

Health Care for Airport Workers:

Protecting Our Security and Safeguarding Our Children's Future



Los Angeles Alliance for a New Economy

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and
Safeguarding Our Children's Future**

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Executive Summary

Los Angeles International Airport is the world's fifth largest airport and a top terrorist target. Yet thousands of airport workers—including many with key security duties—lack health insurance, contributing to high worker turnover rates and an unstable and untrained workforce. This is the case even though airport workers are covered by the city's Living Wage Ordinance, which was intended to provide health care coverage for this workforce.

The Los Angeles Living Wage Ordinance, passed in 1997, was crafted to give employers a financial incentive to provide health benefits. Under the law's two-tier structure, employers must either pay \$11.25 per hour or \$10 per hour with a \$1.25 contribution to health care for employees.

However, the amount of the health care differential has not changed since the ordinance was passed, and it falls far short of the current cost of health care. As a result, thousands of LAX workers and their family members remain without health insurance during a time of severe economic hardship for working families. These conditions contribute to the severe health care crisis in the county and the state.

By updating the health care provision of the living wage law for airport workers, the city can extend coverage to more than 5,000 essential workers and their families, who live in neighborhoods with some of the lowest rates of insurance coverage in the county. The city will also benefit from improvements in security and service quality at LAX, as the retention, training and experience of the workforce increases.



Key Findings:

- 1. Lack of health insurance for living wage covered employees at LAX contributes to high worker turnover rates and an unstable, untrained workforce.** A 2005 University of California/LAANE study found that the living wage had raised wages and reduced worker



turnover rates. However, turnover rates still remain high among airline service workers at LAX, who have key operational duties like security and assisting passengers with disabilities. According to an analysis of hire dates for more than 2,000 airline service workers at LAX, nearly 30% have been at their jobs less than a year, and over half have been there less than 2 years. Providing family health insurance coverage increases the ability of employers to retain workers, according to numerous studies.

- 2. An estimated 5,100 LAX workers and their family members are uninsured or rely on public health insurance.** More than 3,100 workers at LAX and their family members lack any form of health insurance, including 700 children. Another 2,000 are reliant on public health insurance.
- 3. Many LAX employers already provide full family coverage to thousands of workers covered by the living wage law, suggesting that it is possible to provide family health insurance to a low wage workforce and remain profitable.** Food and retail concession operators and parking companies at LAX make full family coverage available to employees who are covered by the living wage ordinance. In all, an estimated 3,700 LAX workers and their family members receive health insurance from firms covered by the city ordinance.
- 4. While the living wage's \$1.25 health care differential has influenced employers' provision of health care benefits, the current amount is not sufficient to cover the cost of health care coverage.** Since the policy was passed in 1997, the health care differential has never been adjusted to account for inflation or increases in health care costs. The 2005 UC/LAANE study of the law's impact found that the health care differential did influence employer behavior, but that the amount was insufficient to increase coverage broadly.
- 5. Los Angeles has the lowest living wage out of six major cities in California, including Sacramento, San Francisco, Oakland, San Jose, and San Diego.** Moreover, in all but one of these cities, the living wage health care differential is larger than in Los Angeles.
- 6. The failure of airport employers to cover workers and their families has created a heavy financial burden for taxpayers.** Taxpayers spend an estimated \$3.9 million per year to cover the cost

of the Medi-Cal and Healthy Families programs for LAX workers and their families. In all, California spent more than \$4 billion in 2002 to cover the cost of the Medi-Cal and Healthy Families program for working families, according to a study.

- 7. Airport workers are concentrated in some of the neighborhoods with the least access to health care in the LA area.** An analysis of 2,000 LAX airline service workers reveals that more than 60% live in communities near the airport or in South Los Angeles. Neighborhoods where workers are concentrated have some of the highest rates of people lacking health insurance in L.A. County, in some cases up to 40%.
- 8. Families who lack health insurance are much more vulnerable to financial crises.** A 2005 survey of families who filed for bankruptcy protection found that half cited medical causes. A Harvard researcher studying home foreclosures in California and three other states found that medical bills contributed to 23 percent of all home foreclosure filings. Burdening working families with unmanageable medical expenses worsens and deepens the nation's economic crisis.
- 9. Lack of health insurance severely impacts uninsured children and threatens the health of families.** Eight people in California are estimated to die every day due to lack of health coverage, according to Families USA. Uninsured children are six times more likely than insured children to have gone without needed medical or dental care. These children are more likely to be hospitalized for preventable or treatable illnesses, and more likely to miss school.
- 10. Making family health insurance available to low wage airport workers would entail increasing the living wage ordinance's health care differential by about \$3.40 per hour.** Such an increase would bring the top tier living wage up to \$14.65 per hour, which is slightly above the San Jose top tier of \$14.08. Firms that already pay this much for coverage for family coverage for their employees would continue to pay \$10.00 per hour under this scenario.
- 11. The cost to the airlines of this increase would amount to an estimated twenty-eight cents per passenger ticket, if the entire cost were passed on to consumers.** The airlines are the largest sector that would be affected by this change, because the largest group of LAX living wage workers without family health care—more than 2,500—are employed by airline contractors.



