



First-class Airport, Poverty-class Jobs

*How the Port of Seattle and Alaska Airlines
create prosperity for some
and economic hardship for others*

**Puget Sound Sage
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We extend appreciation to the many Sea-Tac Airport workers who contributed their expertise, personal experiences, and perspectives to the creation of this briefing paper.

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Introduction

IMAGINE that your family is departing on a flight from Sea-Tac International Airport (Sea-Tac). In order to make your flight you wake up early and pile into a taxi. Once at the airport, a skycap greets you, tags your luggage, and helps point you in the right direction. As you make your way to the gate, your checked items are loaded onto the plane by a crew of skilled and efficient baggage handlers. Your family's trip to the gate is aided by a wheelchair agent, who helps your elderly mother navigate through security and to the gate with ease. When the departure time finally arrives, you and your family find your seats on a freshly-cleaned and newly-fueled aircraft. You sit back and relax; it's been a trouble-free departure. The plane lifts off, bound for your destination.

The ease of travel at Sea-Tac is only possible because of the airport workers who assisted you each step of the way from the taxi driver to baggage handler and wheelchair attendant. All of these workers who help get your family and millions of others through Sea-Tac every year do jobs that

are central to the flying public's experience of both the airport and the airline they are flying on. However, the airlines don't directly employ these vital workers. Instead, these workers are employed by the dozens of airline or airport contractors operating at Sea-Tac. And nearly all of these estimated 4,000 workers – taxicab drivers, skycaps, wheelchair agents, baggage handlers, cabin cleaners, and a host of others – earn surprisingly low wages and lack affordable healthcare.

Many in Washington take pride in the state's largest airport – it is modern, sleek, and efficient; a place where the Greater Puget Sound's aircraft manufacturing pride joins up with a first-class international transportation hub. Sea-Tac Airport is owned and operated by the Port of Seattle and is one of the most successful public enterprises in the state. In 2011, the Port's Aviation Division reported \$43 million in revenues after expenses¹ while the largest airline operating at Sea-Tac, Alaska Airlines, made a record \$244 million in profit.² Port of Seattle leadership often points out

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that, even in hard times, Sea-Tac is an economic engine for the region that generates tens of thousands of jobs. In addition, Alaska Airlines executives go to great lengths to describe their company's commitment to local communities, the environment and their loyal customer base.³ These contributions to our region by Alaska Airlines and the Port of Seattle help boost overall prosperity and create a sense of civic pride. Yet, while both entities claim credit for the quantity of jobs they generate, they too often shirk responsibility for the poor quality of many of those jobs.

The presence of poverty-wage jobs at Sea-Tac creates problems that go beyond the airport boundaries. Low-wage jobs with poor benefits contribute to economic hardship in our communities and put the costs of maintaining a healthy workforce on our already-overburdened public health pro-

grams and social services. By creating and sustaining a low-wage workforce, the elected and corporate leaders of Sea-Tac Airport have shifted these economic burdens from the airlines onto the public.

But our communities do not need to stand by while prosperity seems to fly away. Sea-Tac Airport is a public institution. It is *our* airport. The Port of Seattle is governed by publicly elected commissioners and supported by King County tax dollars. Seattleites founded the Port 100 years ago to create and sustain good jobs. Now, as the Port finishes celebrating its centennial and looks toward the next 100 years, politicians, business leaders and the community must re-focus the Port of Seattle on this core purpose to ensure good jobs for those who work to make Sea-Tac a first-class success.



“Poverty is the most significant factor that determines the health of a community. As the former Chair of the King County Board of Health, I have learned that people live longer, healthier lives if given the opportunity to earn a decent living. In South King County, in particular SeaTac, that opportunity is rare. That is why we, as a community, need to make sure that all airport jobs are good jobs.”

Julia Patterson, King County Councilmember, District 5

The People's Port: Origins of the Port of Seattle

Progressive demand for people over profits

The Port of Seattle, which operates the maritime shipping and cruise terminals in Seattle as well as Sea-Tac Airport, was created on September 5, 1911 and was the culmination of decades of struggle for public control of the waterfront. Prior to 1911, Seattle's waterfront "was held hostage by competing railroad companies that had built a chaotic sprawl of rail lines, docks, and warehouses" and had created "a blot on the city and a menace to the lives of its people."⁴

Washington State activists in the Progressive movement lobbied the state legislature to adopt the Port District Act, which allowed independent government bodies to run the state's ports — "a controversial, even radical, concept." Once elected by the residents, the first Port of Seattle commissioners immediately set policies and rates to increase trade, not protect the profit of private port interests. They also adopted a closed-shop rule requiring that all workers

at Port facilities be union members, including those employed by private firms.⁵

In 1915, Robert Bridges, one of the founding Port commissioners, summed up the purpose of the Port as follows: "If these essential public utilities are held by the people and operated for the general advancement of trade and the general good of all the owners hereof, then the entire community reaps the resultant benefits, and the governmental function is, in such administration, properly discharged."⁶

Today, the Port of Seattle prides itself on being an economic engine for the region, in other words a "port of prosperity." Indeed, businesses operating at the Port of Seattle generate \$17.6 billion in annual revenues with over 18,000 people working at Sea-Tac Airport alone.⁷

Echoing the Port's founding leaders, the Port commission adopted a mission statement in 2009 that declared their purpose to be to "safeguard the Port of Seattle as a public agency whose primary mission shall

be to invest public resources to advance trade and commerce, promote industrial growth, stimulate economic development and create jobs. This mission depends upon the transportation of people and goods by air, water and land and ensures economic vitality and a sustainable quality of life for the people of King County.”⁸

The Port of Seattle leads the region’s economic recovery, but for whom?

