

MEMORANDUM

To: Chairman and Members of the Airports Authority Board of Directors

From: Tony Griffin
Chair, Ad Hoc Committee on Labor Issues

Date: April 14, 2017

Subject: Transmittal of Report of the Ad Hoc Committee on Labor Issues to the Airports Authority Board of Directors

I am pleased to transmit to you the attached report that has been prepared by the Ad Hoc Committee on Labor Issues. I will make a presentation on the report and its recommendations to you during the Board's meeting on April 19, 2017.

On behalf of the members of the Ad Hoc Committee, I want to thank the Board for the opportunity to review and study the important issues which are addressed in the Committee's report.

Attachment

Report of Ad Hoc Committee on Labor Issues
to
the Airports Authority Board of Directors

April 2017

Committee Members

Tony Griffin, Chair

Earl Adams

Kate Hanley

Richard Kennedy

Warner Session

Joslyn Williams

Shaw McDermott, *ex officio*

REPORT OF AD HOC COMMITTEE ON LABOR ISSUES TO THE BOARD OF DIRECTORS

Background

In December 2015, the Airports Authority received two proposals relating to matters affecting employees of certain employers doing business at Ronald Reagan Washington National Airport (“Reagan National”) and Washington Dulles International Airport (“Dulles International” and collectively with Reagan National, the “Airports”). One proposal, provided by the Service Employees International Union (“SEIU”), recommended that the Authority establish a set of minimum wage requirements that would apply to on-Airport businesses delivering support services to airlines operating at the Airports (“Airline Service Providers” or “ASPs”). The second proposal, provided by Unite Here, recommended that the Authority establish a requirement that businesses providing concession services at the Airports (“Concessionaires”), as a condition to operating on the Airports, enter a “labor peace agreement” with labor organizations “seeking to represent” the Concessionaires’ employees.¹

In response to the proposals, the Chairman of the Board of Directors established the Ad Hoc Committee on Labor Issues (“Committee”) and appointed six Board members to the Committee – Tony Griffin, chair, and Earl Adams, Kate Hanley, Richard Kennedy, Warner Session and Joslyn Williams.² The Chairman identified a number of issues relating to the SEIU and Unite Here proposals which the Committee should review, and requested that the Committee report to the Board the results of its review, as well as the actions, if any, it recommended the Board consider in connection with the two proposals.

In addition, the Chairman requested that the Committee review the Authority’s existing Living Wage Program under which businesses providing services to the Authority under specified service contracts are contractually required to pay their employees who provide those services no less than a “living wage,” as set by the Authority (currently, \$14.27 per hour), and report to the Board the results of its review and any actions it recommended the Board consider.

Since its establishment, the Committee has met on multiple occasions to receive briefings from staff on issues relating to the Authority’s Living Wage Program and the SEIU and Unite Here proposals; to meet with representatives of airlines operating at the Airports, of SEIU and Unite Here, and of businesses operating as Concessionaires or otherwise knowledgeable of the Airport

¹ Approximately 44 ASPs operate at the Airports (35 operate at one Airport; nine operate at both Airports) and employ an estimated 4,400 employees; Concessionaires operate at approximately 170 locations at the Airports and employ an estimated 3,350 employees.

² In addition to these Board members, the Chairman has served as an *ex officio* member of the Committee. In May 2016, Mr. Kennedy’s term on the Board expired, and his participation on the Committee ceased.

concessions business, including Airport workers; and generally to discuss the SEIU and United Here proposals and modifications to the Living Wage Program.

The fruits of these Committee activities, including a set of recommendations to the Board, are presented in this report.³

Summary of Committee Recommendations

1. The Committee recommends that the Board expand the Authority's current Living Wage Program so that it applies to all Authority contracts for personnel-based services, as discussed in Part I of the Discussion portion of this report.
2. The Committee recommends that the Board adopt an Airport Workers Wage Policy that would be applicable to Airline Service Providers and Concessionaires operating at Reagan National and Dulles International Airports; this recommendation differs from the SEIU proposal in that it applies to a different and broader group of on-Airport businesses, and sets different and lower base wage rates to be paid by those on-Airport businesses.
3. The Committee recommends, largely in light of its second recommendation, that the Board not establish a requirement that Concessionaires, as a condition to operating at the Airports, execute a "labor peace agreement" with labor organizations seeking to represent their employees, as proposed by Unite Here, and that the Board not give further consideration to the Unite Here or SEIU proposal.