Policy Recommendations:

- 1. Increase the health care differential of the living wage for airport workers.** Nearly 60 percent of the city's living wage workers are employed at LAX, and workers without adequate health care coverage are concentrated there. Moreover, the city will be investing up to \$4 billion to modernize LAX's terminals and runways. In order to receive the full benefit of this capital investment, the city should also raise standards for the service workers whose duties are vital to the security, safety, and comfort of airport passengers. At a time of budgetary stress, it is important to note that improvements at LAX will have no impact on the city's general fund.
- 2. Increase the health care differential for airport workers so that it is sufficient to cover family health benefits.** Making health coverage available to airport workers and their families will be the most effective way to lower turnover rates and ensure a stable and experienced workforce. It's also the only approach that will ensure that the children of airport workers have access to needed health care services and the best chance for a better future. Furthermore, it will alleviate the costs to taxpayers of emergency services and public health insurance.
- 3. Index the health care differential amount for airport workers going forward.** An annual increase in the amount of the health care differential will prevent the value of the differential from being eroded by inflation and will ensure that it is in step with the actual cost of purchasing health care. The best source for annual indexing is the California HealthCare Foundation's annual survey of premium costs for employer-provided health care plans. To ensure that future cost increases are not unreasonable, the living wage differential could be indexed to premium cost increases but include a cap on the percentage increase.
- 4. Study the impact of raising the health care differential for non-airport workers covered by the living wage ordinance.** The Los Angeles Living Wage Ordinance covers about 10,000 workers, all of whom could benefit from an increase in the health care differential. The City Council should study the impact of raising the health care differential for all workers covered by the ordinance. Such an increase could potentially benefit thousands more workers and their family members and save taxpayers millions of additional dollars, as many living wage workers and their family members are reliant on public health programs.



Introduction

Los Angeles International Airport is a major international hub and one of the city of L.A.'s most important public assets. It is the world's fifth busiest airport and contributes an estimated \$60 billion annually to the economy. It is also an important regional employer, directly responsible for 59,000 jobs.¹ Unfortunately, LAX is also a prime target for terrorists. In 1999, Al Qaeda unsuccessfully plotted to blow up an LAX terminal during the busy holiday season.² Rand Corporation has argued that "there are good reasons to believe that LAX is viewed by some terrorist organizations as an attractive target."³

In spite of the importance of the airport to our safety and to the region's economic health, workers at LAX have faced poor conditions that jeopardize airport security and undermine service quality. A 2007 LAANE report, *Under the Radar*, linked these problems to the airline's contracting system, which lacks adequate standards for compensation, training, staffing and equipment.⁴ Approximately 2,500 security officers, skycaps, wheelchair attendants, and janitors are employed by airline contractors at LAX. LAANE surveyed 300 workers and found that compensation and training were inadequate, leading to an unstable, inexperienced and untrained workforce.

Following the release of *Under the Radar*, a coalition of workers, disability rights activists, and other community organizations was formed to advocate for higher standards for airline service contractors. In April of 2008, the Los Angeles Board of Airport Commissioners took the important step of passing the Service Standards Policy. This policy is intended to raise standards for contractors in areas such as employee training, quality of service and employee relations.

L.A.'s elected leaders have long been aware of the problem of poor jobs and inadequate health benefits available to airport workers. The campaign to pass the landmark 1997 L.A. Living Wage Ordinance grew out of concern about low wage jobs at LAX. The crafters of the living wage law understood that making



health insurance available to living wage workers would improve the quality of jobs—and the quality of services—at LAX and throughout the city.

One of the law's original goals was to provide workers with health care benefits, and the law's two-tier wage structure creates a financial incentive for employers to pay a lower wage and provide benefits. Currently, employers subject to the law must pay their workers a minimum hourly wage of \$11.25, or \$10 per hour with a \$1.25 hourly contribution to health care. While the wage has been adjusted for inflation over the years, the health care differential has not.



The failure of the health care differential to keep pace with the rising cost of health care is a problem that affects more than 10,000 workers covered by the ordinance. This brief argues that the best place to begin addressing this problem is at LAX, where the majority of

living wage covered workers are employed and where workers without health care coverage are concentrated.

