

Progress Report of the Wage Review Committee on the Impact of Raising Wages for Service Workers at Pittsburgh's Anchor Institutions

October 11, 2016

Introduction

For decades, cities across the country have looked to Pittsburgh as a model for revitalization, and reinvention and resilience in the face of a changing economy.

In 2012, Forbes magazine called Pittsburgh one of America's "Comeback Cities."¹ In 2014, property giant Grosvenor identified Pittsburgh as one of the most resilient cities in the world. The same year, The Economist named Pittsburgh as the "most liveable" city in the continental United States. While this recognition has become a source of pride for citizens and elected officials alike, it does not reflect the availability of quality affordable housing, the degree of economic inequality or the economic well-being of our most vulnerable residents.²

The fact is revitalization, resilience and liveability are undermined if our largest employers are leaving families, parents and workers behind. According to a study published by the Keystone Research Center, Allegheny County has experienced 11% real income growth between 1978 and 2011 (roughly the years of the "renaissance"). However, that growth did not benefit everyone. During that period, the top 1% of earners in Allegheny County experienced a 146% growth in real income while the bottom 99% actually experienced a -2% growth in real income.³ The report went further to note, "the divergent fortunes of Pennsylvania's middle class and of its highest earners are the result of policy choices and business practices that have broken the link between rising productivity and wages for working families."⁴

The results of this broken link are profound: thousands of families are leaving the city each year due to the unaffordable cost of living in Pittsburgh and moving to the suburbs where incomes are better matching the cost of housing, food and other basics. The number of students enrolled in the city public schools continues to fall each year, while the percentage of students receiving subsidized lunch increases. Without a concerted effort to lift up Pittsburgh service workers and working families, Pittsburgh runs the risk of creating a fragmented, divided region of haves and have-nots.

¹ <http://www.forbes.com/sites/jonbruner/2012/03/05/ten-american-comeback-cities-map/#60c8131a3804>

² The Economist Intelligence Unit, http://pages.eiu.com/rs/eiu2/images/Liveability_rankings_2014.pdf?mkt_tok=3RkMMJWWff9wsRohua%2FJZKXonjHpfSxx6ewoX6Gg38431UFwdcjKpmjr1YUBRcV0aPyQAgobGp5I5FEPQrPYRK1jt6QEXw%3D%3D

³ http://keystoneresearch.org/sites/default/files/KRC_DivergentFortunes_0.pdf, Table 1, p. 11.

⁴ http://keystoneresearch.org/sites/default/files/KRC_DivergentFortunes_0.pdf

In Pittsburgh, hospital systems are our largest employers and largest landowners, employing more than 80,000 people throughout the metropolitan region. These systems, including UPMC and Allegheny Health Network, anchor the region's "eds and meds" economy and play a decisive role in setting employment standards not only in their facilities but across our the service sector.

As part of A City for All Agenda to make Pittsburgh livable and affordable for all residents, therefore, the Wage Review Committee was convened a year ago to deepen City Council's understanding of hospitals' role in the Pittsburgh's economy and investigate methods to improve wages and working conditions for thousands of workers.

The Wage Review Committee is chaired by Council Member Rev. Burgess and includes:

- Jeff Shook, Associate Professor of Social Work, University of Pittsburgh
- Steve Foreman, Associate Professor of Health Administration and Economics, Robert Morris University
- Majestic Lane, Deputy Chief of Neighborhood Empowerment, Office of Mayor William Peduto
- Ricardo Williams, Manager of Equity and Inclusion, Bureau of Neighborhood Empowerment, Office of Mayor William Peduto
- Marla Blunt, food service worker at Carnegie Mellon University and member of SEIU Local 32BJ

In October 2015, Council Member Rev. Burgess convened two Wage Review Committee hearings to solicit testimony from service workers employed in our city's hospitals and from healthcare and economic experts. The Committee heard oral testimony from hundreds of hospital service workers, other service workers, economists, area academics, urban development experts, labor leaders and many others. The Committee also received and reviewed various governmental, academic and other studies and reports presenting data and statistics.

