July 2013

Taking the Low Road:

How the Federal Government Promotes Poverty-Wage Jobs Through its Contracting Practices

A Survey of Workers and Their Stories






By Anastasia Christman, Amy Masciola,
Robert Masciola, Shelley Sperry, Paul Sonn

About NELP

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing.

For more about NELP, please visit www.nelp.org

NELP
National Employment Law Project

National Office:
75 Maiden Lane, Suite 601
New York, NY 10038
Phone 212 285 3025
Fax 212 285 3044

Washington Office:
1620 Eye Street N.W., Suite 210
Washington, DC 20006
Phone 202 887 8202
Fax 202 785 8949

Contents

Executive Summary 1
Introduction 4
5 Taking Responsibility for the Hidden Federal Workforce
6 The Organization of the Report
Section 1 8 Federal Contracting: A Broken System
8 *The Road to Responsible Contracting*: An Update
9 Low Bids Mean High Costs for Taxpayers
10 The Laws and Their Limitations
Section 2 13 Workers Tell Their Stories
13 Military Uniforms
15 Lucy Johnson
16 Port Truckers
17 Paying to Work
18 Costs to Taxpayers
18 Romeo Simmons
18 David Wigfall
19 Smithsonian Concessions Workers
20 Rochelle Blake
21 Richard Smith
21 Union Station Concessions Workers
22 Lucila Ramirez
23 Jackie Valdes
23 Valentina Martinez
24 Ronald Reagan Building Concessions Workers
25 Iris Gonzalez
26 Joel Mejia
27 Rita Montez
28 Wilfredo Reyes Lopez
Section 3 30 Policies and Prescriptions
30 State and Local Governments Find New Paths to High-Road Contracting
31 The Living Wage Solution
32 Service and Concessions Workers at Government-Linked Facilities
34 Service Workers in Private Buildings Where the Government Is a Major Tenant
35 Worker Retention and Labor Peace Policies
36 Sweat-Free Procurement Policies
37 Earned Sick Days
38 Legal Compliance Review
Conclusion 41 Innovations that Work
Endnotes 39

Executive Summary

For decades, American workers have watched good jobs disappear. Family-supporting jobs have been replaced by low-wage ones that leave workers in a precarious position, often relying on public assistance to survive. And since the official end of the recession in 2009, low-wage jobs have returned more quickly than good jobs, continuing a downward trend for frontline workers. Directly and indirectly, American taxpayers fund millions of low-wage jobs through federal contracts that keep facilities—from the Smithsonian Institution to factories making military uniforms and equipment—up and running.

Washington does not keep an official tally of the number of privately contracted workers who help provide public services, but researchers estimate there are about two million. Before the Great Recession, roughly 20 percent of this group fell below the poverty line, and 40 percent earned less than a living wage. Economists and policy experts warn that the levels of economic inequality we see in the United States today could lead to sluggish economic growth, decreased economic mobility, disparities in health and longevity, and even increased political corruption. To help reverse the trend toward an ever-widening income gap, we believe the federal government must renew its historic commitment to pursuing model policies that can influence and improve conditions in the public and private sectors. Making all federally contracted jobs good jobs is the place to start.

Laws enacted in the 1930s and 1960s were designed to provide some protections for federally contracted workers. Many workers have fallen through the cracks, however, as the result of exemptions built into the McNamara-O'Hara Service Contract Act, the Walsh-Healey Public Contracts Act, and the Davis-Bacon Act, and because of subsequent changes in contracting practices and shifts in the economy.

For this report, we interviewed a total of 567 workers in federally contracted jobs: 104 workers who manufacture military uniforms in Tennessee, Kentucky, and Puerto Rico; 429 workers in Washington, D.C., who provide food service, retail services, or janitorial services in various buildings occupied or controlled by the federal government; and 34 port truckers who haul loads under federal contracts out of the port of Charleston, South Carolina. Although they do different types of work, in different locations, and under different models of federal procurement, these men and women share daily struggles.

- Nearly three in four (74 percent) earn less than $10 an hour.
- Only 26 percent report receiving paid sick days, and only 11 percent report receiving employer-provided health insurance. Three in four say they have no retirement plan. More than half the workers we spoke to (58 percent) report receiving no benefits at all.
- One in five workers (20 percent) we interviewed reported depending on Medicaid for their health-care. And 14 percent depend on the Supplemental Nutrition Assistance Program (food stamps) to meet their family's food needs. Fully 56 percent of the workers interviewed admit to having trouble paying their monthly bills.
- Dozens of workers reported being denied lunch or rest breaks, being made to work "off the clock" by their employers, and being injured on the job.

These workers express frustration with jobs in which hard work does not translate into the ability to sustain themselves and their families. They worry about health problems and express chagrin about depending on taxpayer-funded safety net programs. They wish they could still believe in the dream that their children will someday experience something better. Examples of their reactions include:

- "I have been driving for more than 20 years and make less now than when I got started."
- "It is very difficult for me and my family. I must pay the rent, buy clothing for the children, and feed them. But my wages are not always enough. I wish that I did not have to depend on government help like Medicaid and food stamps, but without the help we would be homeless or starving."
- "[W]hen I work overtime, [my boss] doesn't pay me the correct amount. I just get regular wages, not overtime. That happens all the time. He says, 'You have to work more—there is no choice.' But he says he won't pay extra. This is for everybody, not just for me. We know it's not right. And I think he knows too."
- "If we make production, then we'll get additional money. But we almost never can do that. They always slow down the line before we can make production—and in that case all we get is our minimum wage, which just really isn't enough to live on."
- "I guess I feel disheartened most of the time because I can't get ahead...I draw Social Security and Medicare, but that only pays for 80 percent of my [medical needs]. I have to depend on the insurance at work to pay for the rest, which is so expensive."
- "My head aches every day thinking about what to do. So many worries."

These workers' stories underscore what the National Employment Law Project and other organizations have been saying for many years: The common-sense principle that the federal government should not be in the business of subsidizing poverty-level wages is no longer observed in practice. Instead, low-bid federal contracting and exemptions to the Service Contract Act and Public Contracts Act mean that hundreds of thousands of workers paid by the federal government via contractors or similar arrangements work for sub-standard wages in poor conditions, driving down the wages of those in similar jobs beyond the scope of government contracts.

While mid-20th century federal protections for contracted workers have failed to keep up with 21st century economic realities, states and cities throughout the country have adopted innovative policies to ensure that contracted jobs are good jobs. These model policies provide a roadmap for the types of additional protections that the federal system needs. By following this roadmap, Washington can ensure that government continues to lead by example and that federal spending creates the high-quality jobs that benefit taxpayers and the government alike. These model policies include:

- Living wage policies that provide a wage floor and basic benefits for workers and give high-road contractors that pay their employees fairly a chance to compete for public contracts on a level playing field. States and cities are extending these policies to protect a broader range of workers in government-linked facilities than ever before. For example, many workers employed by companies operating under leases, concession agreements, and contracts with public or quasi-public entities ranging from airports to state universities are now protected, ensuring that public money promotes quality jobs and that communities prosper

- Worker retention and labor peace policies that provide government agencies and customers continuity in services, lower turnover, and protection from harmful work interruptions, while ensuring workers that their hard-earned experience on the job will be taken into consideration when contracts change hands.
- Sweat-free purchasing policies that call for across-the-board legal compliance from contractors and that institute workplace monitoring systems to ensure that taxpayer-funded jobs are safe, high-quality, and in compliance with the law.
- Earned sick day policies that help low-wage workers protect themselves and the public's health by allowing for time off without lost pay.
- Legal compliance review policies that more effectively screen out companies that are repeat or serious law-breakers, to make sure they do not continue to receive taxpayer-funded contracts. These policies also pre-qualify contractors to ensure that low-road bidders do not undercut companies that respect employees and operate as good corporate citizens.

States and cities across the country have been successfully using these approaches in a wide variety of settings, some of them over many years. Their experiences have shown that high-road contracting policies can deliver higher quality and more reliable contracted results for the government and taxpayers, while helping high-road employers compete more fairly, and producing good jobs for America's workers. To address the types of circumstances surveyed in this report, Washington should scale up these best practices to the federal level, using them as models to update and fill gaps in federal contracting and procurement policies. In many cases, such updating need not wait for congressional action. Instead, it can be done by the President or federal agencies through administrative action, including executive orders or amendments to operating agreements. The federal government needs to lead by example as it once did and ensure that federally linked activity does not inadvertently subsidize low-road employment and fuel poverty, but instead supports the types of quality jobs that communities and our economy need to grow and thrive once more.

Introduction

> “We know that America thrives when every person can find independence and pride in their work; when the wages of honest labor liberate families from the brink of hardship.”
>
> ~ President Barack Obama, Second Inaugural Address (January 21, 2013)[1]

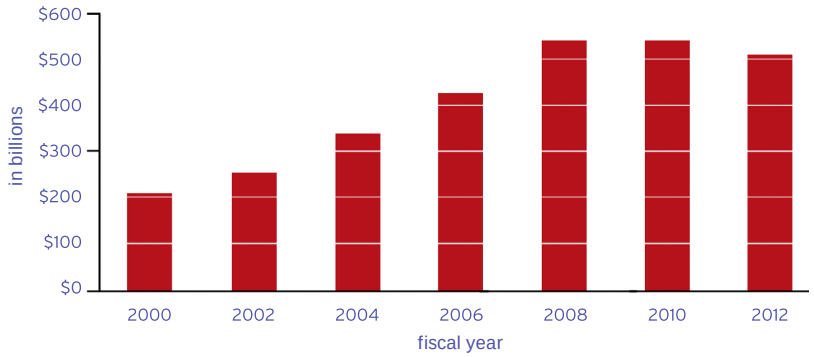
For several decades, American workers have watched good jobs disappear, replaced by low-wage jobs that leave workers in a precarious position, often relying on public assistance to survive from paycheck to paycheck. In late 2012, the Center for Economic and Policy Research estimated that nearly one-fourth of U.S. workers were in a “bad job” in 2010—a job that paid less than $37,000 per year and lacked employer-provided health insurance and an employer-sponsored retirement plan.[2] Since the official end of the recession in 2009, the bad-jobs trend has continued as mid-wage jobs have returned more slowly than low-wage jobs.[3]

Economists and policy experts warn that the levels of economic inequality we see in the United States today could lead to sluggish economic growth, decreased economic mobility, disparities in health and longevity, and even increased political corruption. In this context, we believe the federal government must renew its historic commitment to enacting model policies that can influence and improve conditions in the public and private sectors. Making all federally contracted jobs good jobs is the place to start.

Every year, the federal government spends half a trillion dollars on contracts for goods and services with private companies. In fiscal year 2012, payments to federal contractors came to nearly $517 billion, and by April the total for fiscal year 2013 was already $163 billion.[4]

Figure 1. Federal Contracting Surges: Over Last Decade, Total Spent Nearly Doubles

Under mounting pressure to cut the federal budget and workforce, the government has increased its reliance on the private sector to supply a variety of goods and services. As a result, federal spending on contracts for goods and services rose 150% from $206 billion in 2000 to $517 billion in 2012.[5]



Source: Federal Procurement Data Center

Privatization advocates tell the public that outsourcing government jobs to the private sector is good business and an efficient use of taxpayer dollars. Policymakers argue that when private firms compete for public contracts, market forces will prevail, and the government will get the goods and services it needs at the best possible prices.

But in fact, this “free market” system leads to a bookkeeping sleight-of-hand: Low-road contractors pay poverty-level wages and provide no benefits for their employees, who then rely on food, housing, healthcare, and childcare subsidies from government agencies. Thus, the real costs of goods and services purchased under federal contracts are hidden, as are the thousands of workers who are trapped within this broken system.[6]

Taking Responsibility for the Hidden Federal Workforce

The Economic Policy Institute has estimated that by 2006, there were roughly two million federal contract workers, representing 43 percent of all employees doing work for the government.[7] In 2008, the Congressional Research Service noted that federal contracts and grants directly and indirectly generated more than 10 million jobs, a figure "more than twice as large as the combined total of all three branches of government, the U.S. Postal Service, the intelligence agencies, the armed forces, and the Ready Reserve." [8] Others have calculated that nearly a quarter of American workers are employed by firms that do at least some business with the federal government.[9] As a whole, these men and women make up a vast "hidden federal workforce." [10]

Previous generations of lawmakers recognized the importance of making these jobs quality jobs, and they put protections in place to ensure that the federal government was not undercutting the fundamental promise that hard work brings opportunity. They passed three federal laws governing contracted workers: the Davis Bacon Act (DBA), the Walsh-Healey Public Contracts Act (PCA), and the McNamara-O'Hara Service Contract Act (SCA). Today, however, many federally contracted workers are not covered by the very laws meant to protect their rights.

The Economic Policy Institute estimated that in 2006, 20 percent of federally contracted workers fell below the poverty line and 40 percent earned less than a living wage.

This report examines how, through a combination of historical accident and a changing economy, exemptions have come to exclude tens of thousands of people who serve the federal government every day. Those who fall under these exemptions—including thousands of building service workers, food service workers, uniform makers, and truckers— even cannot count on basic wage and working standards protections.

The Economic Policy Institute estimated that in 2006, 20 percent of federally contracted workers fell below the poverty line and 40 percent earned less than a living wage. [11] Service workers often fare particularly poorly, in part because they tend to be exempted from the legal protections of the Service Contract Act. In 2008, the Center for American Progress cited a study by New York University political scientist Paul Light that found 80 percent earned less than the living wage for their regions. [12]

Given its power in the marketplace, Washington has the potential to have a tremendous positive influence on working conditions and workplace rights. Unfortunately, as the National Employment Law Project (NELP) and other organizations have pointed out, lawmakers have so far ignored opportunities to reform the federal procurement system and have allowed abuses to go unchecked.

The Federal Acquisition Regulation instructs government agencies to contract with "responsible" companies, but the bar is set low by defining responsible as: (1) financially able to fulfill the contract, and (2) adhering to the law. All too often, federal contractors do not even meet the second criterion; many are frequently cited for defying health, safety, tax, and labor laws. [13] A 2004 Department of Labor investigation found that in more than three-fourths of cases with workers reporting violations of contracting rules, employers failed to pay legally mandated minimum wages and benefits. [14] Despite these violations, most of these contractors were not barred from the system, and many of their contracts were renewed. [15]

Rather than helping to liberate families from hardship by means of honest labor, as President Obama advocated in his second inaugural address, the federal government is increasing that hardship. By continuing to grant federal contracts to low-road companies, and exempting tens of thousands of workers from the legal protections already in place for federally contracted workers, Washington is creating and perpetuating low-wage jobs and exacerbating income inequality.

But it doesn't have to be this way.

The time has come to bring hidden federal workers out of the shadows and renew the commitments that previous generations of American policymakers made to ensure that federally funded jobs are good jobs.