By shifting the burden of providing health insurance to the public sector, airport employers are placing a strain on an already overly burdened public safety net. Addressing the problem of the lack of health insurance for airport workers would not only improve the lives of workers and their families, it would also lessen the burden on the public sector, which must provide health insurance and costly emergency services for the uninsured.

The 3,100 uninsured LAX workers and their families illustrate the larger health care crisis, which is felt more severely in the LA region than in many other areas. The health care crisis is one of the great challenges facing the nation, and while prospects for national reform are brighter than they been in years, they are by no means certain. In the meantime, local governments such as Los Angeles have an important role to play in addressing this crisis. If federal health care reform efforts succeed, they almost certainly will maintain the current system of employer-provided health care. Therefore, local actions to improve employer-provided health coverage will complement federal efforts, while also improving security and the quality of services at city facilities and on city contracts.



A Severe and Growing Health Care Crisis

Escalating premium costs, declining rates of unionization, and structural shifts in the economy are some of the key trends that have led to an epidemic of Americans lacking health coverage. These trends have resulted in low and declining rates of employer-provided health benefits that have fueled the nation's health care crisis. Los Angeles is one of the regions that have been hit hardest. In California, only 54 percent of non-elderly residents receive health coverage through employers,⁵ one of the lowest rates in the country. In the first half of the decade, employer-based coverage for 2.8 million low-income workers in the state shrank from 43 percent to 33 percent.⁶ Seventy percent of the uninsured have at least one full-time worker in the family.⁷

In Los Angeles, these trends have had a devastating impact, and the region is home to a disproportionate share of both the nation's and the state's uninsured population. Nearly one-third of California's uninsured live in L.A. County. More than 2.1 million people in the county lack health coverage, including more than 300,000 children. The uninsured in L.A. County represent 24 percent of the total non-elderly population, higher than both the state and national rates.⁸

Lack of health care for workers and their families creates tremendous public costs

The health care crisis creates tremendous public costs, as taxpayers cover the cost of care for the uninsured and increasing strain is placed on the rest of the health care delivery system. In 2002, providing health care coverage just to working families through the Medi-Cal and Healthy Families programs cost California taxpayers more than \$4 billion.⁹ As employer-sponsored coverage has declined, public spending on health care programs has increased. During the past ten years, spending on the Medi-Cal program more than doubled to \$37.6 billion.¹⁰

In recent years, the county's public health care system has crumbled under the pressure of the growing uninsured population. The county has regularly faced annual health department deficits in the hundreds of millions of dollars, and faces a projected deficit of \$750 million deficit over the next two years.¹¹ Structural financial challenges played a key role both in the closure of King-

Nearly one-third of California's uninsured live in L.A. County.

In 2002, providing health care coverage to working families through the Medi-Cal and Healthy Families programs cost California taxpayers more than \$4 billion.

Eight people in California are estimated to die every day due to lack of health coverage, according to Families USA.

Drew hospital in 2007, and in the county's inability to find a private operator for that hospital.

The growing burden of the uninsured has broad impacts that affect everyone. The escalating cost of treating the uninsured has strained private hospitals and eroded the county's emergency and trauma care system. In the past ten years, 12 hospital-based emergency rooms in the county have closed; in the past two decades, 11 of 23 trauma centers have shut down.¹² Health care providers also attempt to recover their costs by increasing charges to patients with private insurance, which results in higher insurance premiums. In California, the increased cost for employer-provided family coverage due to the uninsured is projected to be nearly \$1,800 per person per year by 2010.¹³

The uninsured endure severe hardships

In one of the wealthiest countries in the world, people without insurance face conditions that endanger their health, and even their lives. The Urban Institute has estimated that 22,000 people in the U.S. between the ages of 25 and 64 died in 2006 because of a lack of health insurance.¹⁴ That is twice the number of deaths due to homicide in the same year. In California, that means that an estimated eight working-age Californians die each day because they lack health coverage. Uninsured patients are much more likely to die in the hospital than insured patients, forgo needed medical care or prescription drugs for chronic conditions because they cannot afford the costs, and uninsured women with cancer are more likely to be diagnosed at late stage and less likely to survive.¹⁵

Lack of health care harms children today and jeopardizes their future

- Children without health insurance are six times more likely than insured children to have gone without needed medical or dental care and four times more likely than insured children to have waited to seek care.
- They are more likely to be hospitalized for preventable or treatable illnesses, and more likely to miss school.
- Several studies have found a relationship between poor child health and cognitive development, affecting educational attainment.

Sources: The Children's Partnership, *Express Lane Eligibility*, 2002, and Jack Hadley, *Sicker and Poorer: The Consequences of Being Uninsured*, The Kaiser Commission on Medicaid and the Uninsured, 2002.

