

The Economic Impacts of a Transportation and Hospitality Living Wage in the City of SeaTac

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Puget Sound Sage works to promote good jobs, quality employment opportunities, a cleaner environment and affordable housing for low/moderate income families in the Seattle metropolitan 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. Sage provides timely, critical research on issues of the regional economy, jobs, housing and the environment. Find more information at our website, www.pugetsoundsage.org, and our blog, soundprogress.wordpress.com.

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EXECUTIVE SUMMARY

On July 23rd, the SeaTac City Council placed a citizen-initiated proposition on the November 5th, 2013 ballot titled an “Ordinance Setting Minimum Employment Standards for Hospitality and Transportation Industry Employers.” Referred to now as Proposition 1, the initiative establishes minimum employment standards for a variety of travel-related industries operating in SeaTac. For jobs covered by Proposition 1, these standards include a \$15 hourly wage, up to five days of paid sick leave and prevention of “tip theft.”

Proposition 1 will have a significant, positive effect on household income and jobs in the region and will provide direct benefits to the residents of the city of SeaTac. In contrast, increased wage costs will represent a marginal proportion of consumer spending on travel-related services covered by the initiative. The majority of business revenue that will pay for the living wage requirements will likely come from visitors to the Seattle region, creating a net benefit to the local economy.

Top level findings include:

Proposition 1 will raise the average wage for six thousand, three hundred jobs by 36%.

- Workers covered by Proposition 1 make an average of \$11.03 per hour in wages and will receive an average increase of \$3.97.
- Workers across all covered jobs currently make an average of \$1,472 a month, just below the Federal poverty threshold for a family of three (\$1,590) and far below a monthly budget required to make ends meet in the region for a family of three (\$4,136).
- The bulk of covered jobs (4,586) are in three groups of employers located in the airport – airline contractors/cargo handlers, rental car companies, and airport terminal concessionaires (food and retail). The remaining jobs are in large hotels (1,221), parking facilities (311) and airport shuttle services (180).

Proposition 1 will have a large, positive effect on household income in the region and create jobs.

- Workers holding jobs covered by Proposition 1 will receive an estimated \$40 million annual increase in gross wages should the proposition pass.
- In turn, the spending by workers and their households will ripple throughout the economy, resulting in an estimated 412 new jobs and an annual \$54 million boost to household income.
- Said another way, for every \$1 of increased gross wages in jobs covered by Proposition 1, total household income in the region will increase by \$1.35.

Proposition 1’s living wage will substantially benefit SeaTac residents.

- 16.4% of SeaTac residents have incomes below the Federal poverty threshold. In contrast, the

poverty rate in King County is 10.2%.

- Approximately 945 to 1,260 SeaTac residents hold jobs covered by Proposition 1. With a working population of only 12,900, the city of SeaTac will experience a significant earnings boost for 7-10% of its entire workforce.
- SeaTac businesses will benefit not only from increased spending by residents, but also from increased spending by workers commuting to their jobs.
- Spending by workers in local businesses will have a positive effect on City revenues.

Increased wages for workers can be absorbed by covered businesses.

- The majority of covered jobs are with large corporations, some multinational, that are well-positioned to absorb labor cost increases.
- Wage bumps under Proposition 1 could be absorbed by marginal price increases for the customers of covered businesses.
 - The total cost of wage requirements for all in-airport jobs could be offset with a 0.5% increase to the cost of an average plane ticket (\$363).
 - Rental car firms could pay for increased wage costs with a price increase of less than 1%.
 - Overnight visitors at hotels could pay for all increased labor costs with a 1.4% increase in travel spending.

The majority of revenues enjoyed by covered employers flows to the region from visitors.

- A vast majority of covered jobs (73%) are located at Sea-Tac Airport, a unique, captured market operated by a large public authority, the Port of Seattle.
- The bulk of the increased wage costs (\$33 million annually) will be absorbed by businesses operating at the airport.
- Visitor spending comprises 68% of revenues for covered employers throughout SeaTac, which means most of Proposition 1's wage increase will be a net benefit to the local economy.

Proposition 1 will create other important benefits for workers and their communities.

- Employees with covered jobs can earn up to five paid sick days per year, which help prevent the spread of disease by encouraging sick workers to stay home, and have the ability to stay home when their kids are sick.
- Proposition 1 helps prevent tip theft and increases transparency for customers about whom is receiving their tips.
- Proposition 1 will encourage full time work, resulting in fewer workers needing multiple jobs.
- Proposition 1 will reduce the need for government assistance. Between the Earned Income Tax Credit and Supplemental Nutrition Assistance Program (food stamps), taxpayers will save \$3.6 million every year.

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BACKGROUND

On July 23rd, the SeaTac City Council placed a citizen-initiated proposition on the November 5th, 2013 ballot titled an “Ordinance Setting Minimum Employment Standards for Hospitality and Transportation Industry Employers.” Referred to as Proposition 1 on the upcoming ballot the initiative establishes minimum employment standards for a variety of travel-related industries operating in SeaTac. Those industries include airline service providers, airport concessions, air cargo handlers, rental car companies, parking facility operators, shuttle operators and large hotels.

The city of SeaTac is home to Sea-Tac Airport and a number businesses that cater to tourists and business travelers in the Seattle Metropolitan region. Every day over 91,000 people pass through the City of SeaTac on their way to the airport.¹ In comparison, the city itself is relatively small with only 27,000 residents. Nearly 4,300 residents (16.4%) have incomes below the Federal poverty threshold. In contrast, the poverty rate in King County is 10.2%.² The city of SeaTac also has the third highest rate of resident utilizing the Basic Food Program (17%) in King County.³ Furthermore, measures of economic hardship have worsened over the last fifteen years – child poverty has doubled from 16%⁴ to 30.9%⁵.

Employer Requirements

Proposition 1 would require certain airport-related businesses to adhere to the following workforce standards:⁶

Paid Sick Time:

Establishes a paid sick leave law similar to Seattle’s law requiring that employers provide at least one hour of paid sick leave for every 40 hours worked.

Service Charges and Tip Standards:

Protects worker tips by ensuring that service charges and tips are paid entirely to the worker performing the service.

Living Wages:

Requires large businesses to pay workers no less than \$15 an hour.

Full Time Work:

Requires that airport-related business offer part-time employees the ability to work more hours before they hire new part-time employees.

Worker Retention:

Worker retention requires that an employer replacing one contractor with another must retain the current workforce for a certain period of time, such as 60-90 days. This ensures that when an employer switched management or contractors, the existing workforce is not fired wholesale and replaced by a brand new one.

Precedents for Airport or Hospitality Minimum Standards in Other Cities

In a previous report by Sage, *Below the Radar*, we demonstrated how that four major airports on the West Coast legislated new standards for wages and other employment conditions for airport workers.⁷ In addition, three cities in California have adopted minimum employment standards for hotel workers within their jurisdictions – Los Angeles, Emeryville and Long Beach. Most of the provisions in SeaTac’s Proposition 1 draw from provisions already established by these cities. Table 1 shows the wage minimum for each of these laws, other standards and how they were adopted.

Table 1: Other Cities and Airports on the West Coast with Living Wage Requirements

Location	Wage Requirement	Additional Worker Benefits	How Adopted
Los Angeles (Airport) ^{8,9}	\$15.67	Paid Sick Days, Worker Retention, Health Insurance Incentives	City Council Legislation (2009)
San Jose (Airport) ¹⁰	\$15.07	Worker Retention, Health Insurance Incentives, Minimum Training Standards	City Council Legislation (2008)
San Francisco (Airport) ^{11, 12}	\$12.43 - \$14.18	Paid Sick Days, Worker Retention, Health Insurance Incentives, Minimum Training Standards	City Council Legislation (1999 and 2000)
Oakland (Airport) ¹³	\$13.75	Paid Sick Days, Worker Retention, Health Insurance Incentives	Ballot Initiative (2002)
Emeryville (All Hotels) ^{14, 15}	\$13.27	Worker Retention, Paid Jury Duty, Health Insurance Incentives	Ballot Initiative (2005)
Long Beach (All Large Hotels) ¹⁶	\$13.00	Service Charges and Tips Standards, Paid Sick Days	Ballot Initiative (2012)
Los Angeles (Large Airport Hotels) ¹⁷	\$11.95	Paid Sick Days, Health Insurance Incentives	City Council Legislation (2007)

SCOPE OF COVERAGE

Proposition 1 covers large air travel-related industries operating within the City of SeaTac. The Initiative defines two types of businesses that must meet the new standards for employment – transportation employers and hospitality employers. Transportation employers include most businesses serving ground and air travel passengers. Hospitality employers include large hotels and food or retail services in public facilities, hotels or conference centers. They are further defined below.

Transportation Employers

Proposition 1 defines transportation employers as employers with more than 25 non-managerial and non-supervisory employees who provide the specific services related to transportation and air travel in the city of SeaTac. Additional size thresholds also apply to ground transportation providers. The employers include a variety of passenger airline support businesses, parking facilities, rental car companies and shuttle operators (See appendix A for a detailed description of these services). Airlines and in-flight catering businesses are **not** covered by the Proposition 1. A majority of the businesses that would be covered by the initiative are large multi-national companies like Menzies Aviation, DGS and Swissport, who provide ground handling, ground transportation and passenger services at Sea-Tac and many other airports. Many of these companies already comply with similar workforce and wage standards in other cities. To estimate the economic implications of Proposition 1, we collapsed transportation employers into four categories: Airline Contractors/Cargo Handlers, Rental Car Companies, Parking Facility/Lot Operators and Airport Shuttle Services.