In this report, we update previous calls for responsible federal contracting, and provide guidance to policy-makers by detailing some of the increasingly complicated contractual relationships that connect low-wage workers to the federal government. We share the voices of some of the workers who are struggling to survive but falling into the cracks created by our broken federal contracting system. We explore the effect of low wages and poor working conditions on individual workers, their families, and their communities.

The Organization of the Report

The first section of this report provides:

- A brief introduction to the federal contracting system,
- An update on recent developments in low-road contracting, and
- An explanation of contracting laws that aim—and fail—to protect workers.

In the second section, some of the men and women who work in jobs exempted from contracting regulations tell their stories. We interviewed a total of 567 workers in federally contracted jobs for this report:

- 104 workers who manufacture military uniforms in Tennessee, Kentucky, and Puerto Rico;
- 429 Washington, D.C. workers who provide food services and janitorial services, are retail clerks and cashiers, and who work in buildings owned or leased by the federal government, including the Ronald Reagan Building, Smithsonian Museums, the National Zoo, the Old Post Office, and Union Station; and
- 34 port truckers who haul loads under federal contracts out of the port of Charleston, South Carolina. [16]

The details of individual, day-to-day struggles differ for a sewing machine operator making uniforms in Tennessee, a janitor in Washington's Union Station, a truck driver transporting military gear to a warehouse in South Carolina, and a concessions worker serving food at the Ronald Reagan Building. But in their interviews, a distressing pattern emerges in which workers with full-time jobs serving the American people must make impossible financial choices or depend on state and federal safety net services to survive. Figure 2 summarizes our findings based on interviews of military uniforms workers and D.C. service workers. [17]

The final section of this report describes solutions already in place at the local and state levels and makes recommendations for action by policymakers in Washington, D.C., ranging from improvements in agency contracting policies that the President can make with an executive order, to legislative fixes that Congress should adpot to restore the integrity and original intent of laws already on the books.

Figure 2. Survey Sample of Military Uniform Workers and D.C. Service Employees

demographic	# workers	% workers
Women	308	58%
Men	224	42%
Black	215	40%
Latino	247	46%
White	46	9%
Asian	13	2%
fringe benefits	**# workers**	**% workers**
Employer provides none at all	307	58%
Employer provides no health insurance	57	89%
Employer provides no retirement plan	136	74%
Employer provides no paid sick days	137	74%
Employer provides no paid vacation days	111	79%
goverment assistance	**# workers**	**% workers**
Recieve some form of public assistance	153	36%
Rely on food stamps	72	14%
Have Medicaid	107	20%
other	**# workers**	**% workers**
Work 40+ hours per week	168	32%
Not paid 1.5 times (overtime) for hours exceeding 40 in a week	112	21%
Have been made to work "off the clock"	57	11%
Paid less than $10 per hour	396	74%
Has troubling paying monthly bills	297	56%

1. Federal Contracting: A Broken System

> "It is our unfinished task to restore the basic bargain that built this country —the idea that if you work hard and meet your responsibilities, you can get ahead."
>
> ~ President Barack Obama State of the Union Address (February 12, 2013)[18]

President Obama often uses his bully pulpit to argue for initiatives to reward work and build a stronger middle class. At the same time, the agencies under his executive authority are allowing substandard and even poverty-level wages to be paid to contract workers, providing few or no benefits to low-wage workers, and allowing contractors to routinely violate workplace, tax, and other laws.

The Road to Responsible Contracting: An Update

In 2009, NELP published *The Road to Responsible Contracting*, surveying the procurement landscape and concluding that "federal contracting is creating millions of substandard jobs."[19] Little has changed in the past four years. The Obama administration missed a chance in its first term to reform federal procurement in a meaningful way.

In March 2009, President Obama announced plans to overhaul the federal contracting process.[20] Some policy-makers and advocates welcomed the opportunity for the federal government to "generate good jobs and help rebuild the middle class." [21] By early 2010, the New York Times reported that the Obama administration was "planning to use the government's enormous buying power to prod private companies to improve wages and benefits for millions of workers." [22]

But, in March 2011, four months after the 2010 mid-term elections in which Republicans saw big wins in the House of Representatives, President Obama's nominee for deputy director of the Office of Management and Budget said that the administration was no longer considering plans to provide incentives to "high road" contractors.[23] In the meantime, a sluggish economic recovery has failed to improve the lives of most workers, who have seen income stagnation. The lag in consumer spending has contributed to record unemployment. And working families, especially those dependent on low-wage jobs, continue to struggle, caught in a cycle of poverty that makes the American Dream an impossible goal.

By failing to address its own complicity in creating low-quality jobs, the federal government is tacitly telling other employers to do the same, compounding the problem. But with his victory in November 2012, President Obama secured a mandate for his executive leadership, which he can now use to strengthen and lift up the middle class.

Low Bids Mean High Costs for Taxpayers

Low-bid contracting that creates poverty jobs is quite simply a poor economic decision. Recent evidence shows that fewer living wage jobs means more Americans relying on government-funded safety net programs.[24] By creating hardship for millions of working families in the short term and delaying economic recovery and adding stress to safety net programs in the long term, these shortsighted policies inevitably lead to more government spending—precisely the result advocates of low-bid contracting were trying to avoid.

NELP's 2010 report demonstrated that the broken federal contracting system raises costs to taxpayers through Medicaid expenditures and the Earned Income Tax Credit:

> *These hidden public costs to the federal government partially offset the savings that low-wage contractors may appear to offer federal agencies. In other words, taxpayers are still footing the bill even if the costs have shifted to other line items. However, the contract pricing and evaluation systems currently used by federal agencies do not take into account these indirect costs.* [25]

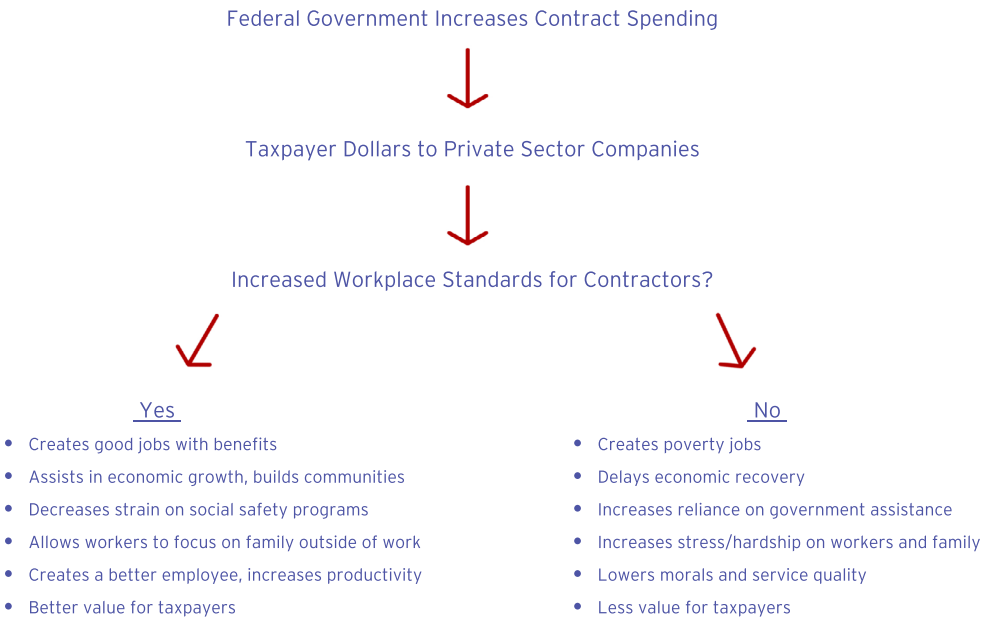
On the other hand, NELP's report and similar studies found that ethical, high-road employers provide cost savings to the government because their workers are more productive. According to the report, "[D]espite the recognized quality advantages and offsetting savings generated by better paid workforces, the federal contracting system does not currently provide any systematic way to factor them in during the contract pricing and evaluation process." [26] Yet, in the four years since our last report was published, the system has not changed to favor responsible contractors.

This report updates the findings in *The Road to Responsible Contracting* and adds new evidence, including:

- Personal testimonies from workers who perform services and produce goods paid for by federal contracts, and
- Examples of policies put in place by state and local governments that work to close the income gap for low-wage workers, save taxpayer money, and improve goods and services.

Given the dire situation that millions of workers are in and the lagging economic recovery, the federal government has the responsibility to reverse these trends and become a model for fairness. A review of the applicable laws and their limitations follows, as context for workers' stories and our suggested solutions.

Figure 3. Current federal policy encourages low-bid contracting that leads to low-quality jobs. Including clear priorities for good working conditions and fair wages could turn these jobs into quality jobs that benefit workers, their families, and the communities in which they live and work.



The Laws and Their Limitations

Although the federal government did not set out to become a consumer of low-wage services from the private sector, millions of workers today are trapped between Washington's good intentions and badly executed or outdated policies. To understand the peculiar legal situation, a brief review of the applicable laws and exemptions is useful. Figure 4 below provides a comparison of the laws, their protections and exemptions, and the workers covered.

In the 1930s, at the nadir of the Great Depression, the U.S. Congress realized that procurement policies could lead to adverse working conditions for contracted employees laboring in its name, and that this imperiled its role as a model employer and example for the private sector.[27] Lawmakers recognized that especially during periods of high unemployment, unscrupulous employers could take advantage of desperate workers, so Congress needed to ensure high standards for any work paid for by the government.[28]

Congress passed the **Davis-Bacon Act (DBA)** in 1931 and the **Walsh-Healey Public Contracts Act (PCA)** in 1936 to ensure that workers on government construction projects and those producing goods for the federal government would receive fair pay.[29]

In 1965, responding to the negative effect on wages and working conditions that came with lowest-bid contracting for services, Congress enacted the **McNamara-O'Hara Service Contract Act (SCA)**. All these laws recognized the special influence of the federal government over wages and working conditions. The House Education and Labor Committee explained the advantage to having clear workplace standards for private firms doing business with the government:

> *Contractors who wish to maintain an enlightened wage policy may find it almost impossible to compete for Government service contracts with those who pay wages to their employees at or below the subsistence level. When a government contract is awarded to a service contractor with low wage standards, the government is in effect subsidizing subminimum wages.* [30]

In other words, policymakers acknowledged that entering into contracts with low-bid contractors has the effect of discouraging private sector employers that pay decent wages and benefits as part of their business model from doing business with the government. And lawmakers recognized that under this system, the government became "an unwilling collaborator with . . . firms that sought to get government business by cutting wages."[32]

But policymakers also saw the importance of such standards for the workers holding these jobs. Service contract employees, they observed, are "one of the most disadvantaged groups of our workers and little hope exists for an improvement of their position without some positive action to raise their wage levels." Thus, Washington acknowledged that contracting that emphasized only low prices and not fair working standards hurts workers and high-road businesses alike.

In the years since passage of the DBA, PCA, and SCA, the government's relationships with contractors have multiplied and become vastly more complex. In 2013, the economy in general, and federal contracting in particular, are overwhelmingly dominated by the service sector. At the same time, millions of service workers are now exempt from the SCA's provisions and protections. The legal architecture that was designed to bring federal contract workers out of poverty now leaves thousands unprotected.

A common-sense principle—that the federal government should not be in the business of fostering poverty wage job growth—is no longer observed in practice. Instead, exemptions to the PCA and SCA mean that millions of workers paid by the federal government via contractors work for sub-standard wages in poor conditions, driving down the wages of those in similar jobs beyond the scope of government contracts.

> "I work for a company that makes lots of money from federal contracts, but I only make $9.00 an hour. This wage is not enough to afford food or even to pay for the subway to go to work. And after several years of employment, I still have no health benefits whatsoever, even though I am a cancer survivor. . . . I only ask for a good wage and good insurance in return, so that my family can enjoy the fruit of my work. I dream of my eight-year-old son being able to go to college . . . I want him to work with a computer and not a broom."
>
> ~ Nelly Garcia (50)
> *Janitor at the Old Post Office Building in Washington, DC*

In Part 2 of this report, we will examine the struggles of workers in specific federally supported low-wage jobs who are not currently protected by the DBA, PCA, and SCA. Some of the workers, fearing reprisals from employers, have chosen to use aliases.

Figure 4. Worker Protection Legislation and Its Limitations

worker protection legislation	type of work covered	protections provided	limitations/ exemptions	examples of workers exempted
McNamara - O'Hara Service Contract Act (SCA)	Federally contracted service work, e.g., janitorial, security, and food service	Ensures workers are paid local prevailing wages and offered fringe benefits for the applicable job classification	Extensive statutory and regulatory |exemptions, potentially excluding millions of service workers	• Workers providing services in buildings leased by the federal government • Workers providing food services to the general public under concessions agreements, including those at National Parks, Union Station, the Smithsonian Museums, and the Reagan Building in Washington, D.C. • Workers under contracts for services entered into by state or local governments using federal grant funding • Executive employees
Davis-Bacon and Related Acts (DBA)	Federally funded construction work on public buildings and public works projects	Ensures workers are paid local prevailing wages and fringe benefits based on job classification	Minimal	• Support personnel employed at job site trailer • "Walking" supervisors • Executive employees
Walsh-Healy Public Contracts Act (PCA)	Work in manufacturing or furnishing goods or supplies to the federal government	Was intended to guarantee prevailing wages and fringe benefits, but today only ensures that workers are paid no less than the federal minimum wage and overtime pay*	Does not require the payment of prevailing wages or fringe benefits for workers*	• Unenforceable overall • Executive, administrative, and professional employees, exempt from the minimum wage and overtime protections

* The Public Contracts Act was intended to extend prevailing wage and benefit standards to federally contracted manufacturing workers. However, in 1963, in Wirtz v. Baldor Electric Co., 337 F.2d 518 (D.C. Cir. 1963), a federal court interpreted the law as establishing procedural requirements that made it infeasible for the U.S. Department of Labor to implement wage determinations under it, essentially rendering Walsh-Healey unenforceable.

2. Workers Tell Their Stories

"If it's taxpayer dollars, it should help American workers and American businesses, pure and simple."

~ Senator Sherrod Brown, *in an interview with ABC News on October 11, 2012* [33]

Military Uniforms

Of all the agencies comprising the federal government, the U.S. Department of Defense (DOD) is by far the largest purchaser of services and goods. With a total of $361 billion in contract spending in 2012, the DOD's total was more than 14 times that of the next biggest-spending agency.[34]

The DOD's goods contracts span aircraft carriers to office supplies, but one arm of the DOD, the Defense Logistics Agency (DLA), is responsible for furnishing all branches of the military with any kind of consumable item they may require. As such, the DLA is the purchaser of uniforms, shoes and boots, knapsacks, protective armor, tents, flags, and other textile products. In fiscal year 2012, the DLA bought more than 8,000 items of clothing and textiles totaling more than $1.7 billion from some 400 suppliers.[35]

By law, all U.S. military clothing and textiles must be manufactured in the United States and its territories, so the Department of Defense, via the DLA, is now the world's largest buyer of American-made apparel. Although a wide variety of products are included in the category of "clothing and textiles," this report focuses specifically on military uniforms and the workers who produce them.