Families and individuals who lack health insurance are at greater risk of financial crises

For the uninsured—and even for those with insurance—the health care crisis creates enormous economic costs. If unaddressed, this cost burden will exacerbate the severe financial crisis currently facing the country. A 2005 survey of families who filed for bankruptcy protection found that half cited medical causes.¹⁶ More recently, a Harvard researcher studying home foreclosures in California and three other states found that medical bills contributed to 23 percent of all home foreclosure filings.¹⁷

A recent report by the Commonwealth Fund found that last year 41% of non-elderly adults in the U.S.—72 million people—had problems with payment of medical bills, medical debt, or both. Twenty-one million were unable to pay for basic necessities like food, heat, or rent because of medical bills.¹⁸

Unmanageable medical bills played a role in nearly a quarter of all home foreclosure filings in four states including California, according to a 2008 Harvard Law School study.

M A R I A G U Z M A N

Maria Guzman works at LAX as a wheelchair attendant for passengers with disabilities. Her duty is to see to the safety of the thousands of passengers who pass through her terminal every day. Her husband works for the same company, and together they have five children. Even though Maria and her husband both work at LAX, they have been unable to get their children health insurance. Instead, they take their children to Tijuana, Mexico once a month for medical treatment; “Everything is cheaper in Tijuana,” Maria says, simply because she cannot afford to pay doctors’ bills in the US. Only recently has she been able to get her children on a state-funded program which allows for occasional doctor’s visits.

“I stress a lot about health insurance,” she adds, and it’s not just because of her children: five months ago, Maria was diagnosed with diabetes. Though she has changed her diet, she can only get medical treatment in Mexico. Maria does not use the health insurance plan she can purchase through her employer because it has high out-of-pocket costs and often requires people to pay for their own medicine. “It’s not insurance,” she says, describing her inability to afford her employer’s coverage. “It doesn’t cover anything.” She also suffers from back and knee pain, which she is unable to take care of. Even on days where she is in pain, she must work, because she has fewer work hours than she has requested. “It would help me a lot” to have healthcare, she says, because then she could treat her diabetes and get good coverage for her children without relying on state assistance.



Airport Workers and Health Care: An Unmet Goal of the Living Wage

“One of the original goals of the living wage ordinance was to encourage employers to provide health care. Not only will this improve city operations, but ensuring health care access for all is one of the most pressing issues of our time.”

--Jackie Goldberg, former LA City Councilwoman and author of the living wage ordinance

Airport workers, as well as contracted workers at other city facilities, are covered by the city’s Living Wage Ordinance. This law was intended to provide an incentive for employers to offer their low wage workers health insurance that they could afford. While the ordinance has had a small effect on employer behavior, the goal of expanding workers’ health coverage has not been reached.

Living Wage Basics

- The law sets wage and benefit standards for companies doing business with the city, including service contractors, concessionaires on city property, lessees of city property, firms that receive economic development subsidies, and subcontractors of those firms.
- Covered occupations include janitorial, security, parking, food service, retail, airline service, social services and landscaping. More than 60 percent of all covered jobs are at LAX or Ontario Airports.
- Affected businesses must pay workers at least \$11.25 per hour in total compensation (adjusted annually). Employers may either pay the total in wages or pay up to \$1.25 per hour in health benefits and pay the rest in wages.
- Unlike wages, employer contributions to health benefits are not subject to payroll taxes. Therefore, employers that comply by providing benefits will most likely have a lower total cost of compliance.

In 2005, two University of California economists, in cooperation with LAANE, released a comprehensive study on the impact of the Los Angeles living wage ordinance.¹⁹ The study found that the living wage did not induce affected firms to initiate a health plan for their workers. However, a small percentage of firms improved or expanded health insurance coverage. For example, some firms extended coverage to part time workers, while others increased the value of benefits that were already provided.

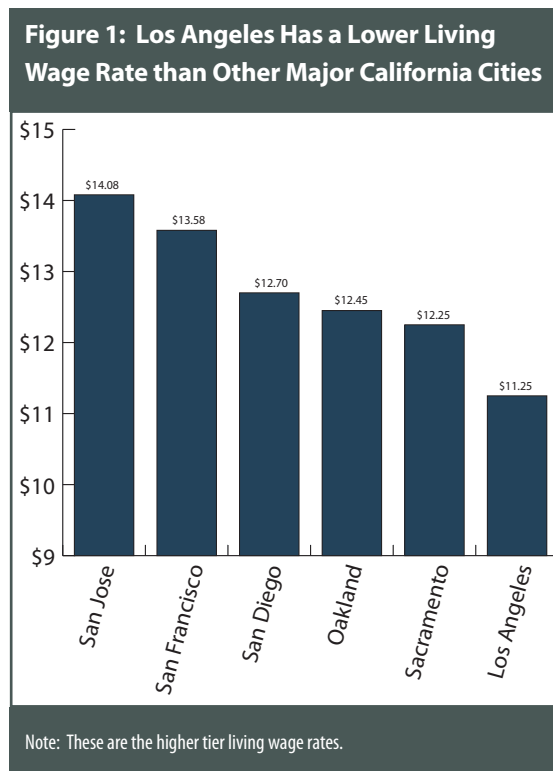
The study also found that the \$1.25 health care differential is not sufficient to cover the cost of health care coverage. The \$1.25 amount has not changed since the ordinance was passed more than 10 years ago, not even to account for inflation. Meanwhile, annual health care inflation has exceeded the annual inflation rate by 7 percentage points on average from 2000 through 2007.²⁰

