COMMISSION AGENDA
STAFF BRIEFING

Item No.   6a_memo_overview

Date of Meeting   July 1, 2014

DATE: June 26, 2014

TO: Tay Yoshitani, Chief Executive Officer

FROM: Mark Reis, Managing Director, Aviation Division
Michael Ehl, Director, Aviation Operations
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SUBJECT: Minimum Requirements for Aeronautical Workers with Safety and Security Responsibilities at Seattle-Tacoma International Airport

OVERVIEW

The Port of Seattle recognizes that the safe and secure operation of Seattle-Tacoma International Airport (Sea-Tac) is one of our paramount responsibilities. For more than six months, the Port has been reviewing the work environment and conditions for workers at Sea-Tac Airport. This evaluation included surveying employers and contractors responsible for airport security, passenger handling, aircraft handling and ramp duties, and other duties on the Airport Operations Area (AOA). The review also included studying wages, benefits, and employee turnover rates; collecting data on wage and benefit levels; analyzing data, findings, and programs of other airports and benchmarking Sea-Tac against those airports; reviewing testimony from two Commission hearings that gathered the perspectives of employers, employees, and other airports; and conducting in-person meetings with many businesses, labor organizations, and other stakeholders.

Port staff concludes that higher wages and increased training opportunities will reduce turnover and improve employee satisfaction in critical functions at the Airport, as has been demonstrated at San Francisco International Airport. Port staff further concludes that reduced turnover and increased employee satisfaction will result in an employee base with more experience that, when substantially reinforced with training, will in turn lead to safer and more secure Airport operations. To address these issues, staff recommends the Port establish minimum compensation and training standards through its authority to adopt necessary regulations for Airport operations.

BACKGROUND

Seattle-Tacoma International Airport is a major south King County employment center and a critical part of economic development infrastructure for the Seattle region, the state of Washington, and the entire Pacific Northwest. It is the front door to this region and the gateway for people and businesses to the world. The Pacific Northwest economy depends on its safe and effective operations.

Sea-Tac is in a period of exciting and challenging growth. It is the nation's fastest growing gateway to Asia and is in the midst of a major capital program that will expand its capacity, enhance its efficiency, and further improve its ability to provide excellent customer service.

All of the above requires the highest standards of safe and secure operations. In addition, and just as important to the economy of the region and the operations of the Airport, Airport personnel must be prepared and capable to assist in emergency events to maintain and/or restore continuity of Airport operations in response to minor problems or major incidents.

MAINTENANCE OF SAFE AND SECURE AIRPORT OPERATIONS

Aviation safety and security is a fundamental expectation of our airborne society. Due to the inherent complexity of the airfield operating environment, the Port, airlines, contractors, security agencies, and others must minimize the risks associated with the complicated and constant movement of aircraft, personnel, and equipment on the airfield, as well as mitigate the risks of security breaches/incidents that can suspend Airport operations.

In addition to these risks, any significant disruption to the Airport's routine functions can have a substantial negative impact on the entire region. The Airport must maintain routine operations and remain prepared to respond and recover from emergencies effectively and efficiently. All of this requires a skilled workforce capable of ensuring safe and secure continuity of business operations at all times.

The Port holds a proprietary interest in, and regulatory oversight over, the work at Seattle-Tacoma International Airport. The safety and security of Airport operations relies significantly on the ability of companies operating on or in proximity to the AOA to retain a skilled workforce, since many of these employees have access to the airfield, aircraft, and other equipment that supports critical Airport operations. Key functions associated with operating and maintaining a safe, secure Airport include:

Security:

- Passenger and facility security
- Passenger check-in activities
- Checkpoint screening
- Skycap and baggage check-in and handling services
- Airport Operations Area (AOA) perimeter control
- Access control to secure areas
- Wheelchair attendant services
- Baggage and cargo handling
- Ground support equipment maintenance

- Fixed base operator activities

- International passenger assistance

Safety:

- Aircraft handling functions (aircraft cleaning, fueling, and baggage/cargo handling, load balancing, marshaling, dispatching, and aircraft maintenance)

- Operating catering vehicles on the AOA for the purpose of servicing aircraft

- Other employees issued an Airport badge with AOA access, regularly working in and around the aircraft

(The area where all of this work is performed is referred to as the Airport Operations Area, or AOA, which is defined as the area exterior to the passenger terminal buildings and under restricted access within the Airport perimeter fence.)

