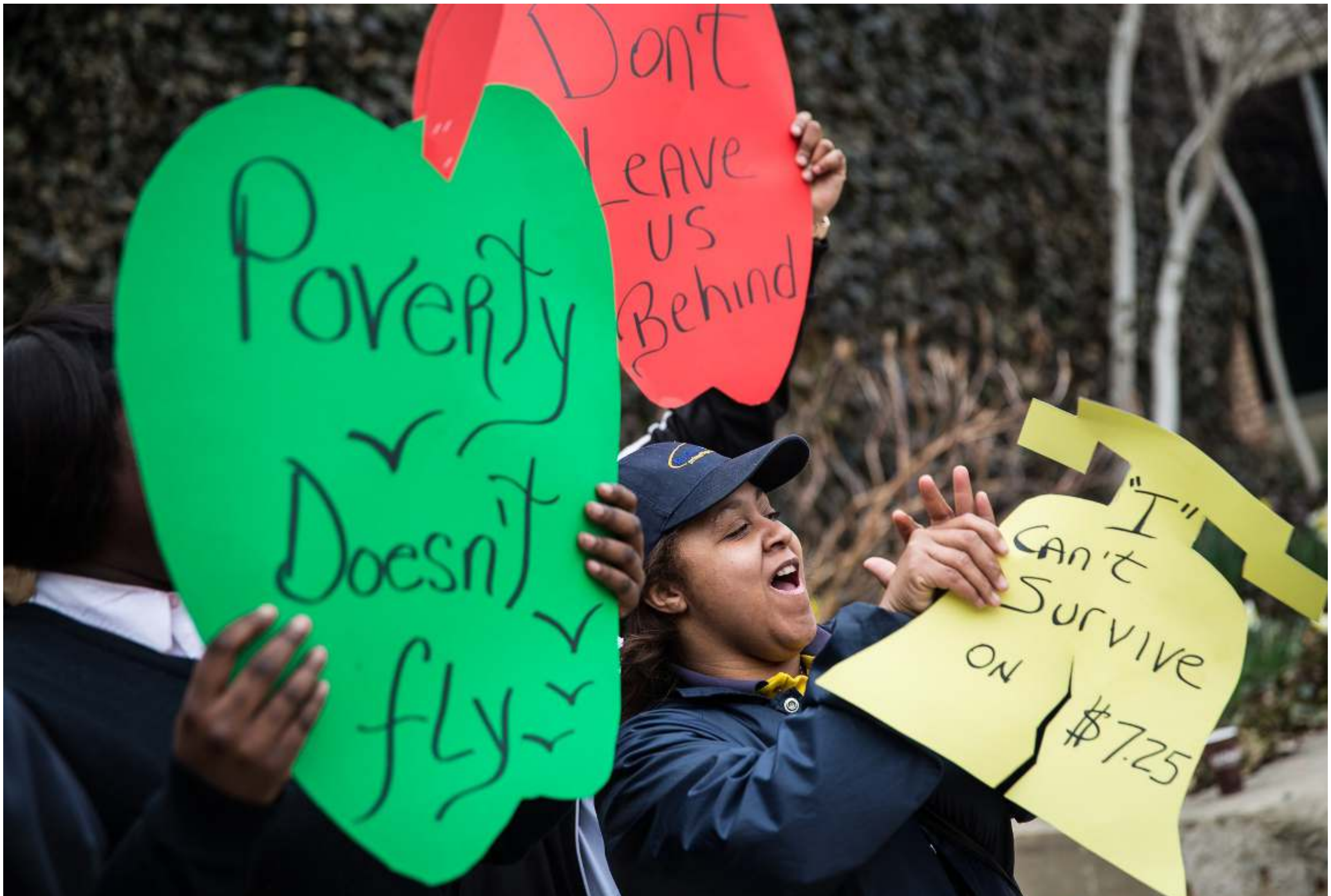

Fairness Delayed

Ongoing Poverty at the Philadelphia International Airport

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Executive Summary

One year ago, the National Employment Law Project published a report, *Soaring Poverty at the Philadelphia International Airport*, examining the low wages of subcontracted Philadelphia airport workers who have unfairly fallen into a group of employees overlooked by the city's 21st Century Minimum Wage Standard. As written, the Standard applies to employees of contractors of the airlines because those airlines have leases from the City at the airport. However, due to questions with respect to the extent of the City's power under its charter to adopt these requirements, they have not been applied or enforced with respect to employees of subcontractors under City contracts, leases, franchises and concessions. As a result, passenger service workers at the airports have been paid significantly lower wages and little to no benefits.

