

1
2 COUNCIL OF THE CITY OF PHILADELPHIA
3 PUBLIC HEARING
4 BEFORE THE COUNCIL COMMITTEE
5 ON COMMERCE AND ECONOMIC DEVELOPMENT
6

7 - - -
8 Room 400, City Hall
9 Philadelphia, Pennsylvania
10 Tuesday, May 12, 1998
11 1:30 p.m.
12 - - -

13 Bill No. 970586 - Amending Section 17-104 of The
14 Philadelphia Code prerequisites to the execution
15 of City contracts by adding a new subsection
16 requiring that businesses contracting with or
17 receiving financial assistance from the City or
18 City-related's agencies pay their employees no
19 less than a living wage sufficient for a family of
20 four to live at or above the poverty level; and
21 provide such employees insurance with family
22 health-care insurance benefits; and requiring that
23 a specified portion of new employees hired to
24 perform work on City or City-related contracts or
25 projects for which financial assistance is granted
be former welfare recipients or persons referred
by union or neighborhood hiring halls; all under
certain terms and conditions

PRESENT: COUNCILMAN MICHAEL A. NUTTER, Chairman
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DAVID COHEN
COUNCILWOMAN ANNA CIBOTTA VERNA
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN HAPPY FERNANDEZ
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK DICICCO
COUNCILMAN RICHARD T. MARIANO
COUNCILMAN FRANK RIZZO

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2 P R O C E E D I N G S

3 COUNCILMAN NUTTER: Good afternoon,
4 ladies and gentlemen. Good afternoon, ladies and
5 gentlemen. It's a pleasure to have all of you
6 here this afternoon.

7 This is a meeting of the Committee on
8 Commerce and Economic Development. I am
9 Councilman Michael Nutter, Chair of the
10 committee. To my right is Councilwoman Fernandez,
11 the Vice Chair. To her right is Councilwoman
12 Donna Reed Miller, and to my left is Councilman
13 DiCicco. Now having a quorum, the committee is in
14 session.

15 I'll read the title of the bill. There
16 is a witness list. If you are concerned about
17 your place on the list, I assume that the young
18 lady to my left, Wanda, from Councilman Ortiz's
19 office, you should get your name to her.

20 Let me read the title to the bill.
21 Bill No. 970586, amending Section 17-104 of The
22 Philadelphia Code prerequisites to the execution
23 of City contracts by adding a new subsection
24 requiring that businesses contracting with or
25 receiving financial assistance from the City or

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2 City-related's agencies pay their employees no
3 less than a living wage sufficient for a family of
4 four to live at or above the poverty level; and
5 provide such employees insurance with family
6 health-care insurance benefits; and requiring that
7 a specified portion of new employees hired to
8 perform work on City or City-related contracts or
9 projects for which financial assistance is granted
10 be former welfare recipients or persons referred
11 by union or neighborhood hiring halls; all under
12 certain terms and conditions.

13 Let me say at the outset it is cheer
14 that there is a great amount of enthusiasm and
15 anticipation regarding this particular bill.

16 (Applause.)

17 COUNCILMAN NUTTER: Having participated
18 in a couple of those, and I think my colleagues
19 will agree, we enjoy and applaud all of your
20 enthusiasm, but we also have a very long witness
21 list. We want everything, to the greatest extent
22 possible, to be heard.

23 And all I will ask primarily, as Chair
24 of the committee and on behalf of my colleagues,
25 that we are able to hear everyone and respect

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2 everyone. You may or may not hear some things
3 that you do or do not like but that is our
4 committee process and that's the process that we'd
5 like to conduct this afternoon.

6 So to the extent that everyone can hear
7 and listen and get information, we will ask, I'm
8 sure, a lot of questions for a lot of different
9 reasons. Again, some of those questions, you may
10 like, some you may not like, but they are all in
11 the interest and purpose of gathering information
12 so that the Council can do its business.

13 I have just received the newest witness
14 list; it is actually still warm. So we will start
15 with that list, but some of my colleagues on the
16 committee may have statements they may wish to
17 make.

18 COUNCILMAN ORTIZ: Mr. Chairman, could
19 I make a statement?

20 COUNCILMAN NUTTER: The Chair
21 recognizes Councilman Ortiz.

22 COUNCILMAN ORTIZ: Thank you, Mr.
23 Chairman.

24 Mr. Chairman, today we are here to
25 begin a dialogue about Bill 970586 -- the bill

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2 numbers used to be much shorter before
3 computerization -- better known as "the
4 living-wage bill." This bill was introduced as
5 another effort by this legislature to level the
6 playing field in terms of wage equity.

7 At the current federally-mandated
8 minimum wage of 5.15 an hour, a worker who's
9 employed for 40 hours a week can earn \$10,712 a
10 year. Such is a salary places that worker below
11 the federal poverty level.

12 It is estimated that 25 percent of
13 Philadelphia residents are living in poverty.
14 After the welfare-reform laws, there has been much
15 talk about back-to-work programs, job training,
16 and placement, and other initiatives in order to
17 accommodate those coming off of the welfare rolls
18 as well as the many thousands that are currently
19 unemployed.

20 These programs, no doubt, are
21 desperately needed. Job creation is fundamental
22 in a city that has been experiencing more job
23 loses than gains. Clearly, there is a need to
24 attract businesses and responsible employers to
25 the City.

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2 The Philadelphia City government
3 usually attempts to stimulate the creation of jobs
4 by providing businesses with what are commonly
5 called "financial incentives" or "subsidies."
6 Philadelphia spends millions of taxpayers' dollars
7 to lure businesses to the City. So Wal-Mart and
8 Marriott have been built, and some limited
9 manufacturing has come back into the federally
10 subsidized Empowerment Zones.

11 But too often, when these jobs are
12 created, they tend to provide low wages and
13 inadequate health benefits, particularly in the
14 service industry. While local government has had
15 limited influence in shaping the private sector,
16 it has demonstrated that it can influence the
17 corporate behavior of those entities that do
18 direct business with the City.

19 Minority business set aside ordinances
20 where businesses are required to hire minority and
21 women contractors. Or prevailing wage ordinances
22 like we just approved the other day are very good
23 examples of this. And by the way, there is very
24 little difference between the prevailing wage that
25 we approved the other day and what we're talking

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2 about here today.

3 The fight to enact laws which connect
4 wage and benefit requirements to government
5 assistance is becoming a viable alternative to
6 State and local government officials who believe
7 that federally-required minimum wage is inadequate
8 as it only helps to promote poverty conditions.
9 The response to upgrade this minimum wage is known
10 as "a living wage."

11 Today we will explore living wage
12 legislation which ties wages to City contracts.
13 Simply, it would require certain businesses that
14 contract with the City to pay a minimum wage of
15 \$7.90 an hour, plus health benefits.

16 But this bill would go one step
17 further. It would propose that 15 percent of new
18 workers hired come from the welfare rolls, a key
19 provision in response to the current dilemma we
20 are facing, and placing former welfare recipients
21 in decent jobs.

22 Mr. Chairman, there will be those who
23 come before this Council and attempt to use scare
24 tactics by alleging that these bills will narrowly
25 be an incentive for business to flee the City.

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2 Mr. Chairman, similar allegations were made
3 against past minority set-aside requirements and
4 prevailing wage legislation.

5 To some detractors of this bill, it
6 seems that it's all right for PIDC to use
7 taxpayers' dollars to provide the private sector
8 with \$4 billion in development and financing but
9 it's not all right to ask for a simple return on
10 those dollars.

11 Is it asking too much for companies
12 that benefit from government business to provide
13 way wages benefits which do not perpetuate
14 poverty? Are we saying that, in this day and age,
15 with 34,000 people coming off the welfare rolls,
16 we should not ask for basic concessions which
17 could prevent workers from becoming homeless?

18 I admit, Mr. Chairman, that the
19 establishment of a living wage is no panacea.
20 After all, even 7.90 an hour for a 40-hour week
21 generates an income of barely \$16,000 dollars a
22 year; but at least it represents a 48 percent
23 increase over the minimum wage poverty wage.

24 Mr. Chairman, this is an opportunity to
25 establish a positive precedent in the same way

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2 that other cities have. In 1994, the city of
3 Baltimore passed a bill requiring city contractors
4 that do business with that city to pay workers
5 \$6.10 an hour, which would increase to 7.70 hour
6 by this year there. Milwaukee, New York City,
7 Portland, Jersey City, Des Moines, San Jose, and
8 Los Angeles all have adopted varying versions of
9 living-wage laws. They all have recognized the
10 need to level the playing field when it comes to
11 wage equity.

12 Mr. Chairman, we in Philadelphia should
13 do no less. Thank you very much.

14 (Applause.)

15 COUNCILMAN NUTTER: Thank you
16 Councilman Ortiz.

17 The Chair recognizes Councilman
18 Mariano.

19 COUNCILMAN MARIANO: Thank you, Mr.
20 Chairman.

21 (Applause.)

22 COUNCILMAN MARIANO: Mr. Chairman, we
23 just heard Councilman Ortiz give the educated
24 Columbia Law School opinion of this bill. Well,
25 I'll give you the blue-collar Juniata Park opinion

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2 of this bill, okay?

3 Every year, thousands of bills come in
4 front of you and I and the rest of the members of
5 this Council. And a lot of them, frankly, don't
6 mean diddly-squat to my constituents and your
7 constituents and everyone at that table's and
8 everyone that sits in this room's constituents.

9 This is a bill that is very simple.
10 Every year, Philadelphia gives millions of dollars
11 in assistance to companies in a form that ranges
12 from City contracts, from services to tax
13 abatements to loan guarantees. The City is giving
14 these companies a chance to survive and grow.

15 This legislation would do the same for
16 individuals that they are hiring, providing these
17 companies give the minimum wage of 7.90 an hour,
18 plus health benefits. The wage of 7.90 an hour
19 was determined by calculating what a family of
20 four -- a family of four -- needs to stay 100
21 percent above the poverty line.

22 I view this as a social contract
23 between the companies we help -- and we want to
24 help them, Mr. Chairman, we want to bring them
25 here, we want businesses to come here.

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2 Now, as the Administration brings in
3 Mr. Applebaum and the Steve Mullins of the world
4 -- maybe we'll even get David L. Cohen in here --
5 and they're going to tell us everything is wrong.
6 It's going to remind you of the Lost in Space
7 robot -- danger, danger, danger, the sky is
8 falling. That does not compute.

9 (Applause.)

10 COUNCILMAN MARIANO: Well, that's not
11 what's going to happen here today because I have
12 faith in my fellow Councilpeople. And if there's
13 one bill -- we went and talked about a bill last
14 week till our heads were exploding, and it may
15 have affected 100 people, 100 people.

16 Now, I'm not telling you that bill was
17 bad or that bill was good, but this bill will
18 affect thousands and thousands of people, people
19 that truly need it.

20 (Applause.)

21 COUNCILMAN MARIANO: By the way, people
22 that will vote or not vote for all of us next
23 year.

24 So I implore everyone that sits on this
25 committee, Councilwoman, Councilwoman, Councilman

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2 DiCicco, my good-looking twin -- Frank, pay
3 attention -- Michael, pay attention -- everybody
4 pay attention, because this is going to be
5 important today. Okay, this is going to be real
6 important.

7 What we do here today, and if we don't
8 let the Administration back us off -- I got calls
9 I didn't Charlie Pizzi. I didn't think Charlie
10 Pizzi knew what my name was. Frankly, I thought
11 he thought I was Frank DiCicco. I said we have
12 your attention now Mr. Pizzi.

13 And ya know what? My wife owns a
14 business in Philadelphia, okay? So I'm not trying
15 to chase businesses out of Philadelphia. And
16 Councilman Ortiz. That's not what we're trying to
17 do.

18 So before Mr. Applebaum -- Lou, I know
19 you're in here, one of my constituents. Lou, if I
20 lose your vote on this one, I'm sorry, but this is
21 one that really, really means something.

22 So fairly, sit here fairly and listen.
23 Maybe if we get lucky, the Mayor will come in and
24 tell us what's wrong with it. They told me
25 yesterday that it hasn't worked in Boston. I

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2 found out today from Steve from ACORN that it
3 hasn't started in Boston till July 1st, the fiscal
4 year. So, obviously, somebody's not telling the
5 truth here.

6 So before we get in these long
7 hearings, think, think what's important to the
8 people that truly sent us here.

9 Thank you, Mr. Chairman.

10 (Applause.)

11 COUNCILMAN NUTTER: Thank you,
12 Councilman Mariano.

13 What we'd like to do is to start the
14 testimony. The first witness is the Honorable Sal
15 Albanese, of the city of New York. He is a
16 councilman in the city of New York.

17 While he is coming to the table,
18 Council Ortiz, I understand that you have some
19 amendments which, by agreement, we are not at the
20 moment going to read the amendments in the record,
21 but you will point out where they are and what
22 they are. They may address some issues that could
23 be relevant to some of the testimony or issues
24 that have been raised previously about this bill;
25 is that correct?

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2 COUNCILMAN ORTIZ: Yes, indeed.

3 COUNCILMAN NUTTER: Why don't you
4 proceed, and then we'll have testimony from the
5 Honorable Sal Albanese.

6 COUNCILMAN ORTIZ: Thank you, Mr.
7 Chairman.

8 This is some amendments that go to some
9 of the problems that we had with the bill. They
10 addressed mostly grammatical and some clarifying
11 changes.

12 COUNCILMAN NUTTER: Are these
13 amendments in a packet that was circulated,
14 Councilman?

15 COUNCILMAN ORTIZ: They're part of a
16 packet that was circulated to all members of the
17 committee and all Members of Council.

18 COUNCILMAN NUTTER: Okay, thank you.

19 COUNCILMAN ORTIZ: (Reading.) It says,
20 number one, limited exception for nonprofits. And
21 nonprofits who's highest paid full-time employees
22 earn less than six times the wages of the lowest
23 paid employee are exempt, exempt, because they had
24 been worried that these organizations were going
25 to be put into this package.

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2 And this should exempt all but the
3 largest charitable religious and community
4 organizations.

5 Number two, modification of the living
6 wage amount. The base living wage minimum would
7 be increased from 7.60 to 7.90 an hour. Low to
8 begin with for a true living wage, the wage level
9 should clearly be raised given the effects of
10 inflation nearly a year since the introduction of
11 the legislation.

12 Number three, revised formulation for
13 provision of health benefits. We had been advised
14 that due to the possibility of ERISA preemption,
15 the bill's direct mandate to provide health-care
16 benefits is problematic. The amendment would
17 offer employees the alternative of paying an
18 additional 1.50 per hour wages in the event that
19 health-care benefits are not provided. Following
20 the structure of the recently enacted Los Angeles
21 ordinance, health-care benefits would be defined
22 as the payment of at least \$1.50 per hour for
23 health-care benefits.

24 More inclusive definitions of employers
25 -- number four -- of employers and employees.

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2 Employees getting the protection of the bill would
3 specifically include those classified as
4 full-time, part-time, temporary, and permanent.
5 The definition of employers required to pay the
6 living wage would be clarified to include
7 subcontractors, lessees and sublessees as long as
8 their work is funded by a City contract or City
9 assistance.

10 Number five, only contracts for
11 services -- not those for goods -- would be
12 covered. It is recognized that application of the
13 bill's provisions to contracts for the provision
14 of goods would be impractical at this time. Thus,
15 contract coverage would be narrowed to those
16 dealing with services.

17 Number six, Council would get
18 information annually from City agencies
19 implementing the legislation and holding public
20 hearings thereafter. To ensure the legislation
21 works as intended, Council would get detailed
22 reports from all City agencies with covered
23 contracts for grant programs. And the Commerce
24 Committee -- this committee that is hearing this
25 legislation -- would hold public hearings at least

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2 once every year on the success of the program.

3 We believe that these amendments
4 provide improved tools and a clearer focus for the
5 basic concept of this bill, all of which are fully
6 preserved.

7 If you have any questions or comments,
8 we'll be available, and the technical staff will
9 be around.

10 Thank you.

11 COUNCILMAN NUTTER: Thank you.

12 (Applause.)

13 (Councilman Sal Albanese, New York
14 City, comes forward.)

15 COUNCILMAN NUTTER: Councilman
16 Albanese, welcome to Philadelphia City Council.
17 Please identify yourself for the record and begin
18 your testimony.

19 COUNCILMAN ALBANESE: Sal Albanese,
20 from New York City.

21 First of all, Mr. Chairman, thank you
22 for allowing me to testify, and I want to commend
23 you and members of the committee for entertaining
24 this legislation.

25 Let me begin by commending

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2 Councilmember Ortiz and the other sponsors for
3 having the courage to sponsor a living-wage bill.

4 (Applause.)

5 COUNCILMAN ALBANESE: Hopefully,
6 Philadelphia will join New York City and 16 other
7 municipalities in adopting living-wage
8 legislation.

9 When I introduced my bill in February
10 of 1995, I was only able to muster 3 cosponsors
11 out of 51 Councilmembers. The Mayor of my city
12 called it too frivolous to comment on, and some of
13 my colleagues thought we wouldn't even get a
14 hearing on the issue.

15 On July 11, 1996, the legislation
16 passed by a vote of 41 to 7. The Mayor vetoed the
17 bill, and we easily overrode his veto. New York
18 City struck a blow for working people, placing our
19 town on the cutting edge of a national effort to
20 provide a living wage for the men and women who
21 are working harder than ever and falling further
22 and further behind. I believe that our victory in
23 New York and the publicity that it generated
24 nationally played a strong role in inspiring other
25 municipalities to adopt similar ordinances.

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2 I'm hoping that my appearance today
3 contributes to passage of the law in this City.

4 (Applause.)

5 COUNCILMAN ALBANESE: Now, this is a
6 spirited crowd. Just like at New York, I feel
7 right at home, Mr. Chairman.

8 COUNCILMAN NUTTER: Very good.

9 COUNCILMAN ALBANESE: Living-wage
10 legislation plays a strong symbolic role in
11 shifting a city a low-wage economy to a
12 living-wage economy. It not only allows workers
13 who are contractors who do business with the City
14 to live with dignity, but it benefits all workers.