Discussion

I. Expansion of Authority Living Wage Program

As noted, the Committee was asked by the Chairman of the Board to review the Authority's current Living Wage Program and determine whether any modifications to the program are warranted.

The Living Wage Program was established by the Board of Directors in 2002. It currently applies only to contracts to which the Authority is a party and which call for the delivery certain types of personnel services to the Authority ("Personnel-Based Service Contracts"). At the time of its adoption, the program applied to the contracts for custodial services at each Airport, for unarmed security services at each Airport, for grounds maintenance services at each Airport, and for window cleaning services at Reagan National. Recently, the program has been expanded to include contracts for custodial services, unarmed security services and grounds maintenance services for the Dulles Toll Road ("DTR"). Any contractor operating under a contract covered by the program is contractually required to pay its employees who deliver services to the Authority at no less than the Authority's living wage rate in effect at the time of the contract's solicitation. This rate is to be paid whether or not the contractor employer provides health care or other benefits to its employees.

³ In the course of its discussions, the Committee was assisted by the Authority's office of general counsel and outside legal counsel. The guidance provided by these sources was considered by the Committee in making the recommendations contained in this report.

The Committee requested that staff analyze the Living Wage Program to determine the additional cost the Authority would incur if the program were extended to all Authority Personnel-Based Service Contracts not currently covered by the program. Staff identified eight additional such contracts that would be captured by the program were it expanded in this manner, and concluded that the cost of doing so would not have a significant financial impact on the Authority. The largest of these eight contracts provides staffing services for the Dulles Toll Road toll collection booths. Staff estimated that applying the living wage to this contract would increase the contract price by approximately \$700,000 annually. The seven other additional Personnel-Based Service Contracts are smaller than the toll road staffing contract and their inclusion in the Living Wage Program is not anticipated to increase Authority costs in a material way.

In light of this relatively small financial impact, the Committee recommends that the Board expand the Authority’s Living Wage Program to include all Authority Personnel-Based Service Contracts. While this expansion would mean that the program technically would apply to over Authority Personnel-Based Service Contracts, as a practical matter, due to the professional and technical nature of the services provided under the vast majority of these contracts, the expansion would increase the number of contracts meaningfully affected by the Living Wage Program to 18, eight more than the program currently reaches.

II. Adoption of Airports Authority Workers Wage Policy

The Committee has conducted a thorough review of the SEIU proposal, as well as other means of improving the compensation received by lower-paid on-Airport workers. The Committee appreciates SEIU’s actions in presenting its proposal to the Authority and assisting the Committee in its review. However, for the reasons given below in Section A, the Committee does not recommend that the SEIU proposal be adopted or further considered by the Board, and recommends instead that the Board adopt an “Airport Workers Wage Policy” that is outlined below in Section B.

A. SEIU Proposal: Description of Proposal and Reasons for Committee Recommendation that It not be Further Considered

1. Description of Primary Features of SEIU Proposal

a. The SEIU proposal contains the following schedule of minimum hourly rates – each consisting of the sum of (i) a base hourly wage rate and (ii) an hourly health benefit supplement rate – to be adopted and made applicable to ASPs operating at the Airports.