A lack of data makes it impossible to calculate how many other subcontracted workers performing different services for City agencies suffer similarly. This report revisits the workers we surveyed a full year ago and uses these airport workers as proxies for the larger universe of subcontracted City workers. We assess how the failure to close this gap in the application of this important law hurt workers, their families, their communities, and the city of Philadelphia as a whole. If Philadelphians are to be sure that these kinds of jobs are quality jobs well into the future, making the extension of the standard to subcontracted workers a permanent factor in the law itself is critical.

- Over the last year, the airport workers alone have foregone an estimated $16 million in wages. Using standard multipliers, these wages could have resulted in more than $20 million in increased economic activity for the city of Philadelphia.
- Raising airport workers to the pay standard set by the 21st Century Minimum Wage Standard would result in a wage increase of 50 percent or more for nearly two-thirds of the workforce.
- An overwhelming number of airport workers live and shop in Philadelphia, while the contracting companies that employ them and the airlines that enter into the contracts pull profits out of the city and even out of Pennsylvania entirely.
- Significant proportions of the airport workforce told us they depend on public assistance programs like subsidized food (37.9 percent), public health insurance (37.5 percent), subsidized child care (16.9 percent), and subsidized housing (12.3 percent) in order to survive. These taxpayer-funded programs amount to a subsidy to low-wage employers who fail to pay wages that allow workers to sustain themselves and their families.
- At the median airport wage, a full-time worker would have to put in almost 27 days every month simply to pay for housing, food, public transportation, child care, and a telephone at typical Philadelphia prices. Even without most weekends off, paid sick days, or vacation time the typical full-time airport worker has virtually no discretionary income and no ability to offset even a small emergency.
- While Mayor Michael Nutter's recent executive order provides an important step toward bringing these workers to the standard set by the 21st Century Minimum Wage Standard and even more, uncertainty about the scope of the law, the timing of its application to various groups of subcontracted employees and the Order's longevity means many low-wage workers remain in an insecure economic future.

Introduction

One year ago, the National Employment Law Project published a report, *Soaring Poverty at the Philadelphia International Airport*, examining the low wages of subcontracted Philadelphia airport workers who have unfairly fallen into a group of employees overlooked by in the city's 21st Century Minimum Wage Standard. As written, the 21St Century Minimum Wage and Benefits Standard applies to employees of contractors of the airlines, who receive leases from the City at the airport. However, due to questions with respect to the extent of the City's power under its charter to adopt these requirements, they have not been applied or enforced with respect to employees of subcontractors under City contracts, leases, franchises and concessions. As a result, passenger service workers at the airports have been paid significantly lower wages and little to no benefits. These workers perform critical duties for the travelling public, including assisting elderly passengers and those with disabilities throughout the airport, ensuring the safety of passengers and property, assisting with baggage and ticketing, and cleaning and stocking the aircraft cabins and lavatories. But because they perform these duties as subcontracted employees, they are paid less than they would as direct employees of the airlines. As the Urban League argued in the forward to that report, "Living wages are just the right thing for any employer to do and any employee to expect." Sadly, a full year later the thousands of workers at the airport, and their subcontracted counterparts doing work on behalf of other City agencies, continue to wait for justice and for their employers to do the right thing.

During the intervening year, the estimated 2,000 subcontracted airport workers have forgone an estimated $16 million in wages because some argue that the living wage law that covers others doing public work does not extend to them. [1] That is $16 million that was not spent in Philadelphia on housing, food, care for children, entertainment, or transportation, and commensurate losses in local income and sales tax revenues. That is $16 million that instead went to out-of-town corporate headquarters and big airline CEO salaries. As Philadelphia and its residents continue to struggle against high poverty rates, these are wages that local workers should see on their paystubs.

It is heartening that Philadelphia leaders have recognized the unfairness of excluding these workers from the city's 21st Century Minimum Wage Standard designed to help the city's low-wage earners. Earlier this month, the Mayor signed an executive order that applies minimum wage standards to both direct and sub-contracted employees, saying "we cannot leave folks behind." [2] Under the terms of this Executive Order, which builds on the 21st Century Minimum Wage and Benefits Standard framework, providing for an initial increase of the hourly minimum wage rate and a process for annual increases to the rate, it appears that passenger service workers at the airport would not be covered until negotiation of the new airport leases between the City and the airlines. This action recognizes the importance of the work performed by employees of subcontractors. However, to ensure the protections for subcontracted workers are made permanent; questions about the applicability of the 21st Century Minimum Wage Standard for subcontracted workers must finally be put to rest. The City Council has identified the changes in the City Charter it needs to address this injustice and is asking voters to give it the authority to rectify the situation. Philadelphia voters now have the opportunity to side with their friends, neighbors, and fellow residents and affirm the principle that a fair day's work on behalf of the city should result in a decent wage regardless of which company name is on the paycheck.