While many parts of the economy have struggled, tourism, business travel and international trade have thrived in the Pacific Northwest. In the midst of the recession, the Port of Seattle has seen passenger travel at Sea-Tac rise 5%, cruise ship trips increase over pre-recession levels, and container volumes at the seaport reach a record high in 2010.⁹

After three years of recession, the Port of Seattle showed strong financial performance in 2011 as the Port realized a net

operating income of more than \$57 million.¹⁰ If the port were a private company, this would represent an annual profit rate of nearly 12%.¹¹ Furthermore, from 2008 to 2010, the Port’s net assets increased from \$2.6 to \$2.8 billion.¹²

In the Port’s 2010-2011 Corporate Report, former Commission President Bill Bryant declared, “2010 was a solid year for the Port. At a time when good news is hard to come by, the port has delivered a solid performance.”¹³ Bryant and his fellow Commissioners were so pleased with the Port’s economic performance that in 2011 they voted to give a 9% pay raise to Port CEO Tay Yoshitani, bringing his annual salary to \$367,000.¹⁴

However, in the next section we demonstrate that this growing prosperity at the Port has not trickled down to workers at the bottom of the wage ladder. We find that, contrary to the Port’s mission, not all people’s lives are being sustained and not all communities are reaping the benefits.

Poverty at Our Airport

Airline contractors create a subclass of poverty wage workers amidst prosperity

Although Port revenues are up, not all the news has been good nor have the benefits of Sea-Tac's impressive performance been shared by all. Our survey of 310 Sea-Tac workers and a review of government data show there are likely thousands of poverty wage workers employed at Sea-Tac as wheelchair attendants, skycaps, ramp workers, baggage handlers, cabin cleaners, and jet fuel technicians.¹⁵ They work every day to move luggage, aid passengers, conduct safety and security inspections, and clean and fuel planes for takeoff.

These workers are among the 18,000 people that the Port counts as airport-related workers.¹⁶ But they are not directly employed by the airlines, or by the Port of Seattle. Instead, they work for companies that provide contracted services to the major airlines. These airline contractors are often the face of airport hospitality and efficiency, but the names of the companies, such as

Menzies, AirServ, Swissport and Bags Inc., are obscure to the traveling public. Operating unrecognized and often behind the scenes, these firms provide surprisingly low pay and benefits, creating a subclass of poverty wage workers. This outcome is by design – which will be explored in the following section.

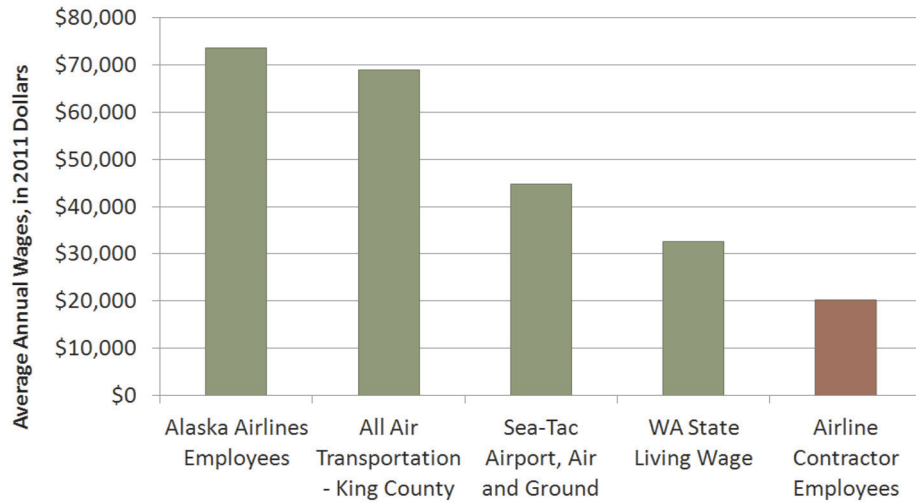
The average wage of workers surveyed is \$9.70 an hour (\$20,176 a year if they work

“When I took this job fueling airplanes, I thought it would be a stepping stone towards a better future. But I still make only poverty wages. So I am still working two extra days at my old job and on those days I don't sleep at all. I can't afford to lose either job because my brother had a stroke four years ago and I am his sole support.”

