

**Living Wage Implementation at the Port of Oakland:
One Year Status Report**

July 2003



East Bay Alliance for a Sustainable Economy

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Executive Summary

On March 5, 2002, Oakland voters approved Measure I, the Port of Oakland Living Wage and Labor Standards Charter Amendment, by a margin of 78%, bringing the promise of a living wage to workers employed by businesses located at the Port of Oakland. The people of Oakland sent a clear message that the Port, as a vital public facility and economic growth engine for the region, should lead the way in using public resources to create good jobs. This report focuses on the Oakland International Airport, assessing to what degree the promise of Measure I has been achieved, and what measures could be taken to more effectively implement the law.

Benefits of the Port of Oakland Living Wage

- An estimated 413 airport workers have received wage increases as a result of the Charter Amendment, improving their ability to provide for themselves and their families.
- Business performance has remained strong since implementation of the Charter Amendment. Concession and other airport revenues have continued to grow in double-digits, and airport passenger traffic is up 16% for the twelve months ending May 31, 2003.

Port Implementation Progress

- The Social Responsibility Division (SRD) has created a good basic framework of rules and regulations for the Charter Amendment, addressing the main areas of implementation: determination of coverage, monitoring, and enforcement.
- The Board of Port Commissioners resolved a dispute over the application of the Charter Amendment to month-to-month leaseholders by mandating compliance of all month-to-month leaseholders.
- SRD has determined that nineteen airport businesses—employing nearly one-fifth of the airport workforce—are covered by the Charter Amendment.

Remaining Challenges

- Out of an estimated 1,620 low-wage workers at the airport who could benefit from the Charter Amendment, over 1,200 (74%) have not yet benefited from a wage increase.
- The Port has exempted several large airport businesses from compliance through a loophole intended to protect small businesses with fewer than 21 workers.

- Only 10 out of 47 month-to-month tenants are currently deemed covered by the Charter Amendment in the Port's monitoring database. Several of the Port's major airlines are not included.
- The majority of firms covered by the Charter Amendment are not providing quarterly payroll data as required by the law; and to date, no enforcement action has been taken against them.
- Most low-wage work at the airport is done through subcontracting of airline services, but the Port has not actively sought to determine coverage, monitor or enforce compliance with the Charter Amendment for subcontracted employers.

Recommendations

- The Port should continue to work with stakeholders to develop a permanent set of Rules and Regulations and other policies needed to implement the Charter Amendment and ensure its application to all those it is intended to benefit.
- Determination of coverage. The Port should take action to close the loophole allowing large employers to take advantage of small business exemptions; effectively monitor and enforce its policy on month-to-month leaseholders; and more proactively determine coverage of subcontracted employers.
- Monitoring. SRD should develop a program of site visits and employee interviews to verify compliance with the Charter Amendment, particularly provision of health benefits, provision of paid time off, and notification of rights under the law, all of which are difficult to verify through review of payroll data. SRD should require employers to report their contributions to health benefits and should develop a method for determining the value of these contributions.
- Enforcement. SRD should notify firms that are failing to comply with the quarterly reporting requirements of the Charter Amendment that they are in violation, give them an opportunity to correct their violation, and then take enforcement action against firms that do not.

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Background: Living Wages and the Port of Oakland

Why This Report?

By approving Measure I in March of 2002, the people of Oakland took a major step in making sure that Port businesses—beneficiaries of one of our region’s key public resources—support working families. Voters decided that a vital public resource like the Port should have *higher* standards than the private economy, helping working families in the daily struggle for food, shelter, and education, rather than contributing to the region’s crisis of economic opportunity.

A little over one year after passage of Measure I, many workers have benefited from the new law, but much is left to be done. We hope that this report can focus attention on how the living wage is improving the lives of working families and also help the Port make progress toward full implementation. This report assesses the benefits gained by workers thus far, the progress made by the Port in implementation, and the obstacles remaining for all workers to benefit from the law’s provisions.

This report focuses exclusively on Measure I, which, after passage, became Section 728 of the Oakland City Charter. We refer to the law interchangeably as Section 728 of the City Charter, the Charter Amendment, and the Port Living Wage. This report does not assess the outcomes of the Port’s own, contractor-only living wage ordinance, passed in November 2001 and reconciled with the Charter Amendment in October 2002.

Who is EBASE?

The Port of Oakland Living Wage and Labor Standards is the result of a three-year effort by a coalition of citizen groups to extend the City of Oakland’s Living Wage Ordinance (LWO) to the Port that included community, labor and faith-based organizations. EBASE played a key role in facilitating the coalition and providing legal, research and technical assistance. EBASE has also helped pass living wage laws in Berkeley and Richmond and supports economic equity efforts throughout the East Bay. *Behind the Boomtown: Growth and Urban Re-development in the City of Emeryville*, EBASE’s most recent major report, documents the risks of economic

Port Living Wage Timeline

December 4th, 2001: City Council puts the Port Living Wage and Labor Standards Charter Amendment, named Measure I, on the March 2002 ballot

March 5th, 2002: Voters adopt Measure I by 78% and it becomes Section 728 of the City Charter

April 25th: Section 728 goes into effect

August 6th: Port requires all month-to-month leases, including rental car firms, to comply with Section 728

October 1st: Port reconciles Section 728 with its own prior, limited living wage ordinance

November 1st: Effective date for all month-to-month agreements to become covered under Section 728

development without community and labor standards. Our research publications can be found at www.workingeastbay.org.

Why Living Wage Laws?

Living wage policies, such as Measure I and Oakland's LWO, are important tools in the effort to create greater economic opportunity in the East Bay. A growing divide between low-wage, low-skill service industries and high-wage, high-skill industries is threatening to create an "hourglass economy," with most of the jobs in the top wage tiers or at the bottom.¹ More families than ever struggle to make ends meet with low-wage jobs, while costs of living increase at a faster pace. Even during the peak of the recent economic boom in 2000, with unprecedented levels of employment, poverty in the East Bay remained the same as it was in 1990.²

Living wage policies are intended to make sure that public agencies like the Port of Oakland use public resources to create good jobs, instead of subsidizing poverty-level employers. *"The idea of a living wage is simple. Workers should be able to support themselves and their dependents at a basic self-sufficiency standard on the earnings they receive from full-time employment."*³

Why the Port of Oakland?

The Port of Oakland, a public agency established by the Charter of the City of Oakland, is often referred to as the economic engine of the East Bay region. Because of its broad and deep economic impact on the region, successful implementation of living wages at the Port can make a significant contribution to improving economic conditions for working individuals and families in East Bay communities. Businesses operating at the Port employ an estimated 17,000 people directly,⁴ while Port business activity induces an additional 25,700 jobs in the region.⁵ The Port's total economic impact, which includes wages paid to Port-dependent workers and state and local tax revenue, is nearly \$7 billion annually.⁶

The Port consists of three divisions: Aviation, Maritime, and Commercial Real Estate. The Aviation Division administers operations at the Oakland International Airport, Maritime administers operations at the Oakland container port, and Commercial Real Estate manages

¹ Greenwich, Howard and Christopher Niedt, *Decade of Divide: Wages and Inequality in the East Bay*, East Bay Alliance for a Sustainable Economy, September 2001.