This report revisits the workers we surveyed a full year ago who provide important customer service to Philadelphia's air travelers and examines the lasting impact of exempting them from the fair wage levels provided for by the 21st Century Minimum Wage Standard. It is impossible to calculate how many other sub-contracted workers performing different services for City agencies suffer similarly; indeed, during a City Council committee hearing in 2013, the Mayor's Chief of Staff confessed that the City itself knows little about those who labor on its behalf for employers subcontracted to do the work. [3] Using the airport workers as proxies for the larger universe of subcontracted City workers, we assess how the failure to close the gap in the application of this important law has hurt workers, their families, their communities, and the city of Philadelphia as a whole. If Philadelphians are to be sure that these kinds of jobs are quality jobs well into the future, making the application of the 21st Century Minimum Wage Standard to subcontracted workers a permanent factor in the law itself is critical.

Workers Left Behind

Workers Left Behind by the 20th Century Employment Practices and the 21st Century Minimum Wage Standard

For half a century, employers in numerous industries have embraced the practice of peeling off work that they once did and entering into contracts with other firms to perform these duties. Sometimes the contractor company then further outsources duties to a subcontractor, putting yet another unit of distance between the worker and the company that ultimately benefits from his or her labor. [4] These working arrangements do not inevitably result in poor quality or low-wage jobs—especially in industries and markets where contracted-out workers have unionized and lifted standards through area-wide contracts [5] —but all too often they are a conscious result of employer efforts to cut costs and avoid basic labor standards and thus result in poverty wages and unsafe working conditions. [6]

As we noted in our earlier report, the airline industry is among those that have increasingly adopted the practice of outsourcing since its deregulation in 1978. From airplane maintenance and cleaning to services in the airport terminals, more than three-fifths of those who service airplanes and passengers now work for contractor companies. [7] As one study of the industry observed, airlines are becoming as much "managers of networks of outside suppliers" as air carriers. [8] For the workers at Philadelphia International Airport (PHL), this practice has produced one undeniable result: a severe decrease in income for airport workers that had no relationship to the workers' willingness to work hard and ability to provide quality services. It has also resulted in their being left behind when local policymakers sought to ensure quality jobs for Philadelphians.

The 21st Century Minimum Wage Standard, which was passed by the City Council and signed into law by the Mayor in 2005, recognized that when the City contracts with private business to provide public services or lease publically-owned real estate or provides financial assistance to developers in order to promote economic development, taxpayers have an interest in ensuring that the resulting jobs decrease poverty and dependence on publicly-funded safety net programs. The law stated that any person who worked for an employer "arising directly out of a Service Contract, City financial aid, the grant of a City lease, concession or franchise, or a funding agreement with a public agency," including "contracted workers" [9] would be paid 150 percent of the federal minimum wage, whichever is higher.

However, for reasons that are not entirely clear, subcontracted workers, including those working at PHL, have not received this higher wage standard. Although the work and the expectations of customer service are the same, and Philadelphia's need for quality jobs and the resulting increased consumer spending remain, simply because these workers are subcontracted some argue that the 21st Century Minimum Wage Standard does not apply to them. These public officials and their business allies argue that the attenuated employment relationship that led to low wages and poor working conditions in the first place also exempts employees from the protections that Philadelphia's elected leaders seek to provide for its residents. The Mayor's executive order addresses this shortcoming in the law on a prospective basis—and while the order remains in effect--but the more permanent solution to this problem is to empower the City Council to include subcontracted workers in this law and any subsequent workplace protections it deems necessary to guarantee these jobs are quality jobs.

Protections for Contracted Workers Gather Momentum

In February of 2014, President Obama recognized the injustice of low wages for federally contracted workers and signed an executive order raising their minimum wage to $10.10, saying that "We are a nation that believes in rewarding honest work with honest wages." [10]

This policy redressed some of the exemptions to federal contracting laws passed by Congress over several decades to ensure fair pay for contracted workers as employment relationships became ever more complicated and attenuated. Similarly, in May of this year Mayor Nutter used an executive order of his own to address perceived exclusions in Philadelphia's 21st Century Minimum Wage Standard of subcontracted workers, saying that "public money shouldn't be invested in poverty wages." [11]

Voters will soon have the opportunity to make this stopgap measure permanent through a ballot measure.