In December 2015, the Wage Review Committee released a [177-page report on its initial investigation](#), which identified wage increases for thousands of Pittsburgh hospital service workers as a uniquely powerful way to impact the lives of the city's largest group of service workers and their families – improving their ability to afford food, healthcare and housing as well as to enjoy the amenities of our city. In addition, raises for thousands of workers would have a ripple effect through the city's larger service sector labor markets, communities and neighborhoods. As the Committee's report noted, "if these [healthcare] institutions do not contribute fully to Pittsburgh's future as a livable, affordable city, then the city will not be as prosperous as we should – and can – be." The report went on to say:

Those who do Pittsburgh's cooking, cleaning and caring deserve economic security, good health and safe neighborhoods. We believe this vision can be achieved but not without change in the wages and working conditions of cooks and housekeepers and caregivers.

The Wage Review Committee provided City Council with a series of recommendations, which the Council adopted in full in January 2016. These recommendations include:

- Endorse hospital workers' call for a minimum industry wage of no less than \$15/hour and consider calling for a higher wage more in keeping with the true living costs in Pittsburgh;
- Call for improving health maintenance for hospital workers and their families by lowering financial barriers to receiving care;
- Actively support workers' right to form a union without interference or intimidation from hospital management;
- Encourage hospital management to engage their dedicated service and technical employees in operational decision-making to reduce turnover and improve care;
- Take steps to expand and improve affordable housing options in the city; and
- Take action to incentivize hospital employers to improve pay and working conditions for hospital service workers, through the exercise of its authority in the areas on budgeting, contracting, zoning and building codes, public health and safety.

When submitting the report for adoption, Councilman Rev. Burgess remarked that “the Wage Review Committee’s findings were only the first step – today, we embark on a united effort to set Pittsburgh on a stronger, healthier direction and won’t stop until it’s done.”

In this progress report, the Wage Review Committee presents key areas of progress towards fulfilling its recommendations and details continued areas of focus for Pittsburgh to truly be a City for All.

As detailed in the following pages, these areas of focus for City Council include:

- Continued support for improved pay and \$15/hour minimum wage at major hospital systems that provide assurances that a path to \$15 will be honored in a timely and fair manner;
- Efforts to advance affordable housing trust fund and other methods to expand affordable housing options throughout the city;
- Concerted efforts to support workers' right to form a union without interference or intimidation and to encourage hospital systems to involve their frontline employees in decision-making; and
- Incentives through Council's authorities in budgeting and city planning to make sure hospitals are true partners with Pittsburgh workers and neighborhoods.

\$15 an Hour and Improved Health Maintenance for Hospital Workers

The Wage Review Committee reported that hospital workers are paid considerably less than what is needed to afford basic expenses in Pittsburgh, and that their poverty is spread to other parts of the service sector labor markets. Government data, expert reports and worker testimony revealed that the average hourly wage for hospital workers in Pittsburgh was approximately \$12.94/hour, or less than \$27,000/year. Workers who are paid this median rate reported take home pay of about \$350/week after payroll taxes, health contributions and other deductions.

Workers reported the impact of low pay on their health and a variety of hardships, including lack of health care, inability to cover basic bills, lack of transportation, inability to provide adequate housing, inadequate or unhealthy food and inability to save for their own or their children's education, among other hardships.

On health care specifically, the Committee found it deeply concerning that frontline hospital workers are thrown into crushing and unending cycles of debt due to the high cost of health care at the institutions where they work.

Conversely, large health care organizations have a real opportunity to lift up their employers and the entire community. As Steve Herzenberg, Executive Director of the Keystone Research Center wrote, "UPMC, the largest private-sector employer in the state, has the scale and importance to trigger an overall shift of low-wage jobs into the middle class." The prospect of Pittsburgh's hospitals committing to a \$15/hr minimum wage would set "a precedent for the health care sector and the broader service and non-mobile jobs sectors. It also makes more tangible just how easy it would be to establish a new area-wide social contract with the level of equity for which Pittsburgh was famous from the 1950s to the 1970s."⁵

Since its initial investigation, the Committee has consulted with hospital workers, local healthcare advocates, academics, economists and others to endorse and advance a \$15/hour minimum wage for hospital workers and improvements to health maintenance.