PORT EVALUATION OF EMPLOYMENT AND CONDITIONS AT SEATTLE-TACOMA INTERNATIONAL AIRPORT

There are currently 671 employers (including 178 tenants) operating at the Airport. Data from 2013 indicates that there were, on average, 14,500 badged workers at Sea-Tac.

Category	Definition	Occupations *(illustrative, not exhaustive)*	# Badged *(2013 Average)*
Aeronautical	Employees who require issuance of AOA access, and either work in and around the AOA in the performance of their duties; *or* are directly involved in passenger and facility security, including checkpoint screening, passenger check-in, skycap and baggage check-in and handling services, AOA perimeter control or similar activities	• Airline Employees (employees working directly for an airline, such as: pilots, flight attendants, ticket counter, gate and customer service agents, administrative and maintenance staff) • Passenger check-in activities, skycap and baggage check-in and handling activities • Wheelchair attendants • AOA perimeter control • Aircraft ground handling including aircraft catering, cleaning, fueling, load balancing, marshaling, dispatching, maintenance, and aircraft security	6,200

Category	Definition	Occupations *(illustrative, not exhaustive)*	# Badged *(2013 Average)*
		• Baggage/cargo handling • Ground support equipment maintenance • Fixed Base Operator (FBO) employees • International passenger services	
Concessions	Employees of companies conducting business on Airport property and paying a concessions fee to the Airport	• Dining and Retail • Rental cars • Parking operators on Port property • Miscellaneous passenger services • Flight kitchen employees	2,300 (not all employees in category have badges (e.g. rental car facility)
Government	Employees of federal and state government agencies	• Transportation Security Administration (TSA) passenger security checkpoint screeners, baggage screeners, Customs and Border Protection (CBP) immigrations, customs, agricultural inspectors, Federal Aviation Administration (FAA) air traffic controllers, facilities and equipment technicians, USDA fish and wildlife biologists, FBI, etc.	1,750
Port of Seattle Employees	Direct employees of the Port of Seattle	• Operations, Fire, Police, Maintenance, Planning, Project Management, Finance, etc.	1,100
Port of Seattle Contractors	Employees who work at the Airport for companies under direct contract with the Port of Seattle	• Port operated passenger lounges • Janitorial • Lost and Found • Guard services • On-site consultants • Elevator/escalator maintenance • Ramp Tower	1,450

Category	Definition	Occupations (illustrative, not exhaustive)	# Badged (2013 Average)
		• Pest control • Rental Car Curbside Assistants	
Other	Miscellaneous employers	• Airline operated passenger lounges • Ground transportation coordinators for taxis/limos • Door to door shuttle drivers and coordinators	1,700 (not all employees in category have badges (e.g., shuttle drivers)

For more than six months, the Port has been reviewing the work environment for all employees at Sea-Tac. The table below illustrates the types of information and source or collection methods used in this research.

Information	Source or Collection Method
Airport employer compensation, hiring, and workforce development/training	Interviews with Airport employers
Job openings through Port Jobs (two years)	Port Jobs database
Number of Airport badges by company	Review of Winbadge credential database
Contract service provider wage and benefit information	Phone calls, emails, web research
Airport service agreements	Service agreements review and analysis
Concession wage and benefit information	Tenant surveys conducted by 3rd party consultant
Wage levels for Port of Seattle employees	Port information
Attrition / Turnover	Interviews with Airport employers, review of Winbadge database, job postings through Port Jobs

AERONAUTICAL WORKER FINDINGS

The aeronautical worker category has two segments – airline employees and aeronautical service providers. Airline employees work directly for an airline company. Airline service providers are contractors that provide support services to the airlines and utilize separate employment agreements for their workers. Staff research has resulted in two main findings – one related to wages and benefits and the other related to turnover and retention.