² US Census Bureau, 1990 STF3 and 2000 SF3.

³ Zabin, Carol, Michael Reich and Peter Hall, *Living Wages at the Port of Oakland*, UC Berkeley Center for Labor Research and Education, December 1999.

⁴ Port of Oakland, <<http://www.portofoakland.com/portnyou/regional.asp>>, accessed July 2003.

⁵ Jobs are induced in off-site Port-related business, and their regional suppliers and service providers; additional jobs are generated by Port-dependent workers spending their wages on goods and services.

⁶ Port of Oakland, <<http://www.portofoakland.com/portnyou/regional.asp>>.

commercial developments on Port property, such as Jack London Square. The Commercial Real Estate Division was excluded from Measure I when it was placed on the ballot by the Oakland City Council. As such, the Charter Amendment covers only the Aviation and Maritime divisions.

The Oakland International Airport is the largest Port division, both in terms of employment (over 10,000 jobs⁷) and revenues (\$106 million, out of the total Port revenue of \$206 million in FY 2002⁸). The airport's regional economic impact of \$4.5 billion represents the bulk of the Port's total \$7 billion impact.⁹ It also has the greatest number of low-wage jobs—an estimated 1,620¹⁰—at the Port.¹¹ The airport has experienced tremendous growth in both passengers and cargo over the past decade, and with 25% of the Bay Area market share, ranks as the second largest airport in the region.¹²

Due in part to the growing regional demand for budget/economy travel, a \$1.4 billion expansion project is now underway at the airport.¹³ The expansion is projected to create 2,300 permanent jobs,¹⁴ many of which will be in the low-wage sectors of airline services, security, passenger assistance, airport restaurants, rental cars, and parking. Because of its concentration of low-wage jobs and its regional economic impact, the airport is the focus of this one-year status report.

The Port of Oakland's maritime operations represent the second biggest revenue source for the Port. The container port employs over 2,000 people, and is the fourth largest in the United States.¹⁵ Jobs at the container port have the highest levels of unionization and pay the highest average wages of the three Port divisions. However, an estimated 241 maritime port workers could be eligible for wage increases as a result of the Charter Amendment.¹⁶ A major expansion project underway at the container port will add a significant number of permanent jobs.

At this time, neither EBASE nor the Port of Oakland has assessed the impact of the Charter Amendment on seaport workers. While it is important to ensure implementation of the living wage for low-wage jobs at the seaport, the airport remains the Port division where the greatest numbers of workers stand to gain from improved implementation measures for the living wage.

⁷ Oakland International Airport, <http://oaklandairport.com/airport_stats.shtml>, accessed April 2003.

⁸ Port of Oakland, *Consolidated Financial Statements 2001 & 2002*.

⁹ Port of Oakland, <<http://www.portofoakland.com/portnyou/regional.asp>>.

¹⁰ Zabin et al., 1999. The 1999 figure is adjusted upward by growth in airport employment 1999-2002 (see Methodology, Appendix A).

¹¹ The Commercial Real Estate Division has the lowest average wage of the Port divisions.

¹² Mara, Janis, "Oakland Airport humming," *Oakland Tribune*, February 7, 2003.

¹³ Kiang, Frank, "Monumental airport project will boost economy," *East Bay Business Times*, February 7, 2003.

¹⁴ Port of Oakland, untitled informational brochure, 2002.

¹⁵ Zabin et al., 1999.

¹⁶ Ibid.

Part I: Accomplishments of Measure I

Provisions of Section 728 of the City Charter

Wages and Health Benefits Credit

Under the Charter Amendment, qualifying Port businesses (see “Covered Firms,” below, for an explanation of criteria) must pay a wage equal to or greater than the wage set by the Oakland Living Wage Ordinance. As of July 1, 2003, the Port living wage is \$11.02 for workers who do not receive health benefits, and \$9.58 for workers who receive health benefits from their Port employer. To qualify for the lower wage rate, an employer must demonstrate that it provides health benefits worth at least the difference between this and the higher wage rate (currently \$1.44 per hour). The wage rate is adjusted annually by the Bay Area’s Consumer Price Index (CPI), which measures inflation in the price of basic goods.

In the section “Benefits to Port Workers,” below, we estimate the number of employees whose wages have been raised due to the living wage.

Job Security

Many workers at Oakland International Airport are in a unique situation—they can lose their jobs at any time if their employers lose a contract with an airline. The lack of job security in airport service sector employment adds to the difficulties that result from inadequate wages. The Charter Amendment attempts to prevent displacement of workers by requiring that any qualifying business replacing a prior qualifying business must offer employment to the prior business’s workers. This provision ensures that, in addition to receiving living wages, employees of Port businesses will have greater job security.

Notification

Under Section 728, employers are required to post written notice of the living wage in prominent areas of the workplace. Additionally, employers are required to provide all current and newly hired employees written notification of their rights under the living wage policy.

Section 728 requires employers to inform employees earning less than \$12.00 per hour of their possible right to the Federal Earned Income Credit (EIC). The Port business must make available to the employee the forms required to secure advance EIC payments from the business. This provision of the Charter Amendment is intended to make the economic benefits of the EIC program accessible to workers.

Monitoring and Enforcement

The policy also establishes procedures for monitoring and enforcing compliance with Section 728.¹⁷ Employers must:

- submit quarterly payroll reports to the Port, including the name of each employee, pay rate, and employer contribution to health benefits, if any; failure to comply results in a penalty of \$500 per day
- grant the Port access to work sites and payroll records for monitoring purposes
- grant representatives of the relevant labor organizations access to employees during non-working time and in non-work areas, for the purpose of ensuring compliance with the Charter Amendment

Under Section 728, employees also retain private rights of action, allowing them to bring suit against employers for violations of their living wage rights. Employees claiming such violations are entitled to remedies including back pay and reinstatement. If they win their suit, they can also be awarded reasonable attorney's fees and other legal costs.¹⁸

How the Living Wage WorksA Landlord Port

The Port of Oakland is primarily a "landlord port," which means that it charges rent and concession fees to operators and other service providers, rather than directly providing port services.¹⁹ The Charter Amendment is implemented by including it as a requirement of leases and other agreements between the Port and Port businesses.²⁰ Section 728 requirements are applied to businesses that meet criteria established by the law (see below).

Covered Firms

To be covered by Section 728, a firm must qualify as a "Port Assisted Business" (PAB).

A PAB is defined as:

- any firm or individual receiving over \$50,000 in financial assistance from the Port, **or**
- any firm with over 20 employees that:
 - receives over \$50,000 in contract payment from the Port, or
 - pays the Port over \$50,000 in rent or license and concession fees over the term of an agreement, or

¹⁷ Charter of the City of Oakland, Section 728.8.D.

¹⁸ Charter of the City of Oakland, Section 728.9.

