



# Off The Mark

A Report Card on  
Wages, Benefits and  
Working Conditions at  
LAX Restaurants

Los Angeles Alliance for a  
New Economy

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## Executive Summary

Over the past decade, the City of Los Angeles passed policies intended to ensure that firms that do business with the City provide quality jobs and a safe working environment. This Report Card evaluates the extent to which one industry at LAX, food service, is living up to the letter and spirit of those laws. The report card examines six main areas using the standard grading system, A through F. In conducting this review, LAANE interviewed 119 of the approximately 1,100 restaurant workers at LAX, reviewed lawsuits, union contracts, and wage and hour claims made by employees.

The Report Card examines working conditions in an industry that is well-known for low wages, lack of health insurance, difficult working conditions, and violations of labor and health and safety laws. In Los Angeles County, average annual earnings for restaurant workers were \$13,198 in 2001, almost half of the average annual earnings for all industries. Two factors have served to raise the standard at airport restaurants: the Los Angeles Living Wage Ordinance, which covers three of the ten companies evaluated, and collective bargaining agreements that cover four of the companies. Not surprisingly, the three companies that are not covered by the Living Wage Ordinance or a union contract receive the lowest grades. However, problems were noted at companies where workers do have more protection. The most prevalent problem—and perhaps the most easily addressed—is workplace safety. Another disturbing trend are the many alleged violations of state and federal laws that range in seriousness from occasionally requiring employees to work during their legally-mandated breaks to alleged sexual harassment (at McDonald's) and assault (at Creative Croissants).

If a model company emerged from this review, it was HMS Host, which employs more than half the restaurant workers at the airport. Host provides the highest wages of all the restaurants, free family medical insurance, and a pension plan. Workers report that management typically acts quickly to correct problems. Failing marks went to Sushi Boy and Creative Croissants, companies that pay poverty-level wages, provide no health insurance, and where workers allege unsafe working conditions and persistent violations of labor law. Hamada, McDonald's and Eurotal stand out for the number of claims workers filed against them that were not satisfactorily resolved. Although McDonald's has agreed to pay its workers the Living Wage, the company appears to have the worst track record in terms of how workers are treated. The tables below summarize the grades in each area evaluated and the comments about each firm.

## Grades for LAX Restaurants

Company	Overall Grade	Compensation	Health & Welfare	Time Off	Workplace Safety	Compliance with Labor Laws	Respect & Dignity
Host	A-	A	A	A	C	C	A-
CMS	A-	B+	A	A	A-	C	B+
CA One	B+	B	A	A	C-	B-	B
Camacho	B	C	A-	C	B+	B	B-
Java Java	C	C	C	C	C	B	D
Eurotal	C	B	F	C	B	D	C
Hamada	D	D	F	C	C	F	D
McDonald's	D	C	F	B	D	F	F
Sushi Boy	F	F	F	F	D	F	D
Creative Croissants	F	F	F	D	D	F	F

Note: "Compensation" refers to annual wages plus the employer's contribution to medical and pension benefits. "Health and Welfare" evaluates the company's medical insurance and pension plans.

## Summary Comments on LAX Restaurants

Company	Grade	Comment
HMS Host	A-	Host provides the best pay of any LAX restaurant, free family health care, and other benefits of a union contract, including a pension plan, grievance procedure and guaranteed seniority benefits. The company needs to address alleged wage and hour violations and health and safety issues uncovered by interviewers.
CMS	A-	CMS workers receive among the highest annual compensation of LAX restaurants, free family health insurance, a generous time off policy and other benefits of a union contract. The company needs to address apparent wage and hour violations.
CA One	B+	CA One provides free family health insurance to workers, a generous vacation plan, and other benefits of a union contract, but wages are too low.
Camacho	B	Camacho workers have free family health insurance, and the benefits of a union contract, but wages are too low, with the typical worker earning about \$8 per hour.
Eurotal	C	The Living Wage Ordinance has made a difference for Eurotal workers, but they still lack health insurance. Workers feel they were unfairly pressured into an inequitable settlement of wage and hour claims.
Java Java	C	Java Java pays the lower wage required by the Living Wage Ordinance and provides free individual health insurance, which some workers say is inadequate. Workers complain about disrespectful treatment from management.
McDonald's	D	McDonald's workers receive the benefits of the Living Wage Ordinance, but lack affordable health insurance. The company appears to have flouted the law on many occasions, and refuses to address worker claims of wage and hour violations, sexual harassment, discrimination, and unlawful retaliation.
Hamada	D	The typical Hamada worker hovers just above the federal poverty line and lacks health insurance. The company has yet to settle with workers who filed a lawsuit in an attempt to recover wages owed to them.
Sushi Boy	F	Sushi Boy pays low wages, provides no health insurance, does not appear to provide paid time off apart from New Year's and Christmas, and allegedly requires workers to work during their legally-mandated breaks.
Creative Croissants	F	Creative Croissants pays wages close to the state minimum, does not provide affordable medical insurance, allegedly deprives workers of their ten minute rest periods, and appears to have condoned the harassment of one worker.