I.) **Wages and Benefits**

Information on wages, benefits, and turnover was collected through employer interviews and surveys, as well as publicly posted job openings and job placement data from Port Jobs. The data collected includes information on over half of all aeronautical service provider companies, which employ approximately 75% of all aeronautical service workers:

A. Wages: Most of the aeronautical service workers make less than $11/hour and many start at the state minimum of $9.32/hour.

- Ramp Agents and Fuel Agents typically start at $9.32-10.88/hour, depending on their employer and the airline they are hired to serve. Because a company might provide services to multiple airlines, an employee could earn a different wage rate for the same job functions when serving various airlines.

- Wheelchair Agents, Cabin Cleaners, and Caterers typically start at minimum wage, which is currently $9.32/hour. Wheelchair agents receive tips from some passengers, estimated to range from $0-2/hour.

- Mechanics (e.g., maintaining Ground Service Equipment) is the one position in this occupational cluster that starts at a notably higher rate of $16-17/hour.

- In each of the companies surveyed, more workers fell in the bottom 25% of their wage range than any other quartile – although for some companies that meant approximately 30% are in the bottom quartile and for others 90% are in the bottom quartile. The wage ranges for job categories and/or employers vary significantly. In some instances, there could be no opportunity for wage growth; in others, the upper end of the range might be only a dollar more than the starting wage; and some might have an upper wage rate double the starting wage.

- In April of this year, Alaska Airlines instructed its vendors to raise entry-level pay, increasing starting pay for ramp agents, aircraft fuelers and cabin cleaners to $12/hour. Starting pay for curbside check-in and wheelchair attendants, who receive tips from customers, increased from the minimum to $10/hour. The pay increases supplement the Vendor Code of Conduct that Alaska Airlines put in place in the summer of 2013, requiring that all vendors meet defined standards of safety, employee treatment, and legal compliance. Multiple vendor partners are covered by the wage increases and Alaska agreed to reimburse the vendors for their additional labor costs.

B. Benefits: There is significant variation in benefits offered by employers in this cluster. Some companies offer a full package, some offer no benefits of any kind, and some offer only one type of benefit (e.g., only Paid Time Off ["PTO"]).

- Health insurance benefits – Some companies make no plan available to employees; others make a plan available but pass the full cost through to employees; and still others pass only a portion of the monthly premium cost to

employees. Company policy also varied by location in some cases. For example, one company reported providing benefits to employees in California per requirements there, but not in Washington.

- Affordable Care Act (ACA) – There is no data available indicating that employers in this cluster have changed their healthcare benefit policies due to implementation of the ACA; however, it can be expected that ACA implementation may cause benefit changes by some employers. As the country transitions to the ACA over the next 8-10 years, the Port will continue to analyze the effects of this policy within its base of tenants and operators. The Port is supportive of ACA goals but recognizes its implementation will have intended and unintended effects that will need to be reviewed in the context of overall Sea-Tac operational requirements.

- Paid Time Off (PTO) – Paid sick leave, paid vacation, and/or combined PTO. Some companies offer no PTO of any sort; at several companies, workers accrue 5-6 days PTO per year (though they may need to have been in their job for one year before they can use them); and some companies provide 10-30 days of accrued PTO annually depending on tenure.

- Retirement benefits – Some companies offer them and some do not. If they do, they typically take the form of a 401(k) option to employees, with some providing a match of 1-4%; others provide no match or employer contribution.

II.)   Turnover and Retention

Based on information gathered from employers in interviews and surveys, as well as from public job postings and airport badge data, turnover for this cluster of aeronautical service worker occupations is significant, but varies by employer from approximately 25% to above 80% per year. Almost all of the turnover is occurring in entry-level positions.

Many of the employers report hiring few, if any, supervisory positions in the last year, with average manager tenures over 10 years in many companies. Employers reported filling almost all of their supervisor/manager positions via internal promotion, as those individuals had already shown the ability to perform and persist in the airport environment. While some did have formal training programs for newly-hired managers, very few had formal training designed to assist entry-level staff seeking to move into a lead/supervisor/manager position.