15 Additionally, in New York City, it
16 marked the beginning in the battle to reverse the
17 slide toward a city of the very wealthy and a
18 majority of poor working people having a harder
19 time than ever trying to uplift themselves into
20 the middle class and into the working class.

21 This phenomenon is reflected
22 nationally. Despite the fact that the new economy
23 has created many jobs, the prime issue for most
24 Americans -- and I'm sure that it's true in
25 Philadelphia as well -- is not how many jobs there

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2 are, but what kinds of jobs, what kinds of lives
3 they let people enjoy, and what kind of future is
4 ahead for their children.

5 Passage of the bill in New York City
6 would not have been possible without a strong
7 coalition across racial, ethnic, and religious
8 lines. Besides our Mayor's vehement opposition,
9 all the daily newspapers in New York editorialized
10 against my bill, and many in the business
11 community spoke out against it.

12 However, with a strong push by
13 community-based organizes, organized labor, and
14 some visionaries from the business community, it
15 sailed through the City Council.

16 One of the strongest arguments for
17 passage was made by a business group representing
18 the General Contractors Association. They pointed
19 out that a living wage not only increases a
20 worker's dignity, but also their productivity. In
21 other words, if you pay workers a fair wage for an
22 honest day's work, they tend to perform better.

23 The arguments against the bill were
24 predictable and easily rebutted. They included
25 hypocritical critics that claimed government has

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2 no right to tinker with the marketplace. However,
3 many of these laissez-faire proponents did not
4 have a problem with the hundreds of millions of
5 dollars in corporate welfare that our city was
6 doling out.

7 The argument that the living wage will
8 increase costs to the city is a faulty one as
9 well. In New York City and Baltimore, the
10 pioneers in this area, the costs have been
11 negligible. Furthermore, what is never calculated
12 is the increase in disposable income the workers
13 who recycle additional dollars to the city's
14 company enhancing the tax base. Additionally,
15 workers who earn living wage are less dependent on
16 public subsidies.

17 Some of the bill's critics claim this
18 legislation will stifle privatization. But if
19 privatization, as its advocates claim, is really
20 about creating competition to deliver quality
21 services, they should welcome this bill with open
22 arms. By establishing a living wage for
23 private-sector contract employees, true
24 competition is created between the private and
25 public sector. And the focus will be on

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2 efficiency and productivity rather than driving
3 down wages and benefits.

4 The minimum wage has eroded over the
5 past decade. You can help reverse this trend by
6 passing this bill. More importantly, a message
7 will be sent out that no one who works full-time
8 should be mired in poverty.

9 (Applause.)

10 COUNCILMAN ALBANESE: This is the
11 essence of living-wage legislation. Passage is
12 the morally-correct thing to do, it is the
13 fiscally-right thing to do. It's fiscally prudent
14 to pass living-wage legislation, as I pointed out.

15 I urge this Council to swiftly adopt
16 this legislation and strike a blow for economic
17 and social adjustments.

18 Thank you, Mr. Chairman.

19 COUNCILMAN NUTTER: Thank you.

20 (Applause.)

21 COUNCILMAN NUTTER: Councilman
22 Albanese, just one quick question. From reading
23 some of the materials, was it your bill that was
24 passed in September 1996 in New York?

25 COUNCILMAN ALBANESE: It was passed in

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2 July of 1996.

3 COUNCILMAN NUTTER: July of 1996. And
4 is it my understanding that the bill -- that your
5 bill covers employers of city contractors for
6 security services, temporary, cleaning, and food
7 services, that they be paid in applicable, I
8 guess, living wage --

9 COUNCILMAN ALBANESE: Right.

10 COUNCILMAN NUTTER: -- for the industry
11 to be determined by the city comptroller in New
12 York, is that correct?

13 COUNCILMAN ALBANESE: That is correct.
14 And it includes security as well. It's four
15 areas.

16 COUNCILMAN NUTTER: Right. Security
17 temporary, cleaning, and food service.

18 COUNCILMAN ALBANESE: That is correct.

19 COUNCILMAN NUTTER: Okay.

20 COUNCILMAN ALBANESE: I'm sorry. And
21 temporary workers as well.

22 COUNCILMAN NUTTER: Temporary workers?

23 COUNCILMAN ALBANESE: It's four areas,
24 which basically are the areas where there's the
25 most abuse in the city of New York, where people

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 are being paid minimum wage with no health
3 benefits by contractors.

4 COUNCILMAN NUTTER: Okay. How are the
5 other city contractors for what I assume is a wide
6 variety of services that people provide businesses
7 provide to the city of New York? Are they covered
8 by the bill?

9 COUNCILMAN ALBANESE: In the
10 construction trades, we have a prevailing wage law
11 which covers all construction workers throughout
12 the state of New York.

13 COUNCILMAN NUTTER: Right.

14 COUNCILMAN ALBANESE: The other
15 contract employees are not covered but there's
16 pending legislation to expand to those other
17 workers.

18 My bill impacts about 16,000 workers in
19 the city of New York, and those are the areas
20 where the most abuse was taking place. But there
21 is a bill right now pending for the City Council
22 to expand it to day-care workers in the city and
23 nurses' aids as well.

24 COUNCILMAN NUTTER: Okay.

25 (Applause.)

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2 COUNCILMAN NUTTER: All right. So
3 lastly, and I mean obviously, we weren't in New
4 York when you were crafting the legislation. You
5 chose to go after a number of particular
6 industries or sectors of the larger employment
7 picture in New York, either based on egregious
8 activity or where you thought this kind of
9 legislation might have the most benefit? I mean,
10 was that the --

11 COUNCILMAN ALBANESE: That was the
12 objective. Obviously, as you know, the original
13 bill was much broader in scope.

14 COUNCILMAN NUTTER: Okay, I didn't
15 know.

16 COUNCILMAN ALBANESE: And, as you know,
17 with all legislation, my bill covered all city
18 contracts.

19 COUNCILMAN NUTTER: Okay.

20 COUNCILMAN ALBANESE: That was the
21 original bill.

22 COUNCILMAN NUTTER: Right.

23 COUNCILMAN ALBANESE: But, as you know,
24 in the give and take of the legislative process,
25 we basically compromised to hone on those areas

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2 where the most abuses were taking place and hope
3 to expand into the other areas into the future.

4 COUNCILMAN NUTTER: Okay. Thank you.
5 Councilwoman Fernandez.

6 COUNCILWOMAN FERNANDEZ: That was some
7 of the questions I had. What were some major
8 differences between the bill as we see it today
9 with the amendments, if you had a chance to look
10 at it, versus the bill that actually passed in New
11 York?

12 COUNCILMAN ALBANESE: Well, as I heard
13 Councilman Ortiz's amendments, they're basically
14 -- most of what passed in New York really included
15 those amendments.

16 The only thing, as the Councilmember
17 pointed -- out as the Chair pointed out, we did
18 not include all contracts because there was
19 opposition, stiff opposition by some quarters,
20 particularly in the nonprofit sector, which, I
21 think, Councilman Ortiz just referred to. So we
22 pulled away from that, and we're going to expand
23 that into the future.

24 So that basically the differences are
25 the same. Our bill -- my bill was providing for a

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2 higher living wage of \$12.10 an hour because,
3 obviously, New York City is a much more expensive
4 place than Philadelphia, so our bill was higher in
5 scope.

6 And indeed some of the workers,
7 particularly in the temporary area, office temps,
8 are earning about \$12 an hour, up from \$5 an hour,
9 as a result of our legislation.

10 So one of the differences would be that
11 with our bill in New York, the contract employees
12 will be getting paid more than they would be paid
13 under this legislation.

14 COUNCILWOMAN FERNANDEZ: So would you
15 name the four areas again? Security --

16 COUNCILMAN ALBANESE: Security, all
17 temporary workers. The city contractors out a lot
18 of office temps. They hire many contractors to
19 provide clerical help. Janitorial and cleaning
20 services, and food processors. Those are the four
21 areas.

22 COUNCILWOMAN FERNANDEZ: And what about
23 areas of your community development block grant?
24 Did that fall into it?

25 COUNCILMAN ALBANESE: They were not

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2 included.

3 COUNCILWOMAN FERNANDEZ: And what about
4 any kind of --

5 COUNCILMAN ALBANESE: Because most of
6 the entities are nonprofits that are involved with
7 that. And I happen to think nonprofits should
8 have been included, but we'll fight another day on
9 that one.

10 COUNCILWOMAN FERNANDEZ: And then other
11 kinds of contracts under what we might call
12 broadly "economic development," you know, any
13 projects -- if I'm reading the bill before us here
14 in Council, it could be any contractor who in any
15 way gets public dollars.

16 COUNCILMAN ALBANESE: Right.

17 COUNCILWOMAN FERNANDEZ: Let's say, for
18 a housing development, for a development of an
19 industrial park, where there's any public dollars
20 involved.

21 COUNCILMAN ALBANESE: Any tax -- any
22 tax abatement -- I see what you're saying. No, we
23 did not include it. That was in the original
24 bill; we did not include that in the final
25 version. But, once again, there is legislation

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2 pending to address that.

3 My personal opinion is that it should
4 include any grant money that a contractor
5 receives. Any largesse from the city should
6 include a living-wage component. That is my
7 personal view.

8 (Applause.)

9 COUNCILWOMAN FERNANDEZ: What I'm
10 trying to get at is if we wanted to figure out
11 what kind of effect your bill that passed had on
12 New York City.

13 COUNCILMAN ALBANESE: Right.

14 COUNCILWOMAN FERNANDEZ: Let me just
15 clarify.

16 COUNCILMAN ALBANESE: Sure.

17 COUNCILWOMAN FERNANDEZ: It was much
18 narrower than this current bill?

19 COUNCILMAN ALBANESE: In some respects.

20 COUNCILWOMAN FERNANDEZ: It's limited
21 to services we call -- that have been privatized
22 or directly contracted out, many of which used to
23 be city functions but now were privatized or
24 contracted out.

25 COUNCILMAN ALBANESE: Right.

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2 COUNCILWOMAN FERNANDEZ: Is that

3 correct --

4 COUNCILMAN ALBANESE: Right.

5 COUNCILWOMAN FERNANDEZ: -- these fours

6 areas that you mentioned?

7 COUNCILMAN ALBANESE: That's correct.

8 As a matter of fact, the city, under Mayor

9 Giuliani, privatized services like custodial, like

10 clerical help. We used to hire more civil

11 servants in the city of New York since the Mayor

12 came into office. Some of those services were

13 privatized, particularly in those areas --

14 security.

15 And these contractors, by and large,

16 were not paying the workers a living wage. And

17 those -- that's why we targeted those four areas.

18 It includes a lot of workers 15 to 16,000

19 workers. And it's in those areas where those

20 services were privatized that we saw the largest

21 abuse by contractors.

22 COUNCILWOMAN FERNANDEZ: Okay. And

23 security people. Those -- here we have -- I mean,

24 did -- are these like private security guards.

25 COUNCILMAN ALBANESE: Right.

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2 COUNCILWOMAN FERNANDEZ: Or something?

3 COUNCILMAN ALBANESE: That's correct.

4 COUNCILWOMAN FERNANDEZ: For example --

5 COUNCILMAN ALBANESE: For example,

6 homeless shelters in the city, they have to hire

7 security officers at those homeless shelters.

8 Prior -- a few years ago, maybe ten years ago, the

9 Human Resources Administration provided those

10 employees. They were civil servants. As of late,

11 they were privatized. So those security

12 officers were being paid \$5 an hour, whatever the

13 minimum wage was. As a result of our bill, it

14 increased.

15 But there are a number of areas where

16 security officers are used -- in welfare centers,

17 in hospitals. The city does a lot of contracting

18 out because security is an important service. And

19 that is an area that we focussed in on.

20 COUNCILWOMAN FERNANDEZ: And has your

21 office or the city or the Mayor's office in New

22 York made any analysis of the effect -- of the

23 economic effect of the bill?

24 COUNCILMAN ALBANESE: That's

25 interesting.

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2 COUNCILWOMAN FERNANDEZ: Has it been in
3 effect long enough even?

4 COUNCILMAN ALBANESE: It's been in
5 effect two years now. And it's interesting
6 because one of the primary arguments against this
7 bill is that it will cost the city an awful a lot
8 of money -- \$16 million, which is a drop in the
9 bucket, in a \$34 billion budget was laid aside to
10 deal with this alleged increase to the city of New
11 York. I can tell you that the increase was
12 negligible. I don't think we even came close to
13 spending more than 10 million.

14 And the other interesting aspect of
15 this is that the administration who opposed this
16 bill won't even release the numbers.

17 But we do have numbers from Baltimore.
18 It's been in effect there since 1994, and there's
19 been virtually no increase to the city's
20 expenditures as a result of this legislation. And
21 we maintained early on that many of the
22 contractors could absorb the increase -- slight
23 increase in wages.

24 And, as you know, they can choose not
25 to bid for these jobs, but there's been no

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2 shortage of these people bidding for these jobs,
3 which means the profit is there, and it's
4 handsome. No one has said, since this bill has
5 been passed, "We don't want to bid on this work
6 anymore." The bidding continues and it continues
7 extensively.

8 So what we said originally, the
9 proponents of the bill, was accurate; it had no
10 economic impact at all. There's been no move to
11 reverse the legislation. The only move is to
12 expand it to other areas.

13 (Applause.)

14 COUNCILWOMAN FERNANDEZ: So are you
15 saying that the city of New York, the government
16 of the city of New York, has or has not done any
17 significant analysis of the effects?

18 COUNCILMAN ALBANESE: The controller's
19 office has done a preliminary analysis which shows
20 very little impact, almost no impact at all, but
21 we're still collecting data as we go along.

22 COUNCILWOMAN FERNANDEZ: Is that --

23 COUNCILMAN ALBANESE: But we do have --
24 I'm sorry.

25 COUNCILWOMAN FERNANDEZ: Is that a

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 public document?

3 COUNCILMAN ALBANESE: Yes, I'm sure,
4 sure. Would you like --

5 COUNCILWOMAN FERNANDEZ: So it's the
6 controller's office in New York.

7 COUNCILMAN ALBANESE: Right. Allen
8 Hennessey (ph.) is the controller. His office was
9 charged with doing the analysis. You can
10 certainly solicit it from him.

11 COUNCILWOMAN FERNANDEZ: Thank you very
12 much.

13 COUNCILMAN ALBANESE: Sure, thank you.

14 COUNCILMAN NUTTER: Councilman, one
15 last quick question, at least for myself.

16 What's the total workforce for the city
17 of New York?

18 COUNCILMAN ALBANESE: The civil service
19 workforce? It's 190,000. These are civil
20 servants, municipal workforce, 190.

21 COUNCILMAN NUTTER: Right. 190,000?

22 COUNCILMAN ALBANESE: Yes. It's a big
23 town.

24 COUNCILMAN NUTTER: Yes. It's more
25 people than live in my district. Okay..

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2 COUNCILMAN ALBANESE: Are you asking
3 about the contracting-out workforce, is that what
4 you're asking about?

5 COUNCILMAN NUTTER: Well, yeah, because
6 you mentioned, I think, the figure of 16,000.

7 COUNCILMAN ALBANESE: Right.

8 COUNCILMAN NUTTER: And I just kind of
9 want to do complete the rest of that equation.

10 COUNCILMAN ALBANESE: Right.

11 COUNCILMAN NUTTER: As compared to
12 what? So it's 16,000 out of the 190?

13 COUNCILMAN ALBANESE: No, no, no. The
14 190,000 are civil servants.

15 COUNCILMAN NUTTER: Right.

16 COUNCILMAN ALBANESE: We do not -- one
17 of the problems that we have in New York City,
18 which we're trying to address, is the
19 contracting-out budget of the city is a huge
20 budget, \$8 billion.

21 COUNCILMAN NUTTER: Okay.

22 COUNCILMAN ALBANESE: And there's very
23 little information of how many employees are, what
24 they're paying these employees. We will know now,
25 in these four sectors, how many employees there

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2 are and what they're paying these employees.

3 As far as the rest of --

4 COUNCILMAN NUTTER: So the \$8 billion
5 is the kind of off-to-the-side.

6 COUNCILMAN ALBANESE: Exactly.

7 COUNCILMAN NUTTER: It's all for budget
8 contracted-out services --

9 COUNCILMAN ALBANESE: Exactly.

10 COUNCILMAN NUTTER: -- for private
11 contractors, people who are not members of the
12 municipal workforce --

13 COUNCILMAN ALBANESE: That's right.

14 COUNCILMAN NUTTER: -- for New York.

15 COUNCILMAN ALBANESE: That's right.

16 Now, I happen to believe, and some
17 others, that there's of fraud and there's plenty
18 of collusion involved in the whole contracting-out
19 budget. And it's almost like a dark hole. No one
20 can really find out how many employees there are,
21 what the contractors are paying people. And
22 there's a lot of work that has to be done in that
23 area.

24 So I can't -- I cannot give you any
25 numbers as far as how many are working for

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2 contractors, but we do know -- we do know that in
3 those four areas, we'll have accurate information.

4 And one of the objectives of this bill
5 was to help the taxpayers as well because the
6 taxpayers have a right to know how many people
7 work for contractors and what they're paying these
8 contractors.

9 COUNCILMAN NUTTER: Right.

10 COUNCILMAN ALBANESE: It was almost
11 like a Sunshine Law kind of effort. Not only was
12 it to help the workers but also to help the
13 taxpayers discover what is going on.

14 COUNCILMAN NUTTER: Right.

15 COUNCILMAN ALBANESE: Are there any
16 abuses going on, we need data, we need
17 information. And that information is still not
18 available, with the exception of these four areas.