Hospitality Employers

Proposition 1 defines hospitality employers as hotels and motels in the City of SeaTac with over 100 rooms with at least 30 non-managerial, non-supervisory employees. Proposition 1 would affect primarily large hotels in SeaTac. For example, the 850 room Double Tree is covered. Smaller local hotels with less than 100 rooms, like Jet Motel, are not covered.

Hospitality employers also include food service or retail operations in large hotels and in the airport employing 10 or more employees. The operations covered by Proposition 1 primarily serve airline passengers and visitors at conference centers or hotels. For example, Hudson and Host, which operate dozens of restaurants and stores in the airport would be covered. Because Proposition 1 specifically excludes non-airport and non-hotel employers, local businesses like Pancake Chef, Galliano's Cucina, Dave's Diner or SeaTac International Market are not affected by the proposition.

To estimate the economic implications of Proposition 1, we expanded Hospitality Employers into three categories: Hotel/Motel, Food Concessionaires and Retail Concessionaires.

Total Jobs Covered

Approximately 6,300 jobs in the City of SeaTac will be affected by Proposition 1. (See Appendix B for our method for estimating the number of covered firms and workers). Table 2 shows the distribution of these jobs across the seven categories of Transportation and Hospitality Employers. We calculated the number of covered jobs by first estimating the total number of jobs in each sector (3rd column in the table) and then subtracting out a rough estimate of managerial positions, leaving only affected jobs.

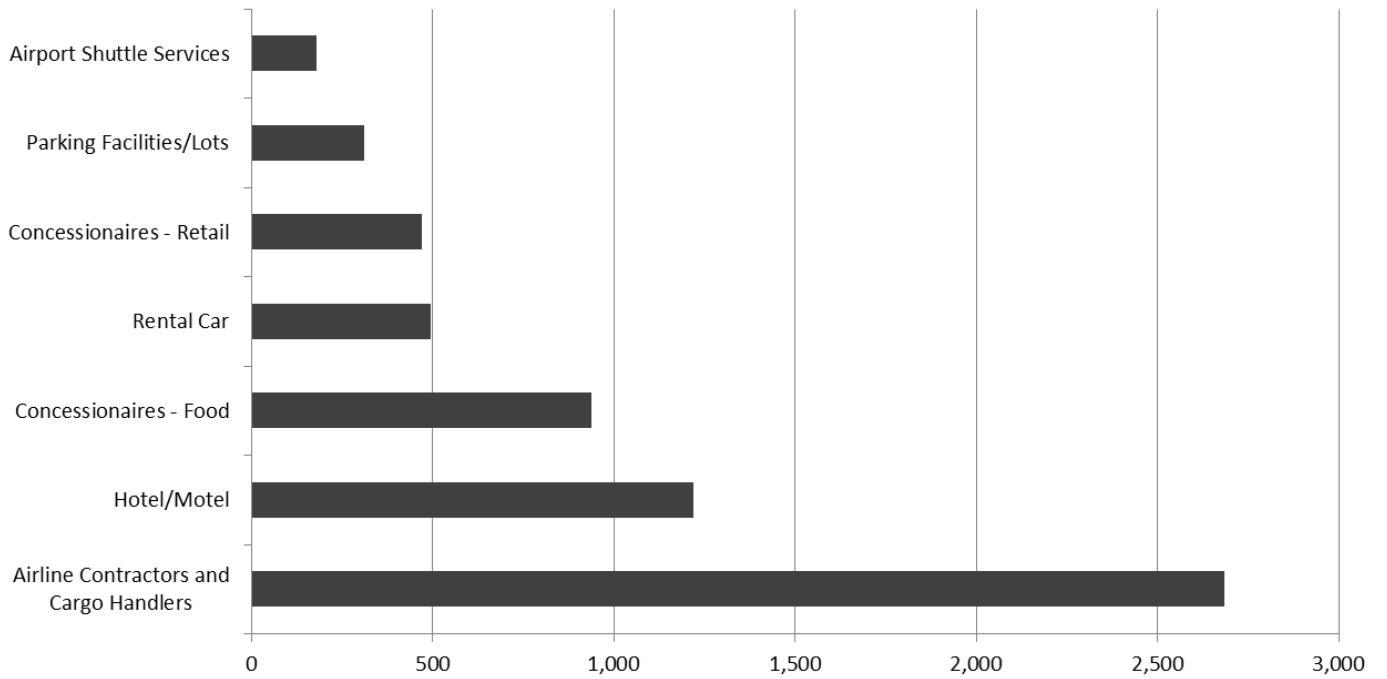
Table 2: Estimates of Jobs by Covered Industry

Industry	Total Industry		Total Covered
	Employers	Total Workers	Workers
Airline Contractors and Cargo Handlers	20	2,982	2,684
Concessionaires – Food	15	1,043	938
Concessionaires – Retail	9	521	469
Hotel/Motel	14	1,356	1,221
Rental Car	7	550	495
Parking Facilities/Lots	6	345	311
Airport Shuttle Services	1	200	180
Averages/Totals	72	6,997	6,298

Note: In-hotel food services are counted under Hotel/Motel Industry. .

On-airport employers represent the vast majority (73%) of all covered jobs under Proposition 1. This includes airline contractors/cargo handlers, airport concessionaires, and rental car firms (who use the Port of Seattle’s new consolidated rental car facility). Of the on-airport employers, firms that contract with major airlines, such as Alaska, Delta, and American, represent well over half of all on-airport jobs (see Figure 1).

Figure 1: Covered Jobs by Type of Employer



Source: Authors' analysis of Port of Seattle Security Badge Data, Puget Sound Regional Council, Puget Sound Business Journal 2013 Book of Lists, Martin Associates (for the Port of Seattle) - see appendix B for full method.

WAGE AND EARNINGS BENEFITS OF THE LIVING WAGE

Proposition 1’s primary effect on the local economy will be in the form of increased wages, and subsequently, increased household income. We estimate that the gross earnings of directly covered workers will increase by \$39.9 million. Of this total, more than four out of five dollars (\$33.0 million) will go to workers at the airport.

First, we estimate the earning of workers in covered jobs. Table 3 shows that average wage by sector varies from \$9.95 to \$13.06 an hour, with an average weighted wage for all jobs of \$11.03.¹⁸ Average hours worked per week varies from 29 to 35, with a weighted average of 30.8 hours.¹⁹ We use these figures to estimate monthly earnings for each sector, ranging from a low of \$1,268 for airline contractors/cargo handlers to a high of \$1,624 for airport shuttle services. The weighted average across all employer types is \$1,472 a month in gross earnings. As explored in our previous study of airport workers, this amount is less than the Federal poverty rate for a family of three (\$1,590) and far below what a family needs in the region to meet its most basic needs without government assistance (\$4,136).²⁰

Table 3: Current Wage and Earnings Estimates

Industry	Covered Jobs	Current Average Wage	Average Hours Worked Per Week	Monthly Earnings
Airline Contractors and Cargo	2,684	\$9.95	29.4	\$1,268
Concessionaires - Food	939	\$10.61	33.0	\$1,516
Concessionaires - Retail	469	\$10.61	33.0	\$1,516
Hotel/Motel	1,221	\$12.78	29.5	\$1,634
Rental Car	495	\$13.06	33.2	\$1,879
Parking Facilities/Lots	311	\$12.27	31.4	\$1,670
Airport Shuttle Services	180	\$10.74	34.9	\$1,624
Averages/Totals	6,298	\$11.03	30.8	\$1,472

Table 4 shows a wide range of average wage increases across sectors of the jobs covered by Proposition 1, from a \$1.94 hourly increase for employees of rental car firms to a \$5.05 increase for employees of airline contractors/cargo handlers. This represents a range of increase from 17% to 51%, depending on the industry. Overall, we estimate that the average increase (weighted by the number of jobs per sector) will be \$3.97, per hour or about a 36% increase.

Table 4: Estimates of Hourly Wage Increases

Industry	Base Wage	New Wage	Hourly Wage Increase	% Increase in Wages
Airline Contractors and Cargo	\$9.95	\$15.00	\$5.05	51%
Concessionaires - Food	\$10.61	\$15.00	\$4.39	41%
Concessionaires - Retail	\$10.61	\$15.00	\$4.39	41%
Hotel/Motel	\$12.78	\$15.00	\$2.22	17%
Rental Car	\$13.06	\$15.00	\$1.94	15%
Parking Facilities/Lots	\$12.27	\$15.00	\$2.73	22%
Airport Shuttle Services	\$10.74	\$15.00	\$4.26	40%
Weighted Average	\$11.03	\$15.00	\$3.97	36%

Table 5 shows that the combined annual increase in gross earnings for jobs covered by Proposition 1 will be nearly \$40 million annually.²¹ Over half of the annual increase (\$20.7 million) will go to employees of airline contractors and cargo handlers alone. Between airline contractors/cargo handlers, airport concessionaires and rental car firms, we project that four out of five dollars (\$33.0 million) in required wage increases will come from jobs located at airport facilities. Less than one out of five (\$6.9 million) of the total wage increase will occur in covered businesses outside the airport, including hotels, parking garages and rental car firms.