¹⁹ With the exception of the Port-operated parking facilities and BART shuttle.

²⁰ Professional services agreements—architectural services, for example—are exempt from living wage requirements.

- pays the Port more than \$50,000 over 5 years, if the agreement term is less than one year but may be renewed or extended, or
- holds a subcontract, sublease, or sublicense derived from a Port agreement

These criteria are intended to apply to firms involved in airport or seaport business. Businesses operating on the Port's commercial real estate property are not covered by Section 728.

Implementation Actions by the Port

The Port has taken a number of clear steps to implement the Charter Amendment. After a period of discussion and debate, the Board of Port Commissioners issued an ordinance on August 6, 2002 declaring all businesses with month-to-month Port agreements to be covered by Section 728. As a result, ten month-to-month businesses now provide the living wage to an estimated 347 low-wage workers.

On October 1, 2002, the Board improved the environment for the implementation of the living wage by reconciling the community-supported Charter Amendment with a contractor-only wages policy that the Port had implemented in November of 2001. The Board's ordinance extended the 12 days paid and 10 days unpaid time off of the Port's narrower policy to workers covered by the Charter Amendment, and maintained the Charter Amendment's higher standards and broader applicability.

Worker Profile: Maria Benitez A Better Future With Living Wages

In 2002, Maria Benitez was earning a little over minimum wage as a driver at two of the rental car firms at Oakland International Airport.

Among the challenges of surviving on low wages, including lack of quality time with her family and insufficient income to buy nutritious food, what distressed her most was the fact that neither she nor her husband, Danny, (also a rental car company driver) were able to provide medical insurance for their three children.



Since implementation of the Charter Amendment, life has changed. With increased income came less need to work overtime. Maria gave up her second job and can now spend time with her children, even volunteering in their school. "I can now do what a mother is supposed to do – spend time giving warmth and love to my children." Since living wages were implemented last year at the companies where they work, Maria told us that they bought a computer for their children so that they "can do their schoolwork without waiting hours in line at the library every day – I never thought it would be possible to save enough money to buy my kids a computer." Another important outcome is that the law encouraged Danny's company to offer health insurance to more employees, and now the children have medical coverage.

The Port Social Responsibility Division (SRD) addressed the lack of staff resources committed to Section 728 implementation and monitoring by creating the full-time “Sustainable Wage Specialist” position in May 2003. The Sustainable Wage Specialist will work to monitor and enforce both Section 728 and prevailing wage (PW) regulations.

SRD has developed interim rules and regulations to implement the Charter Amendment. The interim document provides a good basic framework for accomplishing some of the main goals of the Port Living Wage. In addition to the interim rules, the SRD has created many of the basic tools for implementing Section 728. These include: self-evaluation checklists for Port businesses, living wage compliance checklists, self-certification statement forms, and notice posters featuring both the living wage rate and information about the EIC program. SRD has also taken appropriate steps to implement the annual wage increase, indexed to inflation, provided for in Section 728. SRD sent notices and new posters with the adjusted wage rate to Port businesses.²¹

These steps taken by the Port indicate that the Port is proactively seeking to ensure that the Charter Amendment is implemented effectively, and suggest the potential for further measures to make the law more successful and effective.

How Port Workers Have Benefited

In order to understand the impact of Section 728, it is important to understand how various airport firms have been or may be affected.²² First, there are a total of 83 tenants at the Airport employing 10,700 workers that are potentially affected (See Table 1). Of this total, only 20 firms employing 2,228 workers have been officially identified and notified as “covered” by the Port’s Division of Social Responsibility. The remaining 63 firms fall into two categories: 1) firms that the Port has deemed not covered by the Charter Amendment and are entirely exempt from compliance and 2) firms and their subcontractors that have not had their agreements with the Port renewed or amended after April 25th, 2002. In other words, many employers may yet be designated as covered as agreements turn over in the near future.

²¹ Interview with Paul Chavez, SRD Sustainable Wage Specialist (telephone), July 9, 2003.

²² It is difficult to determine the exact number of workers who are benefiting from the living wage for a variety of reasons. First, payroll data collected by the Port from employers is substantially incomplete. Second, it is hard to determine how many workers now making the living wage standard actually received a raise due to the Charter Amendment. We make a best estimate through two methods. First, we estimated the total number of workers making sub-living wages by combining the results of a UC Berkeley Center for Labor Research and Education survey of firms in 1999 (Zabin et al.) with data from the Port’s Social Responsibility Division (see Methodology). Second, we spoke with several dozen Port workers and union officials representing workers at low-wage paying businesses to verify if living wages were actually being paid (see Appendix A).

Table 1. Employers Covered By Section 728 and Number of Workers Receiving A Raise

	Firms	# Employees	# Employees Receiving Raise
All Airport Tenants	83	10,700	
Covered Firms	20	2,228	
Covered Firms Employing Low-wage Workers	12	1,401	
Determined As Paying LW	9	710	413
Undetermined If Paying LW	3	691	

Sources: Port of Oakland Social Responsibility Division; Zabin et al., 1999.

Of the 20 firms that have been officially designated as covered, only 12 employ significant numbers of low-wage workers (see Appendix B for a list of all covered firms).²³ These 12 firms employ 1,401 workers, although not all are low-wage. Of these 12 firms, we conclude with a degree of certainty that nine have actually provided raises to a total of 413 employees. Of the 413 employees, 84% work in seven rental car firms and 16% work in two flight services firms. See the text inset above for how one worker's life has been improved by receiving a living wage under Section 728.

Neither the Port nor EBASE has been able to determine whether the remaining three employers who are officially covered by the Charter Amendment and employ low-wage workers are in compliance with the living wage law. The three remaining firms employ another 691 total workers in skycap service and aircraft engine maintenance.

While an improvement in 413 workers' earnings can be pointed to as a success of the Charter Amendment, the number of workers that have received raises so far is only 25% of the total number, 1,620, that we project should receive raises. We discuss this further in the "Obstacles To Implementation" section later in this report.

²³ Employer survey results, Zabin et al., 1999.

"We All Win" With Living Wages at Ogden Ground Services

Ogden Ground Services, Inc. provides baggage and ground handling services for airlines such as Mexicana, Alaskan and American Airlines at Oakland International Airport. One hundred and twenty workers at Ogden perform duties of "cabin cleaners," responsible for water and lavatory service, "rampers," responsible for loading and unloading baggage into the belly of the plane, and "wing-walkers," responsible for guiding the aircraft into and away from the terminals. For this crucial work, many employees were earning as little as \$7.00 per hour last year.



Last summer, Ogden workers organized and joined the International Longshore and Warehouse Workers' Union (ILWU) Local 6 in order to improve wages and working conditions. The Port Living Wage was instrumental in helping the workers and the union to negotiate a fair contract. After winning union recognition, Ogden workers and ILWU looked carefully at the law, determined that Ogden was required to comply with the provisions and informed the company.