19 COUNCILMAN NUTTER: Okay. The Chair
20 recognizes Councilwoman Tasco and then Councilman
21 Cohen.

22 COUNCILWOMAN TASCO: Thank you.
23 Welcome to Philadelphia.

24 COUNCILMAN ALBANESE: Thank you.

25 COUNCILWOMAN TASCO: I'm not clear on

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2 the four areas that your legislation covers in New
3 York.

4 COUNCILMAN ALBANESE: Food processors,
5 people who process food and serve food in the
6 city, who work for contractors. For example,
7 there's a company called Marymount (ph.) that
8 makes meals, prepares meals for homeless people in
9 homeless shelters in the city. They're food
10 processors.

11 They work -- there's a company --

12 COUNCILWOMAN TASC0: Are they
13 contractors?

14 COUNCILMAN ALBANESE: That's right.
15 The city --

16 COUNCILWOMAN TASC0: Are they
17 contracted through the city?

18 COUNCILMAN ALBANESE: The city --

19 COUNCILWOMAN TASC0: These are all
20 people who work --

21 COUNCILMAN ALBANESE: That's right.

22 COUNCILWOMAN TASC0: Who contract --

23 COUNCILMAN ALBANESE: That's right.

24 COUNCILWOMAN TASC0: Who subcontract
25 with the city.

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2 COUNCILMAN ALBANESE: In other words,
3 the city of New York has an agency, Human
4 Resources Administration. They're responsible for
5 general welfare for the welfare program in the
6 city of New York.

7 They contract out with contractors to
8 prepare food, and I'm just giving you the example
9 of one company 'cause that was -- there was a
10 scandal involved called Marymount.

11 The other area are janitors, custodial
12 workers who take care of buildings for the city of
13 New York. And a lot of those services have been
14 contracted out.

15 Security guards that are hired by
16 contractors who are in contract with the city.
17 And office temps. There's a huge army of
18 temporary workers the city's hiring.

19 We had a witness who testified he was
20 being paid \$5 an hour by a contractor. The
21 contractor was being pay by the City \$16 an hour
22 to provide the service -- the worker got \$5, the
23 contractor got \$11. So that under our bill, he
24 will be earning \$12 an hour, or \$10 an hour in
25 that particular area.

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2 So that's what we're talking about.

3 Those are the four areas. Is that clear or --

4 COUNCILWOMAN TASC0: Sure, that's
5 clear.

6 Now, you said you might want to go to
7 day care.

8 COUNCILMAN ALBANESE: Right.

9 COUNCILWOMAN TASC0: You run day-care
10 programs in New York?

11 COUNCILMAN ALBANESE: In New York City,
12 right.

13 COUNCILWOMAN TASC0: You run day-care
14 programs, the city runs day-care programs?

15 COUNCILMAN ALBANESE: The City
16 contracts out.

17 COUNCILWOMAN TASC0: Day-care
18 services?

19 COUNCILMAN ALBANESE: For day-care
20 services. There are many contractors who provide
21 those services. Those workers are not covered by
22 this legislation. There's pending legislation to
23 help those workers.

24 Home health aids, for example, that
25 take care of senior citizens are not covered by

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2 this legislation. There are thousands of those
3 workers that are being paid \$5 an hour, or
4 whatever the minimum wage is now, 5.25 an hour,
5 and we want to see their wages elevated as well.

6 COUNCILWOMAN TASC0: But these are home
7 health aids workers who would have employed by the
8 city but you contract those out?

9 COUNCILMAN ALBANESE: Right.

10 COUNCILWOMAN TASC0: So all of the work
11 that your legislation covers has to do with --

12 COUNCILMAN ALBANESE: Contractors.

13 COUNCILWOMAN TASC0: -- with contracts
14 with the City of Philadelphia (sic).

15 COUNCILMAN ALBANESE: That's right.

16 COUNCILMAN NUTTER: New York.

17 COUNCILWOMAN TASC0: Tell me about the
18 nonprofits. We have community development block
19 grant providers with the City of Philadelphia.
20 Are they covered in New York? People who have
21 community development block grant money run
22 programs funded by the city, are they covered?

23 COUNCILMAN ALBANESE: No nonprofits are
24 covered by this legislation in New York. I think
25 they should be covered, but they're not covered.

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2 COUNCILWOMAN TASC0: Okay, let me see
3 Wait a second here. . .

4 Now, who monitors the program in New
5 York? The reports are filed with what
6 department?

7 COUNCILMAN ALBANESE: The New York City
8 controller. We have a controller who's been
9 charged with the auditing of city services and
10 certifying the budget. He's elected by all of the
11 people in the city, and he's charged with
12 reporting mechanisms for making sure that the
13 information is accurate.

14 And we have some stiff penalties in
15 there for contractors trying to get around the
16 law, stiff fines. And, also, if you're a repeat
17 offender, you could be jailed. So it's a pretty
18 hard and fast effort to make sure that they comply
19 with the law.

20 But he's in charge of that audit.

21 COUNCILWOMAN TASC0: This question may
22 have been asked earlier, I thought it was. My
23 hearing is not too good, I'm getting old ears.

24 Did you say that there was no
25 significant increase of the cost of him to do

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2 this?

3 COUNCILMAN ALBANESE: That's right,

4 that's right.

5 COUNCILWOMAN TASC0: No significant

6 increase?

7 COUNCILMAN ALBANESE: That's correct.

8 And the city of Baltimore, which has had this bill
9 in effect since 1994, has even better data which
10 shows very little increase to the city, if any at
11 all.

12 COUNCILWOMAN TASC0: When a company is
13 bidding on a city contract, do they submit to you
14 a budget for what they plan, how they plan to
15 spend the money? Do they have to submit that?
16 They just bid on the contract?

17 COUNCILMAN ALBANESE: They bid.

18 They're supposed to -- they bid on the contract.
19 It's the lowest responsible bidder, that's the
20 standard that's used in the city of New York.

21 If an agency puts out a contract, they
22 bid on it, they have to provide some schematic of
23 how they will accomplish their objective. There's
24 a time frame that they have to buy into.

25 But the contract in our process in the

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2 city could really use some shoring up in New
3 York. I don't know how it is Philadelphia, but
4 the information is of a general nature with a
5 price, and the contractors then are chosen by that
6 standard, the lowest most responsible bid.

7 COUNCILWOMAN TASCO: Well, wouldn't you
8 be able to get a feel for how they plan or what
9 they plan to pay if, in the bidding process, they
10 outline what they plan to spend on wages?

11 I mean, we need to know how they
12 determine -- how they get to the bottom line of
13 the lowest of the bids?.

14 COUNCILMAN ALBANESE: There is no --
15 there is no mandate in the contracting process for
16 demonstrate -- for pointing out what you're going
17 pay today workers. That's not in the document
18 when you apply for a contract for the city of New
19 York.

20 Under our bill, under the living-wage
21 bill that we passed in those four areas, the
22 contractors now have to submit certified payrolls
23 with how many employees they have on staff and
24 what they're paying those employees to make sure
25 that they comply with the living-wage law.

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2 But, as I pointed out before, the
3 contracted-out budget of the city is huge budget,
4 \$8 billion. And a lot of what goes on there, in
5 my opinion, is done in a very -- almost secretive
6 fashion. I mean, it's not clandestine, but
7 there's a lot of --

8 (Interruption by unidentified person
9 shouting from audience.)

10 COUNCILWOMAN TASC0: Excuse me, excuse
11 me, excuse me.

12 (Continuing interruption by same
13 unidentified person in audience.)

14 COUNCILMAN NUTTER: Ma'am, I said
15 earlier, we are trying to conduct a dignified
16 public hearing. If you have something that you'd
17 like to say, please put your name on the witness
18 list, we'll be pleased to hear you at the table.

19 The Councilwoman's asking a question,
20 the gentleman's trying to respond. These kinds of
21 outbursts are not helpful.

22 Thank you.

23 COUNCILWOMAN TASC0: If. . . Oh, is
24 all of your subcontracting done through your
25 procurement department, or can individual

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2 departments contract out?

3 COUNCILMAN ALBANESE: The general
4 contractor hires the subcontractors, and they're
5 covered under our legislation. In other words,
6 there's a general contractor; he or she can hire
7 subcontractors.

8 COUNCILWOMAN TASC0: And that's what I
9 wanted. The question is: The contractors that do
10 business with the city, are they -- do they all
11 bid through your procurement department, or can
12 they bid through individual city agencies?

13 COUNCILMAN ALBANESE: They bid through
14 individual city agencies, but there's a policy
15 procurement board that oversees the whole
16 process. They bid through individual agencies.
17 The bid goes through those agencies. And then
18 they're also under an umbrella of the policy
19 procurement board, which checks to make sure that
20 the contract is of a reasonable price.

21 But, as I said before, the oversight is
22 really skimpy at best, but it's through the direct
23 agencies.

24 COUNCILWOMAN TASC0: What was the
25 average wage that was being paid during the course

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2 of your hearings? Did you discover the average
3 costs being paid to the average worker?

4 COUNCILMAN ALBANESE: We had many
5 witnesses that came forward during this period of
6 testimony. And in the office temp area, it was \$5
7 an hour at that time 'cause the minimum wage was
8 4.25 an hour. While in the private sector, in the
9 non-contractor sector, office temps were being
10 paid \$12 an hour.

11 In the area of security guards, it was
12 \$5 an hour.

13 In the areas of janitorial services, it
14 was the minimum wage.

15 COUNCILWOMAN TASCO: So you were paying
16 minimum wage, but they were paying more than that
17 in the private sector.

18 COUNCILMAN ALBANESE: Much more, much
19 more.

20 COUNCILWOMAN TASCO: Okay. Thank you,
21 Mr. Chairman.

22 COUNCILMAN NUTTER: A quick question
23 from Councilwoman Fernandez, which, I think, was a
24 follow-up to Councilwoman Tasco, and then
25 Councilman Cohen.

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2 COUNCILWOMAN FERNANDEZ: Okay.

3 Councilman, in your bill that passed in New York,
4 how do you -- what formula do you use to
5 continually adjust the amount of what's considered
6 a living wage? Do you gear it to the consumer
7 price index or poverty level? Or what id you
8 use?

9 COUNCILMAN ALBANESE: We used the
10 federal poverty guidelines for a family of four.
11 In New York City, it was about \$24,000 a year.

12 Under the bill that passed, what the
13 controller does is, he does a survey of the
14 prevailing wage in the private sector in those
15 four areas to also weave that into the equation,
16 into the formula for adjusting wages in those
17 areas.

18 COUNCILWOMAN FERNANDEZ: Is that in the
19 legislation, or are you just --

20 COUNCILMAN ALBANESE: It's in the
21 legislation.

22 COUNCILWOMAN FERNANDEZ: Okay, thank
23 you.

24 COUNCILMAN NUTTER: Councilman
25 DiCicco.

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2 COUNCILMAN DICICCO: Thank you, Mr.

3 Chair.

4 Good afternoon, Mr. Albanese.

5 COUNCILMAN ALBANESE: Good afternoon.

6 COUNCILMAN DICICCO: You may have said
7 this earlier, but I may have missed it also. I,
8 too, like Councilwoman Tasco, am getting a little
9 bit older, and my hearing's starting to fail.

10 What was the living wage in New York
11 now as a result of your bill?

12 COUNCILMAN ALBANESE: It varies based
13 on what they're paying in the non-contract private
14 sector. In the area of office temps, it's between
15 10 and \$12 an hour. In the area of security, it's
16 about \$8 an hour.

17 So it varies based on the controller's
18 analysis and audits.

19 COUNCILMAN DICICCO: Do you have any
20 idea as to what the cost of living in New York
21 versus the cost of living in Philadelphia?

22 And do you know how that would relate
23 to the number that you reached to determine what
24 the living wage should be for a particular job?

25 COUNCILMAN ALBANESE: Well, my original

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 bill called for wages of \$12 an hour for contract
3 employees with the city of New York based on the
4 federal poverty guidelines.

5 I think Councilmember Ortiz's bill is
6 doing is calibrating that to the cost of living in
7 Philadelphia, which is about \$7.90 an hour, which
8 would bring a family of four over the federal
9 poverty guidelines.

10 COUNCILMAN DICICCO: So you're using a
11 similar formula in New York.

12 COUNCILMAN ALBANESE: That's right.

13 COUNCILMAN DICICCO: So that's where
14 the comparison would be.

15 COUNCILMAN ALBANESE: That's right. And
16 it's much more expensive, as you know, in New York
17 City. The rents are through the roof and --

18 COUNCILMAN DICICCO: Oh, I know, \$800
19 for a one-room apartment.

20 COUNCILMAN ALBANESE: Right.

21 COUNCILMAN DICICCO: Would you happen
22 to know if there was any increase to the city's
23 budget that was realized as a result of the
24 implementation of the living-wage bill?

25 COUNCILMAN ALBANESE: I can tell you

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 there were \$16 million that were laid aside that
3 were budgeted for the living-wage bill. And I
4 don't think it went over 10 million. As a matter
5 of fact, I'm trying to get the information now. I
6 believe it might be even less than 5 million.

7 The costs have been negligible because
8 -- the Administration, who vetoed this bill,
9 would have used that information by now and would
10 have said, Look, we told you so. This is going to
11 cost an astronomical sum of money. It certainly
12 hasn't gone over what we budgeted.

13 Now, in New York City we have a \$34
14 billion budget. And we give away literally
15 hundreds of millions of dollars in tax breaks to
16 corporations and real estate developers in the
17 city.

18 I mean, even if it cost \$16 million, I
19 mean, look at the inequity here. When it comes to
20 workers who live in the city of New York, who have
21 to survive in the city of New York, they're going
22 to make a big issue of \$16 million? And some
23 have. Well, we're giving away the store to big
24 business in the city. They should be balanced.

25 But my point is that it's negligible in

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2 terms of cost because the contractors usually eat
3 the increase, which is the way it's been working
4 in other cities.

5 COUNCILMAN DICICCO: Thank you. No
6 further questions.

7 COUNCILMAN NUTTER: I recognized them
8 earlier -- Councilman Cohen and then Councilwoman
9 Miller.

10 COUNCILMAN COHEN: Thank you, Mr.
11 Chairman. Welcome to Philadelphia.

12 COUNCILMAN ALBANESE: Thank you,
13 Councilman.

14 COUNCILMAN COHEN: (Inaudible, off
15 mike.)

16 COUNCILMAN NUTTER: Councilman Cohen,
17 we need your microphone.

18 COUNCILMAN COHEN: Tell me if this is
19 working.

20 You know, whenever we discuss tax
21 breaks in Philadelphia, and it's frequent, when
22 the money is going to corporate groups, we always
23 have visitors coming from other areas of the
24 country to tell us how good it is.

25 I can just tell you it's very

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2 refreshing to have somebody here to speak on
3 behalf of some advances on behalf of ordinary
4 people, working people.

5 (Applause.)

6 COUNCILMAN COHEN: And we want to thank
7 you for that.

8 Incidentally, when this matter was
9 discussed in New York, did you have visitors like
10 yourself coming from another city, testifying?

11 COUNCILMAN ALBANESE: We had several
12 witnesses from Baltimore that we brought in to
13 testify because they were the first city to
14 implement the law.

15 COUNCILMAN COHEN: Did anybody come
16 from the City of Philadelphia?

17 COUNCILMAN ALBANESE: No, no. We had a
18 Mr. Cohen came once to testify.

19 COUNCILMAN COHEN: David L. Cohen?

20 COUNCILMAN ALBANESE: Yes, to testify
21 on the progress of privatization in Philadelphia.

22 COUNCILMAN COHEN: During these
23 hearings?

24 COUNCILMAN ALBANESE: Not during these
25 hearings but during other hearings. It was a

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2 pleasure to meet him.

3 COUNCILMAN COHEN: Mm-hmm.

4 (Laughter.)

5 COUNCILMAN COHEN: We often heard from
6 David L. Cohen when he was the Chief of Staff for
7 Mayor Rendell. But, apparently, the income from
8 the city job wasn't high enough, and he's now back
9 in private practice.

10 Let me ask you first, your city budget
11 includes school teachers, doesn't it?

12 COUNCILMAN ALBANESE: That's correct.

13 COUNCILMAN COHEN: I think, relatively
14 speaking, the budgets of Philadelphia and New York
15 are comparable when you take into account the fact
16 that New York City has a population 4-1/2 times
17 what that is in Philadelphia. And if we assume
18 that you were budgeting \$16 million, we'd have to
19 divide that figure by about 4, 4-1/2, or 5 to get
20 a picture of what it might cost in Philadelphia.

21 And the cost of 2 to 3 million in
22 Philadelphia was once described by Mayor Rizzo --
23 and this was a long time ago -- by his Finance
24 Director as saying, "Don't bother me with little
25 trivialities," because in a budget of several

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2 billion dollars a sum of a few million is
3 meaningless, except when it comes to providing
4 additional benefits for working people.

5 Now, when a working person -- I assume
6 you went into the area of -- when working people
7 earn money, doesn't that money get spent in
8 neighborhoods businesses?

9 COUNCILMAN ALBANESE: Absolutely. That
10 was one of the arguments that we made. They never
11 calculate that. Most of the people in New York
12 city that are affected by this legislation are
13 city residents. They're going to recycle those
14 dollars into the city's neighborhoods, the local
15 merchants, who will then of course pay tax to the
16 city.

17 So you're absolutely right. I think
18 that it actually is a net gain for the city rather
19 than a loss. Because in New York City, we have a
20 lot of civil servants who live outside the city of
21 New York, many of these contract employees who
22 live within the city's borders and spend their
23 money there.

24 COUNCILMAN COHEN: You know I just
25 think -- I think you're absolutely right. That's

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2 why when then there's tax on Social Security,
3 among the strongest supporters, in addition to
4 senior citizens and families that have senior
5 citizens, are local businesses.

6 COUNCILMAN ALBANESE: That's right.

7 COUNCILMAN COHEN: Because they know
8 that when a worker gets money, he or she doesn't
9 get enough money to salt it away; it goes right
10 back into the economy.