SEIU Proposed Wage Rates – Dulles International Airport			
<u>Effective Date</u>	<u>Hourly Base Wage Rate</u>	<u>Hourly Health Benefit Supplement Rate</u>	<u>Total Hourly Wage Rate</u>
7/1/17	\$12.48	NA	\$12.48
7/1/18	\$14.14	NA	\$14.14
7/1/19	\$15.14	\$2.93	\$18.07
Annual adjustment each subsequent July 1	Increase prior year rate by change in CPI for Wash-Arl-Alex	Increase prior year supplement by 10%	Sum of two adjustments in columns to left

<u>SEIU Proposed Wage Rates – Reagan National Airport</u>			
<u>Effective Date</u>	<u>Hourly Base Wage Rate</u>	<u>Hourly Health Benefit Supplement Rate</u>	<u>Total Hourly Wage Rate</u>
7/1/17	\$13.64	NA	\$13.64
7/1/18	\$14.64	\$2.66	\$17.30
7/1/19	\$15.14	\$2.93	\$18.07
Annual adjustment each subsequent July 1	Increase prior year rate by change in CPI for Wash-Arl-Alex	Increase prior year supplement by 10%	Sum of two adjustments in columns to left

b. The ASPs which are subject to the SEIU schedule of minimum wage rates consist of all businesses operating under a Commercial Aviation Service Permit (“CASP”) at an Airport. CASPs are issued by the Authority to businesses providing various on-Airport support services to airlines pursuant to contracts they have entered with the airlines. CASPs authorize the permit-holder businesses to access and use an Airport for the purpose of providing specified support services to the airlines. Examples of these support services include the following: aircraft and cabin cleaning; aircraft washing; passenger and employee identification checking; escorting of passengers; wheelchair attendant services; passenger baggage handling and porter services; cargo handling; ramp area cleaning; passenger and airline employee shuttle service; aircraft maintenance and fueling; catering of in-flight meals; and various security-related services. The Authority has issued approximately 26 CASPs to airline contractors authorizing their access and use of Reagan National, and approximately 18 CASPs to airline contractors working at Dulles International. It is estimated that these permit holders (nine of which hold permits at both Airports) employ approximately 4,400 employees who work on the Airports.

c. As the tables in subparagraph a show, the minimum wage rates proposed by SEIU would include, starting in 2018 at Reagan National and in 2019 at Dulles International and continuing thereafter at both Airports, an hourly supplement for health benefits. This supplement would be paid by an ASP employer to its employees (i) at the full hourly rate stated in the tables in the event the employer does not provide health benefits to its employees, or (ii) at a portion of that rate in the event the employer provides health benefits with an hourly cost less than the applicable health supplement rate in the tables.

d. As the tables in subparagraph a show, SEIU’s proposed base wage rate at Dulles International, starting on July 1, 2017, would be \$12.48, increasing to \$14.14 a year later, and at Reagan National would be \$13.64, starting on July 1, 2017, increasing to \$17.30 a year later. The same minimum hourly rate would apply at both Dulles International and Reagan National on July 1, 2019, when the rate (including a \$2.93 health benefit supplement) would be \$18.07.

2. Committee’s Review of SEIU Proposal and Reasons for Recommendation

a. While the Committee is not recommending further consideration of the SEIU proposal, it understands and appreciates the purposes underlying the proposal. However, in the Committee’s view, the workers wage policy the Committee is recommending later in this report is better tailored to fit the role and responsibilities of the Authority, and will serve to advance in

a meaningful way the mission and interests of the Authority in providing Airports that offer safe, secure and high quality facilities and services to the traveling public.

b. In its review of the SEIU proposal, the Committee developed concerns over the cost impacts the proposal may have upon airlines operating at the Airports – particularly, airlines operating at Dulles International in light of the airline “cost per enplanement” (CPE) challenges the Airport is facing and the significant efforts the Authority and others have undertaken to address this challenge. Projections of the CPE impacts of the SEIU proposal were developed for both Airports by staff. In making these projections, staff applied the SEIU-proposed minimum hourly rates to both ASPs and Concessionaires at the two Airports since it was the Committee’s view that, in order to advance the Authority’s Airport- and aviation-based interests, any workers wage policy adopted by the Authority should apply to ASP *and* Concessionaire employers. In addition, in making its projections, staff assumed (i) that the increase in costs incurred by ASPs as a result of an Authority minimum wage policy would eventually be passed on to airlines at the Airports; (ii) that the increased costs incurred by Concessionaires as a result of the policy would eventually result in lower shares of net remaining revenue being available to the airlines; and (iii) that these additional ASP-related airline costs and lower airline shares of net remaining revenue should, for purposes of the Committee’s review, be factored into the impact of the SEIU proposal on the airline cost per enplanement at the Airports.