Table 5: Aggregate Gross Wage and Earnings

Industry	Covered Jobs	Current Aggregate Annual Wage	Aggregate Annual Wage Increase
Airline Contractors and Cargo	2,684	\$40,824,800	\$20,720,100
Concessionaires – Food	939	\$17,075,900	\$7,063,100
Concessionaires – Retail	469	\$8,529,800	\$3,534,600
Hotel/Motel	1,221	\$23,929,900	\$4,156,800
Rental Car	495	\$11,160,700	\$1,657,900
Parking Facilities/Lots	311	\$6,220,700	\$1,381,800
Airport Shuttle Services	180	\$3,508,400	\$1,391,600
Total	6,298	\$111,250,100	\$39,905,900

MULTIPLIER EFFECT OF INCREASED WORKER EARNINGS

One effect of raising paychecks for earners at the bottom of the wage scale is that these earners are likely to spend most of their income to meet basic needs. In turn, these households will increase patronage of local businesses, giving a boost to their community's overall prosperity. To understand the scale of this effect, we estimate how increased spending by workers will ripple out through the local economy by calculating a "multiplier" effect, a common method to assess economic impacts.

Total Economic Impact of Wage Increases

A multiplier effect occurs when a measurable increase in economic activity spurs additional activity in a defined geographic area. As an example, assume a regional transit agency building a light rail system awards a contract to a local company that makes and maintains light rail cars. To make the cars, the manufacturer will buy materials, parts and technical services from other firms. In turn, these secondary firms will also buy materials, parts and services from tertiary firms, and so on. All of these firms, from the manufacturer to the supplier far down the chain, also provide paychecks to workers, who, in turn, will spend most of their income on local goods and services. The purchase of rail cars by the agency multiplies as primary firms sell their products to other firms and workers in all the firms spend their paychecks at retailers, restaurants and other businesses. To the degree that the suppliers to the rail car manufacturer are also based in the region, a larger ripple effect will occur.

In the case of Proposition 1, however, we are concerned with the effect of an earnings increase for households, not economic output by manufacturer. For example, the Port of Seattle frequently uses an earnings analysis to estimate the value of Port facilities, such as Sea-Tac Airport, to the region. The Port estimates that the direct employees of companies and local governments involved in airport operations earned a total of \$778 million in 2007.²² For every dollar spent by those workers, the Port further calculates that the regional economy gained \$1.45 in benefit as spending and re-spending as the original paychecks rippled out – for a total of \$1.1 billion.²³ The Port also estimates that this multiplier effect results in creation of an additional 11,538 jobs.

Our own analysis in Table 6 shows that the estimated \$40 million increase in gross wages required by Proposition 1 will create a net annual gain of approximately \$54 million in increased household income for the region. It will also create 412 new jobs. We calculated this ripple effect by using multipliers intended to only measure the effects of change in household income, provided by U.S. Bureau of Economic Analysis.²⁴ The total \$54 million combines the initial \$40 million annual boost for covered workers and \$14 million in earnings for the 412 new jobs. Said another way, for every \$1 of increased wages in jobs covered by Proposition 1, total household income in the region will increase by \$1.35.

Table 6: Total Increased Household Income After Multiplier Effect

Industry	Increased Wages in Covered Jobs	Jobs Created by Increased Worker Spending	Earnings for Created Jobs	Total Increased Annual Wages in Region
Airline Contractors and Cargo	\$20,720,000	214	\$7,310,000	\$28,030,000
Concessionaires – Food	\$7,070,000	73	\$2,490,000	\$9,560,000
Concessionaires – Retail	\$3,530,000	36	\$1,250,000	\$4,780,000
Hotel/Motel	\$4,160,000	43	\$1,470,000	\$5,620,000
Rental Car	\$1,660,000	17	\$590,000	\$2,240,000
Parking Facilities/Lots	\$1,380,000	14	\$490,000	\$1,870,000
Airport Shuttle Services	\$1,390,000	14	\$490,000	\$1,880,000
Total	\$39,910,000	412	\$14,080,000	\$53,990,000

Net Regional Benefit of Wage Increases

Our estimate of the total economic impact of Proposition 1 demonstrates two outcomes: 1) increasing earnings for low-wage workers will have a positive effect on workers and the communities they live in and 2) that the scale will be significant. As discussed below, we also estimate that most of the cost increases could be born by visitors to the region in the form of higher prices. Given the nature of travel-related industries in SeaTac, we estimate that over two thirds (68%) of revenues currently received by businesses covered by Proposition 1 originate from outside the Seattle region. Furthermore, price increases to cover Proposition 1 costs will be marginal and likely absorbed by visitors. This will result in a substantial flow of money from visitors outside the region to residents inside the region.

Flow of Money

A policy like Proposition 1 has clear economic benefits to workers and the communities they live in. However, it is also useful to understand whether money to pay for the wage increases comes from within the region or without, or what the net effect will be to the local economy. If a local product is sold to businesses or people located outside the region (such as out of state or out of country), the new activity will bring new money into the local economy. For example, when Boeing sells a plane to Air Nippon, money flows from Japan to the Seattle area. If a local product is sold to businesses or people located in the region, the spending does not represent new money for the region, but recirculation or redistribution. For example, people spending money at a new movie theater are not likely increasing how much they spend on recreation – instead, they shifting it from some other form of entertainment. The result may be money flowing to the new theater and new employees at the theater, but there is no net increase in the amount of money in the local economy.

To estimate how much of the total boost in household income could be attributable to money flowing into the region, we assess the likelihood that employers can pass on increased labor costs in the form of prices and then to what degree covered employers sell goods and services to visitors versus residents.

Absorption of Proposition 1 Costs Through Price Increases

One obvious response to increased labor costs is to increase prices. We show below that the total increase in wages for covered employers would represent a marginal price bump to customers. These increases are unlikely to significantly affect demand for travel related services in SeaTac.

Airports represent unique markets in which competition is limited. To begin with, Sea-Tac Airport is the only major airport within the Seattle/Tacoma metropolitan area that offers scheduled commercial airline service.²⁵ Air travelers and airlines have virtually no alternative to Sea-Tac. Once inside an airport, particularly behind security, passengers often pay higher prices for goods and services because the cost and inconvenience of leaving the airport is high. Furthermore, several elements of market conditions, such as lease rates, concession prices, tenant mix, gate costs for airlines, amenities and infrastructure improvements, are under the influence of an airport authority.

To estimate the long-term effect of Proposition 1 on all businesses inside the airport microcosm, we combine the increase in employer wage costs for the three groups of businesses – airline contractors, food concessions and retail concessions – into one wage bill. In other words, the marginal cost of price increases should be compared to the total average amount that a traveler is spends on air travel. With payroll taxes included, airport employers will see a combined increase of \$29.6 million in yearly labor costs.²⁶ If employers pass on all costs through prices, the roughly 16 million passengers traveling though Sea-Tac Airport every year will only see an average increase of \$1.78 in combined ticket, food and retail prices.²⁷ Compared to the total cost of an air travel trip from Seattle (\$363) this represents less than one half a percent increase – which is unlikely to affect demand for airline services or in-airport purchasing.²⁸

Outside the airport, hospitality employers represent the largest workforce, although not the largest average wage increase. We estimate that covered hotels and motels will spend an additional \$4.59 million on wages and payroll taxes. This represents about 4.4% of total revenues.²⁹ If passed onto customers, this translates into an increase of \$5.24 per day for a hotel stay, or about 1.4% that a travel party to the SeaTac area spends a day (\$371), on average.³⁰

Rental car firms will experience the smallest increase in average wages, which, in turn, would translate into minimal price increases. Given that the vast majority of rental car transactions in SeaTac occur within the new Rental Car Facility, we can estimate price increases for covered employers with data on usage from the Port of Seattle. In 2012, the Port collected \$30 million from rental car customers through

a charge of \$6 a day on 5 million days of rented cars.³¹ Dividing total payroll increases for covered rental car firms (\$1.7 million) by 5 million days, we arrive at a price increase of 36 cents per day of a car rental or \$2.52 per week. This represents less than 1% of the average expenditure on car rentals in the U.S., which ranged from \$273 per week during off-season to \$369 during peak-season in 2012.³²

Who Pays for Travel-Related Services in SeaTac?

We show below that more than two out of three dollars (68%) spent on travel-related services provided by covered employers likely originate from outside the Seattle metropolitan region.

First, we estimate that more than two out of three enplanements (68%) at SeaTac Airport represent visitors from out of the region, defined as a five county Air Trade Area.³³ This includes both passengers making connections (24%) and non-residents arriving at the terminal (44%), who are likely flying back to their airport of origin. The remaining passengers (32%) are residents departing from the Air Trade Area. Assuming tickets and in-terminal purchases at food and retail concessions are spread equally among visitors and residents, we calculate that \$21.2 million of wage increases could be passed on to visitors.

For airport shuttle service, we assume that customers comprise both passengers residing in the region and visitors needing ground transportation. When passengers making connections are excluded from all enplanements, about 58% are visitors and 42% are residents.³⁴ Applying this to the wage increase for shuttle services, we estimate that \$800,000 could be passed on to visitors. In contrast, we assume that visitors are unlikely to use off-airport parking facilities and thus attribute no share of the wage increase costs to visitors for this sector.

Finally, we assume that 90% of hotels and rental car customers are not local. Applying this to the total wage increase for covered businesses in those sectors, we estimate that another \$5.2 million could be passed on to visitors.

In total, assuming all wage increases are passed on as price increases, we estimate that \$27.2 million of the \$39.9 million in wage increase will originate from outside the region, or about 68%.

The remaining 32% of money for the wage increases will come from residents of the Seattle region who use airport services, including tickets, concessions, shuttles and parking. This change in spending will have a targeted effect on worker paychecks and their communities, but will not represent net, new spending in the region. There are other benefits to the shift in spending, however. Travelers to SeaTac Airport are more likely to come from communities with higher incomes – the Port of Seattle estimates that half (50%) of Sea-Tac passengers have incomes greater than \$100,000.³⁵ In contrast, the substantial income boosts of Proposition 1 will be concentrated in the communities where low-wage workers live.