Sifredo Flores, ASIG Fueler

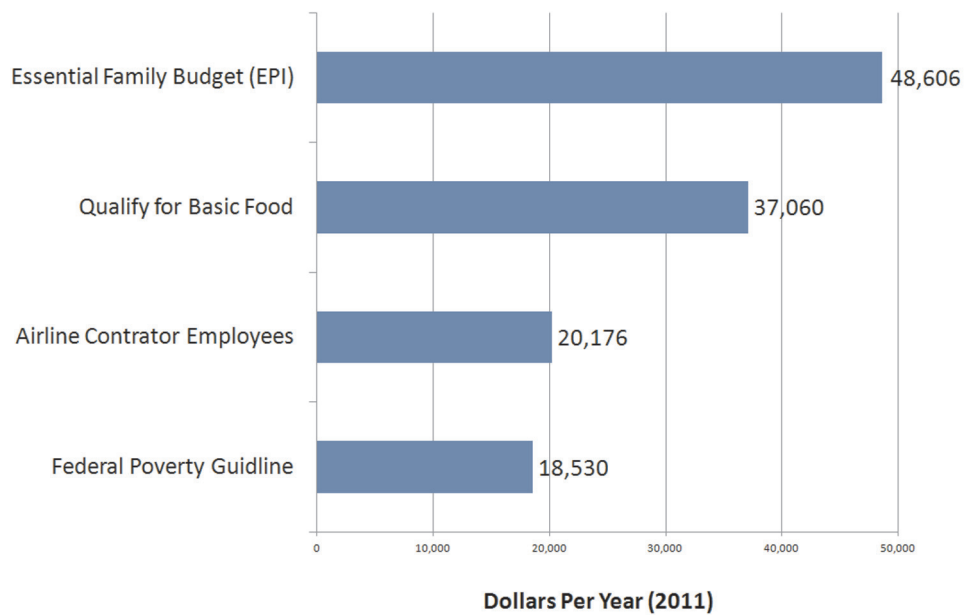
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Figure 1: Airline Contractor Employees at Bottom of Industry



Source: Bureau of Transportation Statistics, WA State ESD, Martin and Associates, Alliance for a Just Society, Authors' Airport Worker Survey

Figure 2: Sea-Tac Airport Workers Fall Short of Hardship Thresholds (for Family of Three)



Source: Economic Policy Institute, WA State DSHS, Authors' Airport Worker Survey, Federal DHHS

full-time) – a scant \$1,600 above the federal poverty threshold for a family of three.¹⁷ Figure 1 shows that this falls far below the average earnings of other air transportation workers, including Alaska Airlines employees (\$73,500),¹⁸ air transportation workers in King County (\$68,900)¹⁹ and combined Sea-Tac air and ground workers (\$44,700).²⁰

Moreover, the average wage of workers surveyed falls well below a living wage for a single adult in Washington – that is, a wage that allows people to “meet their basic needs, without public assistance, and that provides them some ability to deal with emergencies and plan ahead” – which is \$15.59 an hour.²¹ This gap of greater than \$5 between a living hourly wage and the average wage actually paid by airline contractors means that many workers are unable to afford the basic necessities of life. Many are dependent on public services; because they cannot afford employer-provided health plans, when low-wage earners or family members get sick, they end up in emergency rooms without any means to pay for medical services. In effect, taxpayers and Washingtonians with health insurance end up subsidizing the airlines and the contractors that work for them.

Airport workers with families to support face even greater challenges (see Figure 2). According to the Economic Policy Institute, one worker with two dependents would need to earn \$22.37/hour, or \$48,606/year, to afford the cost of housing, food, child care, transportation and health care in the Seattle region.²²

Many workers turn to State programs for assistance

While workers attest that many airline contractors offer health benefits, they also report that prohibitively high deductibles and monthly premiums are part of the programs offered. Unable to afford the expensive health benefits, many workers must turn to state-funded public health programs in order to meet the needs of their families. Workers at four companies (Alaska Airlines, Menzies, DAL Global Services and Air Serv) appear for multiple years on the list of the Top 500 employers whose employees are



“After giving 31 years here, I was reduced to using food stamps to get by. I just couldn’t get steady full-time hours; often it was just 12 or 15 hours per week. This doesn’t seem right, to reward your long-term workers this way.”

Hosea Wilcox, Skycap

enrolled in the health services offered by Washington State Department of Social and Health Services (DSHS). Between 2006 and 2010, DSHS spent at least \$6.3 million to provide medical services to an annual average of 1,101 airline-related workers and their dependents.²³

Airline contractor employees are disproportionately immigrants, refugees and people of color

Nearly two-thirds of workers we surveyed are people of color, immigrants and refugees. When comparing the proportion of

race and ethnicity of surveyed workers to the population of King County, the City of SeaTac and the total workforce at Sea-Tac Airport, (see Figure 3) it becomes clear that these workers are an incredibly diverse subgroup. Recent job application history shows that half of all airport job applicants are immigrants or refugees from Africa, Asia, Latin America, and Eastern Europe.²⁴ Many have left dire situations in their home countries to pursue the American dream. Instead of economic opportunity, however, they find themselves stuck in poverty wage jobs with no job security and with little hope for significant economic advancement.