As a result, the differential falls far short of the current cost of both employer-provided individual and family health care. According to the California Employer Health Benefits Survey, the average cost for employer-provided coverage is \$2.15 per hour for an individual plan, while family coverage is \$5.91 per hour (assuming full-time work.)²¹ Since some living wage workers only need individual coverage, and others will cover family members, the average hourly cost of making family coverage available to these workers will fall somewhere in between these two figures.

In order to estimate the cost, we used demographic data about living wage workers from the 2005 LAANE study. Fifty-five percent of living wage workers have either a spouse, a domestic partner or dependent children living with them, and we assume they will opt for family coverage. The rest will need individual coverage only. Averaging the cost over the entire population, this means it would cost \$4.21 per hour per worker to make family coverage available to these workers. This amount is \$2.97 more than the health care differential established in 1997.²²

If the city of L.A. were to raise its current living wage to account for the cost of making family health insurance available to living wage workers, the higher tier living wage rate would rise to about \$14.21. Firms that already offer health insurance to their workers might be required to increase their contribution to their plans. As long as their contribution met the minimum requirements, they would continue to be subject to the \$10 per hour wage rate.

While this increase is significant, it is worth noting that Los Angeles' standard is lower than the five other major cities in California (See Figure 1). Moreover, four



“The LA living wage is structured so that both employers and employees share responsibility for health care costs. Employees receive lower wages in exchange for health benefits. This system will work effectively and fairly only if employers increase their contributions for health benefits to better reflect the actual cost of health insurance.”

E. Richard Brown, PhD.
Director, UCLA Center for Health Policy Research

The majority of LAX airline service workers live in communities with some of the lowest rates of insurance and the least access to health care services, such as South Los Angeles.

of those cities have higher health care differentials, including San Francisco, San Diego, Oakland and Sacramento. The San Jose living wage ordinance requires employers to pay workers an hourly wage of \$14.08 without health insurance or \$12.83 per hour with health insurance.

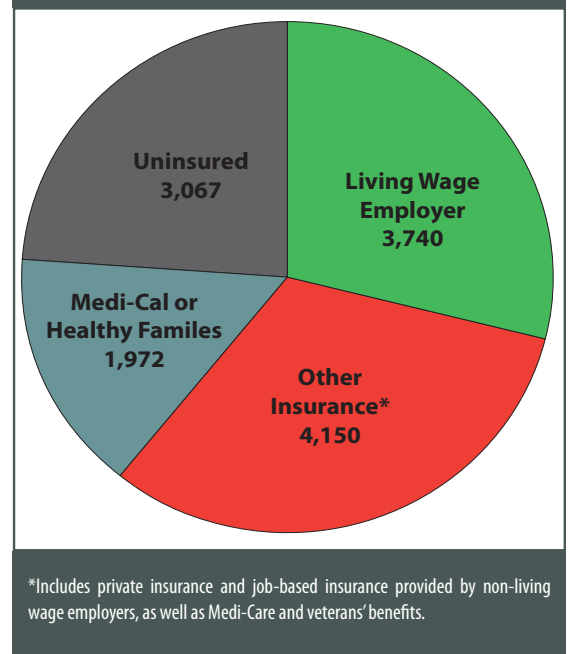
Thousands of LAX workers and their family members lack health care

According to the UC/LAANE 2005 study *Examining the Evidence*, there are an estimated 5,800 workers at LAX who are covered by the living wage ordinance. Nearly one third of them are uninsured, and seven percent rely on public health insurance.²³ Among the children of these workers, more than half are either uninsured or rely on public health insurance. All together, about 5,000 LAX workers and their family members lack health insurance or rely on public health insurance. (See Figure 2).²⁴

Two key categories of workers at Los Angeles International Airport provide prime examples of crucial employees without adequate access to family health insurance. Close to 2,600 passenger service workers and airplane cabin cleaners are employed by airline contractors at LAX and covered by the living wage. The majority of these workers lack adequate individual coverage, and none has access to comprehensive, affordable family coverage. In addition, approximately 250 employees of food and retail concessionaires at LAX are also covered by the living wage but lack access to affordable family health insurance.

