

Employment in Airport Dining and Retail An Overview

Staff Briefing
September 2014

Body of Knowledge Overview

Job Quality:

- 2013 Employer Survey (part I)
- 2014 Employer Survey (part II)
- 2014 Employer Interviews

Employment Continuity:

- Employment Growth
- 2011 Stakeholder Involvement
- Practices at Other U.S. Airports



Airport Dining and Retail Employees

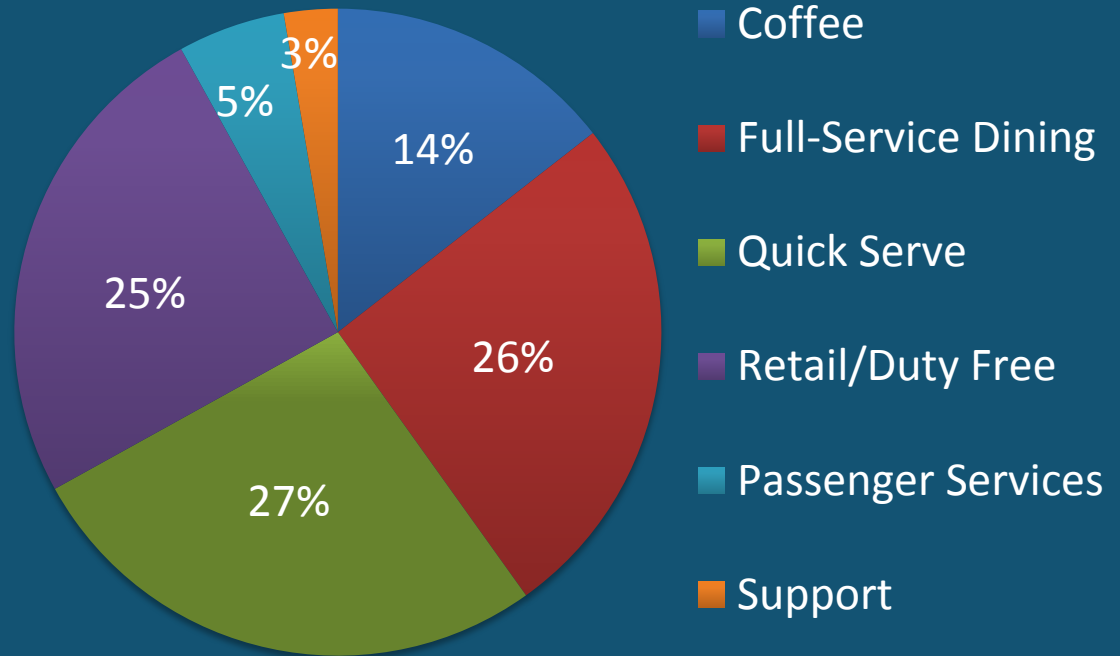
- Estimated total employees: 1,640
- Hiring spikes in summer
- 58% of employees represented
- 83% employed full-time
- Average tenure is 5.97 years
- Average annual turnover 10-20%
- Average 40% non-native English speakers



Employee Workplace

Employment by Operation

- Majority of employees work in food service
- Most have direct interactions with customers



Employee Responsibilities

- Vast majority of employees have secure access only
 - Background check, TSA threat assessment
 - No security training required
- TSA allows only 25% of employees per location to access restricted areas
 - Storage units
 - Garbage, recycle, etc.
- Approximately 83 with airfield (AOA) access
 - Deliveries to satellites, etc.

Job Quality



Employee Wages & Tips

- Nearly all non-managerial employees make less than \$15 in hourly wages
- Weighted average wage \$11.16 per hour
- Many employees receive tips, sales commissions and/or bonuses
- Tips/commissions range between \$2 and \$40 per hour
- Significant tip income for servers and bartenders



Employee Tenure

Average airport tenure is significantly longer than off-airport counterparts:

- Full-service: 5.9 years
- Quick Service: 4.9 years
- Retail: 5.9 years

Restaurant Tenure Rates (Non-Airport)

Type of Position	Average Tenure
Chefs/Head Cooks	5.40 years
Hourly Cooks	3.32 years
Servers	3.35 years
Bartenders	3.68 years
Entry Level Kitchen	2.36 years
Entry Level Front of House	1.77 years
Quick Service – Shift Lead	3.66 years
Quick Service – Crew Member	2.66 years

Source: Washington Restaurant Association member survey, 2013-14



Airport Dining & Retail Employers

- More than 35 employers
- Prime operators: HMSHost, Hudson, Dufry largest employers
- Tenancy between less than one year and 51 years
- Employ between 11 to 600 individuals
- Nearly all employers offer benefits in addition to wages
- Most common recruitment tool is employee referrals
- Employer 'poaching' commonplace
- Competition between employers leads to job quality gains