We conclude that the cost of Proposition 1's required wage increase could be passed on to customers with marginal price increases (.5% to 1.4%) and that most of the increase would be paid by visitors to the region.

Additional Employer Responses to Higher Wage Requirements

Over the last two decades, new research has shown that employers respond to minimum wage and living wage increases through wide and varied strategies, or "channels of adjustment." Price increases represent only one option. A recent (2013) paper by John Schmitt at the Center for Economic Policy Research provides a thorough overview of this research, which we rely on for the following discussion.³⁶

- **Reduce Employment:** Reduction in employment can be either changes in the number of jobs or changes in the number of hours worked. Of all employer channels for adjusting to higher wage prices, reductions in employment will have the greatest effect on the net multiplier benefit of Proposition 1. Fewer jobs or hours worked will directly reduce the overall wage boost, and, hence, the multiplier effect.

Research over the last decade consistently shows that minimum and living wage laws have had no discernible impact on employment levels.³⁷

- The most comprehensive and innovative study to date made a comparison of 1,381 counties across the U.S., where minimum wage increases happened in one neighboring county but not the other (across state lines).³⁸ The researchers found no employment effects.
- More germane to Proposition 1 has been research on city-wide minimum wage increases in Santa Fe and San Francisco. While the new wage levels in both cities, now \$10.55 and \$10.51, are considerably lower than those required by Proposition 1, the laws represent significant increases over surrounding cities. San Francisco's minimum wage created a wage bump of 26% and Santa Fe's created a wage bump of 65% over minimum wage requirements in their states. Two independent studies found that implementation of these wage policies had no discernible effect on employment in the two cities.³⁹
- Eighty percent of Proposition 1 required wage increases will occur within on-airport firms. In the most thorough study of an airport living wage, researchers found that the San Francisco Airport living wage resulted in no measurable employment loss.⁴⁰ As discussed earlier, some workers receive compensation bumps as high as 75%.

Given operational challenges to firms who would consider firings or reductions in hours, it is likely that employers will respond by using other channels of adjustment first, including price increases and reducing other costs. Once these are exhausted, some employers may reduce employment. But even if some employers respond by reducing employment, how will overall employment be effected? For example, much has been made about two hotels in Long Beach reducing their supply of rooms by in order to fall under the 100 room threshold for coverage under that law.⁴¹ Those hotels may reduce employment proportionately to rooms. But, if room demand in Long Beach remains unchanged, overall occupancy rates will increase for other hotels prompting them to hire more workers.

In a recent paper, the Washington Research Council asserts that Proposition 1 will result in a 5% loss in employment. Their findings are largely based on Federal and state minimum wage literature. They note that the magnitude of Proposition 1's increase above the State minimum wage – 63% – justifies such a dramatic estimate of job loss. However, this ignores the findings from research on city-wide minimum wage policies. For example, Santa Fe's city-wide minimum wage created a 65% boost above the state minimum wage at the time, with no discernible change in employment. It also ignores that the Proposition 1 is not truly a minimum wage for all employers, including small businesses – it is a living wage policy targeted to a narrow group of large travel and hospitality employers, who in turn, serve primarily visitors to the region. Proposition 1 also does not include the traditionally studied group of employers for minimum wage research – stand-alone restaurants.

Just as important, the Washington Research Council ignores the net economic effect of Proposition 1. In the unlikely event of a 5% reduction of covered jobs, more new jobs would be created from the spending of remaining workers receiving a wage increase. The WRC estimate of job loss would result in a \$4.7 million reduction in gross wages and elimination of 314 jobs.⁴² However, Proposition 1 would still create 390 new jobs and household income would still rise by \$48.5 million, resulting in a net gain of 76 jobs.

- **Reduce Profits:** Schmitt points out that the evidence for covered businesses reducing profits to accommodate increased wage requirements is inconclusive.⁴³ However, Proposition 1 targets large employers, which are better able to absorb price bumps than smaller firms. Several covered employers in SeaTac are affiliated with very large, multi-national companies with more than 1,000 workers, including concessionaires (Hudson News, Host), hotels (Hilton, Marriott and Holiday Inn) and airline contractors (Menzie's, DGS and Prime Flight). Most of these firms also operate under a variety of living wage laws in California, including at Los Angeles International Airport.⁴⁴ The largest company affected by Proposition 1, although not directly, will be Alaska Airlines, which contracts with several aviation service firms.⁴⁵ Alaska Airlines has reported

substantial profits (\$316 million)⁴⁶ over the last several years as well as providing large bonuses (\$88 million)⁴⁷ to its own employees.⁴⁸

- **Savings from Reduced Turnover:** Employee turnover for jobs paying less than \$30,000 a year typically costs an employer 16% of an employee’s annual salary.⁴⁹ Furthermore, employers in low-wage service sector jobs experience high annual voluntary quits – 26% in retail trade, 35% in leisure and hospitality and 37% in accommodation and food services workers.⁵⁰ Mounting research on minimum and living wage policy show that increased wages can reduce turnover.
 - Highly relevant to Proposition 1, a study of the living wage at San Francisco Airport showed that firms incurring wage increases of greater than 10% saw turnover rates fall by approximately 60%.⁵¹
 - Another illustration of the relationship between wages and turnover costs can be seen in the often-made comparison of Sam’s Club and Costco. Costco’s wages are 40% higher than at Sam’s Club.⁵² Turnover at the two retail giants, however, are 17% and 44% per year, respectively.
- **Increase Productivity:** With higher wages, employers may expect better performance on several measures of productivity. A survey of employers after implementation of San Francisco Airport’s living wage policy revealed that many firms saw performance improvements.⁵³ Specifically, “employers reported improvements in overall work performance (35 percent), employee morale (47%), absenteeism (29%), disciplinary issues (44%), equipment maintenance (29%), equipment damage (24%) and customer service (45%).”
- **Change in Employment Composition:** One frequently cited effect of minimum and living wage laws is substitution of lower-skilled workers for higher-skilled workers. If true, this could displace lower-skilled workers who currently hold jobs covered by Proposition 1 – in particular, younger workers, people of color and women. However, the most recent scholarly research on the minimum wage (2012) finds no discernible effect on workforce composition in terms of age, gender and race.⁵⁴ Research on the San Francisco Airport Living Wage did show that for the occupation that received the highest bump, non-Federalized security screeners, there was a small displacement effect for education, e.g., fewer people with less than a high school education.⁵⁵ (It should be noted that this group of workers received a 75% increase in compensation and were subject to new quality service rules). However, there was no discernible effect on age and race. Moreover, even if there is an unlikely substitution of higher-skilled for lower-skilled workers, presumably the higher-skilled worker leaves one job in the area to take the covered job, creating a vacancy somewhere else in the labor market.

- **Equalize Wages for Higher Paid Employees:** In order to increase wages for employees at the bottom of the wage scale, employers may delay, slow or reduce compensation for employees at the higher end. This effect is sometimes called “wage compression.” One recent study of restaurants in the South concluded that workers at the higher level of the wage distribution received smaller pay increases after a minimum wage increase.⁵⁶ The overall effect was an increase in the average wage within the firm combined with reduced dispersion. However, wage compression has not been well studied for living wages policies comparable to Proposition 1 and it is unclear whether this will be a strong channel of adjustment for covered employers. To the degree that this kind of wage equalization occurred, it would enhance redistribution of earnings from higher earning households to lower earning ones.
- **Reduce Benefits:** Employers could respond to increased wage thresholds by reducing benefits, such as health insurance, paid days off and retirement contributions. Research indicates that this has not been a robust channel of adjustment following minimum wage increases.⁵⁷ There is less clarity for living wage policies. However, low-wage workers in the sectors covered by Proposition 1 enjoy few fringe benefits, either being unable to afford offered health insurance plans, or simply offered little in the way of paid days off or retirement.⁵⁸ To the degree that paid time off is reduced, Proposition 1 establishes a minimum paid days off requirement for sick leave, creating some backstop against entire elimination of paid time off. Regardless, our multiplier estimates for the net economic impact of the living wage are limited to wage increases and these calculations would not be effected by this channel of adjustment.

IMPLICATIONS FOR SEATAC'S LOCAL ECONOMY

In addition to rising standards of living for workers and their families, the City of SeaTac will also benefit from Proposition 1 to the degree covered workers spend their money in SeaTac. Two groups of workers will likely increase spending in the city: workers who live in SeaTac and workers coming from other cities.

Dozens of small businesses surrounding Sea-Tac Airport cater directly to workers in the region like family owned groceries, eateries, and small retailers.⁵⁹ These businesses, in particular, stand to directly benefit from Proposition 1. For example, the Bureau of Labor Statistics' analysis of consumer spending by income level provides an example of how increased earnings can affect spending. Under Proposition 1, workers will move from average earnings of \$17,666 per year to \$24,003 per year from their covered job. According to a recent Bureau of Labor Statistics report, consumer households that make between \$15,000 and \$19,999 per year spend roughly \$1,188 a year at eateries or restaurants. Households that make between \$20,000 and \$24,999 a year spend roughly \$1,473 at eateries or restaurants – representing a 23% increase in restaurant expenditures.