Bringing Subcontracted Workers into the 21st Century

Bringing Subcontracted Workers into the 21st Century Benefits All of Philadelphia

Extending the city's minimum wage standard to these workers is the fair thing to do, but it is also the smart thing to do to help boost the local economy. Increasing workers' discretionary household budgets and moving some of them off of publicly-funded safety net programs improves local revenues and preserves subsidies for those who still seek work or cannot work for other reasons. We estimate that the $16 million in lost wages among the airport workers alone could result in approximately $20 million in increased economic activity in Philadelphia. But several factors complicate our attempts to calculate more precisely the public revenue benefits of expanding the 21st Century Minimum Wage to subcontracted employees. Namely, we are confronted with the fact that Philadelphia public officials do not provide data on how many workers fall into this category, nor the wages and benefits they receive. We face an additional challenge of making tax revenue and safety net benefits calculations absent individualized information about family size or the wages and benefits received by other adults in the household. In a 2012 report, *Raising the Bar*, the advocacy group Fight for Philly attempted to make some of these calculations for the airport workers specifically, and calculated that extending the wage standard would increase state revenues by $5.7 million. [12]

Because of special security measures at airports, we have been able to use official security badging information to estimate the total number of contracted airport employees at 2,000. We cannot make similar estimates for other subcontracted workers, however. As the Mayor's Chief of Staff explained to a City Council committee, "[W]e don't have a requirement that says every time a prime contractor enters into a subcontract that the City, A, gets notice or whatever, and if they keep doing subcontracting," and he argued that despite the goal of "always trying to hold those parties [the prime contractors] responsible," to track such information about the quality of jobs paid for by taxpayers would be "onerous." [13] Thus for purposes of this report we are compelled to focus on airport workers alone and assume similar impacts on other contracts, industries, or groups of workers.

Studies on poverty have shown that as a worker moves from low wages to family-sustaining ones she will ultimately experience an upward trajectory, but one that has occasional peaks and valleys as she moves in and out of eligibility for various safety net programs. [14] Most low-income workers use publicly-funded supports like supplemental nutrition assistance, subsidized child care, and children's health insurance as strategies for survival at particular points in the cycle of their work and family lives. Thus any calculations of spending for these programs amount to a snapshot in time and may not reflect actual future use.

It is important to understand that the costs of these programs are really a subsidy to *employers* who transfer the cost of a basic business expense—labor—to the taxpayers. A study of California safety net programs found that 48 percent of public assistance went to working families, and another that examined six programs in Illinois found that 37 percent of public benefits spending went to year-round working families. [15] Yet another study examining the public spending costs of one company in Wisconsin found that a store with 300 minimum wage workers cost taxpayers there up to $1.7 million per year in subsidies to help its employees survive. [16] As we emphasize later in this report, the airlines that contract out this work are realizing profits, but are choosing to distribute those profits through large corporate executive paychecks rather than by paying ticket agents, baggage handlers, or wheelchair agents a fair wage for a fair day's work.

Finally, to estimate a total return to taxpayers we would need to include calculations on how labor cost increases would or would not be passed along to City agencies—or, in the case of worksites like the airport, to customers—and how much would be absorbed by the airlines and their contractors, as well the amount absorbed through cost savings from reduced turnover and increased productivity. This calculation is again made difficult by the absence of information about subcontracting from the City, but evidence from other airports demonstrates that increased wages for subcontracted workers do not have an adverse effect on airport use or profits. [17] In fact, a study of San Francisco's airport after its living wage program was put into effect showed that firms raised wages even for workers not covered by the law, further increasing the positive economic impact of increased discretionary spending by workers.

These challenges notwithstanding, we can make some assertions about how permanently extending the 21st Century Minimum Wage Standard to subcontracted workers would benefit the local economy and taxpayers alike. [18]