As a City-owned facility that is also the gateway to Los Angeles, LAX should be a model employer. The following are some concrete steps that airport restaurants, the Los Angeles World Airports (LAWA) Board of Commissioners, and the Los Angeles City Council can take to improve working conditions at LAX restaurants.

### **Recommendations for Employers**

***Fully comply with the Living Wage Ordinance and the Contractor Responsibility Ordinance.*** None of the Living Wage firms are consistently informing their workers about their potential eligibility for the federal Earned Income Tax Credit, and at least one firm appears not to be providing the full vacation benefits required under the ordinance. Living Wage firms should comply with every aspect of the ordinance. Likewise, companies should comply with the Contractor Responsibility Ordinance by obeying state and federal laws and acting quickly to address worker complaints.

***Voluntarily comply with the Living Wage Ordinance and the Contractor Responsibility Ordinance.*** Those companies that are not covered by these local ordinances should voluntarily comply as a gesture of good will to their employees and the City.

***Pay wages reflective of Los Angeles' high cost of living.*** The example of HMS Host shows that it is possible for LAX restaurants to pay workers a decent wage. The estimated average hourly compensation at HMS Host is \$12.78, including the employer contribution to the union's health care trust fund. That is still one dollar shy of the wage needed to cover the California Budget Project's basic family budget for a family of four with two wage earners.<sup>1</sup> But it is well above the industry average. The rest of the restaurants at LAX should follow Host's lead.

***Provide affordable health insurance to low-wage workers and their families.*** The examples of HMS Host, CMS, CA One, and Camacho show that it is possible for restaurants to provide their workers with free family health insurance. Better health care improves the lives of these workers and their children and ensures a healthier workforce. The remaining six food service companies at LAX should do the same.

***Work to improve safety at LAX restaurants.*** Nearly all of the restaurants need to work harder to ensure a safe work environment. CalOSHA provides a useful checklist and program for ensuring a safe work environment. One of the cornerstones is involving employees in evaluating potential dangers and developing solutions. Improved training for managers is also crucial.

***Abide by existing state, federal, and local laws.*** Workers at the firms evaluated have alleged numerous violations of the law, including failure to pay wages, sexual

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<sup>1</sup> The California Budget Project calculates a bare bones budget for different regions of the state that takes into account the cost of housing, child care, health care, food, and other necessities.

harassment, unlawful retaliation, and assault by a manager, suggesting much needs to be done to bring LAX restaurants into compliance with the law. Workers who seek to enforce these laws should not be subject to retaliation.

**Educate workers about the Earned Income Tax Credit.** A very simple way to increase the income of low-income workers is to inform them about the Earned Income Tax Credit. Living Wage firms are required to do so under the law, but most companies are not meeting this obligation. There is no reason all companies cannot make this a part of their policy.

### **Recommendations for the City and the LAWA Board of Commissioners**

**Enforce the Living Wage Ordinance.** Most of the workers interviewed at Living Wage firms appear to be receiving the minimum wage required under the ordinance. However, as noted above, there are some provisions of the ordinance that are being inconsistently implemented.

**Strengthen and enforce the Contractor Responsibility Ordinance.** This law requires companies entering into agreements with the city to abide by existing local, federal and state law or face consequences, including termination of their contract. LAWA should review the conduct of habitual violators of the law to determine their compliance with the Responsible Contractor Ordinance. If they are found to be in violation of the law, the contract should be opened up for bidding. Persistent violators should not be rewarded with a contract extension or renewal. In addition, a protocol should be established for taking punitive actions against habitual violators so the intent of the ordinance is carried out and firms know what to expect from LAWA.

**Amend the Contractor Responsibility Ordinance to better protect workers.** Workers who are unfairly disciplined by their employer after making complaints to a public agency or to company management should receive anti-retaliation protections as do workers covered by the Living Wage Ordinance. The City should also strengthen the program to identify serious violations, including better publicizing the existing complaint line.

**Ensure that all LAX restaurants comply with state and federal laws.** Four of the 10 food service concessionaires are not currently covered by the Responsible Contractor Ordinance. The LAWA Board of Commissioners and City Council should investigate ways to ensure they also comply with state and federal laws.

**Require all companies to provide workers with information about the Earned Income Tax Credit.** Companies can easily provide information about how to apply for this credit. For low-wage earners living at the margins, this extra income can make a real difference.