"In truth, the company was concerned that it would not be able to withstand the financial burden of the ordinance," says ILWU Local 6 Representative Darrin Woodard, "but through good-faith bargaining and exercising the collective bargaining opt-out clause of the ordinance, we came to an agreement that provides living wages and improved benefits for all Ogden employees as well as protecting their jobs for the long-term... Without the Port living wage ordinance this level of flexibility and benefits would be impossible."

Over the life of the contract, ninety full-time workers will receive raises of up to \$2.50 per hour, and all workers are getting improved medical coverage for themselves and their families, with a dental plan and retirement benefits not available before. *"With living wages and a contract in place, employee morale and performance is up," says Woodard. "It is benefiting the company, the union – it's been successful all around – we all win with the living wage."*

Port Business Prospers Under the Living Wage

Our analysis of recent Port business performance indicates that the Charter Amendment has had no discernible negative economic impact on the Port. Long-term growth trends and multi-billion dollar expansion plans at both the airport and the container port suggest that the Port will maintain a strong economic position for the foreseeable future. Even in the current poor economic climate, both the airport and the maritime port show impressive resilience. The Charter Amendment helps to ensure that Port workers will benefit along with business as the Port continues to grow.

The Airport Prospers

The airline industry, and many airports by extension, suffered from plummeting passenger travel after the dual shocks of 9/11 and the economic downturn. Compared to other Bay Area and national airports, however, the Oakland International Airport (OAK) has shown exceptional economic stability (see Table 2). In fact, the Airport had a record year in 2002. Over 12 million passengers chose OAK in 2002, marking the first time in the airport's 75-year history that it averaged over one million passengers per month.²⁴ OAK's success has continued into 2003: the airport had served 13.3 million passengers in the twelve months ending May 31, 2003, 16% ahead of the twelve-month total in May 2002.

Table 2: Business Performance of Bay Area Airports, 2002

	Passengers (millions)	Change from 2001
<i>Oakland International</i>	12.7	11.5%
<i>Mineta San Jose International</i>	11.1	-15.0%
<i>San Francisco International</i>	31.5	-9.2%

Sources: Oakland International Airport; Oakland Tribune 2/7/2003

In addition to its successful performance relative to regional competitors, Oakland International also outperformed national averages. National passenger travel declined 4.7 percent in 2002,²⁵ compared to Oakland's 11.5% increase.²⁶ Cargo traffic increased nationwide by 3.7%, against a 7% increase in cargo traffic for Oakland International.²⁷

Part of the airport's long-term success—passenger traffic nearly doubled over the decade between 1990 and 2000²⁸—comes from its specialization in low-cost air travel. Low-cost carriers Southwest Airlines and JetBlue Airways represent a majority of Oakland International's traffic. Not only has the presence of these carriers boosted Oakland International's business,²⁹ but the carriers themselves are stable anchor tenants. Southwest, Oakland's largest passenger carrier, recently reported nationwide profits of \$24 million and continues to expand service, while other airlines are posting losses and cutting flights.³⁰

The \$1.4 billion expansion project currently underway at the airport, expected to create 2,300 additional permanent jobs, completes the picture of an airport that is well positioned for long-term economic success.

²⁴ Oakland International Airport, "Record Year for Passenger Traffic at Oakland International Airport in 2002," press release, February 4, 2003.

²⁵ Departing flights.

²⁶ Mara, Janis, "Oakland Airport humming," *Oakland Tribune*, February 7, 2003.

²⁷ Ibid.

²⁸ Oakland International Airport, <http://oaklandairport.com/airport_stats.shtml>, accessed April 2003.

²⁹ Mara, Janis, "Oakland Airport humming," *Oakland Tribune*, February 7, 2003.

³⁰ Adams, Paul, "High-flying Southwest turns \$24 million profit," *Oakland Tribune*, April 22, 2003.

Business Within the Airport

The businesses most affected by Section 728 are found in security, passenger assistance, airport concessions, rental cars, parking, and other airline services such as cabin cleaning.³¹ Even for these low-wage paying firms, implementation of the living wage has had no discernible negative economic impact. Rather, fluctuation in these services follows trends in passenger travel. After the implementation of the living wage, just as before, sales in these services grow when passenger travel increases, and decline when passenger travel decreases.

Like passenger traffic, revenues in these low-wage service businesses have shown significant growth over the past several years.³² For example, revenues in concessions (shops and restaurants) and car rentals grew over 31% and 13% respectively in 2002 (see Table 3).

Table 3: Oakland Airport Revenue (in millions of dollars)

	2001	2002	% Change
Concessions (Restaurant, Bar, Shops)	23.4	30.8	31.5%
Car rentals	87.7	99.5	13.4%

Source: Aviation Marketing Department, Oakland International Airport

Both concession and car rental businesses, as they approach the end of the first full fiscal year during which the Charter Amendment was in force, are on pace to beat last year's revenue totals by a wide margin. Cumulative revenue (fiscal year-to-date) for airport concessions, as of May 2003, was nearly 21% higher than in May 2002. For car rentals, cumulative revenue as of May 2003 was 12% above the May 2002 level. This growth in part reflects a recovery from the precipitous drop in travel after 9-11; but current airport statistics also indicate growth *above* pre-9/11 levels: cumulative passenger travel totals for May 2003 are 19% higher than in May 2001, car rental revenues are 9% higher for the same periods, and concession revenues are 51% higher. The past six months have seen a dip and recovery in passenger travel that is in part a seasonal pattern, but may also reflect the sluggish economy and curtailment of travel in reaction to the war in Iraq.³³ As would be expected, concession and car rental revenues have followed the trajectory of passenger traffic over this period.

That these overall growth rates have been achieved in the period after the implementation of the Charter Amendment indicates that the living wage has had no discernible negative impact

³¹ Zabin et al. (1999) concluded that these sectors could readily absorb increases in business costs due to the living wage. The study projected increased business costs due to the living wage of only 1% in most of these sectors. In light of the sizeable sales of many of these firms, they could readily absorb the increased costs of the living wage. The study authors indicated that several firms in skycap and airline services would see significantly higher cost increases due to the living wage; the gross amount of these costs, however, would be small enough to allow the service companies to pass it on to airlines, who could easily absorb the increased costs.

³² Oakland International Airport, Aviation Marketing and Communications, *Monthly Activity Reports*, April 2002–May 2003.

³³ Travel Daily News, <http://www.traveldailynews.com/makeof2.asp?subpage_id=344>, accessed May 2003.

on low-wage airport employers. With a fully implemented living wage, airport workers can benefit along with businesses from Oakland International Airport's strong performance and steady growth.

Maritime Port: Business Growth and Long-term Expansion

An assessment of Port maritime business helps to complete the picture of the economic environment in which the living wage has been implemented.

Like the airport, maritime operations have shown resilience to the economic slowdown. The container port, which is the fourth largest in the nation, saw a 3.9% increase in handling activity in 2002.³⁴ More recently, the port posted an 18% increase in cargo handled in the first quarter of 2003 compared to the first quarter of 2002.³⁵

A major multi-stage expansion project underway at the port is expected to employ thousands of workers, and will help the port maintain or expand Oakland's 11% share of the west coast shipping market.³⁶

³⁴ Port of Oakland, "Port of Oakland Posts 18% Increase for First Quarter," press release, April 29, 2003.