Interview Methodology

For this report, researchers gathered information on conditions facing workers in federally contracted jobs through worker interviews. The interviews were conducted in several stages, starting with a list of general questions about workplace conditions. Follow-up interviews were conducted with those workers willing to share their experiences. It was not a statistical survey, and the workplaces and employees were selected at random. However, the researchers did strive to interview workers in a variety of occupations across numerous sites and to achieve a level of diversity in age, sex, and race. Because federal contractors are not required to report on wages, benefits, or other working conditions as part of fulfilling their contractual requirements, the government does not have adequate data for a full statistical analysis of all the private sector jobs it finances. The information is not available to taxpayers, journalists, or policymakers.

There are around 100,000 manufacturing workers in the U.S. clothing manufacturing industry, ranging from sewing machine operators and pressers to knitters, bleachers, and assemblers. Another 50,000 clerical, advertising, management, and other service workers support the industry. In 2006, researchers estimated that approximately 20,000 of these workers made military uniforms.[36] The clothing industry is highly competitive, with a long history of sweatshop conditions. Overall, the industry has seen a dramatic decline in U.S.-based jobs since the 1970s, as companies moved operations offshore or shut down in the face of global competition.[37]

> "Now, I'm over 65 years old, and I guess I feel disheartened most of the time because I can't get ahead. I do what I can, but mostly now I'm working for the medical insurance."
>
> ~ Lucy Johnson, *a sewing machine operator in Knoxville who earns the minimum wage after over 25 years at work*

For those that remain, the federal government is a significant customer, and federal procurement officials know it. A 2003 GAO analysis of DLA clothing and textile purchases reported, "[DLA officials] stated that competition for DOD's clothing and textile contracts has never been stronger . . . . In fact, they informed us that some U.S. companies produce items only for DOD." [38] With one powerful customer keeping them afloat, contractors are under immense pressure to submit a lower bid than competitors, and by failing to prioritize workplace conditions the DOD is tacitly allowing labor costs to bear the brunt of cost-cutting.

In 2012, the average hourly wage for sewing machine operators in the United States was $10.22 or about $21,000 per year—slightly above the federal poverty line for a family of three. For those operating cutting machines or knitting and weaving machines, the average was a bit higher—closer to $11 per hour and $22,000 per year. But uniform manufacturing workers we interviewed, who are paid via federal contracts for military uniforms, make less per hour than the average wage for their industry. They report a pay system that combines low base pay with promised piece rates for production above a set quota, but because they do not control the speed with which the line moves, they often do not see these bonuses. A 2006 report on military uniform contractors also noted that those workers who do consistently make their production quotas were moved to new and more difficult jobs, negating their own efficiency and any increase in their pay-checks.[39] A worker quoted in that report observed that employees at her company "make less money doing military work than when [we sewed] civilian clothing for Men's Wearhouse and Jos. A. Bank."

Formally, the Walsh-Healey Public Contracts Act of 1936 does cover most goods contracts with the federal government, but in practice, the law has not been enforced for 50 years. A 1963 court decision declared that the Department of Labor could not set prevailing wage standards without disclosing data that it is legally obliged to keep confidential—a classic bureaucratic Catch-22. As a result, currently the only applicable requirements for compensating workers on federal contracts are federal and state minimum wage laws.

Of the 104 garment manufacturing workers interviewed for this report, 97 percent make less than $10 per hour, a wage that puts them below the federal poverty line for a family of three. And more than 80 percent report having trouble paying their bills each month. Most have the option of purchasing some health insurance coverage from their employers, but at a cost that cuts significantly into their already low weekly wages. Some have a few days of paid vacation each year. Only 11 of the workers have employer-sponsored retirement accounts, all with little or no employer contribution. Many of these workers rely on public assistance to make ends meet, including food stamps, Medicaid, and free school lunches for their children.

Lucy Johnson

Lucy Johnson (alias) knows her job about as well as anyone could. She has worked in the same Knoxville plant for more than 25 years, during which time the operation has changed hands a few times. She gets up early to work the morning shift starting at 7 a.m., hoping the assembly line won't slow down and she can make her production target, so she'll be able to earn a little extra beyond minimum wage. But nowadays, that almost never happens.

Earning $7.25 an hour and paying out almost $65 a month for health insurance, Ms. Johnson finds she barely has enough money to feed herself and keep her electricity and phone service on. She's grateful that several family members live with her now.

> "The longer we've been here, the less appreciated we are."
>
> ~ Lucy Johnson

> *"My niece helps out with the utilities and food, and she gets food stamps and Tenncare [state-subsidized health insurance] for her children, which helps too. Back before she moved in, I'd just open up a can of soup and say to myself: Dinnertime! I'm lucky that my house is paid for, even if it is falling down around my ears."*

Ms. Johnson sews soldiers' coats for eight hours a day for a clothing company, which over the first three quarters of 2012 received more than $13 million from federal contracts, and a total of more than $200 million since 2002.[40] Ms. Johnson reports that these days, exceeding production quotas to earn extra wages is virtually impossible.

> *"If we make production, then we'll get additional money. But we almost never can do that. They always slow down the line before we can make production—and in that case all we get is our minimum wage, which just really isn't enough to live on. I just make about $52 a day. Years ago, we made production around one o'clock every day. Back then I might make $100 a day. It seems the longer we've been there, the less appreciated we are."*

For Ms. Johnson, who is over 65, retirement seems impossible. She can't imagine retiring because she needs the company's modest medical insurance plan to help her pay for cardiology appointments and medicine. The medicine alone sometimes costs her $100 a month, the equivalent of two full days' pay.

> *"I guess I feel disheartened most of the time because I can't get ahead. I do what I can, but mostly now I'm working for the medical insurance. I draw Social Security and Medicare, but that only pays for 80 percent of my medicine and cardiology appointments. I have to depend on the insurance at work to pay for the rest, which is so expensive."*

Without an emphasis on workplace standards from the DOD, manufacturers who seek to offer their employees better working conditions are at a serious competitive disadvantage when bidding against

low-road competitors. Some are competing against a federally owned corporation that uses prison labor, UNICOR, where workers are paid between $0.23 and $1.15 an hour.[41] American Apparel, a uniform manufacturer that paid workers $9 an hour and full benefits, lost a contract to UNICOR and was forced to hand out 175 pink slips. [42]

Politicians and pundits regularly affirm the importance of manufacturing to the American economy, and they repeatedly vow that our soldiers deserve only the best. Yet the procurement decisions of the federal government indicate that taxpayer dollars may be supporting sweatshops rather than responsible high-road companies. As a leading purchaser of military uniforms and other American-made goods, the federal government should make a commitment to quality manufacturing in the United States and adopt high-road contracting.

Port Truckers

More than 20 million containers of imports and exports move through U.S. ports each year. [43] Port truckers haul the vast majority of these containers to warehouses and distribution centers. These men and women are essential links in the global and national economies; they are also among the most exploited workers in the country.

There are an estimated 110,000 port truckers in the United States. [44] For this report, researchers interviewed a small sample of 34 port truckers who carry loads under federal contracts in and out of the port of Charleston, South Carolina.

Since passage of the Motor Carrier Act in 1980, which formally deregulated the trucking industry, most port truckers have experienced an erosion of their standards of living and their civil rights. The most important change set in motion in 1980 was the reclassification of port truckers as "independent contractors," not employees. This reclassification of tens of thousands of American workers saves money for the companies that employ them and means that the workers themselves lose the protection of the most basic employment laws. For example, port truckers classified as independent contractors are ineligible to bargain collectively for improved wages and conditions, and they are also ineligible for unemployment insurance.

> "Trucks move this country, so we need help"
>
> ~ Anonymous Port Trucker (52) from Charleston, South Carolina

The federal government should take action against this shameful mistreatment of a large sector of the workforce. The Obama administration must not only end the widespread practice of reclassification, but also must stop doing business, via federal shipping contracts, with companies that engage in exploitive relationships with port truckers.

A total of 47 port truckers were interviewed for this report, but we will focus on the 34 who reported hauling loads under federal contracts. They were all men and ranged in age from 33 to 62 years old. All but one were African-American.

Port truckers typically sign contracts to work exclusively for individual harbor drayage companies in relationships that can span decades. These companies link drivers and loads, choosing how, when, where, and in what sequence drivers work, and they administer inspections, drug tests, and monitor drivers' behavior. [45]

Although technically they are labeled independent contractors, in practice drivers consider themselves to be working for a particular drayage company, and the company exercises the kind of authority over their truckers that any employer would exercise. Yet the truckers lack the civil rights and labor law protections that other employees of the same company enjoy. The widespread practice of classifying them as independent contractors inevitably leads to lower standards of living for truckers and a variety of abuses.

In the survey of 34 Charleston port truckers:

- 31 reported working 60 or more hours per week;
- 31 reported having trouble paying their bills;
- 31 reported having no retirement plan;
- 27 reported receiving no health insurance from their employers;
- 9 reported discrimination on the job;
- 8 reported sustaining an injury on the job; and
- 6 reported relying on some form of public assistance.

Paying to Work

As drivers articulated the problem in an in-depth 2009 study, they are often "paying to work," and their real income (about 40 to 50 percent of their gross earnings, once all expenses are deducted) may average only $25,000 per year.[46] Other research has revealed that in New Jersey, a driver's $28,000 median annual income puts his or her family below the "true poverty threshold" for a family of three.[47] On the opposite coast, in Oakland, California, 40 percent of port truckers surveyed "earned wages less than the amount needed to support a family of four above the Bay Area's poverty line, and many barely earn above the state minimum wage." [48]

Truckers are paid by the load rather than earning a set hourly wage or yearly salary, and because they must pay out of their own pockets all costs of operating their vehicles, getting a true picture of their net income is difficult. The men interviewed for this report estimated their net earnings and reported a range from $3 to $25 per hour. Their average hourly pay was $11.71 and the median was $10.99.

Many of the Charleston truckers chose not to talk about whether they relied on safety net programs such as food stamps and Medicaid for themselves and their families, but of the 21 who did agree to discuss the matter, almost a third (28.5 percent) said they did rely on public assistance to survive.

Costs to Taxpayers

The port truckers and their families are not the only ones suffering as a result of deregulation. Taxpayers are bearing the burden as well. Taxpayers fund public clinics and emergency rooms, where drivers seek health care because their employers no longer provide insurance. Without basic health insurance coverage, in their new roles as "entrepreneurs" instead of employees, drivers do not have the money for or access to preventive care—and neither do their families. For example, more than a quarter of port truck drivers surveyed in New Jersey rely on public clinics or emergency rooms for health care because they lack health insurance. [49]

In a television interview in 2011, Secretary of Labor Hilda Solis demonstrated that the Obama administration is well aware of the negative results of reclassification for government, business, and taxpayers, as well as for workers:

> *These [reclassification practices] have astronomical impacts on local government, state government, and federal government. It also hurts good, legitimate businesses that are playing by the rules. And employees that are being ripped off.* [50]

Romeo Simmons

The daily work of a port trucker can be brutal—and even more so if you're not as young as you used to be. Romeo Simmons is 59 and has been driving rigs for more than two decades. He doesn't drive the 50-plus hours that most of his colleagues do because he has lost a foot to illness, and now uses a prosthetic. "I may lose another foot, but I won't stop driving," he says. "I want to be able to support my family." Like most of the Charleston truckers, Mr. Simmons has no health insurance. Because he is considered an independent contractor, the company that employs him has no obligation to provide fair wages, insurance, a retirement plan, or even paid sick days or vacation days. He hauls containers under federal contracts and private contracts.

> "I have been driving for more than 20 years and make less now than when I got started."
>
> ~ Romeo Simmons (59), Charleston, South Carolina

Under his current situation, after driving for most of his adult life, Romeo estimates that his net income is around $10,000 a year. He and his family rely on food stamps and Medicaid to survive day by day. "I'd like to make more," he says. "I have five grandkids, and I can't save any money. I'd like to leave them something, but I only have about $500 in the bank."

David Wigfall

Port truckers usually wake up early in the morning and drive their rigs to the office of the trucking company that acts as middleman at the port. They pick up papers from the company office, then head for the port itself to load a container onto their rigs. They often wait in line for hours for access before driving away with a full load.

David Wigfall, a 38-year-old trucker, says that once he drives away from the port, he bears all the responsibility for the container. He must carefully monitor his own rig to make sure it's safe and in working order. Without the truck, he has no income.

"If I'm sick, I still work," he explains. "If I don't work, I don't get paid." And if he's so sick he has to see a doctor, that money comes out of his pocket too. He has no health insurance and discovered nothing but frustration when he was injured on the job.

The costs of fueling and maintaining a giant truck are enormous and increasing every year, cutting deeply into the money Mr. Wigfall gets for each load. As with other truckers, Mr. Wigfall nets only about half of the amount he's paid to haul a container, whether for the federal government or a private firm."I'd really like to make enough to buy a new rig, and then maybe I could do longer hauls and make more money," he says, but the tens of thousands of dollars necessary to buy another truck seems unattainable.

More than 90 percent of port truckers interviewed for this report are African Americans, a fact that lends disturbing resonance to the label "sharecroppers on wheels," coined by Wade Henderson of the Leadership Conference on Civil and Human Rights. [51]

Smithsonian Concessions Workers

Every visitor to Washington, D.C., knows the broad expanse of the National Mall, flanked by the Smithsonian Institution's museums of history, science, and technology. And everyone recognizes the silhouettes of the white stone memorials to Jefferson, Washington, and Lincoln, maintained and staffed by the National Park Service. Most Americans come to the capital not to watch laws being made, but to wave at the National Zoo's pandas, explore the Air and Space Museum, and touch the names carved into the black granite of the Vietnam Veterans Memorial.

Many of the workers who maintain the buildings and grounds of those famous museums and monuments, staff the gift shops, and serve food in the cafeterias, cafes, and small food stands are employed by private companies. These companies are called concessioners, and they contract with the institutions—which are themselves funded and administered by the federal government—to provide those services.

> "Mr. President, I know that health care is important to you. It's important to me too since I'm in my late 40s. But the only way to get insurance is to be full time—and no one here [at the National Zoo] gets full-time hours. Why do you allow a company that doesn't provide health care for its employees to do business with the government?"
>
> ~ Bill Jones (alias), a cook in the National Zoo in Washington, D.C. from a Letter to President Obama

We estimate that at least 1,000 service workers are employed by concessioners at the Smithsonian and another 600 at National Park Service sites in Washington, D.C. Nationally, combining all the categories of concessions workers, the number is enormous, with the National Park Service alone reporting 25,000 during peak seasons. [52]

Many of the workers interviewed report that they are hired by concessioners during busy times in the spring or summer and not told that layoffs are almost certain to happen in the winter. Workers are put through multiple cycles of hiring and layoffs, offering them no stability and no chance to build a future with these companies.

