

JUNE 2017

Adam Yalowitz

Senior Research Analyst

202-826-4086

Ayalowitz@unitehere.org

UNITEHERE!

Largest airline food contractor alleged to violate wage laws in 5 cities, lost wages could total over \$12 million

New wage theft claims filed against LSG Sky Chefs in Denver and San Diego, ongoing disputes with local authorities in Seattle, Miami and San Francisco

SUMMARY:

State and local minimum wages are on the rise as a result of voter-approved referendums and local living wage policies. But at a time of record profit in the airline industry, the largest provider of airline meals in the United States, LSG Sky Chefs, is allegedly violating state and local wage laws in 5 cities with total lost wages estimated at over \$12 million since 2014.¹

- On June 7, wage and hour complaints were filed by LSG Sky Chefs airline catering employees at Denver International Airport and San Diego International Airport.
- In January, the City of Seattle ordered LSG Sky Chefs to pay \$335,033 in lost wages, interest, damages and fines. The company has appealed the order.²
- At Miami International Airport, LSG Sky Chefs has not been complying with the county's Living Wage Ordinance since 2006.³ Employees earning less than the living wage rate have lost out on an estimated \$12.5 million since 2014.⁴
- In San Francisco, the airport is investigating allegations that LSG Sky Chefs failed to bring 136 employees to the required airport minimum wage, which rose to \$14.14 on January 1.⁵

LSG Sky Chefs is the caterer for 7 American Airlines hubs, 4 Delta hubs and one United hub — serving over 126 million passengers last year for those three airlines alone.⁶ They serve international airlines including Lufthansa, Korean Air, Air New Zealand, Etihad Airways, Qatar Airways, Emirates, Aeroflot, Air Canada, Air France KLM, Air China, ANA, British Airways, and Singapore Airlines. LSG Sky Chefs is a subsidiary of Lufthansa.

This report summarizes LSG Sky Chefs' alleged wage theft in all 5 cities, based on Freedom of Information Act requests, public investigation records, and historical employee rosters.

Seattle

- The City of Seattle concluded that current and former workers are owed a total of \$319,533.39.⁷
- City Officials said that “when Sky Chefs turned over payroll records for the workers, it did so by providing a non-alphabetized stack of 14,000 pieces of paper.”⁸



\$335,033 total back wages and fines from City of Seattle to LSG Sky Chefs

In Seattle, workers in LSG Sky Chefs’ kitchen where food is prepared for Alaska Airlines and 7-Eleven stores have not received the Seattle minimum wage since April 2015, when Seattle’s minimum wage law took effect. The City of Seattle concluded that current and former workers are owed a total of \$319,533.39.

Despite the order issued by the City of Seattle, workers have not received their money. Meanwhile, the company continues to pay less than the city’s minimum wage law, costing workers an estimated \$38 thousand in lost wages so far in 2017.

For large employers not providing healthcare coverage, the minimum wage in the City of Seattle is currently \$15.⁹ The Seattle of City’s Office of Labor Standards finding stated four West Seattle Sky Chefs employees received healthcare coverage in 2016, and qualified for the lower \$13.50 minimum wage. The rest of Sky Chefs employees in the City of Seattle should be paid \$15 per hour. Workers at the LSG Sky Chefs kitchen inside the city now make \$12.70.¹⁰

In addition to ordering back pay to 156 current and former employees, the Office of Labor Standards (OLS) also fined the company \$15,500 for obstructing the investigation. According to OLS: “The investigation was further delayed when Sky Chefs released weekly payroll records for 165 employees to OLS investigators in a non-alphabetized stack of 14,000 individual pieces of paper.”¹¹



Catherine Penera

MY NAME IS CATHERINE PENERA, I work for LSG Sky Chefs in the kitchen where meals are prepared for Alaska Air and 7-Eleven stores in Seattle. My partner and I both work for Sky Chefs. We are both impacted by Sky Chefs not paying the Seattle minimum wage.

I am owed a total of \$3,371.96 in back wages, damages and interest from Sky Chefs because they did not pay me the minimum wage. The City’s Order says my partner is owed \$5,496.02.