11 COUNCILMAN ALBANESE: And these are
12 working-class people that tend to shop in their
13 neighborhood. They don't get tend to go to New
14 Jersey or out to suburbia to shop; they tend to
15 shop in their neighborhoods. With the extra
16 income, they patronize local stores. And it will,
17 in turn, of course, enhance the city's economy and
18 tax base.

19 COUNCILMAN COHEN: And the last point,
20 Mr. Chairman, and it may be more in the form of a
21 comment.

22 I, for the life of me, can't understand
23 how anybody can argue against a living wage of \$8
24 an hour.

25 (Applause.)

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2 COUNCILMAN COHEN: It is so low.

3 COUNCILMAN ALBANESE: Well, I always
4 thought that paying people a living wage for an
5 honest day's work was as American as apple pie.

6 Apparently, the values have changed so
7 much in America that now we have a newspaper in
8 New York City called The Daily News that used to
9 be the working-class newspaper that called my plan
10 to pay people \$8 an hour a radical idea. That's
11 how bad things have come in terms of balance and
12 looking at this stuff.

13 I mean, I think it's a sad commentary
14 on people that are running this country and people
15 that are running these newspapers when they
16 consider a decent wage a radical idea. Something
17 is wrong somewhere.

18 COUNCILMAN COHEN: Did the labor
19 leadership in New York City support this bill?

20 COUNCILMAN ALBANESE: They did, they
21 did.

22 COUNCILMAN COHEN: They did.

23 COUNCILMAN ALBANESE: All labor
24 leadership was strong in its support strongly, as
25 well as the community-based groups, and some

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2 business people. There are people in the business
3 world that have vision and have compassion and
4 realized that's what good for workers is also good
5 for the economy.

6 A living wage is good for the economy,
7 it's good for families, it's good for business.
8 There are a lot of people with myopia in this
9 country.

10 (Applause.)

11 COUNCILMAN COHEN: Thank you, Mr.
12 Chairman.

13 COUNCILMAN NUTTER: Thank you,
14 Councilman. That is a great segue into our next
15 panel.

16 COUNCILMAN ALBANESE: Thank you.

17 COUNCILMAN NUTTER: Councilman, before
18 you leave, I think Councilwoman Miller has a
19 question.

20 COUNCILWOMAN MILLER: Thank you,
21 Councilman Nutter.

22 I have two questions of you,
23 Councilperson. What kind of impact did this bill
24 have on small and minority businesses in New
25 York?

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2 COUNCILMAN ALBANESE: None that I know
3 of. We had -- we didn't have opposition. There
4 was some concern from minority contractors at the
5 beginning of the process. But at the end of the
6 day, there was broad-based support.

7 We already have a prevailing wage law
8 that affects all construction contracts in the
9 city and throughout the state of New York. And I
10 maintain that the argument from the General
11 Contractors Association made is the best argument
12 for paying workers a living wage.

13 If you're a small contractor, you want
14 to be able to have -- you want employees that are
15 happy, that have high morale, they're not
16 throw-away workers, they could pay their rent,
17 they could put food on the table because
18 eventually they'll perform better, and you'll
19 continue to get contracts.

20 If you hire people and pay them a
21 minimum wage, and they can't pay their rent, they
22 can't put food on the table, those workers are not
23 going to be happy campers. So it makes no sense
24 not to pay them a living wage.

25 (Applause.)

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2 COUNCILWOMAN MILLER: So, therefore,
3 the passage of this bill in New York did not drive
4 small and minority businesses out of business?

5 COUNCILMAN ALBANESE: Absolutely not.

6 COUNCILWOMAN MILLER: Okay. I have one
7 other question. Did it have an impact on whether
8 businesses continued to want to do business in New
9 York or not even be interested in coming to New
10 York at all

11 COUNCILMAN ALBANESE: None whatsoever.
12 As I said before, the interesting thing about the
13 bill is that there has not been a reduction in the
14 number of bidders for these contracts. The
15 competition remains stiff in those four areas, by
16 the way.

17 There hasn't been a contractor who has
18 come forward and said, I can't pay these wages,
19 I'm can't not going to make any money. They're
20 paying decent wages, and they're making money, as
21 we maintained they would.

22 COUNCILWOMAN MILLER: Okay, one other
23 question. Of the \$16 million that New York put
24 aside, and you said you think they may have spent
25 about 5 million.

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2 COUNCILMAN ALBANESE: I think -- I mean
3 may -- you know, we -- all I can tell you is that
4 we're trying to find out exactly what it is.

5 COUNCILWOMAN MILLER: Okay. Well, what
6 did they spend it on, whether its 5 million, 10
7 million, or 16 million?

8 COUNCILMAN ALBANESE: Probably maybe
9 the bids went up a little bit because the
10 contractors increased their bids. That's really
11 -- that's the assumption behind the increased
12 spending, that the city's going to have to pay a
13 little bit more for contracts, that's the
14 assumption.

15 I don't believe it happened. I don't
16 believe it has happened. As I said before,
17 Councilmember, if it did drive up costs, we would
18 have a lot of people pointing fingers and saying,
19 We told you so. People like Albanese are going to
20 drive contractors out of business in this town.
21 It hasn't happened, and I'm looking forward to
22 seeing the data.

23 COUNCILWOMAN MILLER: Okay, thank you.

24 COUNCILMAN ALBANESE: Thank you.

25 (Applause.)

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2 COUNCILWOMAN TASC0: Councilwoman

3 Tasco.

4 COUNCILWOMAN TASC0: I just have one
5 final question.

6 COUNCILMAN ALBANESE: Yes, I'm sorry.

7 COUNCILWOMAN TASC0: Have you seen --
8 noticed any companies cutting down on the number
9 of employees as a result of having to pay the
10 higher wage? Have you seen a decline in
11 productivity?

12 COUNCILMAN ALBANESE: We have not, we
13 have not, we have not. As a--

14 COUNCILWOMAN TASC0: 'Cause they have
15 cut the number of employees to raise the wage?

16 COUNCILMAN ALBANESE: We haven't seen
17 any of that, we have not seen any of that, and I
18 don't believe we will.

19 COUNCILWOMAN TASC0: Okay, thank you.

20 COUNCILWOMAN MILLER: One other
21 question I have. This bill impacts full-time and
22 part-time employees in New York?

23 COUNCILMAN ALBANESE: All employees
24 that work for contractors under those -- in those
25 four categories, whether they be part-time or

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2 full-time.

3 COUNCILWOMAN MILLER: Okay, thank you.

4 COUNCILMAN NUTTER: Seeing no other
5 questions, Councilman Albanese, thank you very
6 much for coming to Philadelphia.

7 COUNCILMAN ALBANESE: Thank you.

8 (Applause.)

9 COUNCILMAN NUTTER: The next panel will
10 be a group of labor leaders or representatives
11 from various labor constituencies: Mr. Tom
12 Cronin, Mr. Joe Rauscher, Joe Shields, Art
13 Dougherty, Joe Fisher, Wendell Young, Reggie
14 Muldon, Van Cooper, Kathryn Black, Rosalyn Spiegel
15 and Rita Rosella.

16 (Applause.)

17 COUNCILMAN NUTTER: I also have on my
18 list a J.J. Johnson, from Service Employees
19 Union. If we could have all of those labor
20 representatives come forward.

21 (Members of labor representatives panel
22 come forward.)

23 COUNCILMAN NUTTER: Welcome to all of
24 you. Please identify yourselves for the record.

25 I'm sure that in the great labor

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2 tradition, you have figured out amongst yourselves
3 who's going first, and I will not attempt to make
4 that decision.

5 UNIDENTIFIED PERSON: (Inaudible, off
6 mike.)

7 COUNCILMAN NUTTER: Well, whoever is
8 speaking has to be at the table.

9 MR. RAUSCHER: We are going to try to
10 do this in some semblance of order. We're usually
11 accused of being labor and not too organized, but
12 I think we're going to be very well-organized.

13 COUNCILMAN NUTTER: I thought labor was
14 organized.

15 MR. RAUSCHER: Some people say it's an
16 oxymoron.

17 COUNCILMAN NUTTER: I understand.

18 MR. RAUSCHER: With that, I would like
19 to start off with the President of the American
20 Postal Workers here in Philadelphia, Art
21 Dougherty. Art?

22 (Applause.)

23 MR. DOUGHERTY: Thank you very much for
24 the opportunity to testify on behalf of the
25 living-wage bill.

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2 And, basically, I just want to echo
3 what Councilman Mariano and Councilman Cohen and
4 Councilman Ortiz have already said. Basically,
5 are we in a race to the top or are we on a race to
6 the bottom? And, in fact, I'm proud to be here on
7 behalf of the 4500 members of the American Postal
8 Workers Union here in Philadelphia.

9 (Applause.)

10 MR. DOUGHERTY: And I want to thank the
11 brothers and sisters in ACORN for raising this
12 issue and pursuing it in a diligent way.

13 (Applause.)

14 MR. DOUGHERTY: In fact, lowering the
15 wages puts pressure on good employers, like the
16 Postal Service. That's not to say that we don't
17 have disagreements with the Postal Service over
18 specific issues such as privatization.

19 But the fact is, the Postal Service and
20 the American Postal Workers Union require that the
21 Postal Service pay a living wage. Every employer
22 in the City of Philadelphia who doesn't meet that
23 requirement puts pressure on the Postal Service to
24 lower their wages.

25 We are in favor of the living wage in

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 Philadelphia. We recently -- and we're having a
3 demonstration on May 27th, at 30th Street. I want
4 to invite all Councilpersons and people from ACORN
5 to attend our demonstration.

6 (Applause.)

7 MR. DOUGHERTY: We have recently lost
8 200 jobs in Philadelphia at the air mail facility
9 basically as a result of privatization and
10 contracting out. And we are opposed to the
11 lowering of wages.

12 And, basically, the debate over a
13 living wage and health care is, as Councilman
14 Cohen has said, really unfathomable to me. So I
15 would urge the Council people to adopt this
16 living-wage proposal.

17 Thank you.

18 COUNCILMAN NUTTER: Thank you.

19 (Applause.)

20 MR. RAUSCHER: Thank you, Art.

21 Now I'd like to introduce Rita Rosella
22 from HERE Local, the Hotel Employees/Restaurant
23 Employees Local 274.

24 (Applause.)

25 MR. RAUSCHER: Just an aside. Rita's

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2 whole slate of local officers were reelected
3 yesterday, so you'll be dealing with Pat Coglein
4 (ph.) and a full slate of Local 274 officers for
5 three more years.

6 MS. ROSELLA: Thank you, Joe. Thank
7 you for giving us the opportunity to be here
8 today.

9 COUNCILMAN NUTTER: I'm sorry. Please
10 identify yourself for the record.

11 MS. ROSELLA: I'm Rita Rosella from
12 Local 274 Hotel Employees/Restaurant Employees.

13 We do support this bill. We urge you
14 to pass it. It would have a great impact on the
15 lives of many of our members who, as you know, are
16 employed at Veterans Stadium and the CoreStates
17 Center, as well as many other areas.

18 But in this particular instance, those
19 City contracts and this bill would affect those
20 members. They don't make 7.90 an hour. In fact,
21 they make lifetime commitments for part-time
22 jobs. Many of those people have been down there
23 for 20 years. They work other jobs to subsidize
24 the income that they make.

25 The reason that it is tolerable down

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2 there is because they have a union contract. Yes,
3 they have a pension fund. Yes, we fight for them,
4 and they grievance procedure, and that is why it's
5 tolerable.

6 But would this affect their lives in a
7 great way? Yes, it would. And do we urge you to
8 support it? We do.

9 (Applause.)

10 MS. ROSELLA: As the Councilman said,
11 they do vote in the area. In the Vet alone, there
12 are over 600 of our members who return season
13 after season.

14 So thank you, ACORN, for giving us the
15 opportunity to be here, and Joe Rauscher and
16 labor. And, again, we'll be watching this, and we
17 are urging your support on it.

18 Thanks.

19 COUNCILMAN NUTTER: Thank you. Miss
20 Rosella, quick questions for Miss Rosella.

21 MS. ROSELLA: Yes.

22 COUNCILMAN NUTTER: You mentioned that
23 you have some of your members, I guess, who
24 contract with whatever company is down at Veterans
25 Stadium.

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2 MS. ROSELLA: That's correct.

3 COUNCILMAN MARIANO: (Inaudible, off
4 mike.)

5 COUNCILMAN NUTTER: That's a different
6 hearing.

7 Are there other members that work or
8 have contracts with other parts of the City
9 government?

10 MS. ROSELLA: Sure. The CoreStates
11 Center is one off the top of my head right now.

12 MR. RAUSCHER: The airport.

13 MS. ROSELLA: The airport.

14 COUNCILMAN NUTTER: Right, we don't own
15 the CoreStates that's right not the CoreStates
16 Center.

17 MS. ROSELLA: Right, we don't own the
18 CoreStates Center. The airport.

19 COUNCILMAN NUTTER: The airport?

20 MS. ROSELLA: Mm-hmm.

21 COUNCILMAN NUTTER: Okay, all right.
22 Anywhere else, to your knowledge?

23 MS. ROSELLA: Off the top of my head,
24 no.

25 COUNCILMAN NUTTER: Okay.

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2 COUNCILMAN ORTIZ: Mr. Chairman, the
3 foods service at the prison is contracted out.

4 (Inaudible, off mike.)

5 COUNCILMAN NUTTER: Okay, all right,
6 Councilwoman Fernandez.

7 COUNCILWOMAN FERNANDEZ: Yes. Could
8 you supply us with, unless you know it off the top
9 of your head, the current wage scales and any kind
10 of benefits your union employees get at
11 particularly the Vet and the airport? CoreStates,
12 I would have to check because I don't think that's
13 a City-owned facility.

14 MS. ROSELLA: That's correct, that was
15 my mistake. I could supply that information to
16 you. At this moment in time, I don't have it.

17 COUNCILMAN NUTTER: That would be
18 fine. Thank you.

19 COUNCILWOMAN FERNANDEZ: And, also, any
20 kind of benefits they get or don't get.

21 MS. ROSELLA: I could supply that as
22 well.

23 COUNCILMAN NUTTER: Thank you.

24 Councilman Mariano.

25 COUNCILMAN MARIANO: Following

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2 Councilperson Fernandez's question, I suppose --
3 just a ballpark figure, what does somebody make
4 selling beer down the Vet?

5 MS. ROSELLA: \$6 an hour.

6 COUNCILMAN MARIANO: \$6 an hour. How
7 much does beer cost down the Vet? I don't drink
8 it.

9 MS. ROSELLA: \$5 an (unintelligible).

10 COUNCILMAN MARIANO: Okay, so two beers
11 your hourly pay's done, that's pretty much it.

12 (Applause.)

13 COUNCILMAN MARIANO: Mr. Chairman, on
14 that note, the woman that sells peanuts and hot
15 dogs down the Vet, how many beers can you sell an
16 hour?

17 I mean, I just graduated college the
18 last couple of years so my ciphering's not that
19 good. I'm sure Councilman Cohen's looking at me,
20 and his computer's already working.

21 How many beers can you sell an hour,
22 Dave? Now, it wasn't Connie Mack's -- it was
23 Baker Bowl when you worked down there.

24 (Laughter.)

25 COUNCILMAN MARIANO: But what was it,

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2 10 beers an hour? The ratio's incredible.

3 SO I mean if we can't do 7.90 an hour
4 for the poor person that's stuck in a part-time --
5 a part-time union, job by the way that's
6 represented greatly, and we're not even talking
7 about health-care benefits, are we, Rita? Do you
8 get any health-care benefits?

9 MS. ROSELLA: Yes, we --

10 COUNCILMAN MARIANO: For your part-time
11 work?

12 MS. ROSELLA: They do pay 'em for some
13 of us, yes, they do.

14 COUNCILMAN MARIANO: When you supply
15 all of that to Councilwoman Fernandez, can you
16 give us all of that so we can how much the
17 health-care benefit package is and everything.

18 MS. ROSELLA: Mm-hmm.

19 COUNCILMAN MARIANO: Thank you, Mr.
20 Chairman. Thank you, Miss Rosella.

21 (Applause.)

22 MR. RAUSCHER: Mr. Chairman and panel,
23 I would now like to introduce Kathy Black. Kathy
24 is the Regional Director or the Regional President
25 of CLUE here in the Philadelphia, the Coalition of

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 Labor Union Women, and she's also a member of the
3 staff of District Council 47. Kathy?

4 (Applause.)

5 MS. BLACK: Thank you, Joe.

6 Good afternoon. Thank you for the
7 opportunity to appear today and speak to you in
8 support of living-wage Bill No. 970586.

9 My name is Kathy Black. I am President
10 of the Philadelphia Chapter of the Coalition of
11 Labor Union Women, better known as "CLUE," and the
12 Health and Safety Coordinator for District Council
13 47.

14 CLUE is a national organization of
15 union women, with chapters in dozens of cities
16 around the country, which works to improve the
17 lives of working women through national
18 legislation and local action.

19 Our national president, Gloria Johnson,
20 has spoken publicly in support of living-wage
21 ordinances generally. And our sister chapters in
22 other cities -- notably Los Angeles, Oakland and
23 Boston -- have been coalition partners working for
24 passage of bills similar to this one, as we have
25 been active here in Philadelphia.

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2 On behalf of thousands of union women
3 in the Philadelphia area, I am here today to voice
4 our absolutely enthusiastic support for the
5 Philadelphia wage bill.

6 On average, union women make about 30
7 percent more than women in similar nonunion jobs.
8 And, for the most part, this means we make a
9 living wage. It also means we are more likely to
10 experience pay equity with men in similar
11 occupations.

12 However, this is not the case for the
13 vast majority of women workers in this country.
14 Nationally, the median annual earnings for
15 year-round full-time women workers were only 73.8
16 percent of men's earnings. There's been a gradual
17 closing of this pay gap over the last 20 years,
18 but when I say "gradual," it means it will be
19 another 35 years or so, at this rate, before the
20 wage gap is closed.