Prime Employer Wages & Tips



- Weighted non-managerial average wage: \$11.25/hr
- Weighted average non-managerial medical: \$4.41/hr
- Tips in food service range: \$20-25/hr or more
- Sales commissions range: \$2 - \$14/hr

Independent Employer Wages & Tips



- Weighted non-managerial average wage: \$10.72/hr
- Weighted average non-managerial medical: \$2.32/hr
- Tips in food service range: \$3.75 - \$6.50/hr
- Average sales commissions: \$5/hr



Program Employer Benefits

- 89% of employers provide paid vacation/paid time off
- 82% provide paid/subsidized medical benefits
- 64% of employers offer a retirement plan (401K or pension)
- Weighted average benefit cost \$4.17 per hour
- Most employers provide free or discounted meals or merchandise
- Many employers pay for bus passes or airport parking



Locally Owned and Operated

- Bigfoot Food & Sprints
- Beecher's Cheese
- Butter London
- Coffee Bean & Tea Leaf^{1, 2}
- Dilettante Diva Espresso¹
- Emilie Sloan
- ExOfficio
- Firehouse Express
- Fireworks
- Great American Bagel Bakery^{1,}
- Ivar's Seafood Bar
- La Pisa Café
- Manchu Wok¹
- Massage Bar
- McDonalds^{1, 2}
- Metsker Maps
- Pallino Pastaria
- Planewear²
- Quiznos^{1, 2}
- Sub Pop Records
- Ventures
- Waji's²
- The Wishing Stone²

1 - Local franchises

2 - No City of Seattle operations

Comparison with City of Seattle

Airport Large Employers:– Prime/Represented

Year	Airport Wage	Airport Wage w/ Medical
2014	\$11.25	\$15.66
Year	Seattle Minimum Wage	Seattle Minimum Wage w/ Medical
2015	\$11.00	\$11.00
2016	\$13.00	\$12.50
2017	\$15.00	\$13.50
2018	(CPI)	\$15.00

← Current average prime employer wages and benefits exceed the Seattle ordinance requirements in 2015

Comparison with City of Seattle

Airport Small Employers:– Non-Represented

Year	Airport Wage	Airport Wage w/ Medical
2014	\$10.72	\$13.02
Year	Seattle Minimum Wage	Seattle Minimum Wage w/Medical
2015	\$10.00	\$11.00
2016	\$10.50	\$12.00
2017	\$11.00	\$13.00
2018	\$11.50	\$14.00
2019	\$12.00	\$15.00
2020	\$13.50	(CPI)
2021	\$15.00	(CPI)

← Current average wage and benefits exceed the Seattle ordinance requirements in 2015

Development & Advancement

Most employers provide development opportunities:

- Tuition reimbursement
- Internal training curriculums
- Airport University accommodation
- Entry-level skill training (e.g. cash register, cash counting, customer service)

Many have robust internal advancement ladders

- Prime employees move within airport or to other airports
- Local independent employees move between airport and street locations



Job Quality Summary

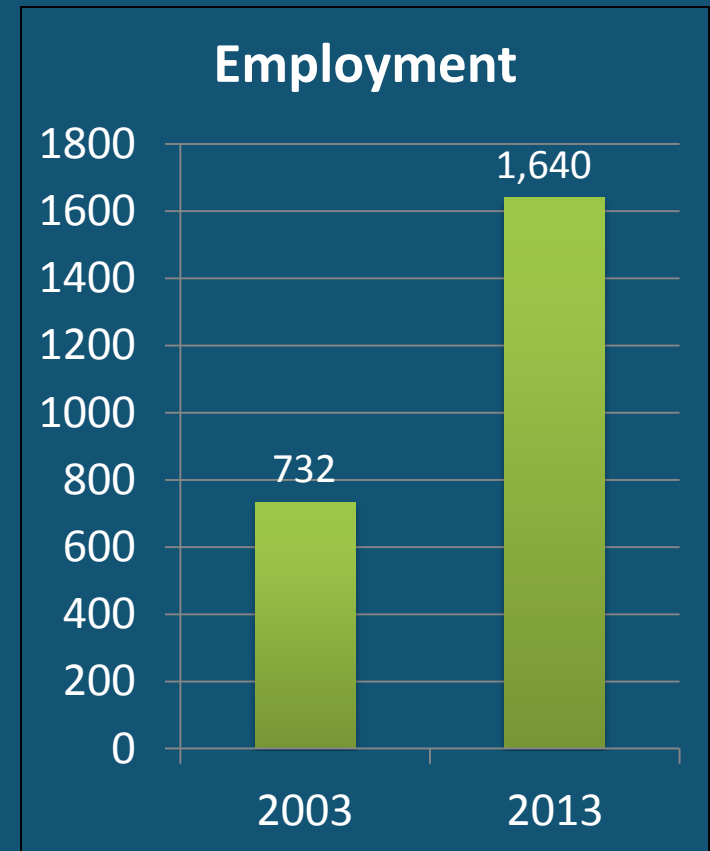
- Employees key to positive customer service experiences
- Average employee tenure exceeds off-airport industry standards
- Employee turnover is much less than off-airport
- Current average wages and benefits exceed future City of Seattle wage ordinance
- Increased competition provides opportunity for job quality gains