It feels disrespectful that Sky Chefs is appealing the City’s order instead of paying me, my partner, and our coworkers the Seattle minimum wage. For me and my partner combined, the City’s Order says we are owed a total of \$8867.98! That’s money that we need to be able to support our family.

Miami

- In February, Miami-Dade Aviation Department Minority Affairs Division gave LSG Sky Chefs an April 30, 2017 deadline to comply or have their airport permit revoked.¹²
- LSG Sky Chefs, Inc. has been in non-compliance with the Miami-Dade County Living Wage Ordinance since 2006.



\$12.5 million estimated lost wages since 2014

In a January 2017 letter to the company, the Miami-Dade Aviation Department (MDAD) Minority Affairs Division stated that “LSG Sky Chefs, Inc. has been in non-compliance with the living wage since 2006.”¹³

In February 2017 MDAD gave LSG Sky Chefs an April 30, 2017 deadline to comply or have their airport permit revoked.

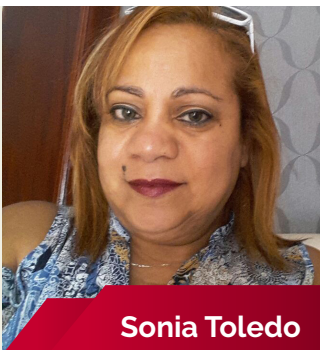
Currently, there are 785 LSG Sky Chefs in Miami making less than the \$12.63 required Miami-Dade County Living Wage Ordinance. make as little as \$8.60 per hour.¹⁴ Based on employee rosters, LSG Sky Chefs’ employees than the living wage rate have lost an estimated million in wages since 2014.

“After 3 years I barely make \$9. It is so hard to pay rent, car, water, electricity, all by myself with this salary.”

—Yamilet Viguera, LSG Sky Chefs worker in Miami



LSG Sky Chefs workers prepare meals for American Airlines flights at Miami International Airport. At the January 2017, Miami-Dade County Living Wage Commission Meeting, MDAD



Sonia Toledo

MY NAME IS SONIA TOLEDO, and I've worked at LSG Sky Chefs since 1997. My wage is \$11.40. I work in the assembly department serving American Airlines and international flights to Europe and Latin America.

That me and my co-workers earn less than the airport minimum means we spend more time away from the house in other jobs. This one doesn't pay enough to support our families so we can't be with our family as we would like. It is very expensive to live here in Miami, and we cannot pay for it on this wage.

I'm frustrated that Sky Chefs is keeping all of this money that should be ours. Right now we are earning a poverty wage but living in a rich place.

reported that “American Airlines has verbally agreed to pay the difference between the wages LSG Sky Chefs pays its employees and the Living Wage requirement, if LSG Sky Chefs does not increase the employees’ wages to the required amount.” This would not address back pay for LSG Sky Chefs employees who have been underpaid.¹⁵ To date, however, LSG Sky Chefs workers are still paid below the wage required by the living wage ordinance.

In addition to American Airlines, LSG Sky Chefs services Air Canada, Alaska Airlines, Cayman Airways, Lufthansa, Mexicana, Swiss, and Virgin Atlantic at Miami International.

In communications between LSG Sky Chefs and MDAD received through Freedom of Information Act requests, LSG Sky Chefs attorneys state that representatives of the company are in ongoing discussions with the County Attorney’s office but that the company believes the county’s living wage ordinance is preempted by state law.

New complaints in Denver and San Diego



- New complaints filed allege LSG Sky Chefs is in violation of minimum wage laws in Colorado and San Diego.
- Voters approved minimum wage increases in these locations in 2016.

In both San Diego and Colorado, voters approved minimum wage increases in 2016.¹⁶ In Colorado, the minimum wage rose from \$8.31 to \$9.30 on January 1, 2017. In the City of San Diego, the minimum wage rose \$1 to \$11.50.¹⁷

Two LSG Sky Chefs employees hired after January 1, 2017, at the company's Denver International Airport kitchen have filed wage and hour complaints with the Colorado Division of Labor alleging that the company is paying them 50 cents below the minimum wage.