\$15/Hour and Healthcare for Thousands of Hospital Workers

Over the last year, thousands of service workers, including nursing assistants, technicians, housekeepers, cooks, drivers and many others, are now paid at least \$15/hour or are on a guaranteed path to \$15/hour within two years.

As importantly, service workers at major hospitals in our region, including Washington, Canonsburg and Allegheny General were able to cap their healthcare costs, ensuring that wage gains are not paid for by increased health insurance premiums and co-pays.

⁵<http://keystoneresearch.org/media-center/press-releases/statement-keystone-research-center-announcement-upmc-will-pay-workers-le>

- February 2016: 400 Washington Hospital workers win \$15/hour for every service worker within two years.
- March 2016: UPMC announces its intention to raise wages for service workers to \$15/hour minimum by 2021.
- April 2016: Aramark workers at UPMC Western Psychiatric Institute and Clinic win \$15.05/hour starting wage by 2019 in new union contract
- May 2016: 1200 Allegheny General Hospital service workers ratify first contract, which raises average pay to \$15.33/hour in July 2016
- June 2016: Canonsburg Hospital workers win path to \$15.24/hour minimum wage by 2019
- June 2016: 1300 Chambersburg Hospital workers ratify contracts that guarantee \$15/hour by 2018

The Committee commends local hospitals for taking steps to partner with employees and improve pay and recognizes the role that workers and their organizations have played in making \$15/hour a reality. However, it is concerning to hear about the lack of guarantees or clarity on the path for \$15 for tens of thousands of UPMC workers, who make up the majority of our healthcare workforce.

Workers have little information about UPMC’s intentions. A survey of hundreds of UPMC workers reveals that UPMC’s managers are unable to address workers’ basic questions about when workers can expect an increase or how the increase might impact their healthcare costs, schedules or staffing.

The Committee recommends that City Council continue to support improved pay and \$15/hour minimum wage at our major hospital systems (our city’s “wage makers”), but also recommends that Council Members continue to incentivize hospitals to fulfill their promises to the city, taxpayers and working families and provide assurances that a path to \$15 will be honored in a timely and fair manner.

It is important that, as we celebrate these genuine victories, we understand that \$15 is only a start. According to the Economic Policy Institute’s family budget index for Pittsburgh, PA, \$15 an hour is adequate to support a single person with no children. According to their index, a single adult needs a minimum income of \$27,124 or \$13.03/hour for full time work to live “securely yet modestly” in Pittsburgh. However, a single parent of one child would need to earn at least \$46,175 or roughly \$22.00/hour for full time work.⁶

Further, we should note that the EPI’s family budget index is based on the estimated average cost of those things that researchers have determined to be necessities, and only those things. According to the EPI, “these budgets do not include several components of what might be considered a middle-class lifestyle. In particular, they do not include any savings for job loss or unexpected medical bills, savings for retirement or further investments in their children (e.g.,

⁶ <http://www.epi.org/resources/budget/>

enrichment activities or college savings).” It also does not include payment on debt, education for adult family members or transportation to anywhere other than work or other “nonsocial” destinations like medical appointments. . Therefore, a \$15 minimum wage will leave some families without necessities and others living modestly but precariously, unable to afford significant pieces of the American dream.

Affordable Housing for Pittsburgh Working Families

The Wage Review Committee has actively supported solutions to expand affordable housing options for Pittsburgh residents. While low pay and depressed wages contribute dramatically to residents' ability – or lack thereof – to afford rising rents, the Committee also recognizes the role of public policy to provide affordable housing.

As Carl Redwood of Hill District Consensus Group testified to the Committee, in recent years, Pittsburgh's black population declined by 20,000 black people in the city and while the black population in the surrounding suburbs has increased by 35,000 in the suburbs. Many hospital workers testified to their fear of being pushed out of the city due to the high cost of housing or their limited ability to move from unstable to more attractive neighborhoods.