As another way to understand the possible impacts for the City of SeaTac, we examined how many workers who hold covered jobs live in the city. From union membership data and surveys, we were able to determine residency information for 3,015 jobs that would be covered.⁶⁰ According to these member lists, at least of 638 of these 3,015 jobs, or roughly one in five (21%), are held by SeaTac residents. It is reasonable to assume that workers holding other covered jobs share similar characteristics, including likelihood of living in SeaTac. At the very least, the proportion of workers in covered jobs that live in SeaTac cannot be lower than 10%.⁶¹

Given the proportion of known workers in covered jobs (21%) who live and work in SeaTac, and knowing that the proportion must be considerably higher than 10%, we estimate that 15% to 20% of covered jobs are held by SeaTac residents – or between 945 and 1,260.

From a total workforce perspective, this estimate is significant. According to the City of SeaTac, the city boasts a workforce of approximately 12,900. Our estimated number of workers in covered jobs who live in SeaTac comprise 7%-10% of the entire City of SeaTac workforce. This workforce will receive an average wage boost of \$6,300 per year.⁶²

Between covered workers who live in SeaTac and those living outside of SeaTac, both spending additional money at SeaTac businesses, the overall benefit to the city will be significant. Household income is likely to rise, local, small businesses likely to enjoy increased revenues and local government likely receive additional tax revenues.

OTHER BENEFITS OF PROPOSITION 1

Proposition 1 will result in other economic gains to the region and to the city of SeaTac. These include reduced spending on government assistance and the impacts of other minimum labor standards included in the initiative.

Reduction in government subsidies

One of the benefits of increasing people wages is that workers will have reduced need for government subsidies to make ends meet. The average worker that would be covered by Proposition 1 makes an estimated \$1,472 per month, or \$17,666 per year. This wage falls below the federal poverty threshold for a family of three, and as a result workers with dependents qualify for thousands of dollars in government subsidies.⁶³ The largest government benefits for families come from the Earned Income Tax Credit (EITC) and the Supplemental Nutrition Assistance Program (SNAP). Proposition 1 would reduce total amount government subsidies for workers in Proposition 1 jobs by an estimated 3.6 million dollars annually.^{64, 65} Although beyond the scope of this brief, it is likely that increased earning for SeaTac residents and the overall boost to household income will result in less need for assistance from local and county agencies as well.

Paid Sick Days

Access to paid time off for sick leave is critical for workers in the hospitality and transportation industry, which provides housing, food and personal amenities to the public. 91,000 travelers pass through the Sea-Tac Airport every day.⁶⁶ Paid sick days help prevent the spread of disease by encouraging sick workers to stay home. Workers are also able to stay home when their kids are sick.⁶⁷ Paid sick leave standards help restore economic security for working families, protect public health, improve business productivity and support families with dependents.⁶⁸

Paid sick days are also beneficial to business because they increase employee morale and productivity, and decrease absenteeism and turnover.⁶⁹

Encouraging Full Time Work

On average, employees covered by Proposition 1, work 31 hours per week. As the economy has began to recover from the economic recession, household incomes have remained stagnant. In part, this is due to an increase in part time jobs.⁷⁰ In Washington, private sector jobs have become increasingly

reliant on contract and part time work. In 2010, 26% of private sector wage and salary workers reported working part-time in 2010, an increase of nearly 5% points higher than in 2005.⁷¹

Proposition 1 encourages full time work by requiring that employers offer more hours to existing part-time employees before hiring additional part-time employees. This provision will not have an immediate impact on the workforce, but could gradually shift part time employment to full time employment for many of the jobs covered by Proposition 1. Total employment hours will not be affected by the policy. One significant outcome of the provision could be fewer workers having to hold down multiple jobs to make ends meet, with a side benefit of reducing commuting costs.

Tip Protection

Tip theft occurs when an employer requires a service worker to share with the employer a certain percentage of automatic gratuity attached to a tab at a restaurant. "The inclusion of "service fees" is a common practice at many hotels, country clubs, sports stadiums and other venues. Critics of the practice argue that customers are misled into believing the fees are purely a gratuity for employees, when in reality the employer often keeps a large percentage."⁷²

Proposition 1 requires that tips and service charges are paid directly to the worker performing the service. While increasing fairness for individual workers, it is unclear what the scale of effect will be for the region or the city of SeaTac.

Worker retention

Worker retention requires that an employer replacing one contractor with another must retain the current workforce for a certain period of time, such as 60-90 days. This ensures that when an employer switched management or contractors, the existing workforce is not fired wholesale and replaced by a brand new one. The policy encourages airport-wide workforce stability and creates a disincentive for contractors to enter into bidding wars premised on replacing higher paid workers with lower paid workers. Worker retention policies encourage airline service contractors to retain experienced and trained staff.⁷³

CONCLUSION

Proposition 1 represents a growing number of wage and labor standard laws that affect travel-related industries, such as airline contractors, rental car firms and hotels, on the West Coast. Like many of the communities in which metropolitan regional airports are located, SeaTac residents bear the costs of hosting a massive transportation facility in their backyard. Proposition 1 can be viewed as a means for residents to harness the economic power of Sea-Tac Airport and other travel-related businesses to benefit their community.

With Proposition 1 providing a 36% wage increase for 6,300 workers in the region, the initiative will provide an enormous economic boost to thousands of families and households. Near-poverty wage earnings by most covered workers means that the boost will help alleviate poverty, reduce the need for government assistance programs and support families cover their most basic needs. Given that up to 20% of covered workers live in SeaTac, the benefits to individual families will be significant.

However, the full impact of Proposition 1 on SeaTac and the region can only be fully understood by assessing how increased earnings for covered workers will provide a general lift to the local economy. Low-wage workers typically spend a large portion of their paychecks on purchases to meet daily needs, and will likely increase their spending with a wage boost. When workers spend their money at local businesses, those business owners and their employees have more money to spend themselves. In turn, they will re-spend part of the earnings increase yet again at other businesses. The net effect of Proposition 1 will be up to a \$54 million increase in regional household income.

We also estimate that 15-20% of the spending effect – from workers living in the city and workers commuting through the city – will benefit small, local businesses in SeaTac. In turn, this will lead to a positive effect on City tax revenues that could pay for improved services. Most significantly, additional worker spending will generate over 400 new jobs in the regional economy.

Furthermore, over two-thirds of the wage increase created by Proposition 1 could be paid for by visitors. We estimate that sixty-eight percent of revenues received by covered businesses flow to the region from people and businesses located around the state, U.S. and globe. In addition, all costs of Proposition 1 could be passed onto customers in the form of marginal price increases, ranging from .5% to 1.5%. To the degree that businesses do not increase prices, evidence from other living wage laws indicates that employers can use several strategies to absorb cost increases that do not decrease employment or have adverse effects on workers, including savings from decreased turnover and improving productivity.

APPENDIX A: TRANSPORTATION INDUSTRY SECTOR DETAIL

Businesses operating mostly in the airport:

- Curbside passenger check-in
- Baggage check services
- Wheelchair escort services
- Baggage handling
- Aircraft washing and cleaning
- Aviation grounds support, including equipment washing and cleaning
- Aircraft lavatory or water services
- Aircraft fueling
- Ground transportation management
- Cargo handling
- Janitorial and custodial service
- Facility maintenance service
- Security services
- Customer service

Business operating mostly outside the airport:

Ground transportation businesses in the categories below, with more than 25 non-managerial, non-supervisory employees, are covered. Each has additional threshold for being covered by the Initiative.

- Car rental businesses with 100+ cars
- Shuttle companies with 10+ vans or shuttles
- Parking facilities with 100+ spots

APPENDIX B: METHOD TO ESTIMATE COVERED WORKERS AND EMPLOYERS

Determining the number of covered jobs by types of covered businesses required aggregation of multiple sources of data and using various estimation techniques, as described below. There is no, one source for estimating non-supervisory workers both on the airport and off. While we used the best available data and conservative assumptions, our figures should be considered approximations rather than precise estimates.

Airline Contractors, Cargo Handlers, Food Concessionaires and Retail Concessionaires

We estimated the number of jobs for these categories of businesses based on security badge data provided by the Port of Seattle for the month of January 2013. The badge data was requested from the Port of Seattle through a public records request. This badge data includes employees that require identification needed to pass behind security.

For this report, we have assumed that the number of active badges held by each firm represents the number of their current employees and that each employee represented one job at that firm. We divided the firms into industry category, removed firms that did not appear to meet Proposition 1 thresholds and then added the number of badges in each category.

We considered making cargo handling a separate category from airline contractors; however, many of the same aviation service companies also provide cargo handling services in addition to ramp services for passenger airlines. In this way, the workforce appears similar if not the same; therefore, we have grouped cargo and airline contractors into one category.

Rental Cars

In 2009, the Port of Seattle estimated that rental car firms located near the airport employed 821 people (see Martin Associates). According to the Puget Sound Regional Council, there were roughly 536 rental car employees in 2011. According to interviews with worker organizers at Teamsters Local 117, the number of rental car employees fluctuates dramatically, from a low of 300 during the winter to upwards of 800 during the summer. Based on these source, we estimate that the annual average for these firms is 550 employees. For number of firms covered by Proposition 1, we added up the rental car companies listed on the Port's website. Based on their multi-state presence, we assumed that all of these firms met the size thresholds.

Martin Associates, *2007 Economic Impact of the Port of Seattle*, Port of Seattle (February, 2009). Available at: http://www.portseattle.org/Supporting-Our-Community/Economic-Development/Documents/EconomicImpact_20091.pdf, Accessed on July 31, 2013.

Hotels

Hotels with more than 100 rooms and more than 30 non-managerial, non-supervisory employees would be covered by Proposition 1. We identified the number of rooms in each hotel in SeaTac using King County Property data. We accessed property records through the iMAP tool – KCGIS Center, *King County iMAP: Interactive Mapping Tool*, Available at:

<http://www.kingcounty.gov/operations/GIS/Maps/iMAP.aspx>, Accessed on August 13, 2013.

