MEMORANDUM

TO: MAC Commissioners

FROM: Jeff Hamiel, Executive Director/CEO (612-726-8188)

SUBJECT: MINIMUM WAGE FOR LIMITED AIRSIDE AND COMMERCIAL SERVICES LICENSE AGREEMENT HOLDERS

DATE: May 12, 2015

Chair Boivin has directed me to bring forth the recommendation contained in this memorandum with respect to establishing a minimum wage at Minneapolis/St. Paul International Airport (MSP).

MAC has addressed numerous concerns raised by the Service Employees International Union (SEIU) and workers at MSP over the past two years. The commission has heard from industry representatives, officials from organized labor and other airport operators, including from San Francisco’s (SFO’s) airport director. In addition, we have conducted surveys of other airports and local units of government and have monitored on-going litigation involving airports dealing with these same labor concerns.

In December 2014, MAC adopted a worker retention and sick leave requirement for Limited Airside and Commercial Services License Agreement holders. A decision regarding “labor peace” requirements was deferred pending the outcome of litigation in other states.

MAC also deferred any decision on a minimum wage for workers at MSP pending action by the Minnesota Legislature on this issue. Legislation was enacted in 2014 raising the state-wide minimum wage. Although the Legislature acted in 2014, there continues to be concerns expressed about wage levels of certain workers at MSP. There is legislation that has passed the Minnesota House of Representatives and is currently being considered in a conference committee that includes a provision prohibiting units of local government including MAC from enforcing minimum wage and benefit provisions beyond those set in state law. The ultimate outcome of this legislation is unknown. The regular session of the Legislature is scheduled to end on May 18.

Assuming there are no changes in state law prohibiting units of local government from adopting a minimum wage greater than the state minimum wage, it is recommended that the Commission move forward with implementing a minimum wage requirement for Limited Airside and Commercial Services License Agreement holders with 21 or more employees. This is the same group of employers and employees covered by the Commission’s worker retention and sick leave policies. Approximately 2,800 employees would be covered by the new minimum wage requirement.

The labor concerns that have been brought to the attention of the Commission over the past two years have been raised almost exclusively by workers employed by Limited Airside Service and Limited Commercial Services License Agreement holders. These workers include aircraft cleaners, wheelchair pushers, and electric cart drivers who provide services to MSP passengers.
and businesses where quality job performance is necessary to maintain MSP’s reputation as one of the finest large hub airports in North America.

Implementing a prevailing wage instead of a minimum wage for this group of workers was considered and rejected. Implementing a prevailing wage for each low-wage occupation at the airport by using the same method as the Prevailing Wage Division of the Minnesota Department of Labor and Industry under state law for calculating the prevailing wage (the most frequent wage or statistical mode for the job class) may prove to be unproductive because the prevailing wage rate for many of the low-wage occupations at the airport is likely to be the state-wide minimum wage. Significantly, no major U.S airport has adopted a prevailing wage for workers outside the construction industry.

Under this recommendation, the initial minimum wage rate would be set at $10.00 per hour, effective August 1, 2015, and increased to $10.50 per hour August 1, 2016. This will place the airport minimum wage $1.00 per hour above the state of Minnesota minimum wage, which will be $9.00 per hour on August 1, 2015 and $9.50 per hour on August 1, 2016. In addition, the state of Minnesota minimum wage is scheduled to increase on January 1, 2018 and every January 1 thereafter under a complex indexing formula. Future increases in the state minimum wage, however, may not take place as scheduled should a downturn in the economy occur. If the economy sours, current law allows for the increase in the state minimum wage under the indexing formula to be suspended. It is proposed that the Limited Airside and Commercial Services License Agreement minimum wage be established such that it will always be $1.00 per hour above the state minimum wage. The effective date of any MSP minimum wage increases after August 1, 2016, would be the same date that the state minimum wage rate changes.

This recommendation tailors the MAC’s approach to address the wage concerns brought to our attention in recent months. Furthermore, this option can be implemented by amendment to the existing license agreements without requiring a formal, lengthy ordinance process. An all-inclusive minimum wage that would apply to virtually every employer and employee working at MSP International Airport would require a full ordinance process, including public notice and a period for input from the public and affected employers and employees. Implementation would likely not occur until sometime in 2016. Should the Commission become aware of wage concerns that are potentially impacting customer service quality in other areas of the airport, it can address these concerns in the future through renewed commission action, which could include the ordinance process. The MAC recently retained the services of graduate students from Hamline University’s Center for Public Administration and Leadership to conduct a wage and benefit survey of employers at the airport. The results of the study will be presented to the Commission sometime later this year.

In light of the recent interest in adopting a minimum wage for airport workers, the updated license agreements that added the sick leave and worker retention provisions that were adopted by the Commission last December have been held temporarily for final execution. When these agreements are executed, they will be in effect for one year. Final execution of the agreements before the Commission takes action on a minimum wage will mean that any minimum wage requirement for Limited Airside and Commercial Services License Agreement holders would have to wait for one year. In the event a minimum wage provision is adopted by the Commission, the MAC will re-issue new license agreements for execution with the minimum wage requirement effective August 1, 2015.
Another advantage of choosing the narrower Limited Airside and Commercial Services License Agreement option is that it will not adversely impact the current or future concessions request for proposals process. It should be noted that nearly 80% of concession employees at MSP are represented by a labor union. As a result, the issue of wages and other terms and conditions of employment appear to be adequately addressed for this group of employees through the collective bargaining process.

COMMISSIONER ACTION REQUESTED:

AUTHORIZE STAFF TO DEVELOP SPECIFIC LANGUAGE TO ADOPT A MINIMUM WAGE REQUIREMENT FOR LIMITED AIRSIDE AND LIMITED COMMERCIAL SERVICES LICENSE AGREEMENT HOLDERS WITH 21 OR MORE EMPLOYEES AND TO BRING THE PROPOSAL TO THE JUNE COMMISSION MEETING FOR DISCUSSION AND APPROVAL. THE PROPOSAL SHALL INCLUDE THE NECESSARY AMENDMENTS TO THE EXISTING SICK LEAVE AND WORKER RETENTION POLICY TO IMPLEMENT A MINIMUM WAGE.