As one worker put it, "At Christmas, the company's gift to us was a lay-off notice."

Of the 59 workers we interviewed at the Smithsonian museums and National Park sites:

- 49 are paid less than 10 dollars an hour,
- 39 receive no paid sick leave or vacation leave, and
- 6 report wage and hour violations.

Rochelle Blake

Rochelle Blake worked as a cashier at the National Zoo for about a year. During that time she made the D.C. minimum wage of $8.25 per hour and had no health insurance or other benefits. The company that holds the concessions contract at the zoo offered no paid vacation or sick days.

Ms. Blake was surprised, like many of her co-workers, when she was laid off last winter. Her story illustrates the precarious nature of many concessions jobs. Other workers report that this is a common practice during the slow tourist season, but that employees are given no warning when they are hired in the spring or summer that there will likely be mass layoffs come December.

> "When they laid us off last year, it was very sudden. They didn't let us know where other jobs might be or try to transfer us. . . . . If my sister weren't around, I'd probably have to move to Maryland and live with my father."
>
> ~ Rochelle Blake, is a Cashier at the National Zoo

"My sister and I live together in Northeast D.C. She has a full-time job. Sometimes I babysit her kids and help her out around the house, since I can't give her money right now, while I'm laid off," says Rochelle.

She applied for food stamps to help bring more groceries into the apartment too. Ms. Blake has a medical assistant degree, but while the economy remains rocky, she has had a hard time finding a job in her field. Still, she holds out some hope that she'll be able to pursue a nursing degree eventually. "I'd like to help people by being a nurse, but I've got student loans to pay back first."

They describe the managers' disrespect for them and management's "take it or leave it" attitude. One mother of two who works at the Smithsonian's flagship "castle" museum admitted that she has not spent Thanksgiving or Christmas Eve with her children for four years. When she was hired her employer warned that she would be fired if she took off for a holiday.

Richard Smith

Richard Smith sits or stands behind a podium along one of the many trails that wind through the National Zoo, greeting visitors and providing directions or maps when someone needs help. Sometimes he counts the number of tourists who enter and exit exhibits. He spends all his time outdoors, in the blistering summer heat, in the rain, and in the damp cold of winter.

> “Here we have no input in terms of trying to make things better.”
>
> ~ Richard Smith, Greeter/Guest Services at the National Zoo

Mr. Smith would like to make more money, but he would also like to feel there is a future for him—that he’s gaining some knowledge and experience with the hours he’s putting in. “What I wish I could do at the zoo is work all the positions, so I can get more experience and move up. I’d like them to give us some experience, so we get to be well-rounded.”

Mr. Smith is not alone. Another food service worker reports that he was told when he began working at the National Zoo he would have the opportunity to move up and be trained to do several different jobs. He was also told that he would be able to work 40 hours per week and receive paid holidays. None of this was true, he says. During the slow season, his hours were reduced to only 15 per week.

> *“Having my pay reduced so much has been really hard on me and my family, because I was the breadwinner. . . . I still owe $10,000 in student loans. But I can’t even begin to worry about that because it’s a struggle just to keep the lights on.”*

The Smithsonian Institution, the world’s largest museum complex, says it exists to “explore and bring to light new knowledge and ideas, and better ways of doing business” and to “be a benefit to the public.” By creating thousands of low-wage substandard jobs that require workers to subsist on public assistance, the Smithsonian is not living up to these values. Creating jobs that are unstable and increase the burden on the nation’s safety net is not good business. And perpetuating jobs that keep thousands of workers in poverty and insecurity does not benefit the public.

Union Station Concessions Workers

> “It is very difficult for me and my family. I must pay the rent, buy clothing for the children, and feed them. But my wages are not always enough. I wish that I did not have to depend on government help like Medicaid and food stamps, but without the help we would be homeless or starving.”
>
> ~ Carmen Cortes (43), Janitor at Union Station in Washington, D.C.

A hub for Amtrak’s trains, the D.C. Metro, and bus lines feeding into the heart of the city, Washington, D.C.’s Union Station welcomes more than 30 million people a year. To maintain the massive halls and serve its visitors, armies of janitors, food and retail service workers, and security guards work around the clock—most for extremely low wages and no benefits.

In 1981, Congress gave the Department of Transportation (DOT) the right, title, and interest in the Union Station complex and mandated that DOT restore and redevelop the property. The DOT established the Union Station Redevelopment Corporation (USRC), a D.C.-registered non-profit corporation with the secretary of transportation, the Amtrak president, and the federal railroad administrator on its board of directors, to develop the property through a sublease with a private developer; the sublease is currently held by Ashkenazy Acquisition. [53] Ashkenazy manages the commercial areas of the property through the mall operator, Jones Lang LaSalle, which rents to the 130 retail and food outlets that directly employ the workers interviewed for this report and contracts for janitorial and security services. Ashkenazy remits a part of its concessions revenues to USRC, which uses them to maintain the building.

Approximately 1,000 employees work in the commercial areas of Union Station, 244 of whom were interviewed for this report. Of those 244, 180 say they make less than $10 per hour and 197 say they receive no paid sick leave or vacation. And 30 of those interviewed, working less than a mile from the U.S. Department of Labor, report that they are not always paid for all the hours that they work.

In Congressional testimony, an Ashkenazy Acquisition's representative described Union Station as "one of the most productive retail properties in the country." Sales per square foot are reported to be double the national average for shopping malls. [54]

The USRC refused a request for copies of its lease agreements with DOT and Ashkenazy on the grounds that USRC "is a private business," so we do not know what, if any, provisions these leases include to safeguard the welfare and legal rights of the concessions workers. What we do know is that although the workers are employed by various firms to work on federal property, and their work goes to the benefit of and is ultimately controlled by the federal government, none of them receive prevailing wages under the SCA.

Lucila Ramirez

Natividad Lucila Ramirez is 55 years old and has worked as a janitor for 21 of the 23 years she has lived in the United States. Her whole family works at Union Station—her husband as a cleaning supervisor and her daughter as a part-time clerk in a retail shop. The family, including two grandchildren, lives in a small house in a Maryland suburb where they also rent out rooms to tenants. Ms. Ramirez sends part of her income to her parents in Guatemala each month.

At Union Station, Ms. Ramirez earns $8.75 per hour, and for many years, despite working

> "They cut my hours and demand that I do the same work in a shorter period. I feel the pressure since I stood up for my rights. But I will not quit. I want to show the other workers that it's important to know your rights and to stand for them, no matter what."
>
> ~ Natividad Lucila Ramirez



40 hours per week, could not support her family on such low wages. At Union Station, she and her co-workers accumulate no paid vacation days, no paid sick leave, and have no health insurance.

Eventually, she took a second job to make ends meet, and although this janitorial job is just across the street, the working conditions are a world away. At the National Postal Museum, she earns $15.60 per hour. Her employer, a signatory to a union contract, provides her with health insurance, paid holidays, vacation, and sick leave.

> “I must keep working. There is no retirement for me, because I want my grandchildren to have a better life. I dream that one day they can go to college.”
>
> ~ Natividad Lucila Ramirez (55) Janitor at Union Station in Washington, D.C.

Managers at Union Station require attendance at meetings where they pressure employees to work harder. If someone asks for a pay increase or a better schedule, she is told to “take it or leave it.” Ms. Ramirez believes that the managers are trying to pressure her to quit because she spoke out in front of other workers about the injustices they face. But she refuses to quit. She needs both her jobs, and she also wants to be a role model for the younger workers.

Jackie Valdes

Ms. Valdes is 29 years old, married, and has a two-year-old son named Mauricio. She has worked as a janitor at Union Station for eight years alongside her mother and her husband.Her husband adds to their income with a second job a few miles away in Georgetown.

> “I wish I could spend more time with my son, especially when he is little, but I have to work or we cannot eat and pay our rent.”
>
> ~ Jackie Valdes



Ms. Valdes and her family live in a one-room apartment in Washington, D.C. She and her mother send money each month to support her sister, who is sick and lives in El Salvador. Because Ms. Valdes and her husband work so many hours, they must pay for childcare for little Mauricio. They often have trouble paying their rent and all of their bills, and like so many of the low-wage workers at Union Station, their health insurance is publicly funded and provided by D.C. Alliance, or Medicaid.

Valentina Martinez

The precarious, sometimes life-threatening position low-wage workers find themselves in is illustrated by what happened to Valentina Martinez (alias), another janitor with 19 years on the job at Union Station, when she was injured while working.

Two years ago, she was on a ladder in one of the passenger waiting areas, cleaning metal trim above the doorway. Suddenly, the ladder collapsed and she fell face down on the floor and was knocked unconscious. Ms. Martinez was treated and released from the emergency room, but had to stay home from work for a week to recover fully. Because she has no paid sick leave, during this time she earned no wages, placing her on the brink of financial disaster. She depends on publicly funded healthcare, but the agency that administers the program believes the hospital bill should be the employer's responsibility because the accident happened at work. She has been suspended from coverage by the policy until her employer pays up.

Now, with a serious heart condition and no insurance, Ms. Martinez has no choice but to travel back to El Salvador to try to find affordable, life-saving care. "I have worked hard for 19 years at Union Station," she says. "Every day I come here and I work to make it a nice place for the visitors. But still, I make barely more than minimum wage and receive no benefits."

Ronald Reagan Building Concessions Workers

"There are no limits to growth and human progress when men and women are free to follow their dreams."

~ President Ronald Reagan, Second Inaugural Address (1985)

The Ronald Reagan Building and International Trade Center is advertised as Washington, D.C.'s "most versatile and dynamic building." Its 3.9 million square feet make it the second-largest federal office building after the Pentagon. The building's sleek, modern offices house about 7,000 federal employees from a variety of departments and agencies, plus private sector tenants. The General Services Administration owns the building and has hired Trade Center Management Associates (TCMA) to oversee day-to-day operations. TCMA contracts with private companies to provide food, janitorial, and security services for federal employees, private tenants, and the general public. [55]

About 100 workers are employed at the food service concessions in the Ronald Reagan Building. For this report, we interviewed 85 workers who provide janitorial services, or work in the vast Reagan Building food court, which seats 1,000 customers and includes 19 vendors.

Of the 85 workers interviewed at this location:

- None are receiving prevailing wages under the Service Contract Act,
- 77 receive no paid leave,
- 73 are paid less than $10 per hour, and
- 28 report some form of wage and hour violation, primarily lack of mandated overtime pay.

Iris Gonzalez

Iris Gonzalez is an old-timer at the Reagan Building food court, and takes pride in her work as a cashier with the title—but none of the benefits—of "manager." All-in-all, she has been with the company that owns her restaurant for 22 years. She usually works 59 hours a week, with no overtime pay. Even making $10.50 per hour, more than the average worker, Ms. Gonzalez finds that she must rely on D.C.'s Medicaid program for health insurance for herself, her husband, and her two children.

Ms. Gonzalez, who is 43, worries constantly about her kids—one of whom has finished high school and is working, but still living at home. The other is only four years old. "If only I could make a little more," she says, "I could make a better life for my children."

Like most of the workers at the food court, Ms. Gonzalez struggles without paid sick days and often faces an impossible choice between earning money and caring for her children. "If my four-year-old gets sick, then I have D.C. Medicaid. And if I need to stay home, I can take the day off, but my boss doesn't pay me, so then it's hard to pay for rent, food, clothes—everything."

The Government as Property Owner vs. Tenant

Sometimes, federally contracted workers' pay and working conditions do not depend on the nature of their work, but on who owns the building in which they do it. The federal government owns 1,500 buildings and leases space in thousands more throughout the country. Subcontracted service workers in buildings owned by the federal government are covered by prevailing wage and benefits standards under SCA, but workers doing the same jobs in buildings leased by the federal government are excluded.

As of 2011, the government leased almost 193 million square feet of commercial office space, the majority concentrated in Washington, D.C., New York, and Los Angeles.[56] When the government leases space for occupancy, janitorial and other services are provided by the building owner by various contractors whose employees are exempted from federal regulations that call for prevailing wages and benefits. Therefore, janitors cleaning offices in a government-owned office building are paid significantly more per hour than janitors doing the same kind of work in an office building leased by the government. The quality of jobs funded by taxpayer dollars is seen as a public responsibility in federally-owned properties, but these services, and the workers who provide them, are categorized as "incidental" in spaces that are rented.[57]

In some cases, contracted service workers cleaning and protecting federally-occupied space in these leased buildings enjoy decent wages and benefits, and the result is low turnover and higher quality service, but it is not because of any commitment made by the federal government. In these cases, other parties—including building owners, property managers, and public pension funds—have made commitments to provide quality jobs, sometimes by passing responsible contracting policies and sometimes by committing to use unionized companies to do the work.

Ms. Gonzalez and her husband are caught in a trap, trying to build a future on wages that are just too meager to allow for more than scraping by day-to-day. She says she worries most about retirement now. Her husband also works at a restaurant and neither of them have any benefits or savings for retirement.

"They say they can't give me a raise because they don't have any business, but we're busy every day. And if there's no business, why are we working overtime?"

> "My boss is okay, but when I work overtime, he doesn't pay me the correct amount. I just get regular wages, not overtime. That happens all the time. He says, 'You have to work more—there is no choice.' But he says he won't pay extra. This is for everybody, not just for me. We know it's not right. And I think he knows too."
>
> ~ Iris Gonzalez (43), a Cashier at the Ronald Reagan Building in Washington, D.C.

Joel Mejia

Joel Mejia came to the United States from Mexico, searching for a place where he could work hard and build a new life for himself. He recently became a first-time father, which makes him even more determined to get ahead, but he sees only roadblocks. "There's no way to move up at this job," he says. "It seems like some people have been here for 30 years and are still in the same position."

> "In the future, I would like my little girl to have everything that I don't have."
>
> ~ Joel Mejia (23) is a Food Service Worker at the Ronald Reagan Building in Washington, D.C.

Mr. Mejia works a total of 50 to 75 hours per week at two restaurants in the Reagan Building food court. He makes $9 per hour and has no benefits at all—no sick leave, no vacation days, and no health insurance. Rents are cheaper outside the city, so he and his family live in a small apartment in a Maryland suburb, butthat creates another expense too. "Transportation is a big problem. I spend like $50 a month just getting to work."

Mr. Mejia's wife currently stays at home with their baby girl, who is only a few months old, so they survive on his income alone. "It happens sometimes that I can't pay the bills—the phone bill or whatever. . . . I get food stamps from Maryland, and that helps with milk for the baby." They also depend on Maryland's Medicaid program for their health insurance.