One airline service contractor, World Service, employs 300 cabin cleaners and does not offer any health plan to employees. Two other contractors, AirServ and G2 Secure Staff—with a combined total of over 1,100 employees—offer limited-benefit medical plans, which do not provide comprehensive coverage and have high out-of-pocket costs.

Figure 2: Sources of Health Insurance for LAX Living Wage Workers and Their Family Members



Source: Fairris, David, et al, *Examining the Evidence*, 2005.

For example, under AirServ's plan, if a worker has diabetes and needs to go to the doctor multiple times a year for treatment, the least expensive health plan option offered by AirServ only covers \$50 for each visit and has a limit of four visits a year. If a worker faces a life-threatening health condition and has to go to the emergency room, the maximum benefit for emergency room costs is \$100. If a worker has surgery and is hospitalized for three days, the maximum the plan will cover is less than \$4,000. With a typical hospital stay likely to cost tens of thousands of dollars, this inadequate coverage will leave workers with large bills they will be unable to pay.

In the rare cases where more comprehensive benefits are offered, the costs for family coverage are beyond the reach for a low-wage worker. Aero Port Services employs nearly 600 workers at LAX, and if those workers want to cover their family members, they would have to pay the entire cost of family coverage, which is \$381 per month.

Lack of employer-provided benefits raises costs for taxpayers and threatens community health

The failure of employers to cover workers and their families at LAX has created a heavy financial burden for taxpayers. Taxpayers spend an estimated \$3.9 million per year to cover the cost of the Medi-Cal and Healthy Families programs for low wage workers at the airport and their families.²⁵ This does not include the cost of caring for the uninsured in county public hospitals and clinics or private hospitals' emergency rooms.

The lack of health care for LAX workers also worsens the health care crisis in communities with some of the lowest rates of health coverage and the least access to health care services. LAANE analyzed home addresses for more than 2,000 airline service workers employed by four major airline contractors at LAX. More than 60% of these workers live in communities near the airport, such as Lennox and Inglewood, or in South Los Angeles.²⁶ An analysis of the 26 zip codes where workers are concentrated reveals that these neighborhoods have some of the highest rates of uninsurance in L.A. County, in some cases up to 40%.²⁷ According to a study by Community Health Councils, residents of South LA have the least access to health care resources and infrastructure in the county.²⁸

Many LAX living wage employers already provide access to family health care

Although thousands of LAX workers lack adequate access to health care, many living wage covered employers do provide coverage, including free full family benefits. An estimated 3,700 LAX living wage workers and their family members

receive health insurance through their living wage employer.²⁹ For example, 1,200 food and concession workers have access to free family health insurance through their employers—HMS Host, Delaware North and Hudson Group—suggesting it is possible to remain profitable and provide health care.³⁰

A N A R O D R I G U E Z

Ana Rodriguez, 40, has been working for airline contractors for over a decade. In her time working at Los Angeles International Airport, her jobs have included scanning baggage for dangerous items, searching planes prior to flight, and assisting passengers with disabilities. Day in and day out, Ana works behind the scenes to make sure that our airport runs as efficiently as possible. Ana's work, like the work of thousands of her fellow employees, is critical to the safety and security of LAX.



Two years ago, in July 2007, a series of events changed Ana's life forever. During a routine checkup, she discovered that she was two months pregnant. Shortly after, she suffered a miscarriage which doctors later traced to tumors on her ovaries. Ana had emergency surgery a few days after her miscarriage, which cost \$24,000. Even though she had the limited insurance her employer offered, she found that it only paid a little more than half of the total cost. Despite barely earning enough to pay for rent and food, Ana now has to contend with owing \$11,000 to debt collectors for her surgery, which has damaged her credit rating.

After her surgery, Ana almost lost her job because she was unable to work. She struggled to provide for herself and her daughter, Karen, who has never been eligible for health care coverage from her mother's employers. Instead, Ana would take her daughter to the emergency room any time Karen was sick enough to require medical attention. Though she was finally able to find a state program that would cover twice-annual doctor's visits for Karen, Ana still has to hope that neither she nor her daughter ever becomes seriously ill again.