A. **Turnover and Retention – Causes**
Based on information gathered from employer interviews, from employers and employees in public hearings, and from participants in Port Jobs/Airport University programs, the primary drivers of turnover fall into the two following categories:

1. Job quality:

-   Wages and benefits were a significant factor in employee decisions to stay in their position or seek other work. For example, one employer reported employees leaving their jobs for similar positions at the Airport that paid $0.50 more per hour. A worker reported keeping her job despite the relatively low wages because of the low-cost/high coverage health benefits her family needed. Many students in Airport University classes indicate they are participating in order to get a higher paying job.

-   Many of the jobs in this occupational cluster are physically demanding. Some require working outdoors in inclement weather, and some put workers in potentially dangerous environments on a regular basis. These physical challenges were reported by multiple employers as a reason for employee turnover shortly after hire, and were referenced by workers as a concern and/or something beyond which they hoped to eventually advance.

-   Work schedules at the Airport also pose a significant worker retention challenge, as shifts may start at 3:30 a.m. or go beyond midnight, for example. At these times, public transportation may not be readily available, childcare may be difficult to find and/or more expensive, and other household obligations may be more difficult to fulfill. As a result, some workers are unable to keep their jobs.

-   In addition, the workers often face uncertainty and inconsistency regarding the hours worked each week and the shift(s) assigned. This makes budget and schedule planning quite difficult and causes some workers to seek other employment with more consistent hours.

2. Limited career advancement opportunities:

-   Due to the high ratio of entry-level workers to supervisors/managers at most companies in this cluster, and the low rates of turnover among supervisors/managers, the number of opportunities for internal advancement available to these entry-level workers is limited, which means that employees wishing to advance (and increase their income) must seek positions elsewhere.

-   Many of the workers that seek assistance from Port Jobs are motivated by a desire to advance in their careers, or get onto a career path that offers the opportunity for advancement. Some of those workers are able to take Airport University classes and advance at the Airport, with their employer, or by moving to another company; others seek jobs outside of the Airport. Training and advancement support – both that offered by employers directly and that available through Airport University – is currently limited. As a result, many employees are unable to have their training needs and desires met.

B. **Turnover and Retention – Impacts**

1. Because most turnover is occurring in entry-level positions, most new employees do not have the level of experience or familiarity with the job-specific tasks/skills needed to perform at a high level in their positions. All of the employers reported at least some formal "onboarding" and new-hire training process, though the extent varied significantly. They also reported that employees simply needed time on the job to fully master the skills and tasks to perform at a high level. High turnover means many employees are in training and lack mastery of their jobs, which can affect safety, security, efficiency, and timeliness and customer service.

2. Because security is a top priority and a regulatory imperative, employee vigilance is critical while performing duties at Sea-Tac Airport. It is the function of the on-duty Security Senior Access Controllers, Security Supervisor, or Manager to issue citations to any employee that is not complying with the security regulations defined in the Port's Rules and Regulations. Citations include, but are not limited to, access points being unsecured and unattended, failure to follow the stop-and-wait procedures, and failure to display proper identification.

   Newer workers are almost twice as likely to be cited for security violations as more experienced workers. From 2010 through the first quarter of 2014, there were 12.7 security violations cited for every 1,000 new workers (hired the calendar year in which the violation occurred or the calendar year prior), compared to only 7.1 security citations per 1,000 experienced workers (who had worked at least one full calendar year prior to the year the violation occurred). On average, 14% of the people working with AOA badges in a given year were hired that same year, but 24% of the security citations were issued to workers hired during the calendar year of the violation.

3. Many companies reported significant staff costs for recruiting, screening, onboarding, and training/supervision as a result of high turnover. One company, for example, reported hiring 10-15 entry-level workers per week, every week, primarily to replace workers who had been hired less than three months earlier.

4. Multiple employers noted that reduced turnover in some California airports had reduced their costs and increased their worker performance levels there. One company indicated that higher minimum wages at some of the California airports allowed them to compete on quality and performance compared to low cost alone, which the company thought to be not only better for their company but also the airlines and flying public.