³⁵ Ibid.

³⁶ Port of Oakland, *Consolidated Financial Statements 2001 & 2002*.

Part II: Obstacles to Implementation

In the previous section, we showed the number of airport workers benefiting from passage of the Charter Amendment and discussed the effective steps that the Port—in particular the Social Responsibility Division—has taken to implement the law. In this section, we reveal the obstacles that remain to ensure all workers deserving Section 728 benefits are receiving them.

We start here with the fact that only 25% of the airport workers making less than a living wage have received a raise. We estimate that a total of 1,620 workers should benefit from a wage increase when all Port businesses are covered, yet to date only 413 have received a raise.³⁷ Some of the remaining 1,207 are likely to work for firms whose agreements with the Port or a Port tenant have not been renewed or amended and, thus, not yet entitled to a raise. However, a substantial number of employees work for firms that should be covered and in compliance now.

Below, we explore Port policy and actions in three areas of implementation that have led to fewer workers benefiting from the Charter Amendment. *Determination of coverage* refers to the procedures by which the Port decides whether an agreement with a business, and the characteristics of that business, require the business to comply with the provisions of the living wage. *Monitoring* refers to the steps taken by the Port to track a firm's implementation and compliance with the requirements of Section 728 after the firm is deemed covered by the policy. *Enforcement* refers to actions taken by the Port when businesses deemed covered by Section 728 do not comply with living wage requirements.

Determination of Coverage

Port Actions

The Port initially sent 187 notices of the enactment of the Charter Amendment to potential Port Assisted Businesses (PABs).³⁸ The Port Social Responsibility Division sent a letter in mid-July of 2002 to the 83 tenants at the airport, notifying them of the enactment and requirements of the Charter Amendment. The letter included checklists and forms for certification of compliance.

The SRD sent letters to the first three businesses it determined to be covered by the living wage on July 15, 2002.³⁹ Employers were instructed to submit an implementation timeline that would achieve compliance with living wage requirements by July 31, 2002.⁴⁰

³⁷ We arrived at this estimate by projecting the increase in low-wage workers since the Center for Labor Research and Education's original estimate of living wage-affected workers. We use the Center's estimate of 1,100 and multiplied it by a factor equal to total job growth at the airport since 1999.

³⁸ Correspondence to EBASE from Lennon Harris, Port of Oakland Social Responsibility Division, May 13, 2003.

³⁹ Correspondence from Port of Oakland Social Responsibility Division to airport tenants, July 15, 2002.

⁴⁰ Ibid.

After substantial public debate, the Board of Port Commissioners voted unanimously on August 6, 2003 to apply the provisions of Section 728 to businesses with month-to-month (holdover) agreements with the Port. Subsequently, the Port sent correspondence to 47 month-to-month businesses, notifying these businesses that they were subject to Section 728, effective October 1, 2002.⁴¹

Beginning with the August 6th, 2002 meeting of the Board of Port Commissioners, leases, license and concession agreements, right-of-entry and indemnity agreements, service contracts, and several other agreement types have been reviewed for living wage applicability. The findings and determination of coverage are prepared by the Port Social Responsibility Division, and presented in a "Living Wage" paragraph on the agenda report form, which is made available to the public.

The Social Responsibility Division (SRD) has received and reviewed 207 self-evaluation forms from Port businesses.⁴² Of these, 110 businesses were determined to meet all of the criteria for living wage coverage *excluding* the 21-employee threshold. SRD has determined that 20 of these businesses meet the 21-employee threshold, and are thus covered by Section 728.⁴³ SRD is attempting to monitor the remaining 90 businesses to ensure compliance with the living wage should they increase their employment to the 21-employee threshold.⁴⁴

Finally, three businesses requested waiver of living wage requirements. The SRD reviewed and denied these waiver requests.⁴⁵

Obstacles

- *21-employee Threshold Provides Loophole to Big Firms*
Measure I, as adopted by Oakland voters, featured a 21-employee threshold for living wage coverage. This provision was intended to protect small businesses and local businesses operating at the airport from cost increases that could jeopardize their survival.

However, during the course of implementation, a dispute has arisen between SRD and proponents of the Charter Amendment over the clause that exempts persons employing less than 21 employees per pay period. SRD's current position is that the term "employees" refers only to persons employed by a firm in "Port-related" employment. Therefore, the Port alleges that only if a firm has more than 20 employees **and that all of those employees**

⁴¹ Correspondence from Steve Grossman, Director of Aviation, Port of Oakland, to month-to-month tenants, August 28, 2002.

⁴² Interview with Paul Chavez.

⁴³ Two recent contracts triggered Section 728, but no data was available at the time of this writing.

⁴⁴ Interview with Paul Chavez.

⁴⁵ Correspondence to EBASE from Lennon Harris, Port of Oakland Social Responsibility Division, May 13, 2003; Interview with Lennon Harris May 30, 2003.

are in Port-related employment would it qualify as a PAB.

At no time in the consideration of the Charter Amendment did either EBASE, the City of Oakland legal staff who analyzed the proposed ballot initiative, or the City Council members who drafted the final version of the law assert or intend that only firms that employ more than 20 persons in Port-related employment are subject to the law.⁴⁶ Nor do we believe that this interpretation is consistent with the intent and the understanding of the voters who approved the law. In fact, the Charter Amendment includes a clause specifically designed to deal with employers, such as janitorial firms, that employ large numbers of workers nationwide, but who may have a limited number of workers engaged in Port-related employment. The Port's interpretation would exempt these employers from coverage.

Based on this interpretation of the law, the Port has granted – incorrectly, in our view – small business protection to at least two large national firms that employ fewer than 21 people in Port-related employment (see below).⁴⁷

Example 1: Mesa Airlines was exempted from Section 728 coverage based on the policy's small business protections on November 5, 2002. Mesa operates code-share flights in 147 cities in 37 states, flying under the banners of United Airlines, America West, and US Airways, among others.⁴⁸ Mesa, which is headquartered in Phoenix, Arizona, employs approximately 3,100 people, and had nearly \$500 million in sales in 2002.

Example 2: SCIS Air Security Corporation, which provides security for airline catering operations, received a negative living wage determination under the small business protection provisions on October 1, 2002.⁴⁹ SCIS, based in Arlington, Texas, alone employs over 500 people and has sales in the \$10 to \$15 million range.⁵⁰ SCIS, however, is a subsidiary of SC International Services, a company wholly owned by Lufthansa's LSG Sky Chefs.⁵¹ LSG Sky Chefs, a dominant global airline catering company, has nearly \$3.5 billion in combined annual revenues and employs over 36,000 people.⁵²

A further danger of this interpretation of the Charter Amendment is that it creates an incentive for businesses to attempt to evade coverage of the law by misrepresenting the number of employees engaged in Port-related employment. It is obviously far more

⁴⁶ EBASE communication with Barbara Parker, Office of the Oakland City Attorney; and Oakland City Councilmember Danny Wan.