Like many workers interviewed, Mr. Mejia feels trapped. He looks for a path upward, but the risk of losing his job is always looming. "I'm afraid to ask about promotions because maybe my bosses will get angry, and I'll get fired," he admits. He feels he has no choice but to ignore the fact that he is not paid for overtime, and lacks the benefits and wages other workers covered by prevailing wages under SCA enjoy. "Sometimes [my bosses] get angry over little things, but there's no choice," he says quietly. "I need the job."

Rita Montez

Rita Montez is 55 years old and has raised six children. Today, she is alone, unemployed, and struggling to survive. Like all the workers we interviewed, she knows that "retirement is never even an option for me."

Until a few months ago, Ms. Montez worked at a sandwich shop in the Ronald Reagan Building, making $10 per hour, with no benefits. She never understood why her pay was so low, when the shop was always so crowded with federal workers and tourists. "They can more than afford to pay long-time employees like me more than the cost of a sandwich and chips."

Ms. Montez believes she was treated unfairly and ultimately fired from her position in part because she attended a union organizing meeting. When she planned a visit to her son in Canada early this year, her boss told her it would be fine to take the time off (without pay, of course), but when she returned exactly when she had told her employer she would return, she was informed, "Oh, you're not working here anymore."

> "I did my best to offer my kids a better life, but today, I can barely manage to keep a roof over my head. I worry about my diabetes getting worse, since I can't afford health insurance."
>
> ~ Rita Montez (alias, 55) is a Food Service Worker at the Ronald Reagan Building in Washington, D.C.

Ms. Montez was confused and upset. "They had told me I was a good employee, so why wouldn't they let me come back? I don't know what to do." A friend from the shop called and told her they missed her and thought that Ms. Montez was fired because she had attended a union meeting after work. She still can't believe such a thing could happen. "This is a country of freedom, right? How can they fire me for going to a meeting?"

Inequality Grows in Washington D.C.

As might be expected, the economy of the nation's capital city depends significantly on federal dollars. In fiscal year 2011, Washington, D.C., ranked second among congressional districts for federal contracts, with a total of $19.5 billion—close to 4 percent of the national total. [58]

Unfortunately, while a few are growing wealthy the magnitude of federal spending is not making it any easier for everyday D.C. residents to get by. The statistics are dramatic, and they put the stories shared here by low-wage contracted workers into a larger and troubling context:

- As of 2011, for example, the top five percent of households in the city had incomes above $500,000, while the bottom 20 percent earned less than $9,500, a ratio of 54:1. Two decades ago this ratio in Washington was 39:1.[59]
- Recently the city had to close its waiting list for subsidized housing, once it reached 70,000 applicants. Those on the list could expect a wait of 39 years for a subsidized studio apartment and 28 years for a one-bedroom apartment.[60]
- During the 2011-2012 school year 72 percent of students attending D.C. public schools were eligible for free or reduced-price lunches through the National School Lunch Program. [61]

Times have become desperate for Ms. Montez, whose son sends her a few hundred dollars each month. She suffers from diabetes and does not have insurance for the medicine that she needs. When interviewed in March, she was looking for work cleaning hotels. All the applications are online, so she had to find someone to loan her a computer and help her. She says she can't pay much rent, so lives with a friend for now, and just feels lucky that her friend has a job.

"My head aches every day thinking about what to do. So many worries."

Wilfredo Reyes Lopez

Wilfredo Reyes Lopez is a shy 31-year-old man, who looks away, trying to hold back tears when he talks about the children who live so far away, and the hopes he had for them when he came to the United States to work.

Mr. Reyes Lopez's daughters live in Guatemala and since his wife died of cancer, they must survive on the money he sends to them each month. "Sometimes I don't have enough money to send them so they can eat. And that's really hard. On top of that, I borrowed money to come to the United States, and I have a huge debt that's going higher because of the interest."

Mr. Reyes Lopez is one of the workers we interviewed who is paid less than the District's minimum wage of $8.25 per hour—and even less than the federal minimum of $7.25 per hour. He understands that he is being abused, but feels he has no recourse.

- Washington, D.C. Director of Human Services David Berns has said more than 232,000 D.C. residents (approximately 40% of the population) receive food stamps, Medicaid, Temporary Assistance for Needy Families, or some combination of government assistance programs. [62] And more than 100,000 workers in the District earn the minimum wage. [63]

Workers who perform services for the federal government are among those who must patch together publicly-funded social services and meager incomes to survive in the nation's capital. The D.C. service workers interviewed for our report, overwhelmingly African-American and Hispanic, usually work full-time jobs and must rely on government benefits to survive. Our interviews found the majority (73 percent) are paid less than $10 per hour and a significant portion rely on Medicaid or food stamps.

"I make $6.50 an hour—not minimum wage. I know it shouldn't be like that. It's really hard. Sometimes I don't have enough money to eat, so I have to borrow money. I share a single room with my friend Antonio."

> "I came here hoping to have a better life, but it keeps getting worse."
>
> ~ Wilfredo Reyes Lopez (31), works in Food Service at the Ronald Reagan Building Washington, D.C.

He shakes his head, still not understanding how this could happen in such a rich country. "The employers want you to do the best job, but they don't want to pay you. The only thing I can say is that if President Obama can change things, he should. There is no excuse."

The Reagan Building's web site proclaims that it is "the first and only federal building dedicated to both government and private use . . . mandated by Congress to bring together the country's best public and private resources to create a national forum for the advancement of trade."[64] Among those public and private resources are the workers who clean and maintain the building and its grounds and those who serve tenants and the public in the food court. These workers are the public face of Washington's largest federal building. And yet, they toil every day in substandard conditions, being paid low and sometimes illegal wages and subjected to disrespect and intimidation when they stand up for their rights.

These workers do not enjoy even the most basic benefits that the direct federal employees upstairs receive—paid sick days, vacation, holidays, or health insurance. The federal government has abdicated its responsibility to provide these men and women with decent jobs so that they may be "free to follow their dreams," as President Reagan so eloquently said in his second inaugural address in 1985.

As the federal government moves more of its operations from federally owned space to that which is leased or operated through public-private partnerships, it must revisit how the structure of the SCA penalizes service workers. The nature of the jobs that these workers perform for government agencies does not change depending on the type of real estate arrangement governing the space in which it is done, so the commitment of the government to make these good jobs shouldn't either.

3. Policies and Prescriptions

State and Local Governments Find New Paths to High-Road Contracting

The interviews detailed above illustrate how in a variety of federally linked settings, government action is helping to create jobs with very low wages and benefits, where worker turnover is high, morale is low, and legal violations are common.

Decades ago, Washington adopted protections to encourage federal contractors to take the high road in their treatment and pay of employees, but those systems are now long out of date. In major areas, federal programs are fueling the growth of poverty-wage jobs. Over the past 20 years, it has been state and local governments that have led the way with innovative new approaches for promoting the creation of good jobs, minimizing hidden public costs, and delivering more reliable services to taxpayers. We believe these successful reforms in state and local laboratories demonstrate proven best practices for modernizing our federal safeguards.

As discussed earlier in this report, the Service Contract Act, the Public Contracts Act, and the Davis-Bacon Act are the primary federal laws in this area. Serious coverage gaps, however, prevent them from covering major categories of low-wage jobs being generated by federal spending or activities.

For example, while Davis-Bacon prevailing wage requirements "follow the money" down to state and local construction jobs financed with federal funds, there is no corresponding coverage under the SCA for service jobs created at the state and local levels with federal dollars. As a result, many federal grant-in-aid programs and tax incentives are financing the creation of poverty-wage jobs across the nation. Furthermore, other types of federally connected jobs, such as food service concessionaires at federally linked facilities like federal buildings, Union Station, or the Smithsonian, may not be covered at all by the SCA or other federal job standards. In other cases, such as the port truckers profiled above, SCA standards ought to extend to the workers but have not been applied because of weak and uneven enforcement. Finally, even where the SCA applies, sometimes it is not enough to actually ensure decent jobs. This is because prevailing wages in some areas of —the country are also poverty wages— clearly not enough to lift workers above the poverty line.

A growing body of research demonstrates that in many industries, contractors that provide good wages and benefits and respect workplace laws deliver higher quality services for government agencies and the taxpayers. Washington needs to update and supplement its existing system of federal-contractor job standards to respond to the problem of federal spending and activities fueling poverty-wage jobs. In this final section of the report, we will focus on state and local innovations that are improving the well-being of workers and also solving the problem of companies that refuse to adhere to responsible behavior, which creates significant hidden costs for government and taxpayers. These model policies provide a roadmap for the

types of additional protections that the federal system needs in order to ensure that the government continues to lead by example and federal spending and activities create the types of quality jobs that benefit taxpayers, workers and the government alike.

The Living Wage Solution

In December 1994, Mayor Kurt Schmoke of Baltimore signed into law the first living wage ordinance in the United States. It ensured that businesses with city contracts would pay workers at least $7.70 per hour—at a time when the federal minimum wage was just $4.25 per hour. Since then, more than 120 cities and counties and the state of Maryland have enacted living wage laws, while other states such as Connecticut, New York, and New Jersey have enacted similar measures using a prevailing wage approach.[65]

Living wage laws generally establish a wage floor above the state or federal minimum wage for businesses that receive contracts or other benefits from state or local governments. Typically the wage floor is based on the hourly wage that a full-time worker would need to support her family at some multiple of the federal poverty guidelines.

An additional focus of most living wage policies is giving employers incentives to provide health benefits to their low-wage workers. Most require employers to contribute between $1.50 and $4.50 per hour for benefits or pay the employee the equivalent in higher wages. Even after the phase-in of the Affordable Care Act (ACA), such incentives will be important as the ACA's protections do not extend to many low-wage workers who work either fewer than 30 hours per week, or for companies with fewer than 50 employees, both prerequisites for ACA coverage.

Although better-quality jobs are the primary goal of most cities and states adopting living wage standards, cities and states have found that such measures yield other benefits for government and taxpayers. As Maryland Delegate Tom Hucker, the architect of Maryland's living wage law, recalls, "Before the passage of the [Maryland] living wage law, we effectively had a policy of subsidizing low road employers. This distorted the state's contracting and budgeting processes. Now under the living wage system, contract bids and prices more accurately reflect the true price to taxpayers of the services being purchased." Hucker continues, "By factoring health care contributions into its living wage requirement, the Maryland law levels the playing field for contractors that provide health benefits and brings the costs of the uninsured into the open during the contracting process."[66]

In addition to reducing the hidden costs of low-wage employment, municipalities have found that shifting their purchasing to living wage contractors has often improved the quality and reliability of contracted services. A substantial body of research demonstrates that higher wages substantially reduce employee turnover, yielding a more stable workforce and reducing new employee recruitment and training costs.

For example, a University of California study using statewide data found that among workers earning less than $11 per hour, a $1 increase in wages is associated with a seven percent decrease in turnover.[67]

This impact has been confirmed by a series of studies of living wage policies. A study of home care workers in San Francisco found that turnover fell by 57 percent following implementation of a living wage policy.[68] And a study of the Los Angeles living wage law found that staff turnover rates at firms affected by the law averaged 17 percent lower than at firms that were not, [69] and that the decrease in turnover offset 16 percent of the cost of the higher wages.[70]

The savings for contractors—and ultimately for taxpayers—from reduced turnover can be significant. A recent survey of studies found that the cost of replacing an employee earning less than $30,000 per year averages about 16 percent of the employee's annual compensation.[71]

In a 2008 assessment of Maryland's living wage law after its first year in operation, almost half of bidders interviewed reported that the living wage requirement encouraged them to bid on state contracts because it meant that contractors that paid very low wages would not automatically be able to underbid them. Maryland found that the average number of bidders for state service contracts increased once its living wage policy took effect, from an average of 3.7 bidders to 4.7 bidders. As one contractor explained, "I would rather our employees work with a good wage. If a living wage is not mandated, the bids are a race to the bottom. That's not the relationship that we want to have with our employees. [The living wage] puts all bidders on the same footing."[72]

"I would rather our employees work with a good wage. If a living wage is not mandated, the bids are a race to the bottom. That's not the relationship that we want to have with our employees. [The living wage] puts all bidders on the same footing." [72]

In the years since the first wave of living wage laws, cities and states have broadened these measures to other circumstances where government spending or action may be generating substandard jobs. Two of these expanded, second-generation living wage approaches address scenarios like those detailed in this report, where federally contracted jobs may fall outside the scope of the Service Contract Act and other existing federal job standards: (1) low-wage workers employed by businesses operating under concessions, leases, or service contracts at government-linked facilities, and (2) low-wage workers employed in privately operated buildings where the government is a major tenant.

Service and Concessions Workers at Government-Linked Facilities

Cities and states have extended living wage safeguards to low-wage workers employed by concessionaires and contractors at government-linked facilities such as airports, public office buildings, public universities, and the like. As detailed in Figure 5, over the past 15 years, at least seven cities and one state—Connecticut—have extended living wage or prevailing wage standards to fast-food workers, retail clerks, janitors, guards, and other service employees working for companies that operate at such facilities either under concession agreements, leases, or service contracts.

For example, Los Angeles requires that restaurant and retail concessionaires, contracted security personel, baggage handlers, food service workers, cleaners, and shuttle bus drivers operating at the Los Angeles International Airport (LAX) and other LA-area airports pay their employees a living wage with health benefits and provide compensated days off. The current living wage is $10.70 per hour with health benefits and $15.37 without. Contractors must provide at least 12 compensated days off per year and at least 10 days off without pay. [73] The San Francisco International Airport (SFO), San Jose, Oakland, and St. Louis airports similarly cover concessions and contract workers with even higher wage standards. And the Philadelphia and Syracuse airports extended such policies to some or all workers at their facilities in the past year (see Figure 5).

Beyond airports, cities like Los Angeles and Berkeley and the State of Connecticut have all extended similar good jobs standards to lessees and concessionaires operating at government-owned or linked facilities such as parks, government buildings, and public universities (see Figure 5). Connecticut's policy under its state "standard wage law" is particularly relevant for the federal government since it extends wage standards state-wide to food and retail concessions workers, as well as other service workers employed in government-linked facilities like state office buildings, state universities, and airports. See "Case Study: Connecticut's Standard Wage Law."