Once we identified firms that met the room threshold, we estimated workforce size for each company. First, we determined the likely number of employees at each hotel by identifying high service hotels with full banquet and event capacity, mid service hotels with room service, and minimum service hotels that just offer boarding and shuttling. Through two sources, the Puget Sound Business Journals book of lists, and interviews with UNITEHERE Local 8 (which represents three hotels in SeaTac), we derived a workers per room ratio for full and mid service hotels. High service, full banquet hotels had the highest ratio with .47 workers per room. Mid service hotels with on-site restaurants but no large scale event facilities had a ratio of .36 workers per room. We then applied this to hotels in those respective categories. Next, we subtracted the number of workers at mid and full service hotels from total hotel employment in SeaTac (1,653), leaving only workers at minimum service hotels. We then determined that hotels that offer minimal to no services have an estimated .11 workers per room and applied it to the remaining firms.

See Puget Sound Business Journal, *2013 Book of Lists – Puget Sound Business Journal Vol. 33 No. 36*, (December 27, 2012).

2011 Employment Estimate – City of SeaTac, Puget Sound Regional Council (2013)

Parking Facilities/Lots

We obtained this estimate directly from the Puget Sound Regional Council's estimates of employment by sector.

2011 Employment Estimate – City of SeaTac, Puget Sound Regional Council (2013)

Airport Shuttle Services

Teamsters Local 117 provided us an estimate of roughly 200 drivers for Shuttle Express. Based on conversations with worker organizers, determined that the data from the Port of Seattle's 2009 Economic Impact Analysis greatly over counts this workforce. We also assumed that the remaining shuttle companies that serve Sea-Tac Airport do not likely meet the 25 minimum employee standard.

ENDNOTES

¹ This number is derived by dividing the total Air Passengers who traveled through Sea-Tac Airport in 2012 (33,223,111) by 365 days. See *Airport Statistics*, Port of Seattle. Available at: <http://www.portseattle.org/About/Publications/Statistics/Airport-Statistics/Pages/default.aspx>, accessed on September 23, 2013.

² U.S. Census Bureau, 2011 American Community Survey 5 year estimates, City of SeaTac and King County.

³ Martinez, Amy “SeaTac voters to decide on \$15 minimum for airport workers”, *The Seattle Times* (July 24, 2013). Available at: http://seattletimes.com/html/business/technology/2021466045_minimumwagejobsxml.html, accessed on: September 24, 2013.

⁴ P89 - Poverty Status in 1999 by Household Type, Decennial Census. Available at: <http://www.ofm.wa.gov/pop/census2000/dp58/pl/62288.pdf>, accessed on September 22, 2013.

⁵ U.S. Census Bureau, 2011 American Community Survey 5 year estimates, City of SeaTac

⁶ *Ordinance Setting Minimum Employment Standards for Hospitality And Transportation Industry Employers*, City of SeaTac (July 23, 2013). Available at: <http://www.ci.seatac.wa.us/Modules/ShowDocument.aspx?documentid=7704>, accessed on: September 23, 2013

⁷ Keenan, Nicole and Howard Greenwich, *How Sea -Tac Airport’s substandard working conditions hurt our region and how other major airports changed course toward growth and prosperity*, Puget Sound Sage, (March 2013). Available at: http://pugetsoundsage.org/downloads/Below_the_Radar.pdf, accessed on: August 13, 2013

⁸ Source documents that describe the Los Angeles’s Living Wage Ordinance and the amendment expanding it to airport workers can be found at the City of Los Angeles’ Bureau of Contract Administration’s website. Available at: http://bca.lacity.org/index.cfm?nxt=lco&nxt_body=content_lwo.cfm, accessed on August 8, 2013

⁹ Worker retention requirements for LAX workers can be found in City of Los Angeles, *The Service Contractor Worker Retention Ordinance and Amendments*. Available at: http://bca.lacity.org/index.cfm?nxt=soo&nxt_body=content_scwro.cfm, accessed on August 8, 2013.

¹⁰ Source documents describing San Jose Airport’s labor standards can be found at Mineta San Jose International Airport, “Airport Living Wage and Training Standards,” City of San Jose. Available at: <http://www.flysanjose.com/fl/business.php?page=training/wage&subtitle=Airport+Living+Wage+and+Training+Standards+Airport+Living+Wage>, accessed on August 8, 2013. For the specific wage requirement, see City of San Jose, “Airport Living Wage Ordinance Rates Effective July 1, 2013” (February 2013). Available at: http://www.flysanjose.com/fl/business/training/ALWO_Rate_Increase.pdf, accessed on August 8, 2013.

¹¹ For a description of labor standards that covers most workers at SFO, see San Francisco International Airport, “Quality Standards Program,” City and County of San Francisco (August 18, 2009). Available at: <http://www.flysfo.com/web/export/sites/default/download/about/rules/pdf/QSP.pdf>, accessed on August 8, 2013. For compensation requirements, however, a range of wages can be calculated based on the Airport’s Quality Standards Program (QSP) combined with other City policies. First, the City’s Minimum Compensation Ordinance (MCO) (see endnote 78), requires that airport employees working for contractors, tenants or concessionaires of the Airport receive a minimum wage of \$12.43/hour. Additionally, the QSP stipulates that workers “involved in performing services which directly impact safety and/or security” must receive \$0.50 more an hour, for a total of \$12.93. This category includes nearly all employees except retail and concessionaire workers. QSP covered workers who were hired before 2009 could also receive an additional \$1.25 an hour (for a total of \$14.18) if they

opted out of employer paid health insurance. However, most airport workers are also covered by the City's Health Care Accountability Ordinance (HCAO) (see endnote 78), which requires employers to either provide quality health insurance or pay \$3.75 an hour into a City public health fund. A worker not insured by an employer does not receive additional compensation, but he or she can receive free or low-cost health insurance from the City and County of San Francisco. In other words, nearly all workers at SFO receive either a wage of \$14.18 an hour, or at least a wage of \$12.43 plus quality health insurance or medical care with an approximate value of \$3.75 an hour.

¹² For a description of the City and County of San Francisco's Minimum Compensation Ordinance (MCO), which covers nearly all SFO airport workers, see Office of Labor Standards Enforcement, "Minimum Compensation Ordinance," City and County of San Francisco. Available at: <http://sfgsa.org/index.aspx?page=431>, accessed on August 8, 2013. For a description of the City and County of San Francisco's Health Care Accountability Ordinance (HCAO), which covers nearly all SFO airport workers, see Office of Labor Standards Enforcement, "Health Care Accountability Ordinance," City and County of San Francisco. Available at <http://sfgsa.org/index.aspx?page=407>, accessed on March 8, 2013. For a comparison of the two ordinances, see Office of Labor Standards Enforcement, "Summary Comparison of Minimum Compensation Ordinance and Health Care Accountability Ordinance," City and County of San Francisco. Available at <http://sfgsa.org/modules/showdocument.aspx?documentid=8036>, accessed on August 8, 2013.

¹³ For a full description of labor standards at Oakland Airport, see Port of Oakland, "Rules and Regulations for the Implementation and Enforcement of Port of Oakland Living Wage Requirements." Available at: http://www.portofoakland.com/pdf/livi_05.pdf, accessed on August 8, 2013. For current wage requirements, see Port of Oakland, "Policies and Programs – Social Responsibility Division." Available at: <http://www.portofoakland.com/business/policies.asp>, accessed on August 8, 2013.

¹⁴ Specific wage rates for hotel workers in the City of Emeryville can be found at City of Emeryville, "City of Emeryville Measure C Wage Rates", City of Emeryville. Available at: <http://www.ci.emeryville.ca.us/DocumentCenter/View/5883>, accessed on August 8, 2013.

¹⁵ Emeryville's hotel workforce standards include provisions for minimum compensation, incentives for health coverage, compensated time off for jury duty, and worker retention if they hotel sells its operation to a new hotel operator. The full details of Emeryville's Workforce Standards measure can be found at "Emeryville's Workplace Justice Standards at Large Hotels", The City of Emeryville. Available at: <http://www.codepublishing.com/CA/emeryville/html/Emeryville05/Emeryville0532.html>, accessed on August 8, 2013.

¹⁶ Ballot Measure N – *Minimum Wages and Minimum Sick Leave Payable to Hotel Workers* includes the following provisions: minimum compensation at \$13.00 which will tie to inflation, an assurance that service charges are received by employees performing services, 5 compensated days off per year. The full details of Measure N can be found at *Resolutions for Minimum Wages and Minimum Sick Leave Payable to Hotel Workers*, The City of Long Beach. Available at: <http://www.longbeach.gov/civica/filebank/blobload.asp?BlobID=34813>, accessed on August 8, 2013.

¹⁷ The Los Angeles Airport Hospitality Worker Living Wage Ordinance includes provisions for minimum compensation, incentives for health coverage and twelve compensated days off per year. The full details of the ordinance can be found at "Ordinance No. 178432," City of Los Angeles. Available at: http://clkrep.lacity.org/onlinedocs/2006/06-0362-s3_ord_178432.pdf, accessed on August 8, 2013.