In the past few months, the city has begun an initiative to address the increasing unaffordability of housing within the city limits. Under the auspices of the Affordable Housing Task Force, Council Members have convened five public community meetings this year and are working to advance a \$10 million trust fund to support home repairs, home ownership counseling, foreclosure prevention, rental assistance, loans and grants to individuals and preservation of deed-restricted affordable housing, among other measures. The Affordable Housing Task Force also produced a report assessing the need for and availability of affordable housing in Pittsburgh, and making several recommendations to the Mayor for improving affordable housing. Through this work, we have a clearer picture of affordable housing deficits in the city and can infer how they affect low wage hospital workers:

- Although over 10% of the city's residential units are income-restricted, representing a substantial numbers of units preserved for households earning a certain income, there remains an affordability gap of 17,241 units for households earning up to 50% of the city's median household income.⁷
- Rents in Pittsburgh have been rising faster than the rate of inflation and more quickly compared to the national average.⁸ The Task Force noted: "In 2014, the median gross rent (which includes monthly utilities) across Pittsburgh was \$794 per month, compared to \$500 in 2000. If median gross rent had increased solely at the rate of inflation, it would have been only \$678 in 2014, over \$100 less than the actual value. Between 2000 and 2014, units renting for less than \$500 decreased from 50.1% of the inventory to 18.6%, while units renting for \$1,000 or more increased from 4.8% to 28.9%. This represents a significant shift in the overall rental housing stock over the past decade toward more expensive units."⁹

In September, City Council convened a hearing to consider the creation of a Housing Opportunity Fund. The legislation, introduced by Councilman R. Daniel Lavelle, would set aside

⁷ http://apps.pittsburghpa.gov/mayorpeduto/FinalReport_5_31_16.pdf

⁸ <https://www.good.is/articles/salary-you-need-to-buy-a-home-in-popular-cities>

⁹ http://apps.pittsburghpa.gov/dcp/Pittsburgh_Housing_Needs_Assessment.pdf, p. 26.

millions each year to preserve and produce affordable housing. More than 50 witnesses testified, including UPMC worker Josh Malloy, who is paid approximately \$13 an hour. “We already have low wages in Pittsburgh,” Malloy told reporters after the hearing. “If we don’t have affordable housing to at least match those wages, we’re going to be forced out of the city.”¹⁰

The Committee urges continued work to expand affordable housing options, but also recognizes the inherent connections between pay and the ability to afford housing. Affordable housing options are not enough to solve this growing crisis – working families also need to be paid a living wage.

¹⁰ <http://theincline.com/2016/09/23/pittsburgh-wants-an-affordable-housing-fund-but-hasnt-figured-out-how-to-pay-for-it/>

Union Rights and a Voice for Hospital Workers

Throughout its investigation into wages and working conditions and subsequent work with City Council and others across the city, the Wage Review Committee has reviewed a large volume of research and testimony on the importance of worker organization and unions to strengthening workers' voice on the job, in the political process and in improving the outcomes for working families. Indeed, in Pittsburgh, where state law prohibits elected city leaders from legislating wages, unions are the key way through which workers improve their lives.

Some key findings from our initial investigation include:

- The White House Council of Economic Advisors issued a brief that noted “the correlation between unionization and inequality is clear in the last century of data: in the middle of the 20th century, as union membership rose and remained high, lower-wage workers earned a larger share of total income.”
- When a previous generation of workers in Pittsburgh joined Pennsylvania’s manufacturing unions, they helped transform steel mill jobs into family sustaining jobs. In 1968, when the leading private employer was U.S. Steel, the lowest paid workers were paid \$18.15/hour in today’s dollars.
- Geoff Webster, an expert in culture transformation within healthcare institutions, testified that “the Pittsburgh region, despite tens of thousands of exceptional health care workers striving every day to care for those who need healing, is trapped in a dark ages of leadership and management.”
- Research and testimony confirmed how union membership provides workers with a platform and ability to have a role in improving care and strengthening the quality of service.
- Further, as workers across institutions and specializations come together in their neighborhoods and across the city, they are increasingly motivated and have the resources to contribute to the greater good. Workers in unions are significantly more likely to vote (by about 12 points) than non-union workers. We note the consistent presence of union workers as neighborhood representatives in Council hearings and community organization.