Figure 3: Airline Contractor Workforce More Diverse Than County, City or Airport at Large

	People of Color	White Persons
King County ²⁵	36.3%	63.7%
City of SeaTac ²⁶	62.7%	37.3%
Sea-Tac Airport ²⁷	57.1%	42.9%
Airline Contractor Employees	64.4%	35.6%

Prosperity for the Airport and Alaska Airlines Comes at the Expense of Poverty-wage Workers

The Port of Seattle stands by while airline outsourcing creates a race to the bottom

Many consider Sea-Tac International Airport the crown jewel of the Port of Seattle. It is the 17th busiest passenger gateway in the United States, with a record 32.8 million passengers flying into or out of Sea-Tac in 2011, along with 280,000 tons of freight.²⁸ The airport itself — not to mention the trade and tourism generated by the airport’s activity — supports thousands of good jobs. Pilots, flight attendants, mechanics, and others have living-wage jobs that allow them to support their families and communities with middle-class incomes.

However, as discussed in the previous section, there is also the lesser known workforce at Sea-Tac of an estimated 4,000 employees, many of whom earn poverty-level wages.²⁹ Of this workforce about 2,800 are employed by contractors of the airlines — fueling airplanes, loading baggage and cargo, cleaning planes, and assisting pas-

sengers.³⁰ An estimated 1,200 or more fill a range of low-wage jobs that provide services for airport-related businesses; these include taxicab drivers, shuttle drivers, and off-site parking garage attendants.³¹

How did it get this way? How did Sea-Tac Airport become a “port of prosperity” for some, but a “port of poverty” for thousands of people?

In 1978, the Federal government deregulated the airline industry, leading to a sea change in the structure of the industry and its fundamental business models.³² Airlines began experimenting with new ways to lower costs and make new profits. One major change in industry practice was to outsource, or “contract out,” entire functions of an airline to another company or business.³³

Since then, U.S. airlines have relied on contractors to provide more and more passenger and aircraft services. The airlines have fostered a fierce competition between contractors that drives down overall costs, resulting

in a race to the bottom by contractors for wages and benefits throughout the industry.

The consequence of this system-wide business practice has been the creation of a two-tiered industry: those working directly for the airlines and those working for contractors. A study by the Institute of Industrial Relations at the University of California, Berkeley found that airline contractor employees at airports are paid lower wages, receive fewer benefits, and have less access to training and career advancement opportunities than direct airline employees.³⁴ The study found that airline contractor employees were paid 27% to 41% less than direct airline employees in the same job classifications.³⁵ The study pointed to low-cost contracting as a primary determinant of poor wages and working conditions for those workers.³⁶ This is similar to what has been seen in textile manufacturing and other labor-intensive industries, where fierce competition among contractors results in squeezing costs — primarily worker pay.

Over the past 20 years, airlines have dramatically increased the amount of contracted services they use in an effort to regain, or improve, profitability. The largest carrier at Sea-Tac Airport, Alaska Airlines, was slower than most major carriers to contract out work, keeping many functions such as baggage handling, ramp services and cabin cleaning in-house. But, in the last decade, Alaska Airlines has aggressively switched to the outsourcing model, leading to the replacement of formerly living-wage jobs at the airport with sub-standard, poverty-wage jobs.

Another consequence of the system of contracting out services has been confusion for customers and job insecurity for employees

at every airport across the country. For example, no fewer than four different companies at Sea-Tac Airport provide wheelchair assistance to disabled or elderly passengers, and airlines have been known to change contractors on short notice.

The Port of Seattle has simply stood by throughout this process, claiming to be powerless to influence the business decisions of private airlines operating on their property.

One hundred years ago, the people of King County stood up to the private interests of the railroad companies that controlled the ports. The people established a Port Commission because they knew the profit motives of the railroads were in conflict with the public interests of promoting commerce and good jobs. The founding board and other early Port Commissioners strongly stood behind these principles.

Today, however, the Port has abandoned its commitment to good jobs and public interests. Instead, the Port is increasingly dominated by firms accountable to the narrow interests of investors and shareholders in cutting costs and improving stock values. These interests play out in decision-making by the Port Commission, such as millions of dollars in lease discounts and other financial assistance to firms operating at both the airport and seaport.³⁷ Today's Port of Seattle leadership has drifted far from its historic mission. The Port's challenge — and the challenge for our community — is to return the Port of Seattle to its founding mission of ensuring good jobs for the workers who have contributed to its success over the years.

Alaska Airlines makes record profits and pays out record bonuses

Any discussion of the business of Sea-Tac Airport eventually leads to Alaska Airlines, by far the dominant carrier at the airport. Alaska Air Group wholly owns Alaska Airlines and its sister carrier, Horizon Airlines, which is headquartered in the City of SeaTac, less than a mile from the entrance to the airport.

The Alaska Air Group is responsible for 55% of all Sea-Tac landings and half of all passengers, more than four times the number of its nearest competitor.³⁸ Sea-Tac is Alaska's main hub; on any given day, about 30% of Alaska Airlines airplanes pass through Sea-Tac Airport.³⁹ Alaska's dominance at Sea-Tac Airport makes its business strategies a key driver in the operations and economics of the entire facility.