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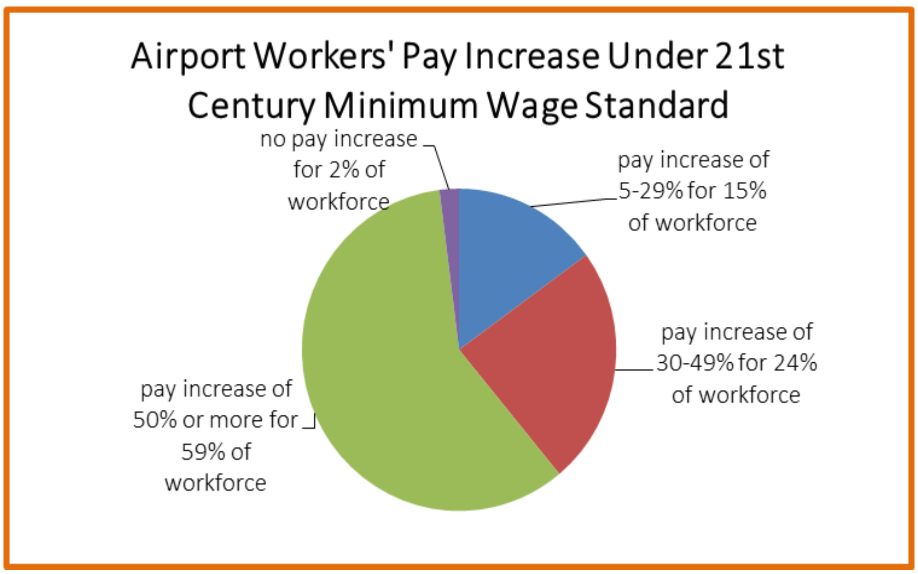
Local Consumer Spending

Current low wages mean increases could go directly into local consumer spending

The workers we surveyed at the airport last year reported a range of wages depending on the nature of their duties and whether or not they also received tips from the public. Non-tipped workers earned between $8.01 for baggage handlers to $8.12 for security officers, while tipped wheelchair agents made an average of $6.50 (including tips) and skycaps reported averaging $9.91 when tips were factored in. Given that less than one-fifth of the workers we spoke to in 2013 reported getting a raise in the previous year, and three-quarters of those who did received only an additional 25 cents per hour, we have used the same wage levels for this year's report.

While the reported wages varied, only two of the workers we interviewed at PHL reported earning hourly wages over the $10.88 mandated by the 21st Century Minimum Wage Standard. [19] Only two earned a higher hourly wage than the $12.00 an hour mandated in Mayor Nutter's executive order. The median hourly wage, including tips where workers reported them, was $7.85, so meeting the 21st Century Minimum Wage Standard would raise median hourly wages by 39 percent, and the raise resulting from the executive order amounts to 53 percent. But of the workers earning below this median, many reported hourly wages well below $7.85. In fact, almost 60 percent of workers would see hourly pay increases of over 50 percent if the loophole were closed and their pay met the level set forth in the standard itself.



Across the entire airport workforce, we estimate an annual wage increase of $16.2 million at the 21st Century Minimum Wage Standard level, and nearly $21 million at the executive order level, which would be a significant boost to the local economy.[20] The Institute for Policy Studies has calculated that every additional dollar earned by a low-wage worker generates approximately $1.21 in economic benefits. Using this multiplier we can expect that $16.2 million airport workers have not received over the past year means nearly $20 million lost in increased consumer spending effects, and the additional $21 million in earnings at the executive order level will result in more than $25 million in economic benefits.[21]

The Economic Policy Institute notes that by shifting profits from one party that is less likely to spend them (the employer) to a broader group that is highly likely to spend them (employees), policies that raise minimum wages can trigger the creation of new jobs; it estimates that for every $115,000 increase in economic activity one new full-time-equivalent job is created.[22]

Study after study has shown that when low-wage workers receive pay increases, they spend the money almost immediately and they spend it locally. And our survey of workers indicates that these increased wages and the resulting additional spending it would trigger would stay within Philadelphia. Whereas census data indicates that overall only 53 percent of the people who work in Philadelphia also live there,[23] a full 84 percent of the airport workers we surveyed lived within the city limits. While all Philadelphia earners pay the city wage tax, airport workers are more likely to also pay the 2 percent city sales tax on the goods they buy unlike others who save their discretionary spending for suburban malls and big box stores.

Airlines & Airport Contractors Pull Profits Out of PHL

By contrast with the airport workers, the vast majority of whom live and work in Philadelphia, the companies that employ them transfer the profits they realize to far-off corporate headquarters and CEOs who live, and spend, elsewhere. With one exception, all the large contracting companies that employ the workers we surveyed are not only headquartered outside of Philadelphia, they are headquartered outside of Pennsylvania.