The staff’s cost, and cost per enplanement, projections for Dulles International showed the following:

- Based upon a set of varying assumptions (*e.g.*, employee average hourly wage rates and the percent of employees earning less than the hourly rates proposed by SEIU), in the three-year period 2017 through 2019, annual additional costs to airlines at Dulles International were projected to range from \$6.6 to \$16.2 million in 2017 and from \$28 to \$51.9 million in 2019.
- These additional airline costs translated into corresponding cost per enplanement increases at Dulles International which were projected to range from \$0.35 to \$1.02 in 2017 and from \$1.97 to \$3.68 in 2019.

The Committee believed these potential impacts on the cost per enplanement at Dulles International to be incompatible with the Authority’s focused emphasis on reducing the Dulles CPE in order to retain existing and attract new airlines to the Airport.

c. In reviewing the SEIU proposal, the Committee also looked to the level of minimum wages (sometime characterized as “living wages”) that exist at airports comparable to Reagan National and Dulles International. The table below states the rates in effect on January 1, 2017. As the table shows, the minimum required wage rates that are applicable at many airports equal the federal minimum wage rate or a higher rate set by the state or a city or county in which the airport is located. In addition, at airports operated by independent authorities which have been established by state law or by an interstate compact between two or more states to operate an airport (like the Authority), the minimum wage rates have been established by the governing body of those authorities.

The table below also contains in bold, for comparison purposes, the minimum wage rate that the Committee, later in this report, is recommending that the Board adopt (effective January 1, 2018) as part of a workers wage policy for the Authority.

<u>Survey of Airport Minimum/Living Wages – January 1, 2017*</u>		
<u>Airport</u>	<u>Hourly Minimum/Living Wage Rate</u>	<u>Minimum Wage Source</u>
San Francisco (SFO) (ASPs)	\$18.34 w/o benefits; \$13.84 with	Airport Operator
San Francisco (SFO) (Concessionaires)	\$18.24 w/o benefits; \$13.64 with	City/County
Los Angeles (LAX)	\$16.73 w/o benefits; \$11.68 with	City/County
Seattle (SEA)	\$15.24	City/County
Miami (MIA)	\$15.52 w/o benefits; \$12.63 with	City/County
Philadelphia (PHL)	\$12.00	City/County
Boston (Boston)	\$12.00	Airport Operator
San Diego (SAN)	\$11.50	City/County
MWAA	\$11.55 (recommended 1/1/18)	Airport Operator
New York (JFK, LaGuardia & Newark)	\$11.00 (JFK & LaGuardia) \$10.10 (Newark)	State Airport Operator
Chicago (ORD/MDW)	\$10.50 (\$11.00 7/1/17)	City/County
Minneapolis (MSP)	\$10.50	Airport Operator
Baltimore (BWI)	\$ 8.75	State
Denver (DEN)	\$ 8.31	State
Orlando (MCO)	\$ 8.05	State
Phoenix (PHX)	\$ 8.05	State
Las Vegas (LAS)	\$ 8.25 w/o benefits; \$ 7.25 with	State
Atlanta (ATL)	\$ 7.25	Federal
Charlotte (CLT)	\$ 7.25	Federal
Dallas-Ft Worth (DFW)	\$ 7.25	Federal
Houston (IAH)	\$ 7.25	Federal
MWAA (DCA/IAD) (current)	\$ 7.25	Federal
Salt Lake City (SLT)	\$7.25	Federal
* The wage rates in this table are sometimes characterized by airports as “minimum wage” rates and sometimes as “living wage” rates. The latter term typically refers to a		

wage rate that is higher than an otherwise generally applicable, mandated minimum rate established by the federal or a state government or a local political subdivision and often includes a component for employee health and possibly other benefits, and sometimes is based upon a multiple (*e.g.*, 1.25) of a federal or state measure of poverty. The term “minimum wage” typically refers to a required wage rate that does not include or provide for any employee benefits, and is not designed to achieve incomes above poverty levels.