Moreover, the company has established Seattle as its corporate headquarters, with approximately 6,300 employees throughout the Puget Sound.⁴⁰ Alaska Airlines enjoys an iconic status in our region, along with other major companies like Microsoft and Boeing. The company is a frequent high-profile sponsor of sporting and cultural events and local charities.⁴¹

With over \$4 billion in revenues, the company is the 7th largest carrier in the U.S., serving U.S. East Coast, Mexican, Canadian and Hawaiian Island destinations.⁴²

Through its careful growth strategy, Alaska Airlines has avoided the bankruptcy trap that many older airlines fell into over the

last decade. Last year, while airline industry stock value fell an average of 25%, Alaska Air Group stock rose 30%.⁴³ Wall Street's appraisal of the company's rising value reflects the company's profitability. Alaska Air Group posted a profit of \$251.1 million in 2010⁴⁴ – a record – and another profit of \$244.5 million in 2011.⁴⁵ Alaska Air Group's 2010 profit margin of 6.6% was the highest margin of any major carrier.⁴⁶ As Bill Ayer, the retiring CEO of Alaska Air Group, has said, "2011 was a stellar year. Record adjusted earnings represent our eighth consecutive annual profit.... Working together with determination and perseverance, our people pushed our company to the top in terms of nearly every operational, customer service, and financial measure."⁴⁷

Mr. Ayer and the other top management at Alaska Air Group have been richly rewarded for their performance. Mr. Ayer made \$3.36 million in 2010 while the top six employees at Alaska Air Group received a total of \$11.77 million in compensation.⁴⁸ Mr. Ayer will also receive a generous retirement when he leaves Alaska Air Group this spring, with a total package valued at \$11.2 million at the end of 2010.⁴⁹

Top management is not the only beneficiary of the company's success. Line employees at Alaska, who are largely unionized, receive bonuses that are based on meeting customer satisfaction and on-time goals.⁵⁰ In February 2012, Alaska Airlines announced \$54 million in bonus payouts to its 12,800 employees, an average of more than \$4,200 per employee.⁵¹ Some \$33 million of those payouts went to the airline's employees based in and

around Sea-Tac.⁵² While the 2011 bonuses were generous, they are surpassed by the 2010 bonus payout of \$92 million, which averaged nearly \$7,600 per employee.⁵³

Alaska Airlines rewards its employees with good reason. It has become one of the most reliable and efficient airlines in the United States. In 2010 and 2011, it won the FlightStats award for best on-time arrival performance among major North American airlines.⁵⁴ It also has won industry awards for customer service and technological innovation.⁵⁵ The stock market, the airline industry, and Alaska's customers all recognize the quality service it provides. Alaska Airlines clearly knows that its success depends on its employees as well, which is why so many of them are paid well and receive such impressive bonuses.

Alaska Airlines sheds good jobs to increase profits

However, Alaska has not been generous with every worker responsible for its success. A key component of the company's strategy to increase profits has been to contract out increasing portions of its workforce and operations. In the last decade, the value of the work Alaska contracted out has grown from \$82 million to \$185.1 million.⁵⁶

Over the years, workers who loaded and unloaded bags, fueled jets and assisted passengers with special needs have gone from proudly wearing Alaska Airlines uniforms to wearing a panoply of ever-changing uniforms. In an even more dramatic move, Alaska began to contract out entire west coast routes to SkyWest Airlines.⁵⁷ The

jet and the interior of the plane all bear Alaska insignias and color schemes and the only indicator that Alaska is not, in fact, the operator of these jets is a small "SkyWest" insignia on the fuselage.⁵⁸

The result, as well as the underlying purpose, of contracting out these services is lower operational costs through reduced wages, fewer benefits, and decreased job security for workers. In 2005, Alaska Airlines executives began to subcontract with Menzies Aviation for baggage handling, also known as ramp services, claiming that it would save the company \$13 million a year.⁵⁹ Until then, due to a hard-won collective bargaining agreement, Alaska baggage handlers earned an average of \$15.59 per hour with a maximum pay of \$23 per hour.⁶⁰ With the shift to Menzies, this relatively high wage standard soon plummeted.

"It's hard physical work. We used to have crews of five to seven people loading each plane. Now it's just four ramp workers to load each plane – that could be between 150 to 340 bags to load, each weighing up to 50 lbs. At Menzies you're nothing. We work outside in the rain and cold, loading and unloading bags. We do important work, and we get treated with disrespect. We deserve better."