Health Care, Employee Performance and Airport Operations

One of the central reasons the city of Los Angeles passed the living wage ordinance in 1997 was to promote a stable workforce and improve operations at city facilities and on city contracts. As stated in the legislative findings of the law, as a landlord and purchaser of services, the city has a proprietary interest in ensuring adequate compensation to reduce “high turnover, absenteeism, and lackluster performance.” The law further states that “the City intends to require service contractors to provide a minimum level of compensation that will improve the level of services rendered to and for the City.”³¹

High employee turnover rates persist at LAX, creating security risks and lowering service quality

However, at key city facilities, such as Los Angeles International Airport, very high employee turnover rates persist in certain sectors, in large part due to the lack of individual and family health coverage for workers. An analysis of hire dates for 2,087 low-wage employees of four major passenger service contractors at LAX reveals that 27 percent of those employees have been at their jobs less than a year, over half have been there less than two years, and nearly 60 percent have been there less than three years.³²

Such high turnover rates among airline service workers jeopardize airport operations by creating security risks and lowering the quality of services provided to passengers. An unstable workforce is a security risk at an airport that is one of the nation’s top terrorist targets. Airline service workers—the largest group without health coverage—perform duties that are integral to airport operations, such as airplane security searches, assisting passengers with disabilities, handling baggage, and cleaning and servicing airplanes. High turnover rates mean an inexperienced and less skilled workforce. Turnover also diminishes the benefit of employee training, as newly-trained workers leave for better jobs elsewhere. Moreover, food service workers who lack health care will be more likely to come to work sick, which could create one more source of infection for harried air travelers.

In April of 2008, Los Angeles World Airports took action to improve conditions

An original intent of the 1997 living wage ordinance was to “improve the level of services rendered to and for the City” by reducing “turnover, absenteeism, and lackluster performance.” (LA Administrative Code Sec. 10.37)

LAWA’s Service Standards policy will not be successful if turnover rates among airline service workers remain high, because newly trained workers will leave for better jobs elsewhere.

“Along with basic wage increases, family health benefits ensure that workers stay on the job. We’ve been offering full family benefits at no cost to our employees since 2000, and our turnover rate is approximately 10%.”

**--Carole Thorsell
Executive Vice
President of DMS
Facility Services**

for airline service workers by approving the Service Standards Policy, which will establish performance standards for airline contractors, including standards for employee training. This policy addresses an important need for improved standards among private contractors engaged in such important work as security and assisting disabled passengers. But LAWA’s Service Standards policy will largely be wasted if turnover rates among these workers are not reduced, as newly trained workers will leave for other jobs.

Numerous studies and polls show that improving health care coverage improves employee retention

A 2005 study of homecare workers in San Francisco County found that adding individual health insurance benefits increased the probability of a new worker remaining in her job for a year by 21 percentage points.³³ A study of the grocery industry in Los Angeles found the same relationship, but in reverse, following an industry-wide strike that resulted in the loss of family health coverage and lower wages for new hires. For grocery workers in their first year of employment, turnover increased by 22 percentage points, compared to the workers in their first year before the strike.³⁴

Additional studies and polls further confirm that employees value health coverage so much that it shapes their decision to stay or leave a job. Three out of 10 Americans said that they or someone in their household had stayed in a job in order to keep their health benefits, according to a New York Times/CBS News poll.³⁵ A study by a UC Irvine economist found that health coverage for women reduces job mobility by 30 to 50 percent.³⁶

Employers also recognize the importance of health benefits. A 2007 Gallup poll found that the overwhelming majority of small-business owners believed that having an adequate health insurance program would help attract the best qualified employees (84 percent), reduce the likelihood that employees would leave (83 percent), and promote employee loyalty (81 percent).³⁷ According to Sean Schraeder, a regional manager for ABM Janitorial Services, providing family health care and full-time hours to the company’s employees has led to a significant reduction in turnover. As Schraeder explained in an article in the *Denver Westword*, “If the janitors have benefits, they stay around longer. When you have a full-time worker with family health care, they’ll stay in that building.”³⁸



LUZ MARIA FLORES

Luz Maria Flores, 56, has worked for airline contractors for twelve years. She is divorced and has two grown children. Her employer used to provide insurance which Luz Maria says was very expensive. She purchased it, but discovered that none of the health facilities listed on her insurance card actually accepted her company's insurance. Although her employer has recently switched to a new insurance provider, Luz Maria has not purchased it because she says that though it is slightly less expensive than the old plan, it only covers five doctor's visits a year and pays a mere 25% of all medical costs.

Luz Maria knows better than most how dangerous lack of health insurance can be: in 2000, she was diagnosed with breast cancer. She sought out county services, but had trouble obtaining eligibility. Meanwhile, her employer made taking time off to seek out county services almost impossible: "You don't have time. If you call off, the next day they'll call you up and suspend you." Knowing all the while that her cancer could spread, Luz Maria had to find a way to have surgery at the county hospital. If she had had health insurance, Luz Maria could have had her surgery much sooner. "We really need health insurance," she says, remembering her fight for her life.