The results of this research illustrates that the Airport hosts a broad diversity of aeronautical employers and employees, with varying corporate philosophies, wage structures, and benefit models. However, while there is diversity in business models and wage/benefit structure, most

aeronautical service employers have one thing in common: challenges with recruiting and retaining employees to work at the Airport. These employees have all been issued an Airport badge, with AOA access. They work in and around the AOA, including maintaining aircraft, operating ground service equipment, handling baggage, and operating passenger loading bridges, all of which are critical activities that impact safety within the AOA.

BENCHMARKING WITH OTHER AIRPORT WAGE POLICIES

Airports in general are increasingly focused on quality jobs to enhance continuity of employment, better customer service and increased confidence in safe and secure airport operations. In addition to researching the work environment for all employees at Sea-Tac, wage policy information was collected from multiple airports – with wage ordinance case studies conducted for airports in Oakland, Los Angeles, San Francisco and St. Louis. While this research focused on airports with wage policies for comparison purposes, it is important to note that there are also many airports that do not have wage policies beyond abiding by their state laws.

The Los Angeles, Oakland, and St. Louis policies are termed Living Wage Ordinances (LWOs) that apply to business done by the respective cities. LWOs are designed to help ensure those doing work related to city contracts or facilities earn compensation sufficient to pay basic living expenses. The wage rates range from $11 to $16 per hour depending on the city and provision of benefits by the employer (all three have two wage tiers), and all are adjusted annually by the Consumer Price Index (CPI). Los Angeles and Oakland both also require employers to provide PTO, but St. Louis does not.

The airports in these cities each fall under city authority, and in all three cases there are some special applications, exemptions and/or wage and benefit level differences between the cities and the airports. In Los Angeles, the LWO covers all airport workers whose work impacted either public perception of services or security at the airport, even if their employer was not a direct contractor or tenant of the city. Oakland also expanded policy coverage at their airport and seaport to businesses with 20+ employees, including tenants and concessionaires. St. Louis, in contrast, specifically limited policy coverage at the airport, exempting airlines and their subcontractors.

The San Francisco International Airport policy differs from the Los Angeles, Oakland, and St. Louis policies in that it is not an LWO per se. Since high turnover of workers at San Francisco International Airport (SFO) led to increased safety and security risks, the San Francisco Airport Commission adopted the Quality Standards Program ("QSP" or "Program"). The Program was originally implemented in April 2000, with updates taking place in August 2009. It applies to airlines and their service providers operating at SFO and employing personnel who perform services that directly impact safety and/or security. The Program is part of the Airport's Rules and Regulations. The QSP elements at SFO include compensation, training, equipment standards and hiring practices. (The City of San Francisco also has a separate LWO for all employers within its boundaries.)

According to a 2001 study by the Institute for Labor and Employment at the University of California at Berkeley, the positive impacts of the Program were felt throughout the airport. Employers reported reduced absenteeism, and experienced fewer disciplinary problems and higher morale.

Employee turnover at the airport fell significantly while, during the same period, turnover was increasing in the broader San Francisco Bay Area workforce.

- The firms most affected by the QSP reported a 37% decrease in turnover rates, compared to an 18% reduction reported by other firms that were not covered or less affected.

- In 1999, the FAA reported a 110% annual turnover rate among security screeners at SFO. By 2001, the turnover rate in the three security firms that provided screening services at SFO -- and which were covered by the QSP Program requirements -- had fallen to approximately 25%.

- One security firm reported a 15% turnover rate at SFO, compared to 91% at a nearby international airport, where the same company's screeners earned considerably less per hour.

- Another firm that provides baggage handling, cabin cleaning and related services to a number of airlines reported a two-thirds drop in turnover rate.

One-third of all SFO employers, together accounting for over half of all employees, reported improved overall job performance among workers covered by the QSP, while the rest reported no deterioration. The results were more positive for the firms that were most affected by the QSP. All employers with positions directly affected by the QSP reported the same or improved numbers of applicants, and reported that these applicants were more skilled.

Also, while the wages of those directly covered by the QSP rose faster than average, wages in all positions have improved since the program was instituted. These findings point towards improved job performance across the entire airport.