In San Diego, UNITE HERE has filed a Report of Labor Law Violation with the California Labor Commissioner's Bureau of Field Enforcement, the unit that investigates wage theft violations that affect groups of workers. Based on employee rosters and wage information provided to the union

by the company, as of April 1, 2017, there were 7 employees at LSG Sky Chefs' San Diego kitchen making \$10.95, 55 cents less than San Diego's minimum wage.

"Since I began work for Sky Chefs in March, I have been paid below the Colorado minimum wage. It's hard enough to survive working for minimum wage, but with the company violating the minimum wage law, I can't even afford my own place."

— Wislet Jerome, utility worker for LSG Sky Chefs at Denver International Airport



In Colorado, LSG Sky Chefs caters American Airlines, Delta, and Lufthansa, and in San Diego they service Alaska Airlines.

San Francisco International Airport Initiates Audit

- The airport has initiated an audit of LSG Sky Chefs' wages paid since December 1, 2016.
- The company has 136 employees currently making below the airport minimum wage, which rose to \$14.14 on January 1, 2017.

The San Francisco International Airport (SFO) Quality Standards Program (QSP) requires certain airport contractors to pay a minimum wage, which increased by 30 cents to \$14.14 on January 1, 2017. As of April 1, 2017, there were 136 employees making less than \$14.14 at LSG Sky Chefs' SFO kitchen. The company may owe an estimated \$22,500 in back wages as of May 20, 2017.

In 2016, the airport increased fines for companies in violation of the QSP program from \$200 per violation per day to \$1,000 per violation per day. The airport's QSP policy on fines states: "If a Covered Employer defaults with respect to any requirement of the Program, the Airport Director may elect to impose a fine equal to \$1,000.00 per violation / employee, per day. The Airport's right to impose such fines shall be in addition to and not in lieu of any and all other rights available to the Airport."¹⁸

At SFO, LSG Sky Chefs serves Aeromexico, Air Canada, Air New Zealand, Alaska Airlines, American Airlines, JetBlue Airways, Korean Air, Lufthansa, and SAS Scandinavian Airlines.

LSG Sky Chefs avoidance of other cities' airport wage laws will cost workers an additional estimated \$7.3 Million in 2017

While government investigations and wage theft complaints proceed into LSG Sky Chefs' alleged violation of state and local minimum wage laws in the above cities, there are several other cities where LSG Sky Chefs avoids paying airline food workers established airport minimum wages:

	Sky Chefs Lowest Wage	Airport Minimum Wage
Philadelphia	\$7.90	\$12.10
Chicago	\$10	\$13.15
Los Angeles	\$10.70	\$16.73 (wages + benefits)
Seattle	\$11	\$15.34
Boston	\$11	\$12

Sky Chefs avoidance of paying established living wage laws at these airports will cost workers an estimated \$7.3 million this year.¹⁹

At O'Hare International Airport, United Airlines switched to a LSG Sky Chefs catering kitchen just outside of Chicago shortly after the City increased its minimum wage. Many catering workers there now earn below Chicago's minimum wage and more than \$3 below the hourly wage required for some airport workers.

In Philadelphia, LSG Sky Chefs workers who cater American Airlines are paid \$4.20 less per hour than the airport living wage, adding up to annual losses of more than \$8,700 for full-time employees.

I have worked in the dishroom for LSG Sky Chefs' O'Hare airport kitchen since January 2016. I make \$10.25 an hour. That's 25 cents less than the Chicago minimum wage, and nearly \$3 less than the hourly wage required for some airport workers. I feel that it's unfair that as a Chicago airport worker, I make less than the Chicago minimum wage serving United Airlines flights from O'Hare Airport every day.

We work really hard to clean all the airplane's dishes, make the food for the flights, prepare the carts, and deliver the food to the planes. We are working really hard for the airlines, we deserve to be treated equal. We are tired of being left behind.