Figure 5. Living Wage Policies for Businesses Operating Under Concessions, Leases, or Service Contracts at Government -Linked Facilities

city/state	locations where businesses holding concessions, leases or contracts are covered	year adopted	liviing wage if benefits are provided (2013 rate)	living wage if no benefits are provided (2013 rate)
Los Angeles Airport [74]	airport	1997; 1998; 2009	$10.70	$15.37
Los Angeles [75]	parks and other city-owned locations	1997; 1998	$10.70	$11.95
San Francisco Airport [76]	airport	2000	$12.43	no option not to provide health benefits
Berkeley [77]	marina zone and other city-owned locations	2000	$13.03	$15.20
Connecticut [78]	state universities, state office buildings and Hartford Airport	2000; 2009	prevailing wage	prevailing wage + 30% benefits supplement (translating to $10.73 or higher)
Oakland Airport [79]	airport	2002	$11.70	$13.45
St. Louis Airport [80]	airport	2002	$12.21	$15.92
San Jose Airport [81]	airport	2010	$12.94	$14.19
Syracuse Airport [82]	airport	2012	$12.43	$14.68
Philadelphia Airport [83]	airport	2013	$10.88	$10.88 (comparable health benefits required only for full-time employees)

These jurisdictions have generally found that these policies have successfully upgraded the jobs generated at affected government facilities without deterring businesses from seeking concessions contracts or adversely affecting government concessions revenue. For example, LAX re-bid its concessions contracts in 2011—more than 10 years after it had adopted its living wage standard and after substantially increasing the health benefits contribution required for employers at the airport in 2009. The airport found that, "Dozens of companies large and small vied for the contracts, spending thousands of dollars on lobbyists over a three-year period. Celebrity chefs from some of the hottest restaurants in the U.S. competed against one another to impress city officials and win the chance to open concessions at LAX." [84] Individual concessions companies report that the policy has worked well, placing all airport operators on a level playing field. "We are proud to be a profitable, effective and responsible employer at LAX," said Michael R. Mullaney of the Hudson Group, the operator of Hudson News, a major airport retailer, in endorsing a 2009 measure strengthening the living wage standards at the Los Angeles airports. [85]

Similarly, after SFO adopted its living wage and benefits requirements, it re-bid its concessions in 2003, electing to manage them directly rather than through an intermediary food services contractor. Competition was robust: "The airport . . . received 115 applications from restaurateurs and bar owners vying for approximately 40 spaces that [would] become available in the two domestic terminals in August 2004. . . . Airport officials want[ed] at least half the entrepreneurs in the domestic terminals to be run by women or minorities and 80 percent to be locally owned." [86] In the decade since, the airport has seen concessions sales revenue soar—for example, by 13 percent in 2011. The airport ranked second nationally in sales per enplaned passenger, and its concessions program tied for first place for Airport Revenue News' award for Best Overall Concession Program for a Large Hub Airport. [87]

There is evidence that improving the quality of jobs with such policies lowers turnover, increases security, and makes passengers' experiences better. A study by researchers at the University of California at Berkeley examined the impact at SFO of the wage, benefit, and training standards for concessions and service workers that the airport adopted in 2000. The study found that annual turnover among security screeners fell from 94.7 percent to 18.7 percent when their hourly wage rose from $6.45 to $10.00 an hour under a living wage policy.[88] The reduced turnover saved employers about $4,275 per employee per year in re-staffing costs—a savings that offset a substantial portion of the higher wages. [89]

Service Workers in Private Buildings Where the Government is a Major Tenant

Another area in which "second generation" living wage and prevailing wage laws have begun to extend coverage is to service workers in buildings where the government leases office space. Like the Service Contract Act, many state fair wage laws have a gap in coverage when a government agency does not contract for service workers directly, but instead, obtains those services indirectly as part of leasing space from a private landlord. In such cases, the property's private owners or management company contract to provide janitorial and security services, with the consequence that service workers for government agencies

are unprotected by the wage standards that generally ensure quality jobs and service for contract workers serving the government.

Cities and states have begun to respond to this problem by expanding their wage laws to apply when government agencies are major or anchor tenants in private buildings. For example, last year New York City enacted a package of living wage and prevailing wage expansions that extended the existing city and state prevailing wage standards for government-contracted building service workers to apply to large city leases where the city rents 50 percent or more of the space in a private building.[90] The new standards are now being implemented gradually as city leases come up for renewal.

Recommendation

The federal government should follow the states' lead in extending living wage and prevailing wage protections to fill gaps in current job standards and ensure that federal spending produces the type of quality jobs that benefit the taxpayers and communities alike. In particular, the federal government should extend living wage and prevailing wage protections to employees of concessionaires, leaseholders, and service contractors at federally linked facilities, and to service workers in private buildings where the government is a major tenant. In many cases, such gap-filling may be implemented administratively as conditions of federal agency leases, concession agreements, and other contracts.

Worker Retention and Labor Peace Policies

In addition to low wages and meager benefits, other aspects of federally subsidized jobs leave workers vulnerable. One is workforce instability. When new contractors or concessionaires are brought in, workers who have been employed at the federal facility for years may lose their jobs. Similarly, when labor conflict emerges between workers and a contractor or concessionaire, workers may lose pay or even their jobs, and the government operating the facility may risk interruption of vital services or loss of revenue.

Cities and states have increasingly responded to these problems by adopting worker retention policies and labor peace policies. Worker retention policies, sometimes known as displaced worker policies, ensure greater workforce stability when contracts or concessions change hands. They provide that when a contractor or concessionaire is replaced, the successor company must give the workers previously performing the work the opportunity to keep their jobs by being kept on for at least a probationary period. In many cases, employers find that the retained workers are well trained and experienced and will choose to keep them on.

Many cities have adopted worker retention policies for city contractors as part of their living wage policies.[91] Other cities and states have guaranteed worker retention more broadly for private employers in key industries where transitions in contractors or ownership threaten mass lay-offs. For example, California and numerous cities and counties, including New York, Philadelphia, Washington, and San Francisco, have

adopted broader worker retention measures for janitors and security guards employed in large office buildings.[92] San Francisco and Los Angeles have adopted them for supermarkets.[93] Of particular relevance for the low-wage jobs profiled in this report, cities have adopted worker retention policies for service contractors and concessionaires operating at the Los Angeles, San Francisco, San Jose, and Oakland airports. Similarly, San Diego has guaranteed worker retention for employees of service contractors and concessionaires at large city-linked facilities such as convention centers and stadiums.[94]

Labor peace policies are related measures that seek to address the impacts on government-linked facilities or programs, workers, and employers of the disruption that can result from labor conflict. Such measures, which many cities include as conditions of various types of contracts or agreements, require employers and unions to use non-disruptive means to settle disputes in order to avoid strikes, lock-outs, and other work stoppages. They typically require employers and unions to agree to a prohibition on strikes together with a binding alternative mechanism for resolving labor disputes, such as card check recognition. Some cities have applied labor peace policies to contractors and concessionaires at airports in order to avoid disruption of services vital to the operation of the airport or an interruption of concession revenues. At least a dozen airports across the United States, including JFK, Atlanta, Miami, Phoenix, and Seattle, use labor peace policies in some form.[95] Some, such as Los Angeles, use such policies for concessions; [96] others, like the San Jose Airport, use them for service contractors; [97] and others, such as San Francisco, use them for both. [98] These airports have found these policies to be an important and effective means of safeguarding their concessions revenue and other aspects of airport operations from these risks.[99]

Recommendation:

The federal government has already adopted displaced worker protections for certain categories of federal agency contracts under Executive Order 13,495 "Nondisplacement of Qualified Workers Under Service Contracts." [100] *The federal government should extend displaced worker protections to all concessionaires, leaseholders, and service contractors at federally linked facilities. Washington should adopt labor peace policies for federal concessionaires and sensitive service contracts where interruption of services would threaten vital services or cost the government lost revenue.*

Sweat-Free Procurement Policies

Over the past decade, concern has grown about the substandard, sweatshop conditions under which apparel is frequently produced. Because state and local government agencies spend many millions each year on uniforms and other apparel—and because the federal government spends billions more—apparel is a significant area where taxpayers are inadvertently fueling poverty-wage employment. As detailed in this report, the conditions facing workers at factories where U.S. military uniforms are produced illustrate this serious problem.

In response, cities, states and other government agencies have begun to adopt "sweat-free" procurement policies to ensure that taxpayer spending for apparel creates decent jobs. More than 7 states, 60 cities and counties, and 118 school districts have adopted such measures. [101] The general approach combines

a living wage, compliance with overtime and other basic protections, and labor peace-type safeguards to guarantee workers' rights to freedom of association.[102] A key ingredient of these policies is a system for monitoring compliance through a consortium composed of multiple government purchasers. [103] The Public Contracts Act was intended to address the problem of substandard jobs at vendors selling manufactured goods such as apparel to the federal government. However, a 1963 court ruling left the PCA essentially unenforceable, with the result that the federal job standards system currently has no effective response to this problem.

Recommendation:

The federal government should fill the gap left by the PCA by adopting "sweat-free" procurement policies, including living wages, prevailing wages, and labor peace protections, for military uniform manufacturers and other vendors of apparel to the federal government.

Earned Sick Days

Employers that provide workers with earned sick days enjoy more stable and productive workforces. Without earned sick days, employees must choose between going to work sick and losing a day's pay. For workers earning poverty-level wages, the loss of even a few hours of pay can make feeding their families or paying the rent even more difficult. Many workers—including those in food service and other jobs where they come into close contact with customers—have no choice but to go to work sick, spreading illness and hurting overall productivity.

Currently, however, the system of job standards for federally contracted or subsidized workers includes no incentives for employers to provide earned sick time. This is another area where cities and states are leading the way for Washington. For several years now, state and local governments have begun to adopt policies to encourage employers—government contractors and others—to provide earned sick days to all employees. The first wave of such action took place as part of living wage laws, many of which guarantee that workers employed by city contractors must receive a minimum number of earned sick days. More recently, cities and states have reached beyond just government contractors and adopted measures guaranteeing earned sick leave for most or all employers. To date, Connecticut, San Francisco, Seattle, Portland, and Washington, D.C. guarantee earned sick days, and legislation is now being enacted in New York City.

Donna Levitt, manager of San Francisco's Office of Labor Standards Enforcement explains, "We found that requiring city contractors to provide paid time off that employees may use when they're sick results in a healthier, more stable, and more productive workforce." [104] Unfortunately, worker testimonies gathered for this report demonstrate that Washington, D.C.'s sick leave law is ignored by many contractors working for the federal government.

Analysts have found that savings generated by increased productivity, reduced turnover, and lower public health costs more than make up for the modest cost of earned sick days for local and state contractors.

If implemented for those employers operating under federal contracts, the result would surely be the same. In fact, when the Institute of Women's Policy Research estimated the likely costs and savings from a proposed federal earned sick leave law, the net savings to employers and taxpayers amounted to at least $8 billion.

Recommendation:

The federal government should require that federal contractors and concessionaires provide earned sick days to their employees.

Legal Compliance Review

In addition to substantive labor standards, state and local governments are moving towards more rigorous screening of prospective contractors to weed out those with records of significant or repeated violations of workplace, tax, and other laws. As under the federal system, most state and local public contracting laws instruct government agencies to do business only with responsible contractors. But until recently, most agencies did not have systems for ensuring thorough review. Cities and states that have adopted such enhanced legal compliance review are finding that it offers key advantages for the government, workers, and contractors alike.

Case Study: Connecticut's Standard Wage Law - A Model for Federal Action

For more than 10 years, Connecticut's Standard Wage Law has guaranteed that employers operating at state facilities provide their employees fair wages and benefits. The measure requires employers in state-linked buildings that provide food, building, property or equipment services to pay their employees a standard wage and benefits package roughly comparable to the rates under the Service Contract Act. [105] What is especially interesting, given the job conditions detailed in this report in many federally linked buildings and facilities in Washington, D.C., is that the Connecticut law fills many of the gaps left open by federal law. For example, workers at food service franchisees such as McDonalds and Dunkin Donuts, located in state office buildings, at state university campuses, and at the Hartford-Bradley Airport, are all covered. In fact, fast-food concessionaires that serve military personnel at the Bradley Air National Guard Base are covered by the Connecticut wage law even as employees of similar federal facilities enjoy no meaningful wage and benefits protections. Furthermore, the law covers some employers under contract with the state even if the space in which they operate is leased, rather than owned by the state.

Gary Pechie, director of the Wage and Workplace Standards Division for the Connecticut Department of Labor, says that the Standard Wage Law has been a major success:

"The law ensures that state taxpayer dollars are going to create good quality jobs for local workers. Without such a law in place, there's too much

The move towards more rigorous responsibility screening has reflected a growing recognition that employers with poor compliance records are generally bad business risks that provide unreliable services and present hazards for both workers and taxpayers. For example, a survey of New York City construction contractors found that contractors with workplace law violations were more than five times as likely to have a low performance rating than contractors with no workplace law violations.[106] At the federal level, as early as the 1980s, a Department of Housing and Urban Development (HUD) inspector general audit found a "direct correlation between labor law violations and poor quality construction" on HUD projects, and found that such quality defects contributed to excessive maintenance costs. The HUD audit concluded that "[T]his systematic cheating costs the public treasury hundreds of millions of dollars, reducing workers' earnings, and driving the honest contractor out of business or underground." [107]

In response to these problems, state and local agencies have adopted more rigorous systems for assessing contractor responsibility and screening out firms with poor compliance records. The key components of these reforms have included: (1) making responsibility review the first step in the bidder evaluation process, not the last, often by establishing a preliminary "prequalification" phase; and (2) requiring disclosure of firms seeking to bid or prequalify to bid, in order to allow the public to provide information relevant to their record of responsibility.

uncertainty. It's much better for the state to have experienced and well-trained workers take care of these services."

In Washington, D.C., a directive like the Connecticut Standard Wage Law, affecting employers operating under contract, concessions, or leases with the federal government—even in spaces leased rather than owned by the federal government—would affect thousands of workers currently struggling in low-wage, no benefits jobs. Workers such as those profiled in this report at Union Station are linked to the federal government through leases and other relationships. The private company, Ashkenazy Acquisition Corporation, operates Union Station in a public-private partnership with the Department of Transportation, and the federal government profits handsomely from the arrangement, earning an average of $10.2 million per year from 2007 to 2011. Yet, the workers who clean Union Station and serve food to the millions of travelers who pass through it every year are paid minimum wages and have no benefits such as employer-paid health insurance. Many of them depend on public assistance to survive.

California, Massachusetts, Connecticut, and Illinois have all adopted variants of such systems for various categories of publicly funded construction projects.[108] In 2000, Los Angeles adopted a comprehensive "responsible contractor policy" (RCP) that extends these best practices to service contracting, as well as construction.[109]

As Russell Strazzella, a chief construction inspector for the Los Angeles Bureau of Contract Administration explained, "[Front end responsibility screening] is more effective and more beneficial to the public than a reactionary system. When you get a bad contractor on the back end, they've already done the damage, and then it's a costly process of kicking them out." [110]

Many contractors prefer prequalification, and procurement professionals have found that it can improve competition by encouraging more qualified bidders to submit proposals. According to Carol Isen, director of labor relations for the San Francisco Public Utilities Commission's Infrastructure Division, "In order to encourage bidders possessing the requisite experience to spend the resources necessary to prepare bids for a large public works construction project, . . . eliminating the prospect of irresponsible low bids from contractors whose qualifications to perform the work have not been examined by the owner is paramount." [111] Los Angeles' Strazzella agreed, explaining that "[I]f you have a very strong prequalification system that can be vigorously enforced and a uniform system of rating bidders that is published—so everyone knows where they stand before they compete—then you get a level playing field and a pool of good contractors." [112]

Recommendation:

The federal government should institute a system of legal compliance review to ensure full compliance with workplace laws and maintain an efficient system of contracting with only high-road companies.