21 Minority women, of course, fare much
22 worse, earning only 67 percent of what men earn.
23 And, unfortunately, here in Philadelphia, women
24 fare even worse than that. Statewide, women earn
25 an average of only 65.5 percent of men's earnings

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2 placing, placing us an embarrassing 38th among the
3 50 states in pay-equity ranking.

4 Nationwide, women make up almost 60
5 percent of low-workers; that is, those who are
6 making less than 6.15 an hour. In 1995, 77
7 percent earned less than \$25,000 a year. And
8 that's a whopping 24 percent higher than the
9 percentage of men working for those wages.

10 Once again, Pennsylvania lags behind
11 these national averages as well. In 1995, 74
12 percent of our state's working women were earning
13 these poverty wages. And while these statistics
14 are Statewide and not Philadelphia-specific,
15 frankly, there's no reason to believe that we do
16 not conform to the State model.

17 Given the level of the poverty in our
18 city, as you're going to be hearing about from
19 other speakers today, it's a safe bet that
20 Philadelphia statistics would not be any better.

21 These wage gaps exist in part because
22 women and people of color are still segregated
23 into a few low-paying occupations. More than half
24 of all women workers hold sales, clerical, and
25 service jobs. Studies show that the more an

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2 occupation is dominated by women or people of
3 color, the less it pays.

4 Part of that wage gap results from
5 differences in education and experience, but a
6 significant portion cannot be explained away by
7 any of those factors. It is attributable strictly
8 to discrimination. In other words, certain jobs
9 pay less simply because they are held by women and
10 people of color.

11 Many of the jobs that would be affected
12 by this proposed law are exactly these kinds of
13 jobs -- low-paid service and clerical positions, a
14 large percentage of which are likely to be filled
15 by Philadelphia women. Many of these women will
16 be single mothers struggling to provide adequate
17 child care, food, shelter, and clothing for their
18 families. They cannot possibly do so on 5.15 an
19 hour, no matter how many hours they work --

20 (Applause.)

21 MS. BLACK: -- no matter how many
22 part-time jobs they manage to string together, and
23 no matter how much family support they might have.

24 Although we're calling 7.90 a living
25 wage for purposes of this bill, those of us who

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2 are making comfortable middle-class salaries know,
3 if we're honest, that attempting to support a
4 family of 4 on \$16,000 a year is excruciatingly
5 difficulty.

6 Also, parenthetically, as a
7 Philadelphia homeowner and a single parent, I make
8 a lot more than that. I make a comfortable
9 middle-class living, I'm the sole support for two
10 teenage girls, one of whom is in college, and I'm
11 barely making it. And how these women do it on
12 \$16,000 or less is just a miracle.

13 (Applause.)

14 MS. BLACK: Even opponents of
15 minimum-wage increases are the first to admit that
16 the increase over the past 20 years haven't kept
17 pace with inflation, not even close.

18 As a homeowner and taxpayer and citizen
19 of this city. I want to see my city government
20 provide greater accountability how tax dollars are
21 spent. I do not want my tax dollars spent
22 subsidizing low-wage jobs which force Philadelphia
23 families to live in poverty.

24 (Applause.)

25 MS. BLACK: Passage of a living-wage

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2 ordinance will not eradicate poverty and pay
3 inequity in Philadelphia, but it will help. It
4 could help lift thousands of families above the
5 threshold where they must make weekly choices
6 between paying the rent or the electric bill.

7 (Applause.)

8 MS. BLACK: Between buying school shoes
9 or groceries. It will send a message to citizens
10 and businesses that the City's elected officials
11 oppose pay discrimination, that they're concerned
12 about the welfare of our poorest citizens, that
13 they recognize that families cannot thrive on
14 poverty wages, and that they believe that they
15 have an obligation to voters and taxpayers to use
16 their hard-earned dollars in a socially-
17 responsible manner.

18 The members of CLUE calling you to vote
19 yes for a living wage for Philadelphians. We ask
20 to make sure that Philadelphia joins the 19 other
21 cities who have passed similar legislation.

22 Philadelphia voters are watching, the
23 nation is watching. Please make us proud.

24 COUNCILMAN NUTTER: Thank you.

25 (Applause.)

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2 MR. RAUSCHER: Next, Mr. Chairman, I'd
3 like to introduce Joe Shields, from SEIU, Service
4 Employees Union Local 36. Joseph?

5 (Applause.)

6 MR. SHIELDS: Good afternoon. My name
7 is Joe Shields. I'm an organizer with SEIU Local
8 36. On behalf of SEIU Local 36, I'd like to thank
9 you for being here today and for holding this
10 hearing and for ACORN's work and all of the
11 communities and religious organizations and labor
12 unions that have come together to fight for a
13 living wage for the workers of the City of
14 Philadelphia.

15 We strongly support this bill that's
16 before City Council. Our union has done a great
17 amount of work trying to see this ordinance pass.
18 And SEIU has also taken the front road in terms of
19 organizing a Statewide effort for a living wage
20 for workers.

21 We represent some of the lowest-paid
22 workers in Philadelphia, the people that are
23 struggling to take care of their kids, the people
24 that are struggling to put food on the table, the
25 people that are struggling to just get by.

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2 And the only reason that they're able
3 to get by is because they make a living wage
4 'cause they're union (unintelligible.), and they
5 took the responsibility for themselves to fight
6 for something and to win a living wage.

7 (Applause.)

8 MR. SHIELDS: Unfortunately, not
9 everybody in this city and not every worker in
10 this city is in that situation. We are currently
11 organizing a massive suburban campaign of janitors
12 in suburban Philadelphia where most of our work
13 has gone in the last 5 to 10 years, where people
14 make as low 60 to \$80 a week, where \$20 of their
15 paycheck each week goes to SEPTA just to get to
16 and from work.

17 (Applause.)

18 MR. SHIELDS: These are people who are
19 struggling -- janitors who are struggling just to
20 get by. And, again, they're standing up for
21 themselves and taking the responsibility on
22 themselves to earn and to fight for and to win a
23 living wage.

24 And, basically, as we see it, the
25 question before City Council is: Are you going to

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2 go with them? Are you going to step up to your
3 responsibility to do what workers have already
4 started to do to win a living wage for themselves
5 and support their effort?

6 It's our taxpayer dollars that are
7 going to the City contracts, tax abatements, the
8 different dollars that have supported corporations
9 and businesses in this city. And all we're asking
10 for is a small piece of that back.

11 (Applause.)

12 MR. SHIELDS: At a meeting last week
13 with religious leaders and clergy on living wage
14 in our suburban organizing campaign, our
15 president, Mike Russo, said it simply: "We're not
16 looking to get rich, we're just looking to live."

17 (Applause.)

18 MR. SHIELDS: We hope Council hears our
19 concern and takes the responsibility that they
20 should be taking and acts on this ordinance and
21 passes a living wage.

22 Thank you.

23 (Applause.)

24 COUNCILMAN NUTTER: Mr. Shields one
25 quick question. As I had asked Ms. Rosella, can

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2 you tell me some of the contractors that your
3 members work for, that have contracts with the
4 City of Philadelphia?

5 MR. SHIELDS: My understanding is that
6 most of the contracts with the City is with
7 (unintelligible) and cleaning companies. In City
8 Hall, the janitors here are with Local 36.

9 I don't have all the available
10 information in terms of who the various City
11 contracts are with, but like I said, most of the
12 contracts that we have and most that our janitors
13 have are long-term employees.

14 So the effect of the living wage, quite
15 honestly, would be negligible on our membership.
16 It's more --

17 COUNCILMAN NUTTER: Because they're
18 already making more?

19 MR. SHIELDS: Because they're already
20 making more than a living wage or close to it.

21 The issue with us is sort of sending a
22 message to the City of Philadelphia and setting a
23 standard. Largely most of our work that we've
24 lost, and that has gone out in the public sector
25 -- in the private sector. It's gone out to the

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2 suburbs.

3 And that's really where our battle is,
4 below sub-poverty wages, where people are making
5 5.50, you know, an hour without any health
6 benefits or anything like that.

7 I can get more of that information as
8 well.

9 COUNCILMAN NUTTER: It would be helpful
10 if you know of other places where SEIU workers are
11 working for contractors and those contractors have
12 contracts with the City of Philadelphia. It would
13 be helpful to have that kind of information.

14 MR. SHIELDS: Mm-hmm.

15 COUNCILMAN NUTTER: Thank you.

16 (Applause.)

17 MR. RAUSCHER: I was just reminded that
18 the hotel workers also represent the people in the
19 Convention Center.

20 COUNCILMAN NUTTER: Right.

21 MR. RAUSCHER: That's another part of
22 it.

23 COUNCILMAN NUTTER: Sure, right.

24 MR. RAUSCHER: Next, Mr. Chairman and
25 committee, I would like to introduce Rosalind

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2 Spiegel, who's with the Jewish Labor Committee.

3 Rosalind?

4 (Applause.)

5 MS. SPIEGEL: Thank you, Joe. And
6 thank you, ACORN, for arranging this today. Thank
7 you, City Council, for these hearings. And for
8 all my colleagues here in the labor movement,
9 Kathy, thanks for those remarks about women. I
10 think that's important to know.

11 My name is Rosalind Spiegel. I'm the
12 Area Director of the Jewish Labor Committee here
13 in Philadelphia. It's a national agency and we
14 have an office here. I just have a brief
15 statement.

16 Respect for the dignity of labor and
17 support for workers' rights stems from biblical
18 commandments and the social justice imperative in
19 the Bible and other ancient Jewish sacred texts.
20 There are repeated decisions in the Talmud
21 concerning workers. And many decisions were
22 interpreted in order to favor workers in the
23 (unintelligible).

24 Take, for instance, the issue of shared
25 compensation for work. Linking wages to a living

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2 wage would sustain a flexible realistic wage,
3 wages that would be spent in our community and
4 only strengthen our economy.

5 A living wage reflects the Talmudic
6 principle that everything should follow local use
7 or custom. These incomes can add whole range of
8 benefits to minimum-labor standards and prevent
9 employers from making agreements less favorable
10 from prevailing wages and benefits.

11 The living wage adds just enough
12 compensation to lift a worker out of poverty
13 according to our local customs and economic
14 conditions.

15 How can we, in good conscience, allow
16 employers come into the City and pay
17 Philadelphians poverty wages? Can this be
18 considered fair compensation for work? How can it
19 be good for Philadelphia if an employer pays a
20 wage so low that it's own employees can't buy the
21 services they are provided?

22 Obviously, we can't rely solely on
23 business to ensure the conditions that would lift
24 families out of poverty, but we can and should
25 rely on you, the government that represents us.

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2 On behalf of the Jewish Labor
3 Committee, we urge you to pass the living-wage
4 bill.

5 (Applause.)

6 COUNCILMAN NUTTER:

7 MR. RAUSCHER: Next, Mr. Chairman and
8 committee, it's my great pleasure to introduce a
9 good friend and one of the driving forces of this
10 legislation, somebody that's been there every time
11 people less fortunate than ourselves, less
12 fortunate than union members, have needed a
13 friend, and he's always been there.

14 And I don't even think I have to
15 mention his, name but I'll do it anyway. The head
16 of District Council 47, Thomas Cronin.

17 (Applause.)

18 COUNCILWOMAN FERNANDEZ: Also known as
19 the movie star for Blue Cross, right?

20 (Laughter.)

21 COUNCILMAN NUTTER: Let me just add
22 that if I can stay in Joe Rauscher's good graces,
23 the next time I want an introduction, I want you
24 to be the person to introduce me somewhere.

25 Mr. Cronin.

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2 MR. CRONIN: Thank you, sir. Members
3 of City Council, ladies and gentlemen, that we are
4 assembled here today on behalf of a campaign
5 called "Living Wage" as we stand on the threshold
6 of the 21st century says volumes about the
7 priorities of America's economic management for
8 the last two decades.

9 For I can assure everyone, and most of
10 us in this chamber need no such assurance, that
11 the name "Living Wage" is not an exaggeration,
12 hyperbole or even mild rhetoric. It is, rather, a
13 plain fact of brutal irony, perhaps even an
14 indictment of an economic system out of control.

15 (Applause.)

16 MR. CRONIN: Millions of Americans are
17 working to maintain a level of poverty. That is
18 the definition of despair and a formula for
19 disaster. Is that the new American dream? A type
20 of debt-soaked high poverty that is a half step
21 above outright indigence?

22 Full-time employment at a single job at
23 the current minimum wage guarantees economic
24 failure. A minimum wage of 5.15 per hour is an
25 obscenity that flies in the face --

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2 (Applause.)

3 MR. CRONIN: -- of the landmark
4 legislation that originally created minimum-wage
5 protection.

6 The minimum-wage level in the United
7 States is a burden that is destroying hope. City
8 Council Bill 970586 is a first big step for
9 Philadelphia to begin to fight through this
10 dilemma of guaranteed poverty.

11 (Applause.)

12 MR. CRONIN: It is the City of
13 Philadelphia standing firm and stating that if you
14 do business with us, you pay us a fair wage.

15 (Applause.)

16 MR. CRONIN: It is saying that the
17 government of almost 1.5 million people will not
18 be a party to enforce poverty.

19 (Applause.)

20 MR. CRONIN: And this is how the living
21 wage will succeed city by city, region by region.
22 We are saying to Washington that a great nation
23 demands economic justice, that communities across
24 the country are dealing with a problem that can no
25 longer be avoided.

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2 Bill 970586 will not harm
3 Philadelphia. There are entrenched interests.
4 Doom-sayers who will always claim that a fair wage
5 will destroy a competitive economic environment.
6 But, in fact, a fair wage creates a healthy
7 environment and is really essential for one.

8 Living wage is the ultimate
9 family-value issue. It is the ultimate community
10 issue.

11 With Bill 970586, Philadelphia has an
12 opportunity to leverage economic fairness and to
13 join with other communities in sending an
14 unmistakable message to Congress. We must take
15 advantage of this opportunity and pass this bill.

16 Thank you.

17 (Applause.)

18 COUNCILMAN NUTTER: Thank you, thank
19 you very much.

20 I don't know, Mr. Rauscher, whether you
21 saw or not that Wendell Young had come in so -- he
22 had come in behind you.

23 Just one very basic question. And any
24 of the union leaders or representatives can
25 respond. I got the impression, from some of the

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2 questions asked back and forth, that some of the
3 union workers may make more than what's being
4 proposed as a living wage, some apparently make
5 less.

6 Do we have any estimates or any
7 information on what the general wage rate is for
8 union people in this city? And would you
9 generally be affected by this directly, or is
10 there more an indirect effect if not benefit?

11 MR. RAUSCHER: It's more an indirect
12 benefit. It's our role of being part of the
13 community and to look out for people that are less
14 fortunate than ourselves.

15 COUNCILMAN NUTTER: So while some of
16 your members may very well make more, you are
17 lending your support to the effort to drive wages
18 generally and kind of, in the phraseology of "a
19 rising tide lifts all boats."

20 MR. RAUSCHER: That's correct.

21 COUNCILMAN NUTTER: I mean, as wages go
22 up, there is some benefit to the union movement
23 even if you're not directly affected.

24 MR. RAUSCHER: Just as though the labor
25 movement was instrumental all the time with the

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2 minimum wages.

3 COUNCILMAN NUTTER: Right, okay.

4 MR. RAUSCHER: That type of thing.

5 MR. CRONIN: And I think another point

6 to make is the fact that we believe that this

7 particular bill will make a healthier community

8 and a healthier tax base.

9 Certainly, when you have a healthier

10 tax base, I think you have better and improved

11 city services. That's certainly one thing.

12 (Applause.)

13 MR. CRONIN: Above and beyond that, and

14 I've often said this, that the first principle of

15 the trade union movement, the labor movement, is

16 solidarity.

17 And so although our folks in our union,

18 for the most part, make well above this wage, I

19 believe it is in our self-interest as well as in

20 the interest of labor movement of solidarity that

21 the interest of one is the interest of all.

22 So that if we can help workers, no

23 matter where they are, no matter what occupation,

24 whether they're organized or unorganized, make a

25 decent standard of living, I believe that that

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2 improves the quality of life for all people.

3 (Applause.)

4 COUNCILMAN NUTTER: Councilwoman
5 Fernandez.

6 COUNCILWOMAN FERNANDEZ: Hi. Mr.
7 Rauscher, and then perhaps, Tom, you could also
8 view this.

9 Let me start with Mr. Cronin. Do you
10 know of any City employees that make less than the
11 living wage?

12 MR. CRONIN: I would say that with
13 respect to the City employees in District Council
14 47, I do not think that that is the case.

15 However, there may be workers that are
16 in District Council 33 jurisdictions that may come
17 close to that. I'm not sure. I know there is
18 someone from District Council 33 that may be here
19 right now. There are folks that are here that
20 could give you the more accurate information on
21 that.

22 MR. RAUSCHER: And also HERE, as you
23 heard testimony, they're below that level in some
24 areas.

25 COUNCILMAN NUTTER: Okay.

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2 MR. RAUSCHER: And SEIU is a little
3 below in some areas or right on that borderline.
4 So, yeah, it's -- we do have some union members
5 that fall in this category.

6 COUNCILWOMAN FERNANDEZ: Could you
7 provide to the Chair that information, including
8 the building trades?

9 MR. RAUSCHER: Yes.

10 COUNCILWOMAN FERNANDEZ: 'Cause I'd
11 like to know, you know, the numbers in each union
12 that fall below the 7.90 an hour plus health
13 benefits. Because that's what this bill provides
14 for.

15 MR. RAUSCHER: Right.

16 COUNCILWOMAN FERNANDEZ: So I'd like to
17 know, you know, within unionized employees in the
18 City --

19 MR. RAUSCHER: Who it's affected by.

20 COUNCILWOMAN FERNANDEZ: You know, the
21 numbers and from what unions and from what kinds
22 of jobs that fall below that.