The relationship between the SEIU-proposed minimum wage rates – rates that begin to include a health benefit supplement in 2018 and increase to over \$18.00 in 2019 – and the rates in effect at most of the airports comparable in operations to Reagan National and Dulles International played a role in the Committee’s decision not to recommend further consideration of the SEIU proposal.

d. In its review of the SEIU proposal, the committee also considered the minimum wage rates applicable in the Washington, D.C., metropolitan region that have been set at the state and local government level. These rates, as of January 1, 2017, are set out in the following table. None of these rates encompasses health or other employee benefits. With the exception of rates set by the District of Columbia, these rates are substantially lower than the SEIU-proposed rates.

<u>Survey of State and Local Government Minimum Wage Rates in the Washington, D.C., Region – January 1, 2017</u>		
<u>Government</u>	<u>Current Minimum Hourly Wage Rate</u>	<u>Future Minimum Hourly Wage Rates</u>
Commonwealth of Virginia	\$7.25	None enacted
State of Maryland (applicable at BWI)	\$8.75	Increases to \$9.25 on 7/1/17 and \$10.10 on 7/1/18
District of Columbia	\$11.50	Increases gradually in July of each year until reaches \$15.00 on 7/1/20
Montgomery and Prince George’s counties	\$10.75	Increases to \$11.50 in MC on 7/1/17 and in PG on 10/1/17

Based on the information and factors described above – including the potential impacts on airline cost per enplanement at Dulles International, the minimum wage rates in effect at comparable airports along the east coast and in the remainder of the country (including those operated by independent authorities), and the government-set minimum wage rates generally applicable in the Washington, D.C., region – the Committee does not recommend further consideration of the SEIU proposal. It does, however, recommend Board consideration and adoption of an alternative workers wage policy for the Airports which that is presented below.⁴

⁴ In reaching a position on a workers wage policy to recommend to the Board, the Committee considered, among alternative three wage rate schedules that would increase rates annually over a series of years to a rate of \$15.00. Under one schedule, a \$15.00 rate was reached in 2020; under a second, in 2021; and under a third, in 2022. Staff’s analyses of these schedules showed that each would have a significant

B. Minimum Wage Policy Recommended by the Committee

1. Reasons for Committee's Recommendation of a Minimum Wage Policy

The Authority currently does not have a policy that addresses the payment of minimum wages by businesses operating on the Airports which are not under contract to deliver services to the Authority.⁵ The Committee believes that the Board should adopt such a policy.

Numerous studies report that compensation programs which increase the wage levels of low-paid workers beyond the level mandated by federal or state law can generate significant benefits not only for the workers themselves but, importantly, for the workplace in which the workers perform. These programs and their higher levels of compensation have been shown to reduce employee turnover, thereby producing over time a more stable workforce with longer-term, more experienced workers; the programs also have been shown to improve employee job performance and the quality of service delivered by employees. Moreover, as workers remain for longer periods within a single workplace, their job skills grow, their knowledge and understanding of the workplace expand, their job performance improves, and their commitment to the workplace and its mission increases.

For instance, a 2006 review of studies addressing the impacts of wage increases provided to lower paid workers⁶ found that “the growing body of research that has empirically demonstrated the actual effects of living wage policies” shows that “[l]iving wages have raised productivity and decreased turnover among affected firms,” pointing, as examples, to the “[m]ultiple] studies of Baltimore, Boston, Los Angeles, and San Francisco [which] have shown that firms enjoy lower turnover among employees as a result of the [minimum pay] ordinance,” and to other research that has found that expanded lower-paid employee work effort and productivity tends to occur following increases in wage levels.⁷

impact on the cost per enplanement at Dulles in the out years of the schedule and, in part for that reason, the Committee determined not to recommend these schedules.

⁵ As earlier described (see pp. 3-4) report, the Authority's Living Wage Program addresses the payment of “living wage” rates by certain business employers which are under contract with the Authority.

⁶ Thompson, Jeff, and Jeff Chapman. *The Economic Impact of Local Living Wages*. Briefing Paper (2006); Economic Policy Institute. The quotes in the text from this paper are found at pages 2, 3 and 14-17 of the paper.