Yahye Jama, Menzies

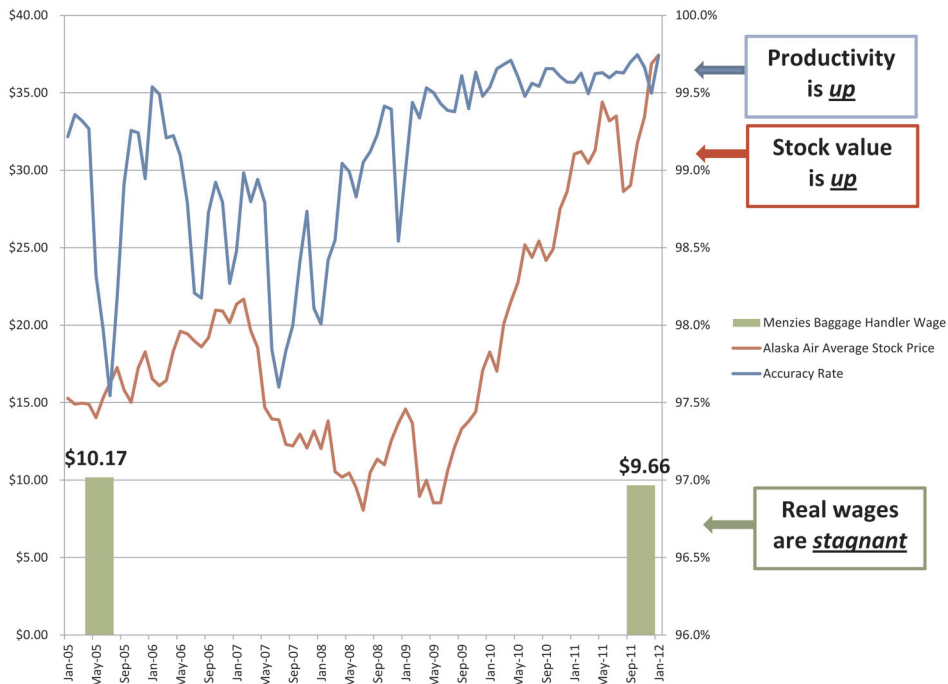
Menzies Aviation: The new poverty-wage face of Alaska passenger services

Menzies Aviation is a multinational company that contracts with airlines in 29 countries, offering to lower costs by outsourcing functions historically performed by airline employees.⁶¹ Menzies began contracting with Alaska in 2005 and, overnight, nearly 500 Alaska Airlines ramp employees, who earned an average wage, adjusted for inflation, of \$15.59 per hour, were terminated and replaced with new Menzies staff who earned an inflation-adjusted \$10.17 per hour.⁶² Seven years later, the average non-supervisory Menzies employee makes an estimated \$9.66 an hour, or over \$12,000 less in annual earnings than Alaska ramp employees in 2005, according to our survey.⁶³ With this one decision, Alaska Airlines traded hundreds of decent-paying jobs with strong benefits for poverty wage jobs with few benefits.

Initially, the new Menzies workers lost and mishandled luggage, damaged aircraft and delayed flights.⁶⁴ Today, ramp operations set industry standards with their incredibly high level of effectiveness and efficiency. Alaska Airlines' current rate of mishandled baggage is three out of every thousand bags, down from the rate of nearly twelve out of every 1,000 bags in the first year that Menzies took over ramp operations.⁶⁵ Indeed, Alaska's ramp operations are so efficient that the company guarantees that their customers will receive their bags within 20 minutes of the plane parking at the gate. Alaska is the first major airline to offer such a promise to its customers.⁶⁶

Despite increased productivity, Menzies employees have not been rewarded for their work (see Figure 4). While worker productivity and stock value steadily improved between 2005 and 2012, the average wages of baggage workers have stagnated or slightly decreased from an inflation-adjusted \$10.17 in 2005 to \$9.66 today.⁶⁷

Figure 4: Ramp Productivity and Stock Value at Alaska Increase, But Ramp Wages Stagnate



Menzies' Compatriots in Low Wages

Low-wage jobs with airline contractors are not limited to ramp operations. The staff who clean aircraft cabins work for Delta Global Staffing (DGS), a wholly-owned subsidiary of Delta Airlines, with operations in more than 50 cities in North America.⁶⁸ According to our survey results, DGS workers average \$9.68 an hour.⁶⁹ The workers who fuel Alaska planes and coordinate with pilots to ensure that the proper amount of fuel is loaded work for a global aviation services company

named Aircraft Service International Group, which operates in North and South America, Asia and Europe. They are paid an average of \$11.58 an hour.

Alaska-contracted skycaps and wheelchair assistants work for Bags, Inc. and according to workers are paid the state minimum wage, currently \$9.04 an hour. While some would say that these workers do well with the addition of tips, many of them, particularly skycaps, report that passenger tips have plummeted in recent years as Alaska and other airlines instituted baggage fees.⁷⁰



“I have been working for DGS since 2008. During that time I have worked as cabin cleaner, auditor and dispatcher. After four years, I still only make \$10.64 an hour. We used to have medical benefits and five days of vacation time. Now anyone hired after 2010 has no benefits and no paid time off at all. That doesn’t seem fair.”

Amina Mohammed, Somali Refugee, DGS



“After serving in the U.S. Marines for 12 years honorably, including combat tours in Kosovo and Afghanistan, and three tours in Iraq, despite my qualifications and ability, I have been reduced to working for just above minimum wage. As a disabled veteran I feel that after serving and sacrificing for so long, it’s appalling that I have to choose between filling my gas tank or feeding my family.”

Alex Popescu, ASIG Fueler

Living Wages Will Improve the Bottom Line for Workers and Airlines in the Long Run

Alaska Airlines can afford to stand behind living wages at Sea-Tac Airport

Responsibility for pervasive, poverty-wage jobs at Sea-Tac airport eventually falls to the airline executives who have chosen the low-bid contractor business model as a centerpiece of their business strategies. By pursuing this approach, airlines may improve their financial bottom line in the near term, but at a tremendous cost to workers, communities and the integrity of their business in the long run.