¹⁸ We determined average wages in each sector using Occupation by Industry crosswalk data for the Seattle region,

which provides average wages for each occupational category in Washington State with the occupational distribution in each industry. Wages are in 2012 dollars. For example, we found that there were roughly 460 counter and rental clerks, 440 drivers, and 281 cleaners of vehicles and equipment working for rental car agencies in the region in 2011. We weighted the average wages for each occupation within the industry, and developed a weighted average wage for the covered jobs in the industry. Authors analysis of Employment Security Department Data: *Occupational Employment and Wage Estimates, 2012*, Employment Security Department. Available at: <https://fortress.wa.gov/esd/employmentdata/reports-publications/occupational-reports/occupational-employment-and-wage-estimates>, accessed on June 12, 2013.

¹⁹ We determined average hours in each sector using average hours per occupation from the Bureau of Labor Statistics. *Monthly Employment, Hours, and Earnings – National – Current Employment Statistics*, Bureau of Labor Statistics. Available at: <http://www.bls.gov/data/#employment>, accessed on July 24, 2013. However, this data did not provide figures for airport concessionaires. Instead, we used the American Community Survey PUMS data, which has an occupational code OCCSOC 353021 for concessionaires at major facilities like sporting events and airports. See Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

²⁰ Department of Human Services, *2012 Federal Poverty Level Guidelines by Family Size*. Available at: <http://www.dhs.ri.gov/Portals/0/Uploads/Documents/Public/General%20DHS/FPL.pdf>, accessed on August, 19 2013.

Puget Sound Sage, OneAmerica, Church Council of Greater Seattle, Faith Action Network and Working Washington, *First-Class Airport, Poverty-Class Jobs: How the Port of Seattle and Alaska Airlines create prosperity for some and economic hardship for others* (May 2012).

²¹ To calculate the total annual wage increase, we multiplied the average wage increase (See footnote 22), by the average hours worked per week (See footnote 23, by 52 weeks).

²² Martin Associates, (2009).

²³ We use the Port's analysis here only to illustrate the concept of an earnings multiplier only. We do not imply that their model was accurate or valid.

²⁴ We utilized the RIMS II regional multipliers for 2010 for the Seattle, Bellevue and Tacoma region. With this data set are two available types of data. Type I measures the direct impact of economic benefit from increased demand and production, and Type II measures the indirect impact, or the ripple effect from household spending. The household income multiplier is derived from Type II, and is used to determine the net impact of increased income to households; which has a net impact on increased spending that ripples through the economy. The household income multiplier is a best measure of what ripples through the economy if household income and spending increase. BEA generates a large number of multipliers for analysts to make economic impact assessments. Nearly all are industry-specific - that is, they measure how increases in economic activity in one industry affect all others. However, the household multiplier, from RIMS Type II - Table 25, can be applied to any household income increase and generally reflects how the average household in the Seattle area will spend money across goods and services. (Other input-output models, such as IMPLAN, drill down to how households in specific income ranges spend money.) Also important to note is that the BEA household income multiplier takes into account changes to income after local taxes, State and Federal taxes. As such, it is applied directly to gross wages, not to net earnings. Interview with Bureau of Economic Analysis, Thomas McComb, who specializes in applications and extensions of

the RIMS II model. To purchase the data set and the User's Guide see, Bureau of Economic Analysis, *RIMS II Online Order and Delivery System*, Available at: <https://www.bea.gov/regional/rims/rimsii/>, accessed on: August 22, 2013.

²⁵ Port of Seattle, *2011 Airport Activity Report*, (2011). Available at:

http://www.portseattle.org/About/Publications/Statistics/Airport-Statistics/Documents/2012_06_30_2011SEAAAR.pdf, accessed on: August 22, 2013.

²⁶ This calculation involved first, removing cargo handlers from the category of airline contractors, which represent 2,117 covered workers who would receive an average increase of \$5.05 per hour in wages. To calculate the total wage bill to employers, we also added employer contributions for payroll tax to the total wage bill. The Federal Insurance Contributions Act (FICA) taxable amount to fund the social security system is 6.2% of wages for incomes under \$113,700 and 1.45% for Medicare for all income ranges. The average state unemployment tax rate is 2.19%. We did not incorporate federal unemployment tax rate as part of the total payroll cost increase because this tax rate only applies to the first \$7,000 an employee earns and the average worker already exceeds an income of \$7,000 per year. The average state tax rate can be found at Employment Security Department, *How unemployment benefits affect your taxes*. Available at: <http://www.esd.wa.gov/uitax/taxreportsandrates/taxrates/tax-rates-determined.php>, accessed on August 21, 2013.

²⁷ We calculated the average cost increase for an air traveler by combining concession and airline contractor wages. We look towards San Francisco International Airport as an example of how concessionaires adjusted to the living wage. Like Seattle, SFO has policy similar to Sea-Tac Airport's "street pricing" which compels concessionaires to charge no more for products at the airport, than they would at another location outside of the airport. When SFO increased wages, concessionaires did not pass the cost onto their customers, but onto the airport, which then passed the cost onto airline through renegotiated lease terms. We combined the entire wage increase for all concessionaires and airline contractors, and then divided this number by the total enplanements (16.6 million) at Sea-Tac airport in 2012. Enplanement information can be found at Port of Seattle, *Airport Statistics*. Available at: <http://www.portseattle.org/About/Publications/Statistics/Airport-Statistics/Pages/default.aspx>, accessed on August 12, 2013.

²⁸ United States Department of Transportation, "Table 9: Ranked by Originating Domestic Passengers". Available at: http://www.rita.dot.gov/bts/airfares/programs/economics_and_finance/air_travel_price_index/html/table_09.html, accessed on: August 21, 2013.

²⁹ We calculated hotel revenue by looking at taxable retail sales for the industry code for hotels and motels in the City of SeaTac, roughly \$158 million in 2012. This information can be retrieved by at Department of Revenue, *Taxable Retail Sales – City of SeaTac*. Available at: <http://dor.wa.gov/content/aboutus/statisticsandreports/TID/StatisticsReports.aspx?query=gbinaics>, accessed on August 13, 2013. Covered hotels represent roughly 65% of the available hotel rooms in SeaTac, and we determined that the annual revenue for covered hotels was roughly 65% of hotel rooms in SeaTac, or roughly \$104 million in 2012.

³⁰ Dean Runyan, *Seattle Southside – Travel Impacts, 2003-2012p*, Seattle Southside Visitor Services (January 2013). Available at: http://www.seattlesouthside.com/system/assets/general/static_pages/Dean_Runyan_Seattle_Southside_Report_2012.pdf, accessed on: August 22, 2013.

³¹ We calculated annual rental car days from the Port of Seattle's Customer Facility Charge (CFC), which charges customers six dollars per rental day, a total of \$30.3 million collected in 2012. This figure can be under CFC

operating and CFC non-operating income. Available at: The Port of Seattle, *Comprehensive Annual Financial Report - for the year ended December 31, 2012*. Available at: http://www.portseattle.org/About/Financial-Info/Documents/CAFR_2012.pdf, accessed on: August 21, 2013.

³² Higgins, Michelle, "7 Tips for Saving on Rental Cars", *The New York Times* (May 16, 2012). Available at: http://www.nytimes.com/2012/05/20/travel/7-tips-for-saving-on-rental-cars.html?_r=0, accessed on September 22, 2013.

³³ We calculated the proportion of enplanements as follows. The Port of Seattle states that 74% of enplanements are origin or destination passengers (see source at the end of this note). Of the 16.6 million enplanements in 2012, this represents 12.6 million. We conservatively assume an even split between origination passengers (arriving by ground transportation to enplane) and passengers deplaning from somewhere else. Of the passengers originating at Sea-Tac, 15% travel from outside the Port's Air Trade Area, which comprises of King, Peirce, Snohomish, Island, Kitsap and Thurston Counties. For our analysis, we considers these passengers visitors rather than residents. Source: Official Statement for Port of Seattle Passenger Facility Charge Revenue Refunding Bonds Series 2010A and 2010B, pg A17. Available at: http://www.portseattle.org/About/Financial-Info/Investor-Information/Documents/2010_Passenger_Facility_Charge.pdf, accessed on August 18th, 2013.

³⁴ Combined, these are referred to as origin and destination passengers, e.g., they leave or enter the airport.

³⁵ Port of Seattle, "Eat, Shop, Lease" brochure. Available at: <http://lease.seatacshops.com/assets/Uploads/PDF/EatShopBro.pdf>. The customer profile in the brochure is based on a February 2012 Sea-Tac Airport passenger survey.

³⁶ Schmitt, John, *Why Does the Minimum Wage Have No Discernible Effect on Employment?* Center for Economic and Policy Research, (February 2013). Available at: <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>, accessed on August 13, 2013. And Dube, et al., *Do Businesses Flee Citywide Minimum Wages?*, IIR Policy Brief, (September 2006). Available at: http://www.irle.berkeley.edu/research/minimumwage/minwage_sfandsantafe.pdf, accessed on August 14, 2013.

³⁷ Schmitt (February 2013).

³⁸ Summarized well in Schmitt. Study by Dube, et. al.

³⁹ Dube, et.al (2006) and Schmitt, John and David Rosnick, "The Wage and Employment Impact of Minimum-Wage Laws in Three Cities, Center for Economic and Policy Research" (March 2011). Available at: <http://www.cepr.net/documents/publications/min-wage-2011-03.pdf>, accessed on August 22, 2013.

⁴⁰ Reich, et. al. (2003).

⁴¹ Unattributed, "Long Beach hotels plan layoffs before living wage takes effect" (December 14, 2012). Available at: <http://latimesblogs.latimes.com/lanow/2012/12/long-beach-hotels-living-wage-minimum.html>, accessed on August 22, 2013.