⁷ See, e.g., Fairris, David, David Runsten, Carolina Briones, and Jessica Goodheart. *Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses*. UCLA Institute for Research on Labor and Employment, University of California, Los Angeles (2005) ; Dube, Arindrajit, Suresh Naidu, and Michael Reich. *The Economic Effects of a Citywide Minimum Wage*. *Industrial and Labor Relations Review* 60, No. 4, Cornell University (2007); Brenner, Mark D. *The Economic Impact of the Boston Living Wage Ordinance*. *Industrial Relations*, Vol. 44, No. 1 (2005); Fisher, Marshall L., Jayanth Krishnan, and Serguei Netessine. *Retail Store Execution: An Empirical Study*. Operations and Information Management Department, Wharton School, University of Pennsylvania (2006); Mas, Alexandre. *Pay, Reference Points, and Police Performance*. *Quarterly Journal of Economics* 121, No. 3 (2006).

One of the studies referenced in this review focused on experiences at SFO following wage increases that the airport established for employees of airline service providers and concessionaires, along with improvements in employee health benefits and training opportunities.⁸ The study found that the increase in wages led to adjustments in “worker and employer behavior” which produced the following consequences:

- “Employee turnover rates fell dramatically,” with examples including an average turnover reduction of 34% among all surveyed employers, an 80% reduction among security screeners, a 44% reduction among aircraft cabin cleaners and a 29% reduction among ramp workers; moreover, these reductions in employee turnover meant “higher security” at the airport based upon the authors’ “analysis of FAA data for 19 large airports [which] found that lower turnover is associated with higher detection of security breaches.”
- “Employees improved overall work effort and performance,” with “one-third of all SFO employers, accounting for over half of all employees, report[ing] improved overall job performance among workers” and with even higher portions of employers reporting “improvements in employee morale” and “decreases in employee grievances . . . and employee disciplinary issues,” and almost 30% reporting “decreases in absenteeism.”
- “Service levels improved,” with 45% of employers reporting “customer service improve[ment]” and only 3% indicating that service quality had deteriorated.
- And, overall “benefits for airport passengers” resulted, which included “higher security and improved quality of service.”

These workplace benefits accruing from a minimum compensation program are of vital importance to domestic airports like Reagan National and Dulles International. Few workplaces in the country (i) face the type, significance or constancy of threats and dangers as do domestic airports (particularly, those of the size and location as the Authority’s Airports), (ii) are governed by the degree or depth of security rules and procedures designed to thwart these threats and dangers, or (iii) demand that workers be conscious at all times of the potential dangers at which these rules are directed and be prepared to identify and respond to any security or safety threat which may present itself.

In the Committee’s view, it is essential for the Authority to take every step to ensure that all individuals who work at our airports, whether pre- or post-security, and whether on or outside of an airport operations area, understand the unique nature and characteristics of the airport environment and the critical security challenges it faces, comply at all times with applicable security rules and procedures, and are capable of recognizing and responding to abnormal or questionable circumstances that may pose an imminent security threat or otherwise warrant alerting appropriate airport personnel.

⁸ Reich, Michael, Peter Hall, and Ken Jacobs. *Living Wages and Economic Performance: The San Francisco Airport Model*. Institute of Industrial Relations, University of California, Berkeley (2003). (The quotes in the text from this paper are found at pages 9-10.)

The Committee believes that a minimum wage compensation program, which provides for reasonable increases in the level of compensation earned by today’s low-paid Airport workers and applies to the significant number of on-Airport workers employed by Airline Service Providers and Concessionaires, can be expected over time to deliver a more stable and experienced ASP and Concessionaire workforce whose members, due to their longer tenure and enhanced on-Airport experience, will possess the critical worker traits described above. The Committee also believes that such a compensation program will produce an overall improvement in worker job performance and the quality of service delivered by workers and, in the case of concession workers whose jobs involve direct interaction with Airport passengers, an increase in the level of Airport customer satisfaction.