Luz Maria's health problems did not end in 2000. Now, she has been told by county doctors that she needs surgery because of deteriorated ligaments in her knee. Luz Maria feels her knee injury comes in part from years of carrying baggage and assisting passengers in wheelchairs. Ironically, a woman whose job has been helping the disabled may end up in a wheelchair herself. While she is on disability now, it expires in less than a month, and doctors have told her that she cannot renew it. Luz Maria knows that she is one of many workers who suffer from injuries which they cannot get treated. "Once or twice a year, they take us out to eat and think that that's enough," Luz Maria says of her employer. Luz Maria knows she has to have the surgery, but is afraid to do so: she will have to spend a long time recovering, and during that time she will not be earning the money she needs to survive.

Policy Recommendations

The health care crisis is one of the great challenges facing the nation, and if left unaddressed, will worsen and deepen the current economic crisis. A comprehensive solution requires action at the federal level that affirms the responsibility of employers to contribute to their employees' health coverage. A lasting solution will also involve curbing the sharp escalation in premium costs seen in recent years, as well as ensuring universal coverage.

Although providing health care for all is an important national goal, local governments such as Los Angeles also have a key role to play in addressing this crisis. If federal health care reform efforts succeed, they will almost certainly maintain the current system of employer-provided health care, rather than exclusively government-sponsored coverage. Therefore, local actions to improve employer-provided health coverage will complement federal efforts. Moreover, the City will reap multiple benefits by extending access to health care to employees at its facilities and on its contracts. In order to fulfill the promise of the living wage, the City should make several key changes to the existing ordinance.



1. Increase the health care differential of the living wage for airport workers.

Nearly 60 percent of the city's living wage workers are employed at LAX airport, and workers without adequate health care coverage are concentrated there. Moreover, the city will be investing up to \$4 billion to modernize LAX's terminals and runways. In order to receive the full benefit of this capital investment, the city should also raise standards for the service workers whose duties are vital to the security, safety, and comfort of airport passengers. At a time of budgetary stress, it is important to note that improvements at LAX will have no impact on the city's general fund.

Four out of six major cities in California have a larger health care

differential than the \$1.25 amount in the Los Angeles ordinance. San Francisco provides an example of a policy that is closer to reflecting the actual costs of providing family health care. The City's Health Care Accountability Ordinance covers city contractors and requires that they provide health benefits or pay \$2 per hour to the City. In October of 2008, the San Francisco Health Commission recommended increasing that amount to \$2.80 per hour.³⁹ Although this is an important step, providing family coverage will require a higher amount.

- 2. Increase the health care differential for airport workers so that it is sufficient to cover family health benefits.** Making health coverage available to airport workers and their families will be the most effective way to lower turnover rates and ensure a stable and experienced workforce. It's also the only approach that will ensure that the children of airport workers have access to needed health care services and the best chance for a better future. Extending family benefits to LAX workers will provide coverage for an estimated 3,100 workers and their families who are currently uninsured. It will also save taxpayers an estimated \$3.3 million per year by reducing dependence on public health insurance, which does not include cost savings for L.A. County public health facilities and private hospital emergency rooms.



An increase in the differential will create additional costs for employers in an already difficult economic environment. The airlines are the largest affected industry at LAX and, like other industries, have been facing financial challenges due to the economic downturn. However, if the airlines passed the entire cost of the increase through to customers, it would have only a minimal impact on prices. The cost of a \$2.97 increase in the health care differential would translate into an average 25 cent increase in the cost of an airplane ticket at LAX.⁴⁰ Such a small increase in cost to consumers is reasonable, given the substantial benefits gained in airport operations and health outcomes.

- 3. Index the health care differential amount for airport workers going forward.** A one-time increase in the health care differential will not provide health care coverage for workers over the long term. If the differential is not indexed, the value will again be eroded over time and the same problem will arise. An annual increase in the amount of the health care differential is necessary to keep up with both inflation and the actual cost of purchasing health care.



The best source for annual indexing is the California HealthCare Foundation’s annual survey of premium costs for employer-provided health care plans. This survey found that since 2000, the annual premium increase has averaged 10.3%.⁴¹ To ensure that future cost increases are not unreasonable, the living wage differential could be indexed to premium cost increases but include a cap on the percentage increase. If the health care differential were indexed, the level of the living wage each year would be determined by calculating the lower wage using the existing indexing method, then calculating the higher wage using the health care cost index.

4. Study the impact of raising the health care differential for non-airport workers covered by the living wage ordinance.

The Los Angeles Living Wage Ordinance covers about 10,000 workers, all of whom could benefit from an increase in the health care differential. The City Council should study the impact of raising the health care differential for all workers covered by the ordinance. Such an increase could potentially benefit thousands more workers and their family members and save taxpayers millions of additional dollars, as many living wage workers and their family members are reliant on public health programs.

Endnotes

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