Can the airlines pay an area living wage (\$15.69) to airline contractor employees while still making healthy profits for their shareholders? Sea-Tac Airport's dominant airline, Alaska Airlines, has demonstrated not only strong profitability in recent years but an ability to share their prosperity with line workers who wear the Alaska uniform. It is hard to believe that Alaska could not stand behind its contractors if they began to pay more. Furthermore, if Alaska helps even the playing field between Sea-Tac

airline contractors, taking labor costs out of competition, then other airlines would follow suit.

At Los Angeles International Airport (LAX), an airport-wide living wage requirement has resulted in airline contractor employees earning at least \$14.97 an hour (see Figure 5).⁷¹ Alaska flies to LAX. So do other airlines at Sea-Tac Airport. In addition, the same airline contractors at Sea-Tac also operate at LAX. If these businesses can pay a living wage in LA, and remain profitable, they can pay a living wage in Washington. The increased costs will likely be spread across airlines and passengers and even be offset by savings associated with reduced turnover and higher employee loyalty.

Alaska risks damaging its brand by ignoring the problem of poverty-wage jobs at Sea-Tac Airport

An airline's brand is one of its most important assets. Especially in the hyper-competitive, customer sensitive airline industry,

“For the last 5 years, I have cleaned aircraft cabins as an employee of DGS. Health benefits are unaffordable. So, in order to see a doctor, my co-workers and I pay \$50 a year to get our flight benefits and fly back home to the Ukraine. If I actually used my DGS health benefits, I would have to pay nearly 1/4 of my salary.”

Tatyana Rymabruk, DGS Cabin Cleaner

it takes years of solid performance and customer service for a company to build good brand identification; but, it only takes a few adverse headlines or episodes to damage the brand for the long-term.

Does the airline deliver consistent quality and value to the flying public? Is it innova-

tive and forward-looking, not just focused on the next quarterly balance statement? Is it a good environmental steward and a responsible corporate participant in the community? Is it responsive to concerns raised by customers and the public at large?

These are all questions that Alaska Airlines’ leadership must consider as it decides whether to continue a low-bid race to the bottom on contracted services, or to return to being a company that takes responsibility for all workers as a model for success.

These are particularly important questions for an airline which, like Alaska, excels in many ways. Alaska’s shareholders and leaders must recognize that the low-bid contractor approach threatens to undermine the positive public perception that Alaska has worked so hard to earn. The riskiest strategy moving forward for Alaska’s leadership would be to ignore the problem of poverty-wage jobs at Sea-Tac.

Figure 5: Sea-Tac Minimum Wage Far Below other West Coast Airports

Airport	Minimum Wage at Airport
LAX (Los Angeles, CA)	\$14.97 ⁷²
SJC (San Jose, CA)	\$14.37 ⁷³
SFO (San Francisco, CA)	\$13.58 ⁷⁴
OAK (Oakland, CA)	\$13.05 ⁷⁵
SEA (Seattle, WA)	\$9.04

The Port of Seattle Must Take Responsibility for Working Conditions at the Airport

While the Port of Seattle does not employ airline service workers, it still bears responsibility for the working conditions at its airport. Any business at the airport – an airline, a contractor, or small business – is a tenant of the Port of Seattle. Businesses cannot operate without the approval of the Port, and they are subject to terms and conditions that the Port negotiates through contracts with lessees and through legislation and regulation.

Sea-Tac is out of step with other airports that improved conditions for airline contractor employees

Sea-Tac lags far behind other west coast airports in taking steps to avoid exacerbating poverty in their region through low-wage employment. Airports in San Jose, Oakland, San Francisco and Los Angeles all have adopted “living wage” rules that establish a wage floor for workers within the airport, along with a two-tiered wage

incentive for employers to provide health benefits to employees (see Figure 5). By establishing a wage and benefit floor, these airports are protecting workers and communities from the worst effects of low-bid contracting.

These airports also have adopted regulations to promote stable workplace environments, such as worker retention provisions in the event of a change in contractors, labor peace requirements for contractors or concessionaires and whistleblower protections for employees who speak up about problems in the workplace. Figure 6 details some of the labor standards in effect at these airports, none of which has been adopted by the Port of Seattle. As a result of steps taken by other west coast airports, fewer of their contracted workers are struggling in poverty wage jobs. The wage floors in these airports represent important progress toward living wages for airport workers.

The Port should use regulatory authority to protect workers

In recent years, Port executives and some Port Commissioners have argued that the Port of Seattle lacks the regulatory authority to impose on its tenants minimum labor standards similar to the other west coast airports. They note that the Port was created by state legislation, and the Port’s authority is limited to the powers that have been conferred upon them by statute. Regardless, there is nothing preventing the Port from petitioning the State Legislature for additional authority so it can enact regulations that improve the working conditions for airline-contracted workers.