2. Description of Recommended Airport Workers Wage Policy

In order to advance the Authority’s achievement of its core mission of providing safe and secure Airports to the traveling public and its central goals of delivering services of the highest quality to Airport passengers and airlines and of maintaining a competitive airline cost per enplanement at the Airports, the Committee believes that the Board should adopt a workers wage policy which will provide reasonable levels of increased wages for on-Airport workers and whose overall cost will not materially impact the airline cost per enplanement at the Airports.

The Committee, therefore, makes the set of recommendations described in the following paragraphs.

First, the Committee recommends the Board adopt a workers wage policy that contains the following basic components (“Airport Workers Wage Policy”).⁹

- (1) Base Wage Rate. Any business covered by the Airport Workers Wage Policy (defined below as “Covered Business”) must pay its workers who are employed and work at an Airport (defined below as “Covered Workers”), no less than the following base hourly wage rates:
 - (a) \$11.55 starting on January 1, 2018;
 - (b) \$12.15 starting on January 1, 2019;
 - (c) \$12.75 starting on January 2, 2020; and
 - (d) starting on January 1, 2021, and on January 1 of each subsequent year, a rate equal to the prior year’s rate adjusted to reflect the change over that prior year in an appropriate Consumer Price Index selected by the President and Chief Executive Officer (“President”).

⁹ The cost and cost per enplanement impacts of this Airport Workers Wage Policy and its schedule of base wage rates were projected by staff as follows: the overall cost of the Policy (using the mid-point within the range of costs projected for each year) was projected to run from approximately \$9.9 million in 2018 to \$14.9 million in 2021; and the Policy’s impact on the airline cost per enplaned passenger at Dulles International (calculated with assumption that all increased ASP costs are airline costs, and all increased Concessionaire costs cause reductions in airlines’ share of net remaining revenue, and using the mid-points within the range of the per enplanement costs calculated for each year) was projected to run approximately from \$0.40 in 2018 to \$1.05 in 2021.

These wage rates will apply whether or not a Covered Business provides health or other benefits to its Covered Workers.¹⁰

- (2) Covered Business. A business covered by the Airport Workers Wage Policy is (i) any business providing support services on an Airport to one or more airlines and operating on the Airport pursuant to a Commercial Aviation Services Permit (or similar authorization) issued by the Authority or pursuant to a lease with the Authority, and (ii) any business providing concession services on an Airport (*e.g.*, the sale or provision of retail goods, food and beverages on an Airport to Airport patrons, and the sale or provision to airlines operating on an Airport of catered meals or food prepared on the Airport) pursuant to a lease with (or other authorization from) the Authority or a lease with a concessions program manager under contract with the Authority.
- (3) Covered Worker. A worker covered by the Airport Workers Wage Policy is any worker employed by a Covered Business who works on an Airport for the Covered Business, whether on a full-time (*i.e.*, 40 hours per week) or part-time basis. Covered Workers will be compensated at no less than the applicable hourly rates in subparagraph (1) for all work performed on the Airport; provided, that “works on an Airport” shall not include the making of deliveries on an Airport or performing similar irregular or occasional “on Airport” work for a Covered Business.
- (4) Tipped Worker. A Tipped Worker is a Covered Worker who customarily and regularly receives more than \$30 a month in tips while working on an Airport for a Covered Business and whose tips are considered by the Covered Business as part of the worker’s wages.
- (5) Wage Payments to Tipped Workers. A Covered Business shall pay its Tipped Workers no less than \$2.13 an hour in direct wages and shall be able to demonstrate that the Tipped Workers receive on average in any pay period at least the applicable minimum hourly wage rate set out above in subparagraph (1) when the direct wages and tips they receive during the period are combined. When the combined direct wages and tips received in a pay period by a Tipped Worker produce an average hourly rate of compensation that is less than the applicable base hourly wage rate in subparagraph (1), the Covered Business employer of the worker must make up the difference.¹¹

¹⁰ Currently, under the Affordable Care Act, employers with 50 or more full-time or full-time equivalent employees are required to offer affordable health care insurance coverage to employees who work 30 or more hours a week, and employers who fail to do so are liable for a penalty payable to the federal government. All employees who work for an employer within the United States are included in the ACA’s calculation of the number of that employer’s employees. In considering the treatment of health and other worker benefits under the recommended Workers Wage Policy, the Committee believed it appropriate for the Authority to look to federal and state health policies, the ACA and any successor federal legislation, and the “labor relations” marketplace to address the provision of these benefits.

