduction Committee

From: John L. Reamer, Jr., Director  
Bureau of Contract Administration  
Department of Public Works

Subject: UPDATE TO THE LIVING WAGE AMENDMENTS

Summary

In 1997, Los Angeles became one of the first cities in the nation and the first in California to pass a living wage ordinance ("LWO") requiring certain City contractors doing business with the City to pay employees a living wage. As of July 1, 2015, the LWO requires covered employers working at the Los Angeles World Airport (LAX) to pay a wage of \$11.17 per hour with health benefits and \$16.04 per hour without health benefits.

The LWO recognizes that the City of Los Angeles ("City") holds a proprietary interest and genuine stake in the work performed by employees employed by lessees and licensees of City property and by their service contractors and subcontractors at the City's airports. Previous BCA determinations, as well as several LWO studies, have attributed low wages and lack of health benefit to high turnover rates among airline service workers who have key operational duties such as security and assisting passengers with disabilities. The retention of a qualified and stable workforce is vital to the success of these efforts.

In 2009, when LAX LWO health benefits rate increased to \$4.50, the City was the leader in promoting a health benefit that would cover a family of four. However, since then, the LAX LWO rates have once again fallen below the industry market rates because the LAX LWO wage and health benefits rate is indexed to the Consumer Price Index (CPI).

"A UC Berkeley study of the living wage policy at the San Francisco International Airport found that the program led not only to significant pay increases for 12,000 workers, but employers and employees alike reported improved work effort and morale, dramatically lower turnover and better customer service. The study found no negative effect on employment." (Jacobs, 2011)

Because of the success that the San Francisco International Airport (SFO) has had with their LWO and the fact that SFO is comparable to LAX in the number of passengers and aircraft operation while also sharing similar LWO polices, SFO's LWO rate increase was reviewed as a model comparison for LAX LWO rates. And in comparison, it was revealed that SFO's LWO rates have been higher than LAX for the past 5 years, this year as seen in the following chart, is the biggest difference so far.

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Submitted in PWGR Committee

Council File No: 15-0817

Item No. 2

Deputy: BCA

Current Rates	San Francisco International Airport	Los Angeles World Airport	Port of Oakland	San Jose International Airport	Recommended		
					2015	2016	2017
Wage Rate	\$13.02	\$11.17	\$12.53	\$14.53	\$11.33	\$11.68	\$12.08
Health Benefits	\$4.50	\$4.87	\$1.87*	\$1.25*	\$4.93	\$5.05	\$5.18
Total	\$17.52	\$16.04	\$14.40	\$15.78	\$16.26	\$16.73	\$17.26

\*It is unknown if these health benefits cover a family of four.

Since 2001 when SFO adopted their policy, their wage rate has been higher than LAX. With SFO using a CPI that is typically higher than LAX, SFO's wage rate will continue to increase at a higher rate than LAX. In regards to health benefits, SFO requires the Health Director, Health Commission and the OLSE to determine what the rates will be. In the last 5 years, SF has increased the health benefit 25 cents every year. At that rate, and with the flexibility that SFO has, the health benefit may surpass LAX in a few years.

In order to address and equalize the wage and health benefit, this amends the LWO to increase the wage and health benefit for workers at the City's airports covered by the LWO in order to promote the provision of wage and health benefits to eligible airport workers and their families, and continue to provide for annual adjustments to and periodic reviews of the wage rates and health benefit payment to LWO Airport Employees.

#### Recommendation

Request the Public Works and Gang Reduction Committee to further amend the Living Wage Ordinance to include the following language:

Section 10.37.2(a) to increase the wage for Airport Employees. Include the following language, "The wage for Airport Employees will increase according to the following unless the annual increase provided in 10.37.2(a)(2) is higher: July 1, 2015 an increase to \$11.33 per hour with health benefits or \$16.26 without health benefit, July 1, 2016 an increase to \$11.68 per hour with health benefits or \$16.73 without health benefit, and on July 1, 2017 an increase to \$12.08 per hour with health benefits or \$17.26 without health benefit. On July 1, 2018 the annual increase will continue as provided in 10.37.2(a)(2)."

Section 10.37.3(a) Section 10.37.2(a) to increase the health benefits for Airport Employees. Include the following language, "The health benefit cost for Airport Employees will increase as follow unless the annual increase provided in 10.37.2(a)(2) is higher: \$4.93 per hour on July 1, 2015, to \$5.05 on July 1, 2016, and to \$5.18 on July 1, 2017. On July 1, 2018 the annual increase will continue as provided in 10.37.2(a)(2).