In fact, the Port of Seattle has been doing just the opposite and has fought efforts by State Legislators to give the Port expanded authority to regulate airport contractors. In the 2012 Washington State legislative session, the Port successfully prevented

the passage of legislation that would have given it the authority to ensure workforce stability in the event of a change in service contractors at the airport.⁷⁶

The Port should require airlines to improve working conditions for their contractors’ employees

Beyond exercising its legislative authority, the Port has the ability to improve the working conditions of airline-contracted workers through bilateral agreements with its biggest tenants – the airlines. Every few years, the Port of Seattle and airlines negotiate a Signatory Lease and Operating Agreement (SLOA). The SLOA agreement is a comprehensive document outlining the terms and conditions under which airlines are permitted to use airport facilities, including landing and lease fees, capital improvements, and the responsibilities of the airlines to operate at Sea-Tac.

Figure 6: Labor Standards Comparison at West Coast Airports

Airport	Living Wage	Health Benefit Incentive	Labor Peace	Worker Retention	Whistleblower Protection
San Jose	●	●	●	●	●
Oakland	●	●		●	●
San Francisco	●	●	●	●	●
Los Angeles	●	●		●	●
Seattle					

The current SLOA expires at the end of 2012. In the new SLOA, Port leaders should negotiate provisions governing the standards of contractors that airlines choose to employ.

Which way forward for Port leaders?

Will Port leadership stand up to ensure good jobs for all airport workers? Or will they continue to hide behind the argument that their tenants' practices are beyond their ability to control?

At stake are not only the livelihoods of 2,800 hard-working airline contract workers, but also something fundamental about who we are as a community. The Port of Seattle was birthed in an era of agitation against corporate control of our public assets. The Port was created specifically to serve community, not private interests. As recently as 2009, the Port Commission

reaffirmed that fulfilling that mission depended on creating good jobs. Yet no one would credibly argue that the wages of airline-contracted workers at Sea-Tac today create "a sustainable quality of life" for those workers and their families. By tolerating the continuation of poverty-wage jobs at our airport, Port leaders are failing to meet the Port's historic mission.

Some Port leaders have in recent years argued that legal barriers prevent them from intervening in the affairs of the airlines and their contractors. More than 100 years ago, legal barriers prevented the citizens of Seattle from ousting the private railroad companies from the waterfront. That didn't stop them – they did something about it. They won legislation, created the Port district, and reclaimed the waterfront as a public good. It's time for today's leaders to exhibit the same ingenuity, creativity and determination.



"Our Port is a source of high prosperity for some and a place of hardship for many working people, mostly people of color and family breadwinners. It is our moral obligation to respect the rights of workers and to adhere to shared principles of justice and compassion – even more so during hard times. Our 'people's port' should take the high road for the common good."

Jackie O'Ryan, Co-Director, Faith Action Network

Notes

1. Airport operations in 2011 generated a total of \$351 million in revenues. *2011 Financial & Performance Report*, Port of Seattle, page 7 (December 31, 2011), available at: <http://www.portseattle.org/About/Financial-Info/Documents/POSQ42011RPT.pdf> (accessed April 30, 2012).
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6. Bridges, Robert, "Public Ownership and Operation of Water and Rail Terminal Facilities Produce the Greatest Dispatch and Economy," League of Washington Municipalities, (October 6-8, 1915).
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15. The data used in this report was collected by union organizers during conversations with airport workers. Conversations occurred between October, 2011 and April, 2012. Workers surveyed were not current union members, and supervisors were excluded from the survey. The wage data was gained through conversations and was supplemented with demographic and location data gained through voter registration files and purchased from third-party vendors.
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17. See note 15 and Federal poverty guidelines available at <http://aspe.hhs.gov/poverty/11poverty.shtml> (accessed April 30, 2012).
18. Average wages for Alaska Airlines employees was calculated with data from the Federal Bureau of Transportation Statistics and inflated from to reflect 2011 dollars. Specifically, we obtained data from BTS's Air Carrier Financial Reports Form 41 Financial Data online database. Wage and salary data can be found in Schedule P-6 and FTE employment figures can be found in table P10. We divided the total wage figure by total employees to get average wages. The database is available at: http://www.transtats.bts.gov/Tables.asp?DB_ID=135&DB_Name=Air_Carrier_Financial_Reports_Form_41_Financial_Data&DB_Short_Name=Air_Carrier_Financial (accessed May 5, 2012).
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30. *Ibid.*
31. This estimate is based on conversations with employees at the various companies providing these types of services.
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Puget Sound Sage works to promote good jobs, quality employment opportunities for disadvantaged adults, a cleaner environment, and affordable housing for low/moderate income families in the metro Seattle area. Our mission is to ensure that all families benefit from economic growth, and that local and regional policy decisions meet the social and environmental needs of our communities.



OneAmerica is the largest immigrant advocacy organization in Washington State, whose mission is to advance the fundamental principles of democracy and justice through building power in immigrant communities, in collaboration with key allies.



Faith Action Network is a faith-inspired statewide partnership striving for a just, compassionate, and sustainable world through community building, education, and courageous public action.



Working Washington is a coalition of individuals, neighborhood associations, immigrant groups, civil rights organizations, people of faith, and labor united for good jobs and a fair economy.