⁴² Dean Runyan, *Travel Impacts, 2003-2012p*, Seattle Southside (2012). Available at: [http://www.seattlesouthside.com/system/assets/general/static_pages/Dean Runyan Seattle Southside Report 2_012.pdf](http://www.seattlesouthside.com/system/assets/general/static_pages/Dean_Runyan_Seattle_Southside_Report_2_012.pdf), accessed on September 22, 2013.

⁴³ Schmitt, John.

⁴⁴ Below the Radar. Authors' analysis of airline and airport profiles. Available at <http://centreforaviation.com/profiles/> accessed on December 17, 2012. While ABM/Airserv is not listed in these profiles, the analysis was also confirmed with conversations with airport workers conducted by SEIU-USWW.

⁴⁵ Ibid.

⁴⁶ Young, Kathryn, "Alaska Ari Group profit up 29% in 2012", ATW Plus, (January 24, 2013). Available at: <http://atwonline.com/operations/alaska-air-group-profit-29-2012>, accessed on September 24, 2013.

⁴⁷ Egan, Bobbie "Alaska Air Group Employees Earn \$88 Million in Bonuses for 2012 Performance", The Wall Street Journal, (February 27, 2013). Available at: <http://online.wsj.com/article/PR-CO-20130227-908447.html?mod=crnews>, accessed on September 24, 2013.

⁴⁸ *First-Class Airport, Poverty-Wage Jobs*

⁴⁹ Boushey, Heather and Sarah Jane Gylmn, *There are Significant Business Costs to Replacing Employees*, Center for American Progress, (November 16, 2012). Available at: <http://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>, accessed on August 22, 2013.

⁵⁰ IBID – but based on BLS

⁵¹ 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 (March, 2003). Available at: http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf, accessed on December 17, 2012.

⁵² Cascio, Wayne, "The High Cost of Low Wages," www.hbr.org, Harvard Business Review (December 2006). Available at: <http://hbr.org/2006/12/the-high-cost-of-low-wages/ar/1>, accessed on February 27, 2013.

⁵³ Reich, et. al. (2003).

⁵⁴ Schmitt (February 2013).

⁵⁵ Reich, et. al. (2003)

⁵⁶ Hirsch, Kaufman and Zelenska, *Minimum Wage Channels of Adjustment*, (December 2012). Available at: http://www2.gsu.edu/~ecobth/Current_Papers.htm, accessed on August 22, 2013.

⁵⁷ Schmitt (February 2013).

⁵⁸ Greenwich, Howard, *Our Pain Their Gain: The Hidden Costs of Profitability in Seattle Hotels*, Puget Sound Sage (April 2012). Available at: <http://pugetsoundsage.org//downloads/Our%20Pain%20Their%20Gain%20-%20Final.pdf>, accessed on September 22, 2013. Also see: *Soaring Poverty at the Philadelphia International Airport: How Lowa Wage Airport Jobs Keep Philadelphia #1 For Poverty*, National Employment Law Project (2013). Accessed on: <http://www.nelp.org/page/-/rtmw/NELP-Soaring-Poverty-Philadelphia-International-Airport.pdf?nocdn=1>, accessed on September 23, 2013.

⁵⁹ We determined the profile of small businesses in the region through a window shield survey of businesses in the City of SeaTac. We confirmed business location and ownership in the City of SeaTac through the Department of Revenue Business License database. Available at: <http://dor.wa.gov/content/doingbusiness/registermybusiness/brd/>, accessed on August 8, 2013.

⁶⁰ Two unions, UNITEHERE Local 8 and UFCW Local 21 have 1,455 members who work in SeaTac hotels, food concessions and retail concessions. We obtained from these unions the place of residence for their SeaTac workers. Additionally, Working Washington has conducted an extensive survey of airline contractor workers at the airport and has determined place of residency for 1,560 workers, which we have also obtained (For more details on the Working Washington survey, see Keenan and Greenwich, *Below the Radar*).

⁶¹ In another analysis, the Port of Seattle has estimated that only 6.6% of all 19,000 employees working for airport-based companies live in the city of SeaTac (See Martin Associates). However, the Port did not include hotel or private parking garage workers in their estimates. Also, Proposition 1 affects low-wage workers who should not be

assumed to have the same residency dispersion as higher wage airport workers. Lower-wage workers are much more likely to live in SeaTac because of affordable housing costs and lower commute costs relative to the rest of the county.

⁶² The percentage of all SeaTac workers receiving a wage increase decreases to the extent that workers hold more than one job covered by Proposition 1. The economic benefit to the City of SeaTac remains the same, however, because a worker with more than one job would be receiving twice the estimated benefit.

⁶³ The federal poverty threshold for a family of three is \$19,510 per year. U.S. Department of Health and Human Services, “2013 Poverty Guidelines”. Available at: <http://aspe.hhs.gov/poverty/13poverty.cfm#thresholds>, accessed on August, 8 2013.

⁶⁴ To determine EITC benefits received by this workforce we first estimated the percentage of households that would receive EITC benefits. EITC is determined by the number of children present in the home and wage. Using census data, we assigned workers covered by Proposition 1 to various household sizes in the region, based on typical distribution of workers per household size. Note, we defined the region as a workshed where covered workers likely live, including the cities of SeaTac, Burien, Auburn, Tukwila, Des Moines, Kent and Federal Way. (Author’s Analysis of US Census Bureau, 2011 American Community Survey, 5 Year Estimates.) We assumed that each of the 6,298 jobs was held by a different worker in the region. If workers hold multiple jobs in the industries covered by Proposition 1, the total number of workers receiving EITC benefits could reduce. Additionally, we assumed that there was one worker per household that would be covered by Proposition 1. Again, to the extent there are multiple workers in one household working in a covered jobs, the household would see a larger increase in wages and there would be a greater reduction in government spending on family subsidies with an increase in wages. According to census data, roughly 33% of households in our defined region have their own children in their home. (Authors’ analysis of US Census Bureau, 2011 American Community Survey, 3 year estimates.) This leaves roughly 2,081 households that we estimate are currently utilizing EITC benefits. At the increased monthly wage of \$2,002 for one worker in the household, the number of households that would qualify at an increased wage would reduce the total households that qualify for to 1,737. The average EITC benefit received by a family in Washington State is roughly \$2,000 per year. Internal Revenue Service, “Statistics for Tax Returns with EITC”. Available at: <http://www.eitc.irs.gov/central/eitcstats/>, accessed on August 8, 2013. Based on the income and dependent thresholds, any households at this income level without children do not qualify for EITC benefits. The total reduction in EITC benefits would be an estimated \$676,099 per year.

⁶⁵ Eligibility for the Supplemental Nutrition Assistance Program (SNAP) is determined by monthly wage and household size. Using census data, we modeled a distribution of household sizes for covered workers in the region. See footnote 64. We calculated food stamp eligibility for households using the average monthly wage of hospitality and transportation workers in the region. See Footnote 18 and 19. We determined that with a base wage of \$1,472 per month, households with any dependents qualified for SNAP benefits, resulting in an estimate of 3,194 covered workers/households that qualify for SNAP benefits. To determine the amount of benefits that covered workers could access, we used average monthly SNAP benefit received each month in Washington State, for each household size. We multiplied the number of workers in households that qualify by the average SNAP benefit for each household size to determine the total possible food stamp expenditures annually. As uptake rates for SNAP is 67% of people who qualify we reduced the total possible SNAP benefits by 33% to determine the current annual SNAP benefit for this workforce, an estimated \$14,049,364 annually. *Washington Basic Food Program*, Washington State Department of Social and Health Services. Available at: <http://www.dshs.wa.gov/pdf/food/BFQAs.pdf>, accessed on

June 15, 2013. We repeated this process for the new average monthly wage of \$2,002 under Proposition 1 to determine number of workers that would qualify under higher wages (2,201) and the new SNAP benefits under Prop 1 (\$11,104,132). The difference between before and after is \$2,945,233 million, representing the dollar reduction of SNAP assistance to the covered workforce.

⁶⁶ *Airport Statistics*, Port of Seattle.

⁶⁷ “New model of disease contagion ranks U.S. airports in terms of their spreading influence”, Massachusetts Institute of Technology, MITnews (July 23, 2012). Available at: <http://web.mit.edu/newsoffice/2012/spread-of-disease-in-airports-0723.html>, accessed on August, 13 2013.

⁶⁸ Watkins, Marilyn, *Evaluating Paid Sick Leave*, Economic Opportunity Institute (May 2013). Available at: <http://www.eoionline.org/wp/wp-content/uploads/paid-sick-days/WA-PSD-May13.pdf>, accessed on August 13, 2013.

⁶⁹ Ibid.

⁷⁰ Weber, Nathan “Part-Time Work Becomes Full-Time Wait for Better Job”, New York Times (April 19, 2013). Available at: <http://www.nytimes.com/2013/04/20/business/part-time-work-becomes-full-time-wait-for-better-job.html?pagewanted=all>, accessed on August 13, 2013.

⁷¹ Rhee, Nari, West, David and Watts, Julie, *Washington’s Changing Workforce: More Involuntary Part-time, Temp and Contract Work*, Puget Sound Sage (2013). Available at: http://pugetsoundsage.org/downloads/Washington_s%20Changing%20Workforce%20Full%20Report%202013.pdf, accessed on September 22, 2013.

⁷² Jamieson, Dave “Tip Theft Bill Would Crack Down On Alleged Employer Skimming” (February, 28 2012). Available at: http://www.huffingtonpost.com/2012/02/28/tip-theft-rhode-island-bill_n_1307641.html, accessed on August 13, 2013

⁷³ *Below the Radar* (2012)