Name of Company	Type of Work Performed	Location of Headquarters
PrimeFlight (a subsidiary of SMS Holdings)	Wheelchair assistance, Security, Skycap, Baggage Handling	Nashville, TN
Prospect Airport Services, Inc.	Cabin Cleaning	Chicago, IL
Aviation Safeguards (a subsidiary of Command Security Corporation)	Baggage Handling, Wheelchair Assistance, Security	Herndon, VA
McGinn Security	Security	Philadelphia, PA

Similarly, the airlines that hire these contractors move profits from PHL operations to out-of-town headquarters, pumping money into states like Texas, Georgia, and Illinois. And the airlines are, indeed, profitable. While airlines suffered from flight cancellations due to last winter's bad weather, they nevertheless showed an industrywide profit margin of $1.7 billion in the fourth quarter of 2013. [24] In 2013, Delta Air Lines generated net profits of $2.7 billion, with American not far behind with $1.95 billion, followed by United with just over $1 billion in profits, and Southwest showing an $804 million profit. [25] With the exception of United, the airlines all reported profitable first quarters for 2014, inspiring American Airlines CEO Doug Parker to boast, "In the entire history of American Airlines, we have never earned $400 million in the first three months of a year, but in the first three months since the merger [with US Airways], we did." [26] And analysts predict the pattern will continue into the foreseeable future as high start-up costs now make the likelihood of new competitors in the market unlikely. [27] Others point out that the four largest carriers now control nearly 90 percent of all air traffic in the U.S. and that planes are flying with more than 83 percent of their seats filled even as ticket prices are rising faster than the rate of inflation.[28]

These airlines dedicate a significant portion of these profits to high executive pay. Last year we found that airline CEOs were seeing increased compensation packages, and this year's update continues that trend. In fact, even the consultant hired by the newly merged American and US Airways just to *evaluate* executive compensation received $244,000, roughly equivalent to nearly 15 years of wages for a PHL subcontracted airport worker earning the median hourly wage of $7.85. [29]

Executive Compensation for Leading U.S. Airlines			
Airline	Total Executive Compensation	CEO Compensation	Average CEO Compensation "per hour"
Southwest (2013)	$9,903,928	$4,036,167	$1,940
American/US Airways (2103) (the merger of these airlines was completed at the end of 2013)	$57,199,459 (does not include payouts for former executives totaling $48,998,148)	$17,661,130	$8,490
United/Continental (2013)	$19,972,712	$8,138,305	$3,912
Delta (2012)	$38,594,863	$14,375,902	$6,911
(Source: 10-K Annual Report Filings and 14A Proxy Filings, available at www.sec.gov. "Per hour" calculations assume a standard FTE rate of 2080 hours annually.)			

Taxpayers Subsidize Low-Wage Employers

Taxpayers Subsidize Low-Wage Employers through Publicly-Funded Safety Net Programs

Airlines and their contractors have enjoyed numerous taxpayer-funded subsidies in the past, including nearly half a billion dollars in federal funds to expand Philadelphia's airport, American Recovery and Reinvestment Act financing for a new PHL baggage handling system, and tax-exempt debt through city issued bonds. [30]

Less obvious to the casual observer is how the public also underwrites these corporations' low-wage policies by maintaining the safety net programs on which their workers depend to survive. The airport workers we surveyed shared a survival strategy of piecing together multiple publicly-funded safety net programs that help them to make ends meet from month to month. They face struggles with multiple bureaucracies, sometimes complicated eligibility paperwork, and the emotional challenge of caring for family in the midst of instability.

Nate Smith, Baggage Handler with PrimeFlight

"I am a baggage handler and I break my back lifting over 1,000 bags per day. I never thought that at age 22 I would be ruining my body for $7.25 an hour. This job has taken its toll on my back and shoulders and has made my scoliosis worse. Getting by on $7.25 is not easy. I have to make a lot of sacrifices. I am a proud father of a 2 year-old girl named, Jasmine. I want to buy her the world but sometimes I can barely afford to get her a toy that she wants or take her to lunch. I am constantly juggling bills and my phone was recently cut off. Most of the time, I make sacrifices that affect me, and not my daughter, like working more hours or going without eating. I am thankful for my grandma and my aunt. I live with them because I could never afford my own place on $7.25 an hour. There's something very wrong with our city if someone working full-time, doing physically demanding work, cannot afford their own place. What's even worse is that the airlines like US Airways are making record profits. I am one of thousands of airport workers stuck making minimum wage. Sometimes my co-workers and I say that the airport is like a modern day plantation."