23 MR. CRONIN: See, you're not just
24 talking about City employees now, you're talking
25 about --

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2 COUNCILWOMAN FERNANDEZ: Well, I'm
3 particularly concerned about City employees, but
4 that could be part of this since all of these
5 unions are a part of the AFL-CIO, right?

6 MR. CRONIN: Well, I mean, what I'm
7 saying, Councilwoman, is that unionized employees,
8 I believe, that are represented by private
9 nonprofits in some cases that may make less than
10 that wage.

11 COUNCILMAN NUTTER: Mm-hmm, okay.
12 (Applause.)

13 COUNCILMAN NUTTER: And I think the
14 question is --

15 COUNCILWOMAN FERNANDEZ: Well, my one
16 question is: Of any City employees on the City
17 payroll, are there any that -- I know they all get
18 health benefits. Are there any that are not
19 getting the 7.90 an hour?

20 My second question is: In the union
21 movement of people providing services within the
22 City, which unions and what types of employees and
23 how many are not getting the 7.90 or do not get
24 health benefits?

25 MR. RAUSCHER: You'll have that

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2 information.

3 COUNCILMAN FERNANDEZ: Okay, thank you.

4 COUNCILMAN NUTTER: Thank you.

5 Mr. Rauscher?

6 MR. RAUSCHER: As you stated, Mr.
7 Chairman, there's always somebody comes late as
8 far as the labor movement, but you can't get too
9 mad at him because he's turning out sons that just
10 happen to run for City Council positions. One is
11 doing that right now in California, so
12 Philadelphia might be next, so be nice to him.

13 With that, I'd like to introduce a Vice
14 President of the AFL-CIO, the President of the
15 largest United Food and Commercial Workers Local
16 in the state, and a good friend of many in this
17 room, Wendell W. Young, III.

18 MR. YOUNG: Thank you, Mr.
19 Chairperson. Thank you, Joseph, Tom, and the
20 other supporters.

21 I'll be very brief, I'm not going to
22 make a big speech, just a small one.

23 COUNCILMAN NUTTER: Before you get
24 started, though, I'd like the record to reflect
25 that I only announced that you were here. I did

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2 not announce that you were late. Your brother to
3 your left announced that you were late. You are
4 always on time.

5 MR. YOUNG: Even when I'm on time, I'm
6 late. I'm about my father's business many times,
7 so. . .

8 So what happens is -- I also want to
9 put in a plug for WHAT-1340 on the a.m. dial.

10 (Applause.)

11 MR. YOUNG: We do that every Friday
12 from 7 in the morning till 10.

13 The living wage, as enhanced in Bill
14 970586, is something that is necessary not only in
15 city government and in Philadelphia, but is
16 necessary in most companies that I do not
17 represent and some companies I represent because
18 of competition.

19 The historic battle we're having three
20 years now with Wal-Mart is a battle of a company
21 coming in, making -- giving 5.15- to \$6-an-hour
22 wage increases, not giving increases other than 5
23 and 10 cents, turning over whole workforce in 3
24 months to 6 months, and they are making millions
25 and millions of dollars throughout this country.

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2 (Applause.)

3 MR. YOUNG: I hear on every show the
4 people who live in poverty, who have a problem
5 with drugs, and health and welfare and benefits
6 that have been stripped away from them, and we
7 wonder why we have crime when we have people
8 making \$40 million a year, \$50 million, and
9 closing and consolidating companies. We're
10 hearing what's happening to the Bell system now.

11 Yes, there's a lot of progress, but
12 people are getting hurt time and time again. They
13 work two and three jobs. The City should set an
14 example, it should be an example, especially in
15 Philadelphia where this democracy started.

16 All throughout this country -- and
17 probably previous testimony has shown that
18 living-wage bills are sponsored in City Councils
19 in government -- in some instances, in state
20 government.

21 I urge the Council to consider this, to
22 be leaders, to let the message go forth that we're
23 tired of people working two and three jobs at
24 McDonald's and things like that.

25 (Applause.)

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2 MR. YOUNG: That the City should set
3 the example so that we could let the charge out.

4 There's many of us that don't have to
5 worry about the living wage. We don't make
6 enough. I looked at my contracts. In 1978,
7 started at \$6 an hour, and after 24 months, we
8 were making \$12 an hour.

9 Know what? We haven't progressed
10 much. We have trouble just keeping within the
11 contracts that we presently have.

12 So I urge that this City Council take
13 the leadership in Pennsylvania and show the world
14 that we're progressive council, a progressive
15 city, and vote for the 7.90 plus benefits for Bill
16 No. 970586. Please do it.

17 Thank you.

18 (Applause.)

19 COUNCILMAN NUTTER: Are there any
20 questions for Mr. Young?

21 I think Councilwoman Fernandez has a
22 question for Mr. Rauscher.

23 COUNCILWOMAN FERNANDEZ: Joe.

24 MR. RAUSCHER: Yes, ma'am.

25 COUNCILMAN FERNANDEZ: When you prepare

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2 that information, could you be sure to include
3 employees that live in the City of Philadelphia?
4 In other words, the unions might have people all
5 over the region.

6 So in your numbers, include only
7 unionized members who live in the City of
8 Philadelphia.

9 MR. RAUSCHER: To the best of our
10 ability, we'll get it off to you.

11 COUNCILWOMAN FERNANDEZ: Thank you.

12 MR. RAUSCHER: No questions for
13 Wendell?

14 COUNCILMAN NUTTER: I don't have any,
15 but Councilman Mariano does.

16 COUNCILMAN MARIANO: I don't really
17 have a question for Mr. Young; it's sort of a
18 question for Mr. Cronin and Mr. Rauscher. It's
19 just an observation, it may be a question.

20 When I started out in the labor
21 movement in my early 20s, there was a lot of
22 division, and we have Mr. Cronin sitting here who
23 is losing employees, he's losing members, and it's
24 being picked up by the guy from SEIU over there.

25 So that's how you know, and I tried to

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2 explain this to the reporters over there, that
3 labor is here, and that they have nothing to gain
4 here. Because he's going to be losing the work
5 that the Mayor, in his infinite wisdom, and this
6 Administration understand that has to be subbed
7 out. And privatization, we won't talk about that,
8 Mr. Matthews isn't here.

9 But we all understand -- we in labor
10 understand that, but very many times, the things
11 we understand that we learn at the breakfast table
12 or at the dinner table, a lot of people don't
13 understand.

14 So you got to understand, if labor's
15 here, there's religious people here, there's
16 community groups here. And, believe me, the
17 building trades are here through me 'cause it's
18 something that's important to the building trades
19 because it's part of the labor movement in the
20 whole.

21 Pat Gillespie talked to me before I
22 came in here, and he said, Look, Rick, I don't
23 want to come down and testify because I'm busy
24 doing something, but I want you to let everybody
25 know we're for this.

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2 This would not affect the building
3 trades whatsoever, but it affects the labor as a
4 whole. If we can get Cronin and the gentleman
5 from SEIU and Pat's person there, Rita Rosella,
6 and everybody in the same room, that's what
7 labor's about now. So that shows you how
8 important this issue is and why we have to move
9 forward.

10 And as sit here today, we're going to
11 just get all kinds of phone calls and all kinds of
12 people are going to be telling us about how
13 terrible it is, how this is the worst bill. I
14 mean, there is nothing wrong with this bill.

15 The Councilman from New York came up
16 here and spoke, and he spoke from the heart.
17 Everything -- I talked to him before he came to
18 this room. I said, Christ, Councilman, I'm scared
19 about this because they've been telling me -- he
20 said, Rick, I went through it.

21 I spoke with Councilman Roach (ph.) in
22 Boston, I went up to see him, who, by the way, was
23 the police commissioner in Boston before he was a
24 councilman, so you figure that one out, and he
25 cosponsored this legislation to help poor people,

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2 okay? He told the same thing in November, when I
3 was up there, that Sal told us today, that
4 Rauscher and Ortiz are saying here today.

5 So if labor's on this and political
6 people are on this, I can't tell my colleagues --
7 and this is probably going to be -- again, I know
8 I said this a couple hours ago, this is the most
9 important vote that we will ever make.

10 So shame on anybody, before they start
11 telling us about deals they're doing, shame on
12 anybody that can't make vote today to get this out
13 of committee.

14 Thank you, Mr. Chairman.

15 (Applause.)

16 MR. RAUSCHER: The good councilman's
17 come a long way since being an electrician.

18 (Laughter.)

19 MR. RAUSCHER: Mr. Chairman, if I may,
20 I have seven pages of testimony, and if it's okay
21 with the chairman of the committee and my
22 colleagues, I will submit that in writing and just
23 make a brief statement. I don't want to be
24 redundant.

25 COUNCILMAN NUTTER: It is certainly all

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2 right with us. Okay, we'll have the

3 Sergeant-at-Arms pick those up.

4 MR. RAUSCHER: You're going to be
5 hearing very shortly from the Chamber of Commerce,
6 the business community telling you how bad this
7 is. And we understand that. I mean we know, you
8 know, that's their job, to tell you things like
9 that.

10 But, personally, I sit on the board of
11 the Private Industry Council. I sit on the board
12 of Philadelphia Housing Authority. I watch
13 contractors come in, feed at the public dole, make
14 all kinds of money, turn around and leave town,
15 and our people are still below the poverty line.

16 That is something that's got to be
17 stopped.

18 (Applause.)

19 MR. RAUSCHER: As the good Councilman
20 Mariano said and Tom Cronin said and many others
21 have said already, labor's only stake in this is
22 as citizens and members of the community, that we
23 care about people.

24 We have fights with people in this
25 building, whether it's the second floor or the

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2 fourth floor -- 99 percent of the time it's the
3 second floor, but that's something we can deal
4 with -- as far as negotiating contracts, whether
5 it's District Council 43, whether it's 47 or
6 anybody else that deals with the City
7 Administration.

8 We are here to say that we can fight
9 those fights. That's what we're about. We can
10 sit down and negotiate contracts and bring 'em to
11 a conclusion, which we're going to do very shortly
12 with TWU, but that's another story.

13 But we're tired of things happening in
14 this town where banks close, banks merge, put 7,
15 8, 9,000 people out of work that weren't -- half
16 of 'em weren't even making this poverty amount of
17 money. There were tellers in banks making 6.50,
18 \$7 an hour.

19 The hospitals, the mergers of the
20 hospitals, there's no caring there for people, the
21 people that work there. They're just out to
22 destroy, to make the profits, and then run out of
23 town.

24 (Applause.)

25 MR. RAUSCHER: But if we got the

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2 support and we got the backing of City Council to
3 pass this bill and to show people that they're not
4 going to come into town and make exuberant (sic.)
5 profits and keep people under their thumb, then
6 there's something wrong with this great City of
7 Philadelphia, and labor's not going to let it
8 happen.

9 Thank you, Mr. Chairman.

10 (Applause.)

11 COUNCILMAN NUTTER: Thank you very
12 much. Thank you, all of you, for coming this
13 afternoon. We greatly appreciate it. Thank you.

14 (Applause.)

15 COUNCILMAN NUTTER: Next, we will have
16 representatives from many sectors of the business
17 community. I would like to call all of them up.
18 They will figure out among themselves their order.

19 Charles Pizzi, Scott Simmons, Donna
20 Allie, Mickey Rowley, Leo Goronski, Stan Moat, Mr.
21 Procacci, Sonny del Grand, Ed McBride, Al
22 Taubenberger, Al Edwards, Aqil Sabur, Lance
23 Charen, and Curtis Jones.

24 Can we have those individuals at the
25 witness table, please, right now.

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2 (Panel comes forward.)

3 COUNCILMAN MARIANO: Mr. Chairman,
4 before you start with the business people, and
5 this is a little out of the ordinary, but I
6 brought this box shaped like a heart, with cookies
7 that my wife made. 'Cause I want the business here
8 from the Chamber and Mr. Pizzi -- and by the way,
9 my wife's company is in the Chamber of Commerce.
10 I brought 'em today.

11 (Applause.)

12 COUNCILMAN MARIANO: Have some heart,
13 7.90 an hour, \$16,000 a year, that's all we're
14 asking.

15 (Applause.)

16 MR. PIZZI: Sort of like the Wizard of
17 Oz. You have to have a heart and you have to have
18 a brain, and you have to have courage. So that's
19 what this is all about today.

20 COUNCILMAN NUTTER: Okay. Good
21 afternoon, Mr. Pizzi. Please identify yourself
22 for the record and proceed with your testimony.

23 MR. PIZZI: Great. Well, we want to
24 thank you, Mr. Chairman. My name is Charlie
25 Pizzi. I am President of the Greater Philadelphia

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2 Chamber of Commerce, and it is Pennsylvania's
3 largest business association.

4 On behalf of our members, I appreciate
5 the opportunity to comment on Bill 970586, the
6 living-wage bill.

7 COUNCILMAN NUTTER: Mr. Pizzi, I'm
8 sorry to interrupt you.

9 Ladies and gentlemen, there may be some
10 who are leaving or who are just coming in. If you
11 could do that as quietly as possible, we would all
12 like to hear. I'm sure that everyone wants to
13 hear all of the various people who have to
14 testify, so I would appreciate indulgence, if we
15 could have quiet.

16 Please proceed.

17 MR. PIZZI: The business community is
18 greatly concerned about the negative impact that
19 the bill will have on Philadelphia's business
20 environment.

21 First, let me acknowledge the good
22 intentions of the bill's sponsors. I appreciate
23 and share their interest in seeing full employment
24 in the City. In fact, that is largely why I stand
25 here today wearing two hats.

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2 I stand before you not only as
3 President of the Chamber of Commerce, but also as
4 the newly-appointed cochair of the Private
5 Industry Council. In that role, I have been
6 charged with the challenge of leading the City's
7 Welfare-to-Work initiative. I am working daily
8 with companies that have stepped forward and
9 stated their willingness to hire former welfare
10 recipients.

11 The Chamber has served as a model,
12 hiring and promoting welfare mothers in its own
13 organization. But I can tell you right now, if
14 you mandate this type of activity, businesses will
15 balk and they will walk.

16 (Boos from audience.)

17 MR. PIZZI: Put simply, if you want to
18 eliminate people's effort to volunteer, tell them
19 how to do it. We should provide businesses with
20 incentives to hire former welfare recipients, not
21 mandate it.

22 Currently, the only thing growing in
23 this city is the population of the poor. As
24 reported in yesterday's Daily News, the number of
25 abandoned properties in Philadelphia may have been

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2 more than doubled in just the past decade. Our
3 population is diminishing, our houses remain
4 abandoned, and a number of the poor expands
5 daily.

6 Yes, we need to find jobs for the poor.
7 No. The answer does not lie in legislation. I do
8 not disagree with the goals of the bill. I am
9 concerned that the implementation would impede,
10 not foster, our efforts to bring employment to
11 this city.

12 Make no mistake, the solution to this
13 problem lies in one thing -- jobs. This bill is a
14 barrier to job creation. No businesses want to be
15 told by government how to operate, particularly
16 when businesses in Philadelphia are making
17 commitments to the community on their own.
18 Additional mandates, coupled with the tax burden,
19 will only deteriorate the business employment.

20 In an ever-competitive market for jobs,
21 we cannot create obstacles to economic
22 development. Unfortunately, this bill does just
23 that.

24 The City officials must realize the
25 damage done by anti-business legislation.

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2 Consider the personal property tax and the tax
3 increases of the past. Rather than suffer the
4 consequences of higher taxes, banks started moving
5 their trust departments out of town to show that
6 they don't need to be here.

7 Consider the idea of mandating health
8 benefits. President Clinton tried this with his
9 proposed health-care plan, which was rejected by
10 this country.

11 Consider the fact that between 1969 and
12 1995, the number of employees in the City of
13 Philadelphia fell from over 900,000 to under
14 700,00. I want to show you on here just what I
15 mean.

16 1969. Now, prior to this, 1950 to
17 1969, we've lost hundreds of jobs. Now we start
18 at 1969 and we take the course to 30 years later.
19 We've lost over 250,000 jobs.

20 This other line shows the rate of
21 growth of jobs in this city. Only for three
22 years, from 1984 to 1987, did we have a positive
23 job growth. You can see, just in the last few
24 years, we had a negative of below 4 percent in job
25 growth. We're losing jobs rapidly, we're losing

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2 because of the barriers to attracting companies in
3 this city.

4 There is a direct correlation between
5 anti-business legislation, wage taxes, local tax
6 increase, and the like. If you mandate business
7 again, you will see them leave the city again.

8 Last month, Mayor Rendell characterized
9 the transition from Welfare-to-Work as the fight
10 of our lives jobs. We are involved in the daily
11 struggle of finding jobs for thousands of City
12 residents. We are fighting with other parts of
13 this country and our suburban neighbors for new
14 jobs.

15 We cannot win that fight if we do not
16 make Philadelphia attractive and appealing to
17 business, both those currently in the City and
18 those we hope to lure here.

19 Over the years, we have used the
20 services of PIDC to make Philadelphia more
21 attractive, and it worked. PIDC has developed
22 financial incentives that try to make Philadelphia
23 competitive. Under this bill, many companies will
24 lose those incentives. As a result, Philadelphia
25 will lose jobs.

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2 In fact, this bill will most
3 significantly impair the very companies targeted
4 by its sponsors for assistance -- small, minority,
5 and women-owned businesses. Many such firms
6 receive assistance through PIDC.

7 And we are all familiar with the City's
8 efforts to contract with the requisite number of
9 such firms for services. Most of these companies
10 would be in violation of the living-wage bill and
11 most likely would be forced to lose part of their
12 business.

13 If anything, this bill is a throwback
14 to policies of ten years ago, when there no vision
15 for this city. For most of this decade, we have
16 reversed that trend. We cannot revert back to our
17 old unproductive ways.