⁴⁷ For example, if a company conducts \$300,000 worth of business with the Port, and employs 500 people nationwide, it would be covered by the living wage. The company employs only 19 people who work 25% or more of their time on tasks related to the Port of Oakland. This business would be required to observe the living wage *only* for these 19 Port-related workers.

⁴⁸ Mesa Air Group, Inc., 2002 10-K report.

⁴⁹ Port of Oakland, Board of Port Commissioners, Agenda Report, October 1, 2002.

⁵⁰ Hoover's Online, "Scis Air Security Corporation," <<http://premium.hoovers.com>>, accessed July 2003.

⁵¹ Lufthansa Service Holding AG 2001 Group Annual Report.

⁵² Sequentra Solutions, <http://www.sequentra.com/news/skychefs_page.asp>, accessed July 2003.

difficult for SRD to verify and monitor the number of employees engaged in Port-related employment than the total firm size.

- Lack of Subcontractor Determinations Leaves Holes*
Large airport businesses often subcontract lower skilled services, a situation clearly covered in Section 728. However, the SRD acknowledges the lack, to date, of an effective program to detect and determine subcontractor coverage, making it likely that many subcontractors are “flying below the radar.”⁵³ Currently, SRD relies on contractors to ensure subcontractor compliance with living wage requirements and informs them of this responsibility through their notification of determination. However, some subcontractors have been resistant to implement living wages for fear of losing airline service contracts to competitors not observing Section 728 requirements.
- Month-to-month Tenants Absent from Coverage List*
On October 15th, the Port notified 47 businesses holding month-to-month agreements of their obligations under Section 728. Only 10 of these businesses have been determined covered and are monitored by the Port SRD. These 10 businesses, mainly car rental companies, employ an estimated 347 low-wage employees who have received wage increases as a result of the Charter Amendment, representing a large share of the employees who have directly benefited from the policy.

Among the remaining 37 businesses operating through month-to-month agreements with the Port are many major airlines, such as Southwest Airlines, United Airlines, and Delta

Workers at Sky Chefs Waiting for Living Wage

Although clearly covered by the living wage Charter Amendment, airline industry giant LSG Skychefs has yet to comply with the living wage provisions. Skychefs is the sole catering company for all airlines at Oakland International and employs 64 workers, half of whom make less than the living wage. Skychefs should have been deemed covered after their license agreement with the Port lapsed into a month-to-month status in December 2002. Four month earlier, the Port Commissioners passed a resolution to ensure that all month-to-month agreements were subject to the Charter Amendment henceforth. Yet, the Port has not officially included Skychefs in its list of covered employers and the company has stalled for months in responding to workers’ demands to receive the living wage. LSG, the parent company of Sky Chefs, reported \$3.1 billion in revenues last year, yet this delinquent employer has not faced any enforcement action from the Port.

Worker Profile: Janet Tran

Janet has worked at Sky Chefs in Oakland for 5 years and in March of this year was chosen as Employee of the Month. She and her husband are supporting three young children. She makes \$8 an hour working in cold foods assembly. Out of her wages, she makes an employee contribution of over \$80 per month to provide medical insurance for her family.

“I need a living wage because all costs are too much and even going up. Housing, clothes for my kids, and gas are all increasing. A living wage is really about simply paying the bills at the end of the month. I hope that my family doesn’t have to wait much longer for the living wage.”

⁵³ Interview with Lennon Harris (telephone), May 19, 2003.

Airlines.⁵⁴ While these airlines do not directly employ large numbers of low-wage workers, they subcontract a significant amount of low-wage work, including in-flight catering, plane cleaning, fueling, baggage handling, and skycap service.

Monitoring

Port Actions

Effective monitoring procedures are key to the full implementation of the Charter Amendment. The Port has taken some steps toward monitoring covered firms. SRD has developed and maintained a database of firms deemed to be covered by Section 728 and updates its records for those covered firms that comply with the quarterly payroll reporting requirement. The Sustainable Wage Specialist has also begun to work with covered businesses to audit the health benefits credit.⁵⁵

Obstacles

At this time, there are serious gaps in the Port's monitoring of Section 728-covered firms. The database of covered businesses is substantially incomplete, due in part to the non-cooperation of some covered businesses.⁵⁶

- *Lack of Auditing*

The Port does not audit covered businesses to check for compliance with the provisions of the Charter Amendment. Monitoring of payroll data alone cannot determine compliance with the important non-wage provisions of Section 728. Periodic site visits and employee interviews are needed to ensure that paid time off, notification (see below), and other requirements of the Port Living Wage policy, in addition to wage levels, are observed.

The lack of proactive monitoring efforts has allowed some airport businesses to ignore notification requirements; consequently, workers from at least one airport business report that employees are not aware of their right to paid and unpaid time off, or of their other rights under the Charter Amendment.⁵⁷

The Charter Amendment clearly requires covered businesses to post Section 728 notices in the workplace, and to notify employees individually of their rights under the Amendment. Port workers must be made aware of their rights under Section 728 if they are to benefit fully from it. According to SRD, however, there has been no comprehensive monitoring of compliance with either of the required notification provisions.⁵⁸

⁵⁴ Document prepared by Airport Properties Department, *Holdover Agreements*, August 16, 2002.

⁵⁵ Interview with Paul Chavez.

⁵⁶ Port of Oakland Social Responsibility Division, *SRD Living Wage Log of Covered Businesses*, May 13, 2003.

⁵⁷ EBASE communication with Port workers.

⁵⁸ Interview with Lennon Harris.

- *No Reporting on Health Benefits Credit*

Monitoring is also required to ensure that employers paying the lower tier of the living wage are providing health benefits equivalent to or greater than \$1.44 per hour (the difference between the higher and lower living wage rates). While the Social Responsibility Division has recently begun to request health benefits information from employers receiving the health benefits credit, such monitoring has to date been inadequate and incomplete.⁵⁹ Of the 1,401 employees in low-wage paying firms covered by the Section 728, 1,042 (74%) work in companies for which the SRD has not monitored the use of the health benefits credit.⁶⁰

Enforcement

Port Actions

The Board of Port Commissioners' ordinance declaring month-to-month agreements to be covered by the Charter Amendment was enforced through letters sent to 47 month-to-month employers on August 28, 2002.⁶¹ This was following a period of contention, where many month-to-month tenants were claiming exemption under ambiguous language in the law. The letters were, however, unambiguous, offering month-to-month businesses an amended lease that would clarify their obligation to comply with the law; the letter also served as notice that, if the business refused the amended contract, the Port would unilaterally amend the agreement, with the same effect.⁶²

Obstacles

A lack of appropriate enforcement measures for non-complying employers has slowed the implementation of the Charter Amendment at the Port. The majority of the businesses, 11 out of 20, that have been determined to be covered by the law do not comply fully with the quarterly reporting requirements of the policy.⁶³ Eight of these firms are low-wage paying businesses, employing approximately 1,042 workers. As a result of noncompliance with reporting requirements, it is not possible to determine implementation of wages or other Section 728 benefits for nearly half (49%) of the 1,401 low-wage workers now covered by the law.⁶⁴

⁵⁹ Ibid.

