



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: John Aitken
Director of Aviation

**SUBJECT: COVID-19 RELATED IMPACTS TO
EMPLOYEES AT NORMAN Y. MINETA
SAN JOSÉ INTERNATIONAL AIRPORT**

DATE: January 10, 2022

Approved

Date

1/12/22

RECOMMENDATION

Accept this report to the Community and Economic Development Committee on COVID-19 related impacts to employees at the Norman Y. Mineta San José International Airport.

OUTCOME

To provide the Community and Economic Development Committee with a status update on how COVID-19 has impacted all employees at the Norman Y. Mineta San José International Airport.

BACKGROUND

COVID Related Layoffs, Rehiring, and Staffing Shortages

When COVID-19 hit in spring 2020, the number of passengers at the Airport dropped by record amounts with declines hitting a low of 97 percent of pre-pandemic levels, or 37,600 passengers in April 2020 compared with 1.3 million in April 2019. Daily departing passengers in April 2020 averaged 620 people for both terminals. As a result of this dramatic decline in the number of passengers at the Airport, almost every business experienced a radical change to their business models. Most businesses curtailed their operating hours as there was not enough demand for the goods and services. This included the airlines, food and beverage, retail, Transportation Security Administration (“TSA”), U.S. Customs and Border Protection (“CBP”), ground handlers, rental cars, lounges, ground transportation services, and others.

As a direct result of the decline in passengers and the drop in demand, both the retail concessionaire, Hudson, and the food and beverage concessionaire, HMS Host, (“Concessionaires”) closed the majority of their establishments at the Airport. The

Concessionaires furloughed many of their employees but continued to pay for their health insurance for three months or more months after the employees stopped working.

As employees were furloughed and laid off, the Concessionaires maintained a seniority list with the intent of rehiring these employees as passenger traffic picked up. As the Concessionaires reopened their establishments, priority was given to those on the seniority list as the Concessionaires desire is to rehire those that have previously worked at the Airport because they already are airport badged and are familiar with their operations.

As of March 2021, the Concessionaires fully exhausted the rehiring lists, having gone through the lists more than once. Concessionaires took extra measures to give employees every opportunity to be rehired, including contacting them via telephone, following up with a certified letter through the mail, and waiting up to thirty days before moving on to the next person on the list. During 2020, to incentivize those on the rehiring list to return to work, some of the Concessionaires offered immediate health benefits with no thirty-day waiting period, weekly COVID-19 bonuses and/or were given food vouchers to dine at their establishments.

Unfortunately, as a result of the ongoing pandemic, the Concessionaires have experienced the same labor shortages as the rest of the economy and have been unable to find sufficient numbers of employees to re-open all of their establishments. As a result, many locations have had to restructure the way they operate based on staff availability including delayed opening dates, reducing operating hours, and offering limited menus.

Concessionaires have strived to fill their vacancies by first attempting to rehire those that were laid off and anticipate the need to hire over 100 more employees in 2022. Recruitment has been difficult as many of the previous employees are no longer available and did not return to SJC. Some have changed careers and/or found other jobs; some have moved out of the area; some are not ready to return to work; and some continue to struggle with family care issues (childcare or other family care needs). These issues combined with employees concerns about the pandemic have made it difficult to fill vacancies. Those that are not ready to return to work are being encouraged to reach out to their employer for employment opportunities when they are ready to return. Despite the encouragement to get vaccinated, sizable numbers of employees remain unvaccinated (information from November/December 2021, before the increasing positivity rate of the Omicron variant).

The primary reason that the food and beverage concessionaires have not been able to reopen all their establishments and continue to have shorter hours and modified menus is directly tied to not having enough employees to operate as well as various supply chain issues that further complicate their ability to operate.

Airport Living Wage Analysis

San José Municipal Code Section 25.11 provides the details for the Airport Living Wage Ordinance (ALWO). Details on the Airport Living Wage Regulations and current required rates

are available on the Airport website at: <https://www.flysanjose.com/standards-and-guidelines/living-wage>.

The ALWO requires that Airport Businesses provide their covered employees with the following minimum compensation rates:

- \$17.30 per hour, if health insurance benefits are provided
- \$18.55 per hour, if health insurance benefits are not provided

To qualify for the lower rate, the employer must either (a) offer the covered employee an employer-sponsored health insurance plan for which the employer pays at least 50% of the cost, or (b) pay at least 50% of the cost of the covered employee's health plan.