18 The bottom line is that this bill will
19 drive up the cost of doing business in
20 Philadelphia. It will make our areas less
21 attractive. It will remove existing incentives as
22 we develop and replace them with additional
23 barriers to business development, leaving
24 Philadelphia in a much less competitive light.

25 We have set our sites on becoming a

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2 world-class city. Unfortunately, those are not
3 the characteristics of a world-class city. People
4 want to be in environment that fosters growth and
5 productivity. This bill does not foster growth;
6 it stifles it.

7 For those reasons, the Chamber urges
8 your opposition of the living-wage bill.

9 Now, I would like to ask members of the
10 panel who will just take up a short amount of
11 time, a minute apiece. These are small businesses
12 that we have talked to so that you can hear the
13 story directly from them.

14 COUNCILMAN ORTIZ: Do we have copies of
15 Mr. Pizzi's statement, Mr. Chairman?

16 COUNCILMAN NUTTER: I do not believe I
17 have a copy of the statement. I have received a
18 letter in the past day or so. I doubt that the
19 letters the same as the testimony that was just
20 given.

21 MR. PIZZI: We can get you that.

22 COUNCILMAN NUTTER: Thank you.

23 MR. PROCACCI: Good afternoon. My name
24 is Joseph Procacci. I'm employed by Procacci
25 Brothers Sales Corporation, in South Philadelphia,

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2 in the Food Center.

3 Our business has been in business for
4 -- this is our anniversary this year -- for 50
5 years. We are a private employer employing
6 seasonally 500 to 600 employees to pack fruits and
7 vegetables in the Food Distribution Center.

8 We currently own 32 acres of the Food
9 Distribution Center, so we are, by far, the
10 largest single employer there.

11 We have enjoyed a relationship with
12 PIDC. We currently -- we just recently purchased
13 the Oscar Meyer building, which was a dead
14 facility for many, many years, with the aid of
15 PIDC. We renovated it.

16 And we kept our commitment with the
17 City. We went from 280 jobs in 1983 to currently
18 600.

19 We're a unionized workforce currently
20 under a collective bargaining unit with Teamsters
21 Local 929. This collective bargaining unit
22 arranges so that we can have for the first year
23 entry-level positions. We fully health and
24 welfare; all our workers enjoy the same health and
25 welfare benefits that I have. We are

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2 self-insured. We pay nearly a million dollars in
3 health and welfare benefits.

4 The collective bargaining agreement
5 contains wages equal or more to -- our average
6 wages are more than the 7.90, so we're not
7 affected by that. We are affected because of the
8 PIDC loans.

9 We have more acres to develop. I'm
10 shocked to hear New York come here and speak. New
11 York is New York. Philadelphia is Philadelphia.
12 PIDC --

13 (Boos from audience.)

14 MR. PROCACCI: PIDC is an organization.

15 (Boos from audience.)

16 COUNCILMAN NUTTER: Ladies and
17 gentlemen.

18 MR. PROCACCI: PIDC is an organization
19 that will be pretty much put out of business to
20 attract the growth in the city.

21 We currently pay high City wage taxes
22 to attract office staff and other managers to come
23 to Philadelphia. We're currently paying 3 to 5
24 percent more than our neighbors in Montgomery
25 County, Delaware County, and across the river in

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2 New Jersey.

3 This bill will create a beltway around
4 the City of Philadelphia, of which entry-level
5 positions will be moved outside the City of
6 Philadelphia. This is where those jobs will go.

7 We have four other locations -- in
8 North Carolina, Florida, Georgia. Many of our
9 jobs will move south where the standard of living
10 can have \$6.50 an hour -- that's what our
11 competition is paying. Just in New Jersey, the
12 average wages are much lower for the same work
13 that we're putting here.

14 We have people making well over \$10 an
15 hour working for Procacci Brothers. And, again,
16 as I said, our average is over \$8 an hour.

17 The City of Philadelphia, what are they
18 going to do with the thousands of people that are
19 going to come off the welfare system in the
20 Clinton reform act in the next couple of years?
21 Where are those jobs going to go? Are those
22 welfare people going to have to move out of the
23 City to find jobs in entry-level jobs?

24 We're responsible for much of the
25 business of the Food Center, and the Mayor of

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2 Philadelphia recently said, in 1996, that he was
3 proud that he created 200 more jobs for the first
4 time than in the years previous, the first time
5 that jobs didn't go down -- jobs available didn't
6 go down in the City of Philadelphia. And that's
7 largely in part by people who come to this city to
8 create jobs with the help of the PIDC.

9 This bill is a step backwards in time
10 when Philadelphia was an economic wasteland. I
11 currently urge Council to defeat this bill.

12 COUNCILMAN NUTTER: Mr. -- is it
13 "Procacci?"

14 MR. PROCACCI: Procacci, yes.

15 COUNCILMAN NUTTER: Okay, just a couple
16 quick questions. You indicated that you now have
17 600 -- approximately 600 employees, is that
18 correct?

19 MR. PROCACCI: Yes.

20 COUNCILMAN NUTTER: And did I
21 understand your testimony to be that you pay
22 somewhere in the neighborhood of average of \$10 an
23 hour.

24 MR. PROCACCI: No, we pay an average of
25 -- currently, our average is \$7.95 an hour.

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2 (Applause.)

3 MR. PROCACCI: We have jobs paying as
4 high as 15.50 an hour. And we are currently under
5 labor contract, but we do have entry-level
6 positions.

7 COUNCILMAN NUTTER: And what do they
8 pay?

9 MR. PROCACCI: They pay -- we pay -- we
10 have not paid minimum wage for over 20 years in
11 our business. We pay above minimum wage. And
12 within a year's time, these people work their way
13 up to above -- above.

14 (Boos from audience.)

15 COUNCILMAN NUTTER: Ladies and
16 gentlemen.

17 All right, so your entry-level wages
18 are somewhere between minimum wage and possibly
19 the 7.90 figure.

20 MR. PROCACCI: Yes.

21 COUNCILMAN NUTTER: And so your concern
22 your entry-level jobs, you would have to boost --

23 MR. PROCACCI: Our season-adjusted
24 jobs, we pack fruit baskets at Christmas time. We
25 hire 200 people. We hire temporary workers every

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2 day, okay.

3 We have some people -- and frankly, a
4 lot of people come and go in our business because
5 the food business is a demanding business.

6 COUNCILMAN NUTTER: I understand.

7 MR. PROCACCI: Okay. And they --
8 there's a lot of overtime. Our biggest complaint
9 for not working is the overtime.

10 COUNCILMAN NUTTER: All right. And
11 lastly, do the temporary workers -- and maybe I
12 missed this. Do the temporary seasonal workers,
13 do they also get health benefits, or is it just
14 your full-time people?

15 MR. PROCACCI: They're -- within a
16 year, everybody's on health and welfare.

17 COUNCILMAN NUTTER: Okay, all right.
18 Thank you.

19 Councilman Mariano.

20 COUNCILMAN MARIANO: Thank you, Mr.
21 Chairperson.

22 Mr. Procacci, first of all, thank you,
23 thank you for coming here. Thank you for bringing
24 your business into Philadelphia, and thank you for
25 sticking it out.

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2 And I understand, I really do
3 understand. We're not all leftist guerillas
4 here. I consider myself very, very pro-business
5 and very, very conservative.

6 MR. PROCACCI: I consider myself very
7 pro-labor.

8 COUNCILMAN MARIANO: Me too.

9 MR. PROCACCI: And my record shows it.

10 COUNCILMAN MARIANO: About your
11 Teamster contract though, I think -- correct me if
12 I'm wrong. Your concerned about your entry-level
13 jobs.

14 MR. PROCACCI: That's right.

15 COUNCILMAN MARIANO: You sat down and
16 negotiated in good faith with the Teamsters. And
17 they said, you know, we understand, you make 7.95
18 an hour, but for the people that start, they make
19 \$7 an hour or 6.50.

20 MR. PROCACCI: Somewhere around 6.50.

21 COUNCILMAN MARIANO: Okay, say it's
22 6.50 for argument's sake.

23 MR. PROCACCI: They make somewhere
24 around \$6, excuse me.

25 COUNCILMAN MARIANO: \$6.

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2 MR. PROCACCI: Right.

3 COUNCILMAN MARIANO: Okay, they make
4 \$6, no health benefits.

5 Now, I know the Teamsters, and the
6 Teamsters are great. So, say I start there
7 tomorrow, it's around Mother's Day, we did a lot
8 of fruit baskets or whatever. And I start there
9 and I make \$6 an hour, and I'm helping unload
10 trucks, or whatever I'm allowed to do with your
11 contract at \$6 an hour.

12 How long do I stay there before I can
13 get to be a permanent Teamster? I mean, are you
14 taking Teamster's dues out of my 5, \$6 an hour
15 like you're taking --

16 MR. PROCACCI: Not -- not -- the dues
17 come out --

18 (Applause.)

19 COUNCILMAN MARIANO: No, no, this is
20 serious.

21 I mean, I understand a little bit about
22 this, and I'm trying to feel what he feels. I
23 mean, the guy doesn't need to be in business in
24 Philadelphia. He's absolutely right.

25 And we're not here to kill him. I'm

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2 not here to kill anybody. I'll take my name off
3 this bill if that means we're going to drive
4 people out of business. In my heart of hearts,
5 I'm not here to drive people out of business, and
6 I don't think Councilman Ortiz is or anyone of the
7 signers of this legislation is.

8 We need business. I was a business
9 agent, a business agent for a labor union. That
10 was my job, I was an organizer. We need
11 business. We can close the doors on the union
12 halls if there's no businessmen. These guys are
13 the guys that put their ass on the line every day
14 -- excuse my language, Mr. Chairman.

15 It's easy, as an electrician, to make
16 \$25 an hour and come home at 4 o'clock. These
17 people do it, they put their rear ends on the
18 line.

19 But back to my question. When you
20 become -- how long do you get to stay there before
21 -- do you ever get a chance to be like a Teamster
22 and moving up and make 7.95 an hour?

23 MR. PROCACCI: We have 400 Teamsters.

24 COUNCILMAN MARIANO: Right. Is there a
25 pecking order? I mean, I was a Teamster at once

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2 too. I worked at Pembroke Dairies right near
3 where you are, you might be in the same place.
4 And they used to hire us in the summer for the
5 City of Philadelphia. And I used to drive truck
6 when got out of high school to deliver food for
7 the federal -- City money all funded into this.

8 And I made good -- I still have my
9 withdrawal card from the Teamsters 'cause at that
10 time, that was 25 years ago, but I was pretty
11 happy about what I was bringing in, but I was 18
12 years old. I mean, \$16,000 a year is not a whole
13 lot of money.

14 But my question to you is: Do these
15 people, do they ever stay long and become
16 full-time employees? Do you ever get a chance --
17 if I work for you a couple days next week and a
18 couple days next month, do I ever get a chance to
19 make the big money?

20 And I'm not saying that to make you
21 look back 'cause I understand.

22 MR. PROCACCI: We have provisions of
23 which there are different tiers of pay.

24 COUNCILMAN MARIANO: Mm-hmm.

25 MR. PROCACCI: Okay, there's

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2 entry-level, then there's the next level next

3 level and the next level.

4 COUNCILMAN MARIANO: All right.

5 MR. PROCACCI: Once they're working for

6 me for so many years, if they are not making what

7 the top wage is, they will get an increase

8 immediately to cover that top wage. And that's

9 what I want.

10 COUNCILMAN MARIANO: Okay.

11 MR. PROCACCI: Okay. Now, as far as --

12 I'll ask you, the labor movement, why don't you go

13 to central Jersey, why don't you go closer to New

14 York where my competition is doing the same job

15 making minimum wage?

16 COUNCILMAN MARIANO: I can answer that

17 only for me. I didn't get elected in central

18 Jersey. I live in Juniata Park. I got elected

19 for the 7th Council District.

20 (Applause.)

21 COUNCILMAN MARIANO: Hopefully

22 Councilpeople in New Jersey -- no, you don't have

23 to clap every time I talk, I'm not that elaborate.

24 Hopefully, somebody in New Jersey can

25 grab a set of "cahoonies" and go over there and

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2 run for Council or State Legislator and do this.
3 This is important to me.

4 And I understand, believe me, I
5 understand. I live here. I'm not going to ask
6 you, like Councilman DiCicco would ask you if you
7 were a teacher in the School District of
8 Philadelphia, Do you live in Philadelphia? I'm
9 not going to ask you that, because that's not
10 fair.

11 The guys in New Jersey -- just like
12 your question is not fair to me. I can't
13 legislate New Jersey. Let the men and women in
14 New Jersey do in New Jersey what New Jersey does,
15 and let New York do what New York does.

16 But let me tell, that councilman was
17 from New York. The councilman I talked to from
18 Boston, the councilman I talked to from Baltimore,
19 what do we all have in common with them towns?
20 All big eastern sea ports. Baltimore,
21 Philadelphia, Boston, New York.

22 Believe me, take New York out of the
23 loop. There is no -- I lived in Boston for a
24 while --

25 MR. PROCACCI: Well, I'd like to ask

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2 you one question now.

3 COUNCILMAN MARIANO: Sure.

4 MR. PROCACCI: You have a councilman --

5 I really felt it very ludicrous to hear from a
6 Council from New York. Philadelphia feeds New
7 York. The food industry is larger in Philadelphia
8 than it is in New York and they pay less wages
9 than we do.

10 COUNCILMAN MARIANO: I hear you.
11 Listen, you're talking to the wrong guy 'cause if
12 it was up to me, anybody that ever lived in New --

13 MR. PROCACCI: My competition is paying
14 less than I am -- in New York, Philadelphia
15 Baltimore, in South Jersey, they're all paying
16 less wages than we are.

17 COUNCILMAN MARIANO: Leave New York out
18 of it. I'm sure in South Jersey they are 'cause
19 in --

20 MR. PROCACCI: Okay.

21 COUNCILMAN MARIANO: What's the
22 difference between South Jersey and Philadelphia,
23 between Pennsylvania and Jersey.

24 MR. PROCACCI: About four bridges.

25 COUNCILMAN MARIANO: But -- no.

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2 MR. PROCACCI: The point is,
3 Councilman, that --

4 COUNCILMAN MARIANO: Why do people
5 leave and go there, why? 'Cause the ground's
6 cheaper.

7 MR. PROCACCI: The point is, you are
8 going to drive business out of this city by not
9 attracting us to do business and create growth.
10 This is about growth.

11 COUNCILMAN MARIANO: And Joe --

12 MR. PROCACCI: This is not about living
13 wages in my facility.

14 COUNCILMAN MARIANO: Right.

15 MR. PROCACCI: This is not about --
16 there are two union meat packers left in the
17 eastern sea board, and both of them are in the
18 City of Philadelphia.

19 COUNCILMAN MARIANO: I understand.

20 MR. PROCACCI: It's not about the labor
21 movement in Philadelphia, it's not about the
22 living wages in Philadelphia so much as it's about
23 growth in Philadelphia.

24 COUNCILMAN NUTTER: Okay.

25 COUNCILMAN MARIANO: Joe.

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2 COUNCILMAN NUTTER: Okay, thank you,

3 Mr. Procacci.

4 COUNCILMAN MARIANO: They may not be,
5 in your opinion. But in my opinion and in the
6 opinion of these sponsors, it's all trickled down.

7 I mean, all that money's going to stay in
8 Philadelphia.

9 MR. PROCACCI: Councilman, you want to
10 raise the minimum wages, make it equal for the
11 United States, both in South Jersey and in --

12 COUNCILMAN MARIANO: But, Joe, I'm not
13 elected to the United States Congress.

14 MR. PROCACCI: Go to Congress.

15 COUNCILMAN NUTTER: All right,
16 gentlemen.

17 COUNCILMAN MARIANO: I'm not a part of
18 what goes on in the United States Congress.

19 COUNCILMAN NUTTER: Gentlemen,
20 gentlemen.

21 COUNCILMAN MARIANO: I'm only here in
22 this little body, that's it. I mean, I'm in this
23 little body.

24 Now, I'm trying to be nice to you. You
25 can come here and say this and that and this and

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2 that, but you know what happens?

3 MR. PROCACCI: Give me an answer.

4 COUNCILMAN MARIANO: I don't want to be
5 a Congressman, I want to be a Councilman. These
6 people are my constituents.

7 (Applause.)

8 COUNCILMAN MARIANO: Okay? And like I
9 say, I didn't ask you where you lived, I didn't
10 ask you where you -- you probably live in Medford
11 Lakes, I'll bet, huh, huh? How can I tell that?
12 'Cause I know.

13 That don't make you a bad guy. That's
14 your God-given right, Joe. But it's our God-given
15 right as elected officials to sit here and hear
16 that, and we heard. And I appreciate what you
17 said, but you can't confuse it by talking about
18 the labor movement. 'Cause the labor for me is
19 here, in here -- like your business is in there.

20 Thank you, Mr. Chair. Thank you, Mr.
21 Chair.

22 COUNCILMAN NUTTER: All right, thank
23 you.

24 (Applause.)

25 COUNCILMAN NUTTER: Councilwoman

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2 Fernandez. Thank you, Councilman.

3 Councilwoman Fernandez.

4 COUNCILWOMAN FERNANDEZ: Mr. Procacci.

5 MR. PROCACCI: Yes.

6 COUNCILWOMAN FERNANDEZ: On a different
7 note. The councilman who testified from New York
8 noted on this record that the bill that they
9 passed was much more limited than this bill. It
10 was only essentially for some services that used
11 to be city services that were then contracted out
12 or privatized.

13 The bill, as I understand the one
14 before us, is much broader and would include all
15 contract, subcontracts anyplace there's public --
16 city public dollars going to any public project.

17 If I heard your testimony, what
18 particularly concerns you about the understanding
19 of the current bill is that you would be getting
20 some loans perhaps from PIDC to expand your
21 business, and that is what you would find damaging
22 to your position, is that correct?