NEED FOR PORT ACTION

The analysis and benchmarking articulated above demonstrates that minimum compensation and training requirements will aid in attracting and retaining more highly capable employees in areas of the airport most directly connected to the AOA. By ensuring that highly capable employees are hired and remain employed at the airport, the Port will continue to enhance the safe and secure operations of Sea-Tac.

The Port should also require companies providing services at the airport that potentially impact safety and security to adhere to initial hiring qualifications, and to provide both initial and annual recurring training for their employees that exceed the modest levels mandated by the FAA. Companies should be required to document and report on the provision of this training and successful completion of the training by their employees. In addition to minimizing safety and

security risks, training beyond what is required by the FAA can protect the health and welfare of employees, the traveling public, and first responders. Training will also open the door to advancement opportunities, furthering the Port's retention goals.

The attached Resolution sets out recommended compensation and safety and security training standards. Pursuant to the direction of the Resolution, the Managing Director of the Airport will develop and promulgate regulations that every airport employer is responsible for ensuring that its airport employees receive the following applicable training or credentials:

- "Security Identification Area" (SIDA) orientation

- Employment verification specialist training (employees who approve or ensure compliance with employee badging requirements)

- Escort training

- Safety training consistent with International Air Transport Association (IATA) Airport Handling Manual "Airside Personnel: Responsibilities, Training and Qualifications"

  o Air Operations Area safety training

  o Air Operations Area driver training

  o Ground Support Equipment training

  o Aircraft handling training

  o Human factors training

- Bloodborne pathogen and biohazards training as appropriate for job responsibilities

In addition to the training and credential requirements stated above, Federal Aviation Administration (FAA) Advisory Circular 150/5210-20 states "Any person expected to operate on the Airside (AOA) should demonstrate a functional knowledge of the English language." Therefore, Airport employers should make available to employees opportunities to access programs designed to increase English language proficiency.

"COVERED" EMPLOYEES

Among those employers with employees having job responsibilities associated with the safe and secure operation of Seattle-Tacoma International Airport are, of course, the Port of Seattle and various federal agencies (e.g., Customs and Border Protection, Federal Aviation Administration). The Port of Seattle will insist that its employees and those of federal agencies execute their responsibilities with the same focus on safe and secure Airport operations as the employees covered by the proposed Resolution; however, the Resolution does not cover Port and federal employees for three reasons.

First, the key driver of the concerns of the Port – employee turnover and, thus, inadequate experience and sustained training – are not an issue with Port or federal employees. This is in

significant part driven by the higher compensation and extensive training provided by these employers.

Second, it is proposed that the Port Commission direct the Managing Director of the Airport to amend Airport rules and regulations to effect the intent of the Resolution. The Airport rules and regulations are designed to regulate the activities of tenants, licensees, and others operating at the Airport as well as their employees. The Port Commission sets forth its policies related to compensation for its employees in either the Salary and Benefit Resolution (for non-represented employees) or in labor agreements (for represented employees). In addition, the Commission has delegated responsibility to the CEO to ensure adequate training, etc. for Port employees.

Third, the Port of Seattle, as a municipal corporation of the State of Washington, has no authority to regulate the compensation or training requirements of federal agencies.

LEGAL ASSESSMENT

RCW 14.08.120(2) authorizes the Port to "adopt and amend all needed rules, regulations, and ordinances for the management, government, and use of any properties under its control…."

RCW 14.08.120(10) authorizes Airport operators like the Port to "exercise all powers necessarily incidental to the exercise of the general and special powers granted in this section."

RCW 14.08.120(6), in turn, authorizes the Port to "determine the charges or rental for the use of any properties under its control and the charges for any services or accommodations, and the terms and conditions under which such properties may be used…." (Emphasis added).

RCW 14.08.330 provides, in part, that: "Every airport and other air navigation facility controlled and operated by any municipality… shall, subject to federal and state laws, rules, and regulations, be under the exclusive jurisdiction and control of the municipality or municipalities controlling and operating it." (Emphasis added).

ATTACHMENTS TO THIS MEMORANDUM

1. Federal Aviation Administration Advisory Circular 150/5210-20, March 31, 2008
2. International Air Transport Association Airport Handling Manual, January 2013
3. San Francisco International Airport Quality Standards Program, January 1, 2014