If health insurance benefits are provided to employees, the minimum compensation required as pay for each Covered Employee is \$17.30 and can be the sum of the hourly wage (which cannot fall below the San José Minimum Wage Ordinance rate), the employer's hourly contribution for the covered employee's health insurance, and the employer's hourly contribution for the covered employee's retirement benefits.

Covered Employers (those employers that are covered by the ALWO) mean any person, corporation, partnership, limited liability company, joint venture, sole proprietorship, association, trust or other entity conducting commercial activity at the Airport pursuant to an Airport Contract or permit issued by the City under Title 25, and their Subcontractors conducting commercial activity at the Airport. Ground transportation providers, construction contractors, the United States Federal Aviation Administration (FAA), the United States Transportation Security Administration (TSA), or any other federal, state or local public agency are not subject to the Program. Employers that are party to a collective bargaining agreement, which expressly states that employees have agreed to supersede either the City's Living Wage Policy or the minimum compensation requirements of the ALWO are exempt from the Airport Living Wage Program.

Of the 1,871 employees working at the Airport that are known, approximately 800 are under some alternative wage agreement, including a collective bargaining agreement or a prevailing wage agreement. Organizations with a collective bargaining agreement are not required to provide a listing of employees; therefore, the total number of people under a collective bargaining agreement is unknown and, in all likelihood, more than the number provided above.

Covered Employees mean any person employed by a Covered Employer who expends at least half of his or her time working for the Covered Employer on work at the Airport; is at least 18 years of age; and is not a student intern or participant in a job training and education program. This includes all personnel involved in performing services which may directly impact safety, security and/or customer service. Examples of potential businesses at the Airport subject to the ALWO include: food and beverage concessionaires; retail concessionaires; parking lot managers; janitorial, custodial and facility maintenance services hired/employed by a third party; ground transportation management services; security services; wheelchair escorts; curbside passenger check-in and baggage check services (sky caps); general aviation maintenance; baggage and

January 10, 2022

Subject: COVID-19 Related Impacts to Employees at the Norman Y. Mineta San José International Airport

Page 4 of 4

cargo handling; aircraft cleaning services; aircraft tow-in/push back serves; water and lavatory services; and aircraft and vehicle fueling services.

The Airport conducts regular annual checkups on every firm operating at the Airport to ensure they are complying with the ALWO. During this checkup process, the Airport confirms that each firm is following the ALWO requirements, including compensation requirements, posting requirements, subcontractor listings, compliance with training standards, or other information as requested. In addition, to the annual checkup, Airport staff also conduct biennial audits on the firms, which include inspecting actual timecards and paychecks to confirm that the ALWO requirements are being followed. In 2021, the Airport conducted an annual review on 71 firms, representing at least 1,871 workers. Every firm turned in their required paperwork on time. During this review process, Airport staff were able to confirm that all firms were meeting their ALWO obligations, and no discrepancies were found.

Through these audits and checkups, the Airport has the ability to compel firms to redress any ALWO issues that are discovered, including requiring the payment of any underpayment discovered. Any covered employee has the ability to meet with Airport staff to confirm that their payment meets the minimum compensation requirements as outlined in the ALWO.

The following table provides a comparison of wage requirements:

Jurisdiction	Wage Requirements	
	2021	2022
Federal Government	\$7.25/hr. Minimum Wage	\$7.25/hr. Minimum Wage
State of California	\$13.00/hr. for firms w/ 25 or less	\$14.00/hr. w/ 25 or less
	\$14.00/hr. for firms w/ 26 or more	\$15.00/hr. w/ 26 or more
City of San José	\$15.45/hr.	\$16.20/hr.
Sacramento Airport	<i>Follows the State of California</i>	
Oakland Airport	\$15.30/hr. w/ health benefits	<i>Updates on July 1, 2022</i>
	\$17.56/hr. without health benefits	
San José Airport Living Wage	\$17.30/hr. w/ health benefits	<i>Updates on July 1, 2022</i>
	\$18.55/hr. without health benefits	
San Francisco Airport	\$19.05/hr.	<i>Updates on July 1, 2022</i>
San José City Living Wage Policy	\$24.07/hr. w/ health benefits	<i>Updates on July 1, 2022</i>
	\$25.31/hr. without health benefits	
	<i>City service contracts in 18 covered categories</i>	

/s/

JOHN AITKEN, A.A.E.
Director of Aviation

Please direct questions to Matthew Kazmierczak, Manager of Policy and Strategy at 408-392-3640.