⁶⁰ Port of Oakland Social Responsibility Division, *SRD Living Wage Log of Covered Businesses*; Zabin et al., 1999.

⁶¹ Correspondence from Steve Grossman, Director of Aviation, Port of Oakland, to month-to-month tenants, August 28, 2002.

⁶² Ibid.

⁶³ Port of Oakland Social Responsibility Division, *SRD Living Wage Log of Covered Businesses*.

⁶⁴ Port of Oakland Social Responsibility Division, *SRD Living Wage Log of Covered Businesses*; Zabin et al., 1999.

Problems With Port Interim Rules and Regulations

The Port Social Responsibility Division has developed Interim Rules and Regulations (IR&R) for the Charter Amendment. These Rules and Regulations represent a positive first step towards clarifying issues left ambiguous by the Charter Amendment and developing procedures for implementation of the law. EBASE commends the work of the SRD and/or Port Attorney staff who developed this interim set of policies in sorting through the complex issues, incorporating feedback from advocates and attempting to address major issues of implementation.

However, there are several aspects of the IR&R that are either inadequate or counterproductive. Some of these problems reflect issues discussed above, while other provisions have not yet presented barriers to implementation but could in the future. Below we identify provisions that should be improved. Since SRD has expressed a willingness to discuss changes to the IR&R based on public feedback, we are hopeful that many of these issues can be resolved expediently.

- *Coverage determination.* The IR&R codify and expand application of the exemption for businesses with 20 or fewer employees *in Port-related employment*. As discussed above, we believe this is a misinterpretation of provisions intended to exempt small businesses.

In addition, the IR&R create another potential loophole. The term "Port Aviation or Maritime Business" was introduced to the Charter Amendment in order to exclude firms doing business in the Port's Commercial Real Estate Division from coverage by the Charter Amendment. However, the "clarification" of the definition in the IR&R goes far beyond this intent and is sufficiently ambiguous to suggest that only firms doing the majority of their *firm-wide* business in aviation or maritime services will be considered Port Aviation or Maritime businesses. Obviously, this is not the intent of the law.

A Failure of Self-Certification: OneSource Building Services

OneSource Building Services provides aircraft cabin and terminal janitorial service at Oakland International Airport as a subcontractor of Southwest Airlines. According to Port documents, OneSource received a new Right of Entry agreement with the Port valued in excess of \$50,000 a year on August 6, 2002. Using the procedures provided by the Port, OneSource self-reported that it employed fewer than 21 employees and subsequently was exempt from the living wage requirement. Port staff did not investigate until the union representing workers at OneSource, Service Employee International Union Local 1877, questioned the company's claim. Port staff investigated and determined that the company had misrepresented the number of workers and was in fact in violation of the law. Even so, the company did not begin paying living wages to the workers until March of 2003, resulting in the loss of tens of thousands of dollars to 36 employees. These back wages have not been recovered to date. The primary contractor, Southwest Airlines, was not held responsible for OneSource's violation of the law, as the Port's Interim Rules and Regulations dictate.

- Self-evaluation / self-certification. The IR&R presume that determination of coverage will be made primarily by employer self-certification; i.e., that SRD will rely upon employers' declaration that the Charter Amendment does or does not apply to them. It is unclear from the IR&R whether SRD will verify this assertion even to the extent of checking payroll records to verify that firms do, in fact, have fewer than 21 employees. Self-certification can be a starting point for determination of coverage. However, even presuming that employers have no incentive to misrepresent the applicability of the Charter Amendment to their business, determinations of applicability can be complex and should be verified by staff familiar with the provisions of the law. As discussed above, payroll review should be supplemented by selective site visits and employee interviews.
- Public oversight. The voters of Oakland passed the Charter Amendment, and the public therefore has an interest in seeing that the law is effectively implemented. The IR&R does not specify under what circumstances SRD must provide public notice of determinations and enforcement actions, public access to hearings, etc. Furthermore, the IR&R explicitly bars SRD from investigating complaints of noncompliance by anyone other than an affected worker—for example, by a labor union. By contrast, the Charter Amendment allows “any person” to pursue a private right of action. This raises the risk that in such cases parties will simply file suit because they have been denied access to administrative means of resolving complaints. While limiting the complaint process thus may be legal, it seems to create an unnecessary risk and does not seem to serve a valid policy purpose. Finally, as discussed in the Recommendations section to follow, we believe that creation of a public advisory committee would proactively address problems with the Charter Amendment and strengthen the policy.
- Timelines for compliance. In several instances, the timelines for addressing questions of coverage and problems of compliance are either not specified or are set out as discretionary. We believe that swift resolution of disputes is in the interest of all parties, and that the best method of achieving this goal is clear and firm timelines.
- “Amended to benefit” clause. The IR&R interprets the provision of the Charter Amendment stating that contracts are covered when they are “amended to benefit” a Port-Assisted Business in a manner that may exclude firms whose contract value exceeds the thresholds in the law.
- Subcontracting. The IR&R places with primary contractors the responsibility for determination, monitoring, and enforcement of the Charter Amendment for subcontractors. This presents many of the same problems as those associated with “self-certification,” discussed above. While it makes sense to hold primary contractors accountable for

providing SRD with information about their subcontractors, this information should be evaluated, verified and used as the basis for a determination of coverage by SRD.

- Cumulative value/aggregation of contracts. In cases where employers have multiple agreements with the Port, the IR&R considers the aggregate *number of employees* of these contracts but does not consider the aggregate *value* of these contracts in determining whether the employer is covered by the Charter Amendment. This could permit some firms with multiple agreements with the Port to evade coverage. This is of particular concern in cases of subcontractors, who may provide services to multiple Port-Assisted Businesses.

Part III: Recommendations

As described in Part I, the Charter Amendment has covered 2,228 workers, bringing wage increases to at least 413 of them. This is due in part to the efforts of SRD to determine coverage for, enforce, and implement the law. However, as described in Part II, it appears that a substantial portion of the workers entitled to receive wage increases and other benefits under the Charter Amendment have not received them. This is due in part to shortcomings in determination of coverage, enforcement, and implementation of the law. The following Recommendations summarize the actions that EBASE recommends SRD and the Port take in order to ensure that the benefits of the Charter Amendment go to those workers who are entitled to them, in accordance with the intent of Oakland voters.

Determination of Coverage

21-Employee Threshold

As discussed in "Determination of Coverage: Obstacles," the Port's current interpretation of the size threshold and exemption language allows large national employers to take advantage of provisions intended to protect small and local businesses. It also creates a risk that firms will misrepresent the number of employees engaged in Port-related employment. This loophole is codified, and indeed expanded, throughout the Port's Interim Rules and Regulations. The Port should close this loophole, either through revision of the Rules and Regulations or through a resolution by the Board of Port Commissioners.