These survival tactics also constitute hidden costs in the various contracts and subcontracts for services at PHL. Public agencies and private businesses that contract out work frequently select the lowest-cost bidder, claiming that they are realizing a cost savings as a result. But these low bids often come at the expense of worker compensation, and when full-time workers have to depend on public safety net programs to survive this practice is revealed to be little more than bookkeeping sleight of hand. Taxpayers may be paying less on the bill for the service, but the cost of public social services goes up at the same time.

Use of Public Assistance Programs by Surveyed Airport Workers and Their Families	
	Percent
Food Stamps	37.9
Public Health Insurance	37.5
Child Care/WIC	16.9
Housing	12.3
Gas/Electric/Heat Assistance	12.3
Cash Assistance/TANF	3.1

Just a glance at the typical costs of living and working in Philadelphia underscore the critical importance of these public supports for subcontracted workers like those at the airport who, because of a flawed city policy, are wrongly sidelined from the protection of the 21st Century Minimum Wage Standard. For workers earning the current median hourly wage of $7.85 at PHL, there are simply not enough days in the week to pay for even the most basic of necessities.

The majority of the workers we surveyed lived in five Philadelphia zip codes, in which the typical monthly rent according to the U.S. Census ranged from a low of $724 to a high of $895, with a median of $821. If the airport worker is the only wage-earning adult in the family, that alone would require 105 work hours, or 13 work days, just to pay the rent bill each month. Just over 12 percent of these workers receive some public subsidy for housing, a level which is actually surprising given that reportedly more than 54,000 Philadelphians are on waiting lists for Section 8 vouchers to subsidize rent costs. The Philadelphia Federal Reserve identifies a shortfall of 68,000 "affordable and available" housing units in the city. [31] Unfortunately, five percent of those we surveyed last year reported having to occasionally sleep in a shelter or a car because they simply could not pay for housing.

Even if the worker lives alone, her income is so low that she would qualify for the Utility Grant Program offered by the Utilities Emergency Services Fund. But to receive aid, she must first have had a utility termination notice or have had the utility turned off, indicating that this help would only come after several months of stress and hardship. [32] She would also be eligible for the Low-Income Home Energy Assistance Program administered by the State, although the duration and extent of the program depends on federal funding, which has been diminishing in recent years.

Indeed, the President's 2015 budget proposal includes significant cuts to the LIHEAP program, and Pennsylvania's projected allocation would be just over half what it was in 2010. [33]

These workers also must factor in the cost of actually getting to work. If they own a car, they pay approximately $3.76 per gallon for gasoline.[34] Thus, filling an 8-gallon tank would cost just over $30.00, or almost another half day of wages at the airport. For many, owning a car with its attendant maintenance and insurance cost is likely out of reach. These workers will need to budget for public transportation to get them to work. A monthly SEPTA TransPass costs $91.00, [35] so that the first day of the month and until lunch of the second day all wages must be dedicated to the cost of simply getting to work. But for some that may be a large sum to come up with at the beginning of the month, and if workers instead buy the less cost effective weekly pass rate of $24.00 each week, it would cost 12.2 hours of wages.

Among the stops the worker might make on the way home is the grocery store, and there he must choose food for his family very carefully to keep the bill low. The USDA has determined that a family of four (two adult parents and two children under 11) requires about $600 per month in food purchases in order to reach the "Thrifty Food Plan" (TFP), the barebones market basket for a healthy diet and the maximum amount allowed under the SNAP program. If the parents have not applied for the SNAP program, the airport worker dedicates approximately nine and one-half days, or 76 hours' worth, of wages for food. If they do apply for SNAP, it doesn't cover the whole food bill. The USDA assumes that a family would spend 30% of its income on food and the program makes up the different between that 30% and the cost of the TFP. So, for an airport worker earning the median wage of our survey group and working 40 hours per week, SNAP benefits would total $223.80. The worker would still need to dedicate 52 hours a month of his wages for food. [36]

The worker might also need to pick up his child from child care. With 95 percent of the workers we surveyed reporting annual family incomes of less than $30,000, virtually all of them would qualify for subsidized child care under the guidelines of Philadelphia's Child Care Information.[37] Under Pennsylvania's policies, parents eligible for subsidies are required to pay up to $225 per month (as of 2013), or the equivalent of almost 29 hours of work. In other words, low-wage parents working at the airport are dedicating more than 3.5 days a month just to pay for the care of their child while they are at that job. And they may need to get in line for that child care; as of 2013 Pennsylvania had a waiting list of 5,494 children for care subsidies. [38]

Workers may find it prudent to own a cell phone so that they can contact family members or their employer, and so that child care providers or schools can reach them in case of a child's illness. According to industry analysts, the average monthly cell phone bill with the lowest cost carrier is approximately $120, or 15 hours of work.[39]

These basics alone—shelter, heat, transportation, food, child care, and a phone—would require a subcontracted airport worker earning the median hourly wage to work almost 27 days in the month to pay these bills. This budget does not include medications, nor clothing or school supplies for their children. It doesn't include clothing for themselves or an unexpectedly high utility bill during a cold winter or a hot summer.