Conclusion: Innovations that Work

The contractual relationships between private sector workers and the federally funded agencies that pay for their services have become increasingly complex, leaving cracks in lawmakers' earlier commitments that, when purchasing goods and services, the federal government would support quality jobs. Millions of workers fall through those cracks every day, and are left with low wages, dangerous workplaces, and difficult choices for their families. We, the American people who depend on those workers and finance their jobs with our tax dollars, are left to pay for low-road contracting twice over: we receive lower-quality services as the result of high turnover, employees who come to work sick, and exhausted workers who must hold down multiple full-time jobs to make ends meet; then we pay again when these workers are compelled to turn to publicly financed safety net programs to survive.

By failing to ensure that contracting and procurement practices keep pace with changes in the economy, policymakers have whittled away at our worker protections such that millions of the most vulnerable private sector workers are left to fend entirely for themselves. Fortunately, today's policymakers have numerous examples of responsible contracting strategies to explore and apply to federal purchasing systems. States and cities across the country have extended protections to similar categories of workers and have the positive results for workers, communities, employers, and public agencies alike to show for it. Model policies being used successfully at the state and local levels provide a roadmap for the types of additional protections that the federal system needs.

In particular, states and cities are extending living wage and prevailing wage policies to a broader range of businesses operating in government-linked facilities than ever before to ensure that public activity generates the types of quality jobs communities need. The scenarios are similar to those cataloged in this report, where employers linked to the federal government are producing poverty-wage jobs: concessionaires, contractors, and other employers operating in transportation centers or government office buildings; businesses leasing public land or space in public facilities; and those providing services in public institutions.

Cities and states are also supplementing living wage standards with protections for worker retention and labor peace, sweat-free procurement, paid sick days, and enhanced legal compliance review to tackle a broader range of negative workplace practices. The experiences in these local laboratories of innovation suggest that such best practices are consistent with a robust business climate and that these measures help deliver quality results for taxpayers, government agencies, businesses and workers alike. Washington should scale these proven solutions up to the federal level and apply them to the types of circumstances surveyed in this report to ensure that federally linked activity does not inadvertently fuel poverty, but instead supports the types of quality jobs that our economy needs.

Endnotes

1 Barack Obama, Second Inaugural Address. Washington, D.C., January 21, 2013. Available at http://www.whitehouse.gov/the-press-office/2013/01/21/inaugural-address-president-barack-obama

2 John Schmitt and Janelle Jones, Bad Jobs on the Rise, CEPR Reports and Issue Briefs. (Washington, D.C.: Center for Economic and Policy Resarch, September 2012).

3 Annette Bernhardt, The Low-Wage Recovery and Growing Inequality, National Employment Law Project Data Brief. (New York, N.Y.: National Employment Law Project, 2012). Available at: http://www.nelp.org/index.php/content/content_about_us/tracking_the_recovery_after_the_great_recession

4 Spending data is from http://www.usaspending.gov (accessed April 29, 2013).

5 "Summary of Federal Spending" at http://www.fedspending.org (accessed Apr 30, 2013) for the figures through FY2011. For the FY2012 figure, see the Federal Procurement Data System. Available at: https://www.fpds.gov/fpdsng_cms/index.php.

6 Calculating the precise number of private sector workers paid under federal contracts is virtually impos sible because Washington does not ask contractors to report this information. The Consolidated Appropri ations Act of 2010 requires agencies to compile a list of their contracts, and to determine if these contracts "are being performed in accordance with laws and regulations," but the government does not tell its citizens much about the quality of the jobs under these contracts. A rule change recently published in the FAR would require agencies to report the total dollar amount invoiced by a contractor in the past year and the number of contractor direct labor hours expended on the services by both the contractor and sub-contractors. See https://www.federalregister.gov/articles/2013/03/14/2013-05787/submission-for-omb-re view-service-contracts-reporting-requirements. While the GAO has stated that in 2011 federal civilian agencies reported $161 billion in contract obligations, the federal government does not track how many people are engaged in delivering those services. Nor does it ask how much those people are paid. See http://www.gao.gov/assets/650/648939.pdf.

7 Kathryn Edwards and Kai Filion, "Outsourcing Poverty: Federal contracting pushed down wages and benefits" (Washington, D.C.: Economic Policy Institute, February 2009), p. 1. Available at: http://epi.3cdn.net/10d36747ba0e68ef9_hwm6bxwnl.pdf

8 Curtis Copeland, "The Federal Workforce: Characteristics and Trends," (Washington, D.C.: Congres sional Research Service, 2008). Available at: http://digitalcommons.ilr.cornell.edu/cgi/viewcontent. cgi?article=1560&context=key_workplace The employment conditions for those working under federal grants is beyond the scope of this report, but a forthcoming analysis by the public policy group Demos attempts to quantify and qualify these jobs as well.

9 Jobs Well Done: A Special Report on How the Government Can Use its Executive Power (Washington, D.C.: The American Prospect, 2010),

10 Paul C. Light, "The New True Size of Government," Research Brief 2, Robert F. Wagner Graduate School of Public Service, August 2006. Available at: https://wagner.nyu.edu/performance/files/True_Size.pdf

11 Outsourcing Poverty.

12 David Madland and Michael Paarlberg, "Making Contracting Work for the United States," CAP Action Fund, December 2008. Available at: http://www.americanprogressaction.org/wp-content/uploads/issues/2008/pdf/contracting_reform.pdf.

13 In 1993, a study of companies that violated the National Labor Relations Act found that 80 of them continued to receive over $23 billion in federal contracts, while a study of violators of the Occupational Safety and Health Act conducted a year later found that 200 federal contractors that collectively had been cited with more than 5,000 violations received $38 billion worth of contracts. See: U.S. General Accounting Office, "Federal Contractors: Historical Perspective on Noncompliance with Labor and Worker Safety Laws," Testimony before the Subcommittee on Oversight and Investigations, Committee on Education and the Workforce, House of Representatives, July 14, 1998.) In 2005, the U.S. Govern ment Accountability Office reported that 33,000 civilian agency contractors owned over $3 billion in unpaid federal taxes. See U.S. General Accountability Office, "Thousands of Civilian Agency Contractors Abuse the Federal Tax system with Little Consequence," Testimony before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, June 16, 2005.

14 U.S. Government Accountability Office, "Service Contract Act: Wage Determination Process could Benefit from Greater Transparency, and Better Use of Violation Data Could Improve Enforcement," (Washing ton, D.C.: GAO, December 2005). Available at: http://www.gao.gov/assets/250/248705.pdf

15 For details on other types of legal violations, see for example David Moberg, "Sweatshop Army: Why does the Pentagon use low-road companies to feed and clothe our troops?" The American Prospect, September 1, 2010. Available here: http://prospect.org/article/sweatshop-army-0 . Also see David Madland and Michael Paarlberg, "Making Contracting Work for the United States." (Washington, D.C.: Center for American Progress, 2008).

16 For this report, researchers gathered information on conditions facing workers in federally contracted jobs through worker interviews. The interviews were conducted in stages, starting with a list of general questions about workplace conditions. Follow-up interviews were conducted with those workers willing to share their experiences. It was not a statistical survey and the workplaces and employees were not selected at random. However, the researchers did strive to interview workers in a variety of occupations across numerous sites and to achieve a level of diversity in age, sex, and race. Because federal contractors are not required to report on wages, benefits, or other working conditions as part of fulfilling their

contractual requirements, the government does not have adequate data for a full statistical analysis of all the private sector jobs it finances. The information is not available to taxpayers, journalists, or policy-makers.

17 Port truckers responded to a somewhat different set of questions, so are not included in this table.

18 Barack Obama. State of the Union Address. Washington, D.C., February 12, 2013. Available at: http://www.whitehouse.gov/the-press-office/2013/02/12/remarks-president-state-union-address

19 Paul K. Sonn and Tsedeye Gebreselassie, *The Road to Responsible Contracting*: Lessons from States and Cities for Ensuring that Federal Contracting Delivers Good Jobs and Quality Services. (New York, N.Y.: National Employment Law Project, 2009). Available at: http://nelp.3cdn.net/985daceb6c3e450a10_pzm6brsaa.pdf.

20 Memo from the President of the United States to heads of executive departments and agencies. March 4, 2009. Available at: http://www.govexec.com/pdfs/030409e1.pdf.

21 David Madland, Karla Walter, Paul Sonn, and Tsedeye Gebreselassie, "Making Contracting Work: Promoting Good Workplace Practices in the Federal Procurement Process," (Washington, D.C.: Center for American Progress Action Fund, 2009). Available at: http://www.americanprogressaction.org/wp-content/uploads/issues/2009/06/pdf/government_contracting.pdf.

22 Steven Greenhouse, "Plan to Seek Use of U.S. Contracts as a Wage Lever," New York Times. February 25, 2010. Available at: http://www.nytimes.com/2010/02/26/business/26procure.html.

23 Robert Brodsky, "OMB Not Moving to Implement "High Road" Contracting Policy," Government Executive, March 8, 2011. Available at: http://www.govexec.com/oversight/2011/03/omb-not-moving-to-implement-high-road-contracting-policy/33488/.

24 For example, In February 2012, The New York Times reported that government benefits—including Social Security, Medicare, and Medicaid—now comprise close to 18 percent of Americans' income. Almost half of American households receive such benefits. Looking forward 10 to 20 years and considering our aging population, we can expect government outlays for benefits to increase dramatically. See "The Geography of Government Benefits," New York Times, February 11, 2012. Available at: http://www.nytimes.com/interactive/2012/02/12/us/entitlement-map.html?_r=0. And the Wall Street Journal reported that enrollment in food stamps has increased 70% since 2008 to nearly 48 million recipients as of December 2012. The food stamps budget is now roughly the equivalent of the combined budgets for the Department of Homeland Security, the Justice Department, and the Department of the Interior. See "Use of Food Stamps Swells Even as Economy Improves," Wall Street Journal, March 27, 2013.

25 Road to Responsible Contracting, p. 3.

26 Ibid, p. 4.

27 William G. Whittaker, Federal Contract Labor Standards Statutes: An Overview. (Washington, D.C.: Congressional Research Service, 2005).

28 U.S. Congress, House Committee on Labor, "Hours of Labor and Wages on Public Works," Hearings on H.R. 17069, 69th Congress, February 18, 1927.

29 "The Walsh-Healey Public Contracts Act." U.S. Department of Labor. Available at: http://www.dol.gov/compliance/laws/comp-pca.htm .

30 "The McNamara-O'Hara Service Contract Act." U.S. Department of Labor. Available at: http://www.dol.gov/compliance/laws/comp-sca.htm; and House Report No. 948, September 1, 1965.

31 Herbert Moton, Public Contracts and Private Wages: Experience under the Walsh-Healey Act (Washington, D.C.: The Brookings Institution, 1965), p. 8.

32 Ibid.

33 Susanna Kim, "Defense Department Pushed to Buy 'Made in America' Military Uniforms," ABC News, October 11, 2012. Available at: http://abcnews.go.com/Business/sen-sherrod-brown-asks-us-military-members-issued/story?id=17503054#.UYkzi6XrBlJ:

34 Prime Award Spending Data for Fiscal Year 2012, by Agency. Accessed at http://www.USAspending.gov. Available at: http://www.usaspending.gov/index.php?q=node%2F3&fiscal_year=2012&tab=By+Agency (viewed May 1, 2013).

35 "Clothing and Textiles Directorate." Defense Logistics Agency, Department of Defense. Available at: http://www.troopsupport.dla.mil/ClothingandTextiles/

36 Conduct Unbecoming: Sweatshops and the U.S. Military Uniform Industry, (New York, N.Y.: UNITEHERE, 2006). Available at: http://www.uslaboragainstwar.org/downloads/CONDUCTUnbecomingfinal.pdf

37 Lauren A. Murray, "Unraveling employment trends in textiles and apparel," Monthly Labor Review (August 1995). Available at: http://www.bls.gov/mlr/1995/08/art6full.pdf.

38 U.S. General Accounting Office, "DLA Properly Implemented Best Value Contracting for Clothing and Textiles and Views the Supplier Base as Uncertain," Report to the Chairman and Ranking Minority Member, Committee on Armed Services, House of Representatives, February 2003. Available at: http://www.gao.gov/assets/240/237425.pdf ; U.S. Textile and Apparel Industries and Rural America. USDA Economic Research Service. Available here: http://www.ers.usda.gov/topics/crops/cotton-wool/background/us-textile-and-apparel-industries-and-rural-america.aspx#.UYl8mKXrBlI:

39 Conduct Unbecoming.

40 Contracts recorded on http://www.FedSpending.org. Accessed May 1, 2013.

41 For example, see Diane Cardwell, "Private Businesses Fight Federal Prisons for Contracts," New York Times, March 14, 2012.

42 Michael Kelley, "More Jobs Lost as the Government Decided to Have Military Uniforms Made by Convicts," Business Insider, September 7, 2012.

43 Association of American Port Authorities' database. North America Port Container Traffic, 2009, cited in Rebecca Smith, David Bensman, and Paul Alexander Marvey, The Big Rig: Poverty, Pollution, and the Misclassification of Truck Drivers at Ports (New York, NY: National Employment Law Project, Change to Win, 2009), fn 29. Available at: http://nelp.3cdn.net/000beaf922628dfea1_cum6b0fab.pdf

44 Department of Homeland Security, Transportation Security Administration, Transportation Worker Identification Credential (TWIC) Implementation in the Maritime Sector: Notice of Proposed Rulemaking, 71 Federal Register 98 (May 22, 2006), pp. 29,427-29,428, cited in The Big Rig, p. 15, fn 31.

45 The Big Rig, p. 33.

46 Ibid., pp. 10, 12, 17.

47 David Bensman and Yael Bromberg, Report on Port Truckers' Survey at the New Jersey Ports, January 2009, p. 14. Available at: http://www.cleanandsafeports.org/wp-content/uploads/2011/01/BensmanDriver_Survey_Report-1-23-09.pdf

48 Howard Greenwich, Taking the Low Road: How Independent Contracting at the Port Endangers Public Health, Truck Drivers, and Economic Growth (Oakland: East Bay Alliance for a Sustainable Economy, 2007), p. 10. Available at: http://www.workingeastbay.org/downloads/Coalition%20Port%20Trucking%20Report.pdf

49 David Bensman, Port Trucking Down the Low Road: A Sad Story of Deregulation (New York, NY: Demos, 2009), p. 2. Available at: http://www.demos.org/sites/default/files/publications/Port%20Trucking%20Down%20the%20Low%20Road.pdf

50 "How some employers skirt paying benefits," CBS News. December 2, 2011. Available at: http://www.cbsnews.com/8301-500202_162-57335427/how-some-employers-skirt-paying-benefits/

51 Wade Henderson, Towards an End to Sharecropping on Wheels, forward to Smith, Bensman, and Harvey, p. 1.

52 The Commercial Services program of the National Park Service administers more than 500 concessions contracts with revenues totaling over $1 billion annually, according to “NPS Commercial Services.” National Park Service web site. Available at: http://www.concessions.nps.gov/ .