Employment Continuity



Employment Growth

- Competition and diversity of operators has stimulated employment growth
- Square footage growth has led to more employment
- Expansion of full-service dining has created the most employment per square foot
- No evidence of job loss when operators transition



124% Growth

Stakeholder Engagement

- Employment continuity issue at the forefront since 2011
- Multiple meetings in June - November 2011
- Included all types of operators (current and potential), airlines, and labor representatives
- Stakeholders clearly polarized on potential Port policy



Stakeholder Viewpoints

- Strong support for hybrid management model
- Labor seeks a maximum of 2-3 prime operators with 90% of employees
- Local business believes they should receive the majority of opportunities
- Labor seeks mandatory worker retention and labor harmony policies
- Small/independent business does not want a mandatory hiring policy



Policies at Other Major U.S. Airports

- Of the top 44* U.S. airports, 34 have no continuity/retention policies
- Ten U.S. airports have mandatory worker retention policies
 - Predominately California airports
 - Nearly all operate with large primes or developers
 - Some airports have labor harmony policies with or without worker retention

*Canadian airports represent the remainder of the top 50 airports in North America

Structures for Employee Continuity

Location/Contract Specific Retention

- Impractical if locations/contracts change

Employee Pool Approach

- Works best when transitioning among multiple employers
- Proven generally successful in San Diego and Phoenix
- Lessons learned can improve future programs



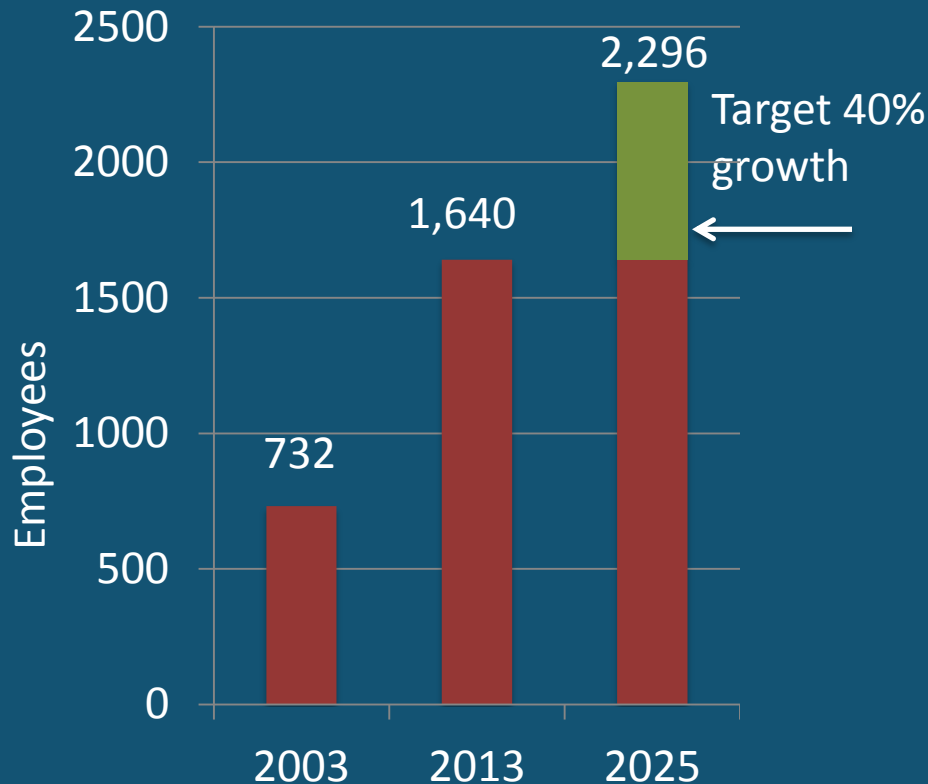
Possible Implementation Options

San Diego/Phoenix: Mandatory hiring from pool, exemptions allowed for specialist expertise

Detroit: New operators required to interview current employees

Sacramento: Incumbent employers required to provide employee information. New operators commit to give priority consideration via offers to interview

Growth Supports Employment Continuity



- Anticipated growth will create new opportunity
- Growth will drive operator demand for experienced employees
- Increased emphasis on full-service dining will create more and higher paying jobs

Employment Continuity Summary

- Continuity Pool – best solution for a changing program
- Can help employers identify qualified employees
- Can create greater sense of security for current employees
- Requirement to only hire incumbent employees may deter independent (local and/or small) operators
- Anticipated growth will generate new job opportunities beyond what exists today