Bharat Patel

—Bharat Patel, dishwasher at LSG Sky Chefs at O'Hare International Airport

Airline catering workers' demand for equality comes as airlines have enjoyed record profits in recent years, and many other employees have seen significant wage increases. In December 2016, Delta's pilots received a 30% raise over four years, while United's flight attendants agreed to a contract that raises top pay rates by as much as 31%. 85% of airline catering workers for LSG Sky Chefs earn less than \$15 per hour.

UNITEHERE!

UNITE HERE represents the majority of contracted airline catering workers in the United States. The union represents over 15,000 airline catering workers, employees of Gate Gourmet, Flying Food Group and LSG Sky Chefs, at 51 airports across the country.

Endnotes

- 1 \$12.8 million is the estimated total lost wages for Miami, Seattle, San Francisco, San Diego, and Denver. Miami is an estimated \$12.48 million since 2014, Seattle is an estimated \$248,000, San Francisco \$22,000, San Diego \$3,000, and Denver is over \$500. For full-year estimates, estimates assume 40 hours per week for 52 weeks, with no overtime. 2017 estimates are for January 1 to May 19. For Seattle, this is the City of Seattle's official number just for back wages, \$210,213.19, not including \$109,320.20 in damages, and an estimated \$38,000 in lost wages so far for 2017 based on the April 2017 employee roster. For Miami, UNITE HERE has employee rosters and wage information dating back to 2014. For 2015 and 2014, estimates reflect the October 1 Miami-Dade County Living Wage Ordinance rate increases applicable to the airport. For San Francisco, San Diego and Denver, estimates based on 2017 employee rosters and wage information.
- 2 <http://www.seattletimes.com/business/retail/city-fines-airline-caterer-for-violations-of-minimum-wage-law/>
- 3 <https://unitehere.box.com/s/mi1ve6vsamshgxjyu9z04uojj5sya15b> Page 4: "LSG Sky Chefs, Inc. has been in non-compliance with the 'living wage since 2006."
- 4 Miami-Dade wage level notices: <http://www.miamidade.gov/smallbusiness/living-wage-reports.asp>
- 5 SFO's audit was initiated on April 27, 2017. Both the January and March 2017 LSG Sky Chefs employee rosters for SFO have 136 employees being paid below the \$14.14 rate that took effect on 1/1/17. SFO's new \$14.14 rate notice: <https://media.flysfo.com/media/Quality-Standards-Program-Notice-2017.pdf>
- 6 https://www.transtats.bts.gov/Data_Elements.aspx?Data=4
- 7 City of Seattle Office of Labor Standards Final Order and Signed Finding: <https://unitehere.box.com/s/jaxg0ug9pnhdmh3wp4lgx9yjvmo3w9vn> and <https://unitehere.box.com/s/irtnnb4wemidvxpjkwxexo3573iliml>
- 8 <http://www.king5.com/news/local/sky-chefs-must-pay-335k-over-minimum-wage-dispute/382246889>
- 9 <https://www.seattle.gov/laborstandards/ordinances/minimum-wage>
- 10 Based on April 2017 employee roster and wage information
- 11 <http://westseattleblog.com/2017/01/lsg-sky-chefs-found-in-violation-of-seattles-minimum-wage-law/>
- 12 <https://unitehere.box.com/s/mi1ve6vsamshgxjyu9z04uojj5sya15b> (Page 1), received by FOIA
- 13 <https://unitehere.box.com/s/mi1ve6vsamshgxjyu9z04uojj5sya15b> (Page 4), received by FOIA
- 14 Based on April 2017 Employee Roster provided by LSG Sky Chefs to UNITE HERE.
- 15 <https://unitehere.box.com/s/g2qxc7x7qrcxpj2jry4p9lqisp85cu1x> (Page 2), received by FOIA
- 16 <http://www.sandiegouniontribune.com/opinion/commentary/sd-utbg-minimum-wage-sandiego-20170112-story.html> and <https://www.colorado.gov/pacific/cdle/minimumwage>
- 17 <https://www.sandiego.gov/treasurer/minimum-wage-program>
- 18 <https://media.flysfo.com/media/Quality-Standards-Program-2016.pdf> (Page 7 in the PDF)
- 19 Estimates based on April 2017 LSG Sky Chefs employee rosters and wage information