



Memorandum

TO: CITY COUNCIL

FROM: Councilmember Matt Mahan

SUBJECT: Hazard Pay for Retail Food Workers

DATE: February 9, 2021

APPROVED:

02/9/2021

RECOMMENDATIONS:

Adopt the drafted proposal, with the following revisions:

- 1) Apply mandate only to publicly-traded companies, capable of accessing public capital markets. Exempt privately held, independent, family-owned, or franchise-operated stores, to reduce risk of higher food prices, layoffs and store closures in struggling neighborhoods.
- 2) Give employers flexibility to structure \$3/hour compensation as bonus pay or an increase in base salary to make implementation easier.
- 3) Allow for the duration of hazard pay to extend for either
 - a. 120 days, or
 - b. until the date that Santa Clara County reports that it has sufficient vaccine doses and appointments to have scheduled vaccinations for every willing food retail worker (currently scheduled by the State of California as Phase 1B, Tier 1), whichever is sooner.

ANALYSIS:

The recommendations above seek to recognize and reward the role of front-line grocery workers from the largest, publicly traded companies for the public-facing role they are playing during the pandemic, while ensuring that smaller, independently-owned chains can continue to survive in the neighborhoods that need them most.

Doing so will reduce the risk that employees of smaller chains—such as Chavez, Cardenas, Lion, Mi Pueblo, Mitsuwa, Nijiya and 99 Ranch --do not lose jobs or hours as a result of the City policy, and will protect vital grocery services to struggling neighborhoods that tend not to attract the national brand, publicly-owned chains.

The response to the first wave of cities that imposed hazard pay ordinances has been swift. After Kroger closed two stores in Long Beach, the Brookings Institute--an early proponent--acknowledged that “mandates could come with consequences.” These consequences will be felt across the board — but they will be felt most deeply at the margins — in neighborhoods where families are struggling, and in stores that offer the deepest discounts. The impact may manifest in reduced hours for employees, conversion of full-time roles into part-time roles, added surcharges, and most concerningly, store closures. This is a risk we cannot afford to take.

Allowing employers flexibility over the structure of the pay increase ensures greater ease of implementation and fewer unintended consequences, such as a spillover effects on a host of other wage-dependent costs that employers and employees face. These potential costs might include associated benefits, union dues and overtime pay calculations. By limiting unintended cost escalation we can lessen the risk that employers reduce regular or overtime hours for grocery store workers.

Vaccination of food retail workers, far more than pay, protects their safety, and sharply reduces the hazard implicit in “hazard pay.” If completed before 120 days, the mandate should end. If by some chance Phase 1B, Tier 1 is not complete within 120 days, it could be extended accordingly.

Perhaps no industry has gone through more changes in the last decade than grocery stores with major shifts in where and how consumers are purchasing goods. The pandemic is accelerating trends toward online shopping that may further expand “food deserts” and restrict easy access to fresh meat, produce, and other daily goods. Without more time or staff capacity for analysis, the recommendations above simply seek to mitigate the potential unintended consequences of this pay increase while still rewarding a significant portion of the food retail workers who have bravely worked to keep food accessible to our community.