Even if they never took a day off, they simply could not make ends meet without the help of safety net programs, and even with these programs subcontracted workers like those at the airport are just one emergency away from a crisis. These workers are precisely the kind of Philadelphians the City Council had in mind when it passed the 21st Century Minimum Wage Standard nine years ago, and yet they cannot benefit from it because of complicated business arrangements and the fact that their employer happens to be a sub-contractor. Mayor Nutter's recent actions ensure that they will see wage increases in the future, at least for the time being, but it is critical that these protections become a permanent element of the law itself to ensure that future changes in the mayor's office do not throw these workers back into poverty.

Conclusion

Despite performing critical services to the public flying in and out of PHL, thousands of workers there continue to labor for low wages that keep them and their families in poverty. Nearly a decade ago, leaders of the City of Philadelphia recognized the role of quality jobs in the well-being of the entire community and the injustice of taxpayer funds financing jobs that paid poverty wages and they passed the 21st Century Minimum Wage Standard. Yet the workers at PHL and their subcontracted counterparts that work under other publicly-funded contracts in Philadelphia are still waiting for their wages to be lifted to meet this standard. Mayor Nutter has given them a lifeline with his executive order, ensuring that under his administration they will be treated fairly like those who work directly for companies holding city contracts. But this status is tenuous because it is not enshrined in the law passed by the City Council.

Last year 200 of these workers shared the struggles they face as a result, including the need for publicly-funded safety net programs and the sometimes hard choices of skipping a meal or sleeping in a car. At the same time, Philadelphia has foregone increased income and sales tax revenues and millions in potential economic stimulus that would flow from raising these employees' wages; an estimated $20-$25 million from these airport workers alone. Subcontracting has become an increasingly common practice in many industries, leading us to project that in the future still more publicly-funded work could be performed by subcontracted workers. This business model cannot be allowed to undercut the repeated commitments by Philadelphia's elected leaders to ensure that taxpayers' funds do not subsidize poverty-level work. To truly resolve the issue, not just for today's workers at the airport and in other city contracts but also for those who work under these models in the future, Philadelphia needs a permanent and just solution.

Endnotes

[1] Our estimates of the total number of PHL Airport workers was derived in 2013 from badging data provided to SEIU 32BJ via a Right to Know Law Request. Our worker survey revealed that the annual median salary of surveyed workers was $16,328, as compared to the annual wage based on the Philadelphia 21st Century Minimum Wage Standard of $22,630.
[2] Mayor Michael Nutter, quoted in "Nutter Raises Minimum Wage for Most City Contract Workers," CBS News, May 6, 2014.
[3] See testimony of Everett Gillison, Chief of Staff in the Mayor's Office, given to the Council of the City of Philadelphia, Committee on Law and Government, on September 18, 2013. Available online at: http://legislation.phila.gov/council-transcriptroom/
[4] For a recent analysis of the extent of these practices and some of the implications for workers, see Annette Bernhardt, "Labor Standards and the Reorganization of Work: Gaps in Data and Research," UC Berkeley: Institute for Research on Labor and Employment, 2014. Available at: http://escholarship.org/uc/item/3hc6t3d5
[5] See for instance chapters on Unions and low-wage worker organizing in Working for Justice: the L.A. Model of Organizing and Advocacy, edited by Ruth Milkman, Joshua Bloom, and Victor Narro. Ithaca, NY: Cornell University Press, 2010.
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[20] To calculate this total, we calculated the difference between the $10.88 mandated by the 21st Century Minimum Wage Standard and the wages reported by the 200 workers we surveyed last year assuming a 40-hour, 52 week year. We then extended this rate of increase to the entire estimated workforce of 2,000. The actual total once the standard is put into effect could vary depending on the distribution of current wages across the entire airport workforce, the number of workers who work fewer than 40 hours in any week, and any effects the wage increase might have on tipping behavior by the flying public.
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The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. In partnership with grassroots and national allies, NELP promotes policies to create good jobs , enforce hard-won workplace rights and help unemployed workers regain their economic footing. For more about NELP, please visit www.nelp.org.