With this in mind, the Committee has recommended that workers be able to form their unions without interference or intimidation from management, as is their right under federal law, and that hospital management engage their employees in operational decision-making. It’s noteworthy that there are both signs of progress in these areas – as well as real areas for continued and intentional improvement.

Through their union, Allegheny General Hospital workers are now members of care committees, diversity committees and innovation committees. A year ago, AGH service, technical and clerical workers had just voted to join a union and had not yet negotiated their first collectively bargained contract. Now, AGH service, technical and clerical workers have a recognized voice in improving patient care and improving the workforce.

The Committee notes that Pittsburgh has not seen similar improvements at the largest anchor institution, UPMC. As we have documented, a federal Administrative Law Judge ruled in 2014 that UPMC engaged in “widespread and egregious violations of workers’ rights” at UPMC Presbyterian and Shadyside hospitals.¹¹ The National Labor Relations Board has cited UPMC for nearly 100 violations of workers’ rights and ordered the system to reinstate four illegally fired workers, pay lost wages and remove all unlawful disciplinary actions from their records. Robert Chester, the Regional Director of the Pittsburgh regional office of the NLRB, told the Pittsburgh Post-Gazette the complaint against UPMC was the largest brought against a single employer during his tenure heading the Pittsburgh office.¹² Since that time, the NLRB has issued yet another complaint alleging several instances of illegal anti-worker policies and intimidation.¹³

The Committee is disturbed by these reports of intimidation and harassment against workers who are speaking out for quality care, good jobs and union rights. In April, as part of a nationwide day of strikes and protests in the Fight for \$15, hospital workers in Pittsburgh went on strike for union rights and an end to UPMC’s practices of surveilling, discriminating against and illegally disciplining workers. On the day of the strike, Post-Gazette columnist Brian O’Neill noted that “we don’t have to imagine [what happens when workers have union rights.] This city was built that way.”

As the City for All Agenda moves forward, the Committee recommends heightened efforts to support hospital workers’ union rights and to encourage hospital systems to involve their frontline employees in decision-making. As we found, union rights and a voice for workers not only improves strengthens the quality, delivery and efficiency of care, it is also workers’ key means to address the systemic drivers of income inequality.

¹¹ ALJ opinion

¹² <http://www.post-gazette.com/business/businessnews/2012/12/20/UPMC-charged-with-union-violations/stories/201212200298#ixzz2qlpslpw5>

¹³ <http://www.post-gazette.com/business/healthcare-business/2015/01/29/National-labor-board-NLRB-issues-complaint-against-UPMC/stories/201501290292>

Incentivize Anchor Institutions to Improve Pay and Working Conditions

The Committee's final recommendation to City Council was to incentivize hospital employers to improve pay and working conditions through the exercise of its authority in the areas of budgeting, contracting, zoning and building codes and public health and safety.

Pittsburgh and Pennsylvania taxpayers have a vested interest in how the region's hospitals function and operate. As non-profits, taxpayers afford these institutions significant tax breaks, valued at hundreds of millions of dollars each year. The City Controller Michael Lamb estimates that value of payroll preparation tax for the two major healthcare systems to be approximately \$15 million. A 2012 report by Pittsburgh UNITED also found that in one year the exemptions given to UPMC alone amounted to more than \$200 million in avoided taxes. Further, Pittsburgh hospitals pay reduced interest rates when they issue tax-exempt bonds. These exemptions amount to considerable savings for the city's hospitals and an increased burden on working families and local businesses to shoulder the costs of schools, roads, public safety, infrastructure projects and other areas of common good.

As has been widely reported, the Peduto administration is working with major hospitals and universities in Pittsburgh to establish a process through which these institutions pay their fair share. The Committee appreciates the Administration's work and commends its commitment to protecting our city's long-term financial security and ensures that these institutions are truly partners in creating community prosperity.

The Committee recommends continued efforts not only to ask these institutions to contribute their fair share to Pittsburgh's communities and neighborhoods but that they also act as good employers, creating a path to \$15 and a union for the many thousands of Pittsburgh service workers who have yet to achieve these critical goals. The Committee also recommends that City Council continue its efforts to utilize its authority in budgeting and city planning to incentivize hospital employers to support \$15 and a union for all service workers, affordable housing and quality healthcare.