¹¹ The Committee recommends in the text below that the Board, if it proceeds to adopt an Airport Workers Wage Policy, authorize the President to prepare a set of rules, requirements and procedures for

Second, the Committee recommends that the Board adopt the Airport Workers Wage Policy by resolution, and that the Board, in that resolution:

- (1) describe the purposes of the Airport Workers Wage Policy it is adopting and its reasons for adopting the Policy;
- (2) state that its adoption of the Airport Workers Wage Policy is an exercise of the proprietary rights and powers that the Authority possesses as operator of the Airports;
- (3) authorize and direct the President to prepare a set of rules, requirements and procedures that will be used by Authority management in implementing and administering over time the Airport Workers Wage Policy and that may be published as an Orders and Instructions at each Airport, the terms of which would be incorporated into Commercial Aviation Services Permits, Concessionaire leases and other authorizations issued by the Authority to Covered Businesses that permit their operations on the Airport; and
- (4) state that the Airport Workers Wage Policy and its administrative rules, requirements and procedures are not intended to have and, as implemented and administered, will not have the force and effect of law.

Third, the Committee recommends that the Airport Workers Wage Policy adopted by the Board become effective on January 1, 2018, and that it becomes applicable on that date to all Covered Businesses, thus requiring Covered Businesses operating on an Airport on that date to then begin paying their Covered Workers at an hourly wage rate no less than the applicable base wage rate set out in the Airport Workers Wage Policy, and requiring Covered Businesses commencing operations on an Airport at a later date to begin paying their Covered Workers, on that date, not less than the then applicable base wage rate.

III. Adoption of Requirement for Labor Peace Agreements

As earlier noted, the Committee recommends that the Board not establish a requirement, which has been proposed by Unite Here, that Concessionaires, as a condition to operating at an Airport, execute a “labor peace agreement” with labor organizations which are seeking to represent their employees. This recommendation is made for three primary reasons.

First, a significant purpose of labor peace agreements, the Committee believes, is to bring about other, new agreements between employers and labor organizations that would benefit employees. A major benefit to be gained by employees from such new agreements comes in the form of improved wage levels. The Committee believes that its recommended Airport Workers Wage Policy, if adopted, will provide such wage improvements to employees, and will thereby reduce the need for or utility of labor peace agreements at the Airports.

the implementation and administration of the policy. The Committee recognizes that, in preparing such materials, the President may determine it necessary or appropriate to adjust in minor ways or clarify the Policy provisions in paragraphs (2) through (5) in the Committee’s first recommendation.

Second, many members of the Committee believe that an Authority requirement that concession operators enter labor peace agreements with one or more labor organizations in order to operate their business on the Airports falls outside the proper role of an airport operator. The members believe that, by imposing such a requirement, the Authority would intrude inappropriately into the relationship among employers, their employees and labor organizations that federal labor policy largely limits to these categories of parties.

Finally, based on recent agreements that Unite Here has reached with Concessionaires at the Airports, the Committee believes that the goals Unite Here seeks to achieve through Authority-required labor peace agreements can be achieved without Authority involvement.

Conclusion

In summary, and for the reasons set out in this report, the Committee recommends the following:

1. that the Board expand the Authority's current Living Wage Program as described in Part I of the Discussion portion of this report;
2. that the Board adopt an Airport Workers Wage Policy as described in Part II of the Discussion portion of this report;
3. that, in light of the recommendation in paragraph 2, the Board not establish a requirement for labor peace agreements at the Airports and give no further consideration to the Unite Here or SEIU proposals; and
4. that, in the event the Board accepts the above recommendations, it pass an appropriate resolution which includes the provisions described above on page 13.

Respectfully submitted,

Tony Griffin
Chair, Ad Hoc Committee on Labor Issues