53 Union Station Redevelopment Corporation: A Corporate History, available on the Union Station Redevelopment Corporation’s website at http://www.usrcdc.com/about.php

54 Ryan Chittum, “Pricey Junction of Retail, Rail,” Wall Street Journal, January 31, 2007, cited in Advancing Passenger Rail in the Commonwealth of Virginia: Short-Term Action Plan, Part 1, p. 25, fn 11.

55 TCMA is a joint partnership of The John Drew Company of Boston and Urban Retail Properties Company of Chicago, a subsidiary of Urban Shopping Centers a major operator of shopping malls, nartionally. The GSA was sharply criticized in a December 2012 report by its Inspector General for mis management of the commercial activities in the Reagan Building. The GSA may be owed up to $2.8 million by TCMA. See GSA News Briefing, Dec. 20, 2012, p. 33. Available at: http://www.techmis.com/gsa/index.php/daily-news-archive/doc_view/1028-gsa-news-briefing-12-20-12

56 Government Services Administration, State of the Fiscal Year 2011 Portfolio. (Washington, D.C.: GSA Public Buildings Service). Available at: http://www.gsa.gov/graphics/pbs/SOTP_11.pdf

67 “Government Contracts Whose Principal Purposes are Something Other Than Services,” Chapter 14e07, U.S. Department of Labor Field Operations Handbook. Available at: http://www.dol.gov/whd/FOH/FOH_Ch14.pdf One solution for bringing more service workers under the purview of the SCA and saving federal dollars at the same time is to increase office space directly owned by the federal government and decrease the amount leased. The GAO reports that it is experiencing significant losses from leased inventory over the last four fiscal years, totaling $284 million. In 2011, David Wise, GAO Directory of Physical Infrastructure Issues alerted Congress to the problems of relying on leased space, saying that “federal building ownership often costs less than operating leases, particularly for long-term space needs, and increasing ownership in these cases could save millions of dollars.” See: “Overreliance on Leasing Contributed to High-Risk Designation,” (Washington, D.C.: U.S. GAO, August 4, 2011). Available at: http://www.gao.gov/products/GAO-11-879T)

58 “Contracts Performed in the District of Columbia,” Available at: http://www.FedSpending.org.

59 Deborah Nelson and Himanshu Ojha, “Redistributing Up,” Reuters, December 18, 2012. Available at: http://www.reuters.com/subjects/income-inequality/washington.

60 Petula Dvorak, “In D.C., a Public Housing Waiting List with No End,” Washington Post, April 11, 2013. Available at: http://articles.washingtonpost.com/2013-04-11/local/38458996_1_housing-list-public-housing-housing-crisis.

61 “Free and Reduced-Price Lunch Eligibility, District of Columbia,” Kids Count Data Center. The Annie E. Casey Foundation. Available at: http://datacenter.kidscount.org/data/bystate/Rankings.aspx?state=DC&ind=4778

62 Liz Farmer, “City Limiting Funding for Welfare Recipients,” Washington Examiner, November 3, 2011. Available at: http://washingtonexaminer.com/city-limiting-funding-for-welfare-recipients/article/119973

63 US Department of Labor, Bureau of Labor Statistics. Available at: http://www.bls.gov/ro6/fax/minwage_tx.htm (Please note: the minimum wage in DC is $8.25 per hour, $1 higher than the Federal minimum wage)

64 Ronald Reagan Building and International Trade Center, “Our Building,” Website resource: http://www.itcdc.com/About-Us/Our-Building.aspx

65 National Employment Law Project, Local Living Wage Laws and Coverage (July 2011) . Available at: http://www.nelp.org/page/-/Justice/2011/LocalLWLawsCoverageFINAL.pdf?nocdn=1; Md. Code, Finance & Procurement Art. § 8-101 et seq.; N.Y. Labor Law § 230 et seq.; N.J.S.A 34:11-56.58 et seq.

66 Road to Responsible Contracting, pp.13 and 16.

67 Arindrajit Dube and Michael Reich, Compensation Practices, Turnover, Training and Productivity among California Businesses, Unpublished Manuscript (Berkeley, CA: Institute for Industrial Relations at the University of California at Berkeley, June 2004).

68 Candace Howes, Living Wages and the Retention of Homecare Workers in San Francisco, INDUSTRIAL RELATIONS, Vol. 44, No. 1 pp. 139-163, January 2005.

69 David Fairris, David Runstein, Carolina Briones and Jessica Goodheart, Examining the Evidence: The Im pact of the Los Angeles Living Wage Ordinance on Workers and Businesses (Los Angeles, CA: Los An geles Alliance for a New Economy), p. 106. Available at: http://www.losangeleslivingwagestudy.org/docs/Examinig_the_Evidence_full.pdf.

70 Ibid., p. 109.

71 Heather Boushey and Sarah Jane Glynn, There Are Significant Business Costs to Replacing Employees, (Washington, D.C.: Center for American Progress, November 16, 2012). Available at: http://www.ameri canprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/ ; Arindrajit Dube, T. William Lester and Michael Reich, Minimum Wage Shocks, Employment Flows and Labor Market Frictions, Working Paper No. 122-12 (Berkeley, CA: Univ. of California, Berkeley, Institute for Research on Labor and Employment, April 2012). Available at: http://www.irle.berkeley.edu/workingpapers/122-12.pdf

72 Maryland Department of Legislative Services, Impact of the Maryland Living Wage (Dec. 2008). Available at: http://www.chamberactionnetwork.com/documents/LivingWage.pdf

73 Administrative Requirements – Living Wage and Service Worker Retention Ordinance, Los Angeles World Airports. Available at: http://www.lawa.org/welcome_LAWA.aspx?id=596

74 Los Angeles World Airports, Administrative Requirements – Living Wage and Service Worker Retention Ordinance, Webpage resource. Available at: http://www.lawa.org/welcome_LAWA.aspx?id=596

75 City of Los Angeles Living Wage, Ordinance no. 172336, § 10.37 "Legislative Findings." Available at: http://bca.lacity.org/site/pdf/lwo/lw_ordinance.pdf

76 San Francisco International Airport, Quality Standards Program, August 18, 2009. Available at: http://www.flysfo.com/web/export/sites/default/download/about/rules/pdf/QSP.pdf; City and County of San Francisco, Minimum Compensation Ordinance. Available at: http://sfgsa.org/index.aspx?page=403

77 City of Berkeley, Living Wage Ordinance. Available at: http://www.ci.berkeley.ca.us/ContentDisplay.aspx?id=5768

78 Connecticut Standard Wage Law, Conn. Gen'l Stat. 31-57f. Available at: http://www.ctdol.state.ct.us/wgwkstnd/standardwage.htm

79 Port of Oakland, Living Wage Policy and Documents, Policies and Programs- Social Responsibility Division, Webpage resource. Available at: http://www.portofoakland.com/business/policies.asp; Port of Oakland, Living Wage Frequently Asked Questions, Publications and Documents, Webpage resource. Available at: http://www.portofoakland.com/portnyou/livingwa.asp

80 Lambert-St. Louis International Airport, DBE Office Program, Living Wage, Airport Webpage resource. Available at: http://www.mwdbe.org/living-wage/default.aspx

81 Mineta-San Jose International Airport, Airport Living Wage and Training Standards, SJC Airport Webpage resource. Available at: http://www.flysanjose.com/fl/business.php?page=training/wage&subtitle=Airport+Living+Wage+and+Training+Standards+|+Airport+Living+Wage

82 City of Syracuse Living Wage Ordinance, Chapter 50 of the Revised General Ordinance of the City of Syracuse. Available at: http://www.syracuse.ny.us/Living_Wage.aspx; Rick Moriarty, Syracuse lawmakers extend living wage law to airport, Syracuse Post Standard, July 30, 2012. Available at: http://www.syracuse.com/news/index.ssf/2012/07/syracuse_lawmakers_extend_livi.html http://www.syracuse.com/news/index.ssf/2012/07/syracuse_lawmakers_extend_livi.html

83 Mike Dunn, Philadelphia's Living Wage Law Tweaked To Include Airport Workers , CBS News, February 28, 2013. Available at: http://philadelphia.cbslocal.com/2013/02/28/philadelphias-living-wage-law-tweaked-to-include-airport-workers/ ; City of Philadelphia, Bill No. 121040 (2013), amending the Philadelphia 21st Century Minimum Wage and Benefits Standard , Philadelphia Code section 17-1303, to include "Recipients of City leases, concessions, or franchises, or subcontractors thereof." Available at: http://phila.legistar.com/LegislationDetail.aspx?ID=1264341&GUID=220D5DFC-909F-4E88-9F6F-C3775D8ADDE3&Options=&Search=

84 Madeline Janis, L.A.'s living wage ordinance isn't a job killer, L.A. Times, September 21, 2011.

85 Letter from Michael R. Mullaney, Exec. V.P., Hudson Group, to Los Angeles City Council supporting proposed increase in living wage health benefits standard at LAX, August 12, 2009.

86 Eric Young, Restaurants circle SFO : Airport to let 40 eateries land, San Francisco Business Times, April 13, 2003. Available at: http://www.bizjournals.com/sanfrancisco/stories/2003/04/14/story2.html?page=all

87 SFO concession Sales Soar, SFO Airport Press Release, dated October 6, 2011. Available at: http://www.flysfo.com/web/page/about/news/pressrel/2011/sf1168.html

88 Michael Reich, Peter Hall and Ken Jacobs, Living Wage and Economic Performance: The San Francisco Airport Model, (Berkeley, CA: University of California Institute of Industrial Relations, March 2003), p. 10. Available at: http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf

89 Ibid., pp. 10, 58.

90 Local Law 27 of 2012, N.Y.C. Admin. Code § 6-130.

91 Partnership for Working Families, Policy & Tools: Worker Retention Policies, Website resource page. Available at: http://www.forworkingfamilies.org/resources/policy-tools-worker-retention-policies

92 Calif. Labor Code §§ 1060-1065; N.Y.C. Admin. Code § 22-505; San Francisco City and County Code §21C.3, and §21C.5; Philadelphia Code Ch. 9-2300; D.C. Code Ann. § 32-101 to 32-103.

93 Partnership for Working Families, Policy & Tools: Worker Retention Policies.

94 San Diego Retention Ordinance, Ordinance Number 19382, May 24, 2005. Available at: http://www.forworkingfamilies.org/sites/pwf/files/documents/San_Diego_Retention_Ordinance_2005.pdf

95 Blake Harwell, Airport Ratings Advisory: Protecting Non-Aviation Revenues, Airport Group UNITE-HERE, undated. Available at: http://www.airportgroup.info/AirportL+MHubsreport.pdf

96 Los Angeles World Airports, Labor Peace Agreement, http://www.lawa.org/welcome_LAWA.aspx?id=1796.

97 City of San Jose, Living Wage Ordinance, Labor Peace Assurance/Employee Work Environment. Available at: http://www.flysanjose.com/fl/business.php?page=training/wage&subtitle=Airport+Living+Wage+and+Training+Standards+|+Airport+Living+Wage

98 San Francisco International Airport, Rules and Regulations, "Section 12 - Labor Peace/Card Check Rule And Model Card Check Agreement." Available at: http://www.flysfo.com/web/export/sites/default/download/about/rules/pdf/SFORulesandRegs.pdf

99 See, for example, Los Angeles World Airports Resolution 23437, 2007. Available at:http://www.lax.aero/uploadedFiles/laxconcessions/Resolution%2023437%20Labor%20Peace%20Policy.pdf
100 Executive Order 13,495 "Nondisplacement of Qualified Workers Under Service Contracts." Available at: http://www.dol.gov/whd/govcontracts/SCANonDisplcmntFinalRule.htm

101 SweatFree Communities, Adopted Policies, Website resource page. Available at: http://www.sweatfree.org/policieslist

102 SweatFree Communities, Model Code of Conduct and Sweatfree Procurement Policy, Website resource page. Available at: http://www.sweatfree.org/resources_modelcode .

103 Bjorn Claeson and Eric Dirnbach, Making City Hall Sweat: Using Procurement Power For Worker Rights, New Labor Forum, February 18, 2009, Website resource page. Available at: http://www.laborrights.org/creating-a-sweatfree-world/responsible-govt-purchasing/news/resources/making-city-hall-sweat-using-p

104 The Road to Responsible Contracting, p. 17.

105 Summary of Connecticut General Statute 31-57f, Connecticut Department of Labor. Available at: http://www.ctdol.state.ct.us/wgwkstnd/StandardWageGuide/2-Summary31-57f.htm

106 Moshe Adler, Prequalification of Contractors: The Importance of Responsible Contracting on Public Works Projects, Fiscal Policy Institute, May 2003, p. 5. Available at: http://www.columbia.edu/~ma820/prequalification.doc

107 The HUD Inspector General found that "Poor workmanship quality, in our opinion, results from the use of inexperienced or unskilled workers and shortcut construction methods... Poor quality work led to excessive maintenance costs and increased risk of defaults and foreclosures..." U.S. Department of Housing and Urban Development, Office of Inspector General, Audit Report on Monitoring and Enforcing Labor Standards (1983) (on file with the National Employment Law Project).

108 CAL. PUB. CONT. CODE §20101; MASS. GEN. LAWS ch. 149 § 44D 1/2; 810 MASS. CODE REGS. § 9.00 et. seq.; CONN. GEN. STAT. ANN. §§ 4a-100(c)(5), (f); ILL ADMIN. CODE tit. 44, § 650.240. For a discussion of these policies, see *The Road to Responsible Contracting*, pp.10-12.

109 LOS ANGELES, CAL., ADMIN CODE ch. 1, div. 10, art. 14, § 10.40 et seq (2000). Available at: http://bca.lacity.org/site/pdf/cro/CRO%20Contractor%20Responsibiliy%20Ordinance.PDF. (See also, "Los Angeles Construction Contractor Responsibility Questionnaire," http://bca.lacity.org/site/pdf/cro/CROQ%20Construction.PDF and "Los Angeles Services Contractor Responsibility Questionnaire," http://bca.lacity.org/site/pdf/cro/CROQ%20Service.PDF)

110 *The Road to Responsible Contracting*, p.12.

111 Ibid.

112 Ibid.