Month-to-Month Agreements

The Port policy on month-to-month agreements adopted in August of 2002, as well as the Interim Rules and Regulations developed by the Social Responsibility Division, address the issue of coverage of month-to-month agreements by the Charter Amendment. However, these policies must now be effectively monitored and enforced.

Subcontractor Coverage

Because a substantial amount of service work at the Port is carried out by subcontractors of the major airlines, it is critical that the Port ensures that all covered subcontractors are complying with the Charter Amendment. The Port should take more active steps in ensuring that primary contractors are appropriately determining coverage for their subcontractors and enforcing compliance with the law.

Monitoring

Auditing

As discussed above, ensuring full compliance with major provisions of the Charter Amendment requires proactive measures beyond review of payroll data. Compliance with posting and individual notification, provision of paid time off, and verification of health benefits provisions can only be monitored effectively through site visits and interviews with employees. SRD should develop criteria for targeting in-person verification in order to conduct verification effectively using existing staff resources.

Health Benefits Credit

The provisions of the Charter Amendment allowing an employer to claim a health benefits credit are intended to recognize the actual value of employer contributions to health insurance. If employers claim this credit, there should be verification that employers are actually providing a level of health coverage equivalent to the wage credit. SRD should require employers to report their contributions to health benefits and develop a method for determining the value of these contributions.

Public Oversight. The permanent Rules and Regulations should specify when and how the Port will provide public notice of determinations and enforcement actions, public access to hearings, etc. The permanent regulations should not prohibit SRD from investigating complaints of noncompliance initiated by third parties other than affected workers. Finally, we recommend the creation of a public advisory committee on the living wage that brings together a range of stakeholders—including Port staff, businesses, workers and their representatives and representatives of the public at large. Government agencies, such as the County of Santa Cruz and the City of Boston, who have created such bodies have found that they can serve to strengthen their living wage policies and proactively resolve problems as they arise.

Enforcement

Quarterly Reports

At present, review of quarterly reports is the primary mechanism for SRD to verify that firms are meeting their obligations under the Charter Amendment. Therefore, timely and accurate quarterly reporting is essential to ensuring that the Charter Amendment is implemented. As discussed above, the majority of covered firms are not fully complying with reporting requirements at this time. SRD should notify firms that are failing to comply with the reporting requirements of the Charter Amendment that they are in violation, give them an opportunity to correct their violation, and then take enforcement action against firms that do not.

Appendix A: Methodology

This report utilizes data from two main sources:

- Port of Oakland documents.
The Port website, agenda reports and staff provided information on:
 - * business performance data (airport passenger traffic, concession revenues, and car rental revenues);
 - * employment figures for the Port's Aviation and Commercial Real Estate divisions;
 - * and the Port's economic impact on the region.
- *Living Wages at the Port of Oakland*, University of California at Berkeley Center for Labor Research and Education, 1999.
We relied on this study for employment estimates for covered businesses, when not available from the Port. We especially rely on data and analysis from a survey of Port employers conducted by the Center for this study.

Analysis By Findings

1) 1,620 airport workers are eligible for a wage increase.

This estimate is derived from the 1999 UC Berkeley study's estimate of workers that would benefit from a living wage policy in 1999. The study surveyed employers and used available industry data to determine how many airport workers made less than the Oakland living wage rate at that time. The study estimated that 1,100 workers fell into this category. Because the airport has grown since 1999, we adjusted this estimate upwards by a growth factor. The factor is simply the change in overall employment from 1999 (7,265) to 2003 (10,700), or 47%. We assume that the low-wage employment, which includes many basic services at the airport, increased at the same rate as overall employment.⁶⁵ Keep in mind that this total number of eligible employees includes the workers that have already received a living wage increase (see below).

2) 413 workers have already received wage increases.

To arrive at this figure, we first obtained a spreadsheet of all firms that the Port SRD had determined as covered. (These businesses were notified at some point over the last year that they must comply with the Charter Amendment provisions and have to submit quarterly payroll data to the Port.) The spreadsheet contained 20 firms. Using the UC Berkeley study data, we then determined that 12 of the 20 firms employed significant numbers of low-wage workers. Through direct communications with workers in most of these businesses, we

⁶⁵ Not all airport companies expanded equally over this period. Approximately 100 to 150 very low-wage security screeners lost their jobs after the Federal Transportation Security Administration assumed screening duties from private firms. Also note, however, that our estimates of sub-living workers may be considerably larger if we did not assume that wages rose at the same pace as overall inflation.

determined with certainty that nine out of those 12 firms had raised wages as required. Neither EBASE or the Port were able to determine if the remaining three had complied with the wage provisions. See appendix B for a list of all these employers.

At this point, two more steps were required to arrive at a number of workers receiving a wage:

- 1) we needed to determine total employment in each of the nine living wage-paying firms and
- 2) we needed to determine the proportion of total workers that were making less than the living wage before compliance.

For total employment in each of the nine firms, the Port's spreadsheet provided numbers for four employers. We used the UC Berkeley data to estimate three and communications with union representatives for the remaining two. For the percentage of sub-living wage workers in those nine firms we used an estimate of sub-living wage jobs by industry in the UC Berkeley study. For example, the study found that in the car rental industry, 63% of all employees were making less than the living wage. We applied these percentages to the total number of employees to arrive at our best estimate of workers that have received a raise since the effective date of the Charter Amendment.

Appendix B: Businesses Deemed Covered under the Charter Amendment

Table B.1: Businesses Deemed by the Port to be Covered under the Charter Amendment

Businesses without low-wage workers	# Employees	Low-wage workers?			Month-to-month
Airborne Express Freight Corporation	100	no			no
America West	47	no			no
Arinc, Inc.	n/a	no			no
Evergreen Aviation Ground Logistics Enterprises, Inc.	262	no			no
JetBlue Airways Corporation	123	no			no
Kaiserair, Inc.	156	no			yes
Pacific Maritime Association	63	no			yes
Ryan International Airlines, Inc.	73	no			no
Business with low-wage workers (wage raise confirmed)	# Employees	Low-wage workers?	% Low-wage	# Employees receiving raise	Month-to-month
Avis Rent A Car System, Inc.	158	yes	63%	99	yes
Budget Rent A Car Systems, Inc.	41	yes	63%	26	yes
Dollar Rent A Car Systems, Inc.	129	yes	63%	81	yes
Enterprise Rent A Car Company of San Francisco	34	yes	63%	19	yes
Hertz Corporation	90	yes	63%	56	yes
National Car Rental System, Inc.	80	yes	63%	50	yes
Ogden Ground Services, Inc.	120	yes	25%	30	no
One Source Building Services, Inc.	36	yes	100%	36	no
Thrifty Car Rental	25	yes	63%	16	yes
Businesses with low-wage workers (no wage raise confirmed)					
Huntleigh USA Corporation	170	yes	100%	?	no
Rolls-Royce	500	yes	?	?	no
Superior Aircraft Services, Inc.	21	yes	100%	?	no
Total	2,228			413	

Sources: Port of Oakland; Zabin et al.; worker interviews