23 MR. PROCACCI: Yes. I think that the
24 PIDC has produced a great avenue for growth and
25 being able to expand our operations in a very --

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2 listen, most of the PIDC loans that are out there
3 were at a time when interest rates were crazy.
4 Right now, interest rates aren't that crazy, but
5 we could return to those dates where they could
6 be.

7 And one of the things -- that and I'd
8 like to make one thing clear. We are about jobs.
9 Our family owns and operates a business that we
10 don't -- that we enjoy for one reason. We create
11 more jobs. And I've been known to say more than
12 not to both the labor movement in this city, we're
13 pretty proud of the fact that we went from 280
14 jobs to 600 jobs in Philadelphia. And we want to
15 put everybody on notice that this is about growth.

16 And I think that the loan system -- if
17 there's certain areas of the business that this
18 can be limited too, I'm sure that it would be a
19 much more palatable bill, but the way it is right
20 now, it encompasses everybody who has the single
21 interaction with the City of Philadelphia.

22 If I want to sell you a pound of
23 tomatoes, every one of my employees has to make
24 \$7.90 an hour. I don't think that that is what is
25 intended in this bill.

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2 COUNCILWOMAN FERNANDEZ: Okay. Well,
3 just for the record, one amendment that the
4 sponsors had already introduced.

5 (Interruption by unidentified person
6 shouting from audience.)

7 COUNCILWOMAN FERNANDEZ: Excuse me a
8 minute, let me finish.

9 COUNCILMAN NUTTER: Let the
10 Councilwoman finish her statement, and then you
11 can talk about your point of view.

12 COUNCILWOMAN FERNANDEZ: One of the
13 amendments that the sponsors had already
14 introduced was to limit it to services, not goods.

15 COUNCILMAN ORTIZ: That's right.

16 COUNCILWOMAN FERNANDEZ: Selling
17 tomatoes -- it has been changed. I think it would
18 be very important for all of us to keep track of
19 the original bill, the amendments that have
20 already been added, and then other amendments that
21 might also be added, depending on how this Council
22 reviews the bill.

23 But let me just for the record be
24 clear. Right now, is the only -- are the only
25 City dollars you get through any kind of contract

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2 or loan through PIDC?

3 MR. PROCACCI: Say that again now?

4 COUNCILWOMAN FERNANDEZ: Do you get any
5 City dollars to help your business other than
6 through PIDC?

7 MR. PROCACCI: Only through this PIDC.

8 COUNCILWOMAN FERNANDEZ: Okay, thank
9 you.

10 COUNCILMAN NUTTER: All right.
11 Councilman Ortiz.

12 COUNCILMAN ORTIZ: Point of
13 clarification for Mr. Procacci. By the way, the
14 sale of goods, such as tomatoes and so on, will
15 not be affected. You will not be impacted by this
16 bill in that sense.

17 However, one thing, your organization,
18 your corporation has been helped by taxpayers'
19 dollars.

20 (Applause.)

21 COUNCILMAN ORTIZ: This is a -- we are
22 here not to hurt business but to help, but we
23 always want a level playing field in terms of
24 business.

25 Mr. Pizzi said that we don't want to go

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2 back to ten years ago. Well, let me tell you what
3 happened ten years ago and what -- the Convention
4 Center, the Marriott Hotel, Liberty One, and
5 Liberty Two, all of that building that has taken
6 place in Center City was begun by the City Council
7 and proposed by the City Council of ten years ago,
8 not by the current Administration. Those were
9 fostered by tax breaks, tax abatements, TIFs, all
10 of those things.

11 We are not saying -- and that's why in
12 this bill, the small business entities are vastly
13 exempted from the impact of this bill. That's why
14 nonprofits are vastly exempted from the impact of
15 this bill, because we understand that small
16 business needs a hand up, not a hand down.

17 And I think the workers that are coming
18 from welfare need a hand up, not a hand down.

19 (Applause.)

20 COUNCILMAN ORTIZ: So -- and I
21 appreciate what you're saying that you will and
22 you are currently paying an average wage of 7.95,
23 which is very good. That is the type of
24 situation. If you get a \$200 million dollars tax
25 abatement, you should be able to pay a 7.90

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2 minimum wage.

3 (Applause.)

4 COUNCILMAN ORTIZ: I believe that's
5 fairness. If you get a tax break of over a
6 hundreds of million dollars, you should be able to
7 pay a 7.90 wage.

8 (Applause.)

9 COUNCILMAN NUTTER: Councilman.

10 COUNCILMAN ORTIZ: Right?

11 COUNCILMAN NUTTER: Councilman.

12 COUNCILMAN ORTIZ: The Kvaerner
13 industry is coming in, and we appreciate it.
14 They're going to create 700 jobs. I would hope
15 that over the millions of dollars that they have
16 gotten from State, City and federal, that the
17 average wage that Kvaerner is able to pay the guy
18 who is sweeping the floor in the building is 7.90.
19 I would hope that out of that huge subsidy that
20 they're getting, that 7.90 will not bring Kvaerner
21 down to its knees.

22 (Applause.)

23 COUNCILMAN NUTTER: Councilman.

24 COUNCILMAN ORTIZ: One more statement.

25 COUNCILMAN NUTTER: You've taken

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2 tremendous advantage of a point of order, which is
3 normally very short.

4 COUNCILMAN ORTIZ: Last week -- last
5 week, we had a bill before Council, and we had a
6 lot of people coming in saying that marriage would
7 disappear as we know it.

8 Today, we're going to hear that
9 capitalism, if we pass this bill, will disappear,
10 as we know it. I don't think so.

11 COUNCILMAN NUTTER: Thank you.
12 Councilman DiCicco has a question.

13 COUNCILMAN DICICCO: Thank you, Mr.
14 Chairman. And thank you, Mr. Procacci for being
15 here and thank you for your commitment to
16 Philadelphia.

17 The former restaurateur that I was, I
18 had on many occasions the opportunity to shop at
19 your facility.

20 You indicated that at one point, you
21 had 230 or 80 jobs, I believe?

22 MR. PROCACCI: 280 jobs, yes.

23 COUNCILMAN DICICCO: And a business
24 decision, I believe, was being made at that time
25 whether to expand to accommodate the growth in

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2 your business, whether to stay in Philadelphia or
3 possibly to leave.

4 MR. PROCACCI: That is correct.

5 COUNCILMAN DICICCO: PIDC, the public
6 funds that we keep hearing about today, were
7 obviously instrumental in your company making the
8 decision.

9 Had it not been for that public
10 investment of taxpayers' dollars, and it really
11 doesn't work that way, but for the sake of this
12 conversation, what alternative did you have and
13 what other considerations were you thinking about
14 at that time?

15 MR. PROCACCI: At the time, in 1993, it
16 was my decision, and I finally, after a lot of
17 soul-searching, I decided that we built our
18 business in Philadelphia and I would stay in
19 Philadelphia. We had plans to move to Elkton,
20 Maryland.

21 COUNCILMAN DICICCO: So, in essence,
22 then the PIDC loan was instrumental in your
23 decision to stay. And as a result of that,
24 taxpayer investment, you have expanded your job
25 employment by 320 jobs or so.

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2 MR. PROCACCI: Just about that, yes,
3 sir.

4 COUNCILMAN DICICCO: Do you happen to
5 know, of the 600 employees at Procacci Brothers,
6 the number that are Philadelphia residents? Do
7 you happen to have a ballpark figure to that?

8 (Unidentified speaker answers inaudibly
9 answered off mike.)

10 COUNCILMAN DICICCO: So as a result of
11 the public investment of City taxpayers' dollars,
12 560 or so employees are Philadelphia residents?

13 MR. PROCACCI: That's about right.

14 COUNCILMAN DICICCO: Thank you. I have
15 no further questions.

16 COUNCILMAN NUTTER: Let the record
17 reflect that Councilman DiCicco is a very quick
18 mathematician.

19 The next person, please . State your
20 name for the record.

21 MR. GABLE: My name is Sidney Gable.
22 I'm an industrial Realtor.

23 I have been in Philadelphia doing
24 industrial real estate for 42 years. I was
25 President of the Philadelphia Board of Realtors

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2 about ten years ago. I served on Mayor Goode and
3 Mayor Rendell's committees to retain business, to
4 attract business.

5 And I would greatly appreciate it if
6 Councilman Ortiz would listen to what I have to
7 say instead of having a sidebar conversation.

8 This bill will be counterproductive.
9 This bill will be counterproductive. I would love
10 to see that all workers receive a liveable wage.
11 However, if you legislate wages, you send a
12 message to business to move from the City.

13 The businesses move and their jobs go
14 with them. I have witnessed this trend for the
15 last 40 years. We are struggling today because
16 hundreds and thousands of companies have moved
17 from the City and from our area.

18 The businessman wants to be
19 competitive. They don't feel that they are
20 competitive if they are dictated to by City
21 Council, City government, State governments. They
22 leave.

23 I have witnessed industry and business
24 closing, such as the textile industry, the sewing,
25 the weaving, the dyeing, the metal industry, the

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2 machine shops, car production from the City, the
3 food industry, the wood industry. Look at the
4 empty buildings, look at the lost jobs.

5 I used to make a living in Kensington.
6 Kensington is a wasteland. Kraft Foods on Erie
7 Avenue is building a million and a half square
8 feet now in town. Why can we not keep 'em?

9 Businessmen perceive all these
10 problems, whether they're problems or not. They
11 want to have the freedom to run their companies.

12 This bill will result in losing jobs.
13 This bill will not help, but hurt workers. Each
14 individual and each employer will have to work
15 their own negotiations and hope that it will be a
16 liveable wage, but this legislation will drive
17 jobs to New Jersey, to Delaware, and to the
18 Philadelphia suburbs.

19 And if you want, I only had an hour's
20 notice of this meeting, I can come up with a list
21 a mile and a half long of companies that I worked
22 with that left.

23 Procacci was a good example of a
24 company that stayed in Philadelphia. They looked
25 to move to New Jersey, they looked to move to

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2 Delaware. They had a feeling they wanted to stay
3 here.

4 Roosevelt Paper, Mr. Koslov Sr. wanted
5 to stay here. The next generation, business
6 dictated for them not to pay Workman's
7 Compensation in the state of Pennsylvania, which
8 was ten times the amount in Kentucky, and twice or
9 three times the amount in New Jersey. We lost a
10 couple hundred jobs.

11 We got to stop thinking we're the
12 businessmen and tell them how to operate so that
13 we keep jobs in our area, especially manufacturing
14 job.

15 COUNCILMAN NUTTER: Thank you.

16 Please identify yourself for the
17 record.

18 MR. GORONSKI: My name is Leo Goronski.
19 I'm counsel to Barthco International, Inc., and
20 I'm here at the request of Mr. Dennis J. Culligan
21 (ph.), the Chairman and CEO of Barthco
22 International, Inc.

23 Barthco International Inc. is one of
24 the nation's largest customs brokerage and
25 freight-forwarding firms, with 17 offices

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2 nationally. It has its headquarter offices in
3 Philadelphia, at 721 Chestnut Street, and 7575
4 Holstein Avenue.

5 Of its 400 employees roughly 150
6 employees currently work in Philadelphia.

7 The company has been expanding very
8 rapidly. Barthco Logistics Inc. is a subsidiary,
9 Barthco Trade Consultants, Inc. is another
10 subsidiary. The principal of the company, Mr.
11 Culligan, has been a substantial investor in the
12 (unintelligible) program as well as the rail port
13 intermodal facility.

14 Barthco strongly objects to the
15 proposed legislation as being contrary to the best
16 interests of business in Philadelphia. It is --
17 the company is a past recipient of PIDC funds for
18 both of its headquarter buildings in Philadelphia,
19 so it has made a long-term commitment to
20 Philadelphia.

21 However, Barthco could locate its
22 offices anywhere. It is a service company. Most
23 of it is high-skilled computer technology or
24 customs brokerage and those related transactions.
25 So its offices in Newark, JFK International,

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2 Miami, Los Angeles are extremely active.

3 But we think that this proposed
4 legislation will have a chilling effect on
5 business in Philadelphia. Why would Barthco
6 International, growing as rapidly as it has been
7 growing and being a service company, what
8 incentive does it have to stay in Philadelphia or
9 to grow in Philadelphia?

10 The company is in a very competitive
11 national environment. It does not another partner
12 in the way in which its business is being
13 operated. Philadelphia, we feel, should be
14 creating incentives for new jobs and not
15 disincentives.

16 We feel that this proposed legislation
17 is contrary to the best interests of business in
18 Philadelphia, particularly when viewed in terms of
19 competition on a national basis.

20 Thank you.

21 COUNCILMAN NUTTER: Thank you. And,
22 again, just for some information, I get the
23 information, Mr. Goronski, that the impact on you
24 would be primarily because of your financial
25 contact or relationship with PIDC, not necessarily

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 because you have a contract with the City of
3 Philadelphia to provide services, is that
4 correct?

5 MR. GORONSKI: Yes guess, Mr.
6 Chairperson, I would say that PIDC would be
7 considered immediately for future development in
8 Philadelphia and has been recently.

9 COUNCILMAN NUTTER: Okay.

10 MR. GORONSKI: We would look to expand
11 in Philadelphia.

12 COUNCILMAN NUTTER: Thank you.

13 Can we have the next person to testify.

14 MR. MOAT: My name is Stan Moat. I'm
15 the owner of a company called "Contour
16 Packaging." We're producers of plastic
17 containers, one of the remaining manufacturing
18 companies with a future.

19 We've been here 30 years, hacking it
20 out. We started with less than 12 people in
21 Manyunk, got chased out of there by Hurricane
22 Agnes in nine feet of running water. We've been
23 in Olney ever since.

24 We now have 70 people, and most people
25 don't even know we're there.

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2 COUNCILMAN NUTTER: I know you're

3 there.

4 MR. MOAT: Do you?

5 COUNCILMAN NUTTER: Yes, I do.

6 MR. MOAT: Good. Our average wage
7 among the pickers and packers of bottles is about
8 -- is approaching \$10 an hour. We buy them 80
9 percent of single coverage. We have six months of
10 sickness and accident and life insurance as
11 benefits; 13 paid holidays; the usual vacations,
12 starting with two weeks after the first year.

13 I've got people with me generally on
14 the average of 12 to 15 years. Over half of our
15 workforce has been there over 10. So I think we
16 run a good business. It's no license to steal,
17 nor a place to get rich. But we still have all
18 the rungs on our ladder.

19 I can guarantee you -- and I should say
20 that we've had help from the PIDC along the way.
21 In fact, I wound up on the board of the PIDC for
22 six years.

23 I am not going to have any loans now
24 because I don't need anybody telling me that
25 that's a condition of employment here. And I can

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 guarantee you that if somebody had passed a law
3 like this -- in our case, 20, 25 years ago -- I
4 wouldn't be sitting here, because we had to have
5 that freedom to bring people in at something
6 usually above the minimum wage, but to have some
7 kind of progression.

8 I would suggest one thing to the
9 Council. I believe two or three years past, there
10 was something that we in the business community
11 referred to as the "Hostage Law," where if we're
12 going to pull out of here, we have to give six
13 months' notice. And then all of a sudden,
14 everybody gets interested in why we would consider
15 such a thing.

16 They would only have to have a single
17 answer now -- the living-wage bill. And you'd
18 have to explain it.

19 Thank you.

20 COUNCILMAN NUTTER: Thank you for your
21 testimony.

22 Please identify yourself for the
23 record.

24 MS. JENSEN: My name is Linda Jensen
25 (ph.). I'm here from Wallace Farberton Todd

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 (ph.). We're a design firm in the City of
3 Philadelphia.

4 COUNCILMAN NUTTER: I'm going to have
5 to ask you to pull that microphone much closer,
6 and if you could speak louder.

7 MS. JENSEN: I'm representing a design
8 firm in the City of Philadelphia, and we're a very
9 specialized company, with very narrowly-defined
10 and highly-qualified skills.

11 I am here to say that if you blanket an
12 order to hire so many people, we maybe would not
13 be able to have the City contract because of my
14 workforce, which is headquartered in Philadelphia,
15 15 percent -- only 15 percent of the workforce is
16 a support staff, which means the rest of the
17 workforce is highly qualified, high-degreed,
18 specialized individuals. Of the 15 percent, 80
19 percent are also college-degreed professionals in
20 just support.

21 So for us to be mandated to hire a
22 quota would be difficult. We have to be able to
23 hire qualified people.

24 COUNCILMAN NUTTER: I understand that.
25 I think you're referring to a provision in the

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2 bill that talks about for new hires, 15 percent
3 would have to be TANF-qualified. In your case,
4 you've got -- 15 percent of your workforce is --

5 MS. JENSEN: Not as specialized.

6 COUNCILMAN NUTTER: Not specialized.

7 MS. JENSEN: Mm-hmm.

8 COUNCILMAN NUTTER: And within that 15
9 percent, 80 percent of them have either a college
10 degree or some higher level of skill.

11 MS. JENSEN: Yes.

12 COUNCILMAN NUTTER: So what you're
13 really what talking about is 20 percent of your 15
14 percent -- I don't know what the number may be
15 because I don't know what number we started out in
16 the universe of your firm.

17 But that's what you're talking about
18 when you use that terminology.

19 MS. JENSEN: That's true. We have a
20 very small area where -- I only have actually one
21 or two jobs for non-highly-qualified people.

22 So if I were to win a contract to
23 design a park for the City, I don't know -- I have
24 to be able to hire the right kind of people.

25 We would pay anyone at least \$7 an

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2 hour, obviously. We would give benefits to anyone
3 who committed to 40 hours a week, 5 days a week.

4 But it's the quota that as a service
5 firm highly specialized, the quota would be
6 difficult, a hardship on a service firm.

7 COUNCILMAN NUTTER: Well, I have two
8 responses. I think, one, there may be -- if I
9 read the bill correctly, there may be a waiver
10 provision to deal with your kind of situation.

11 But also, when we have the City
12 Administration people and the -- by way of the
13 bill, those who would be responsible for its
14 implementation, I think they're here in the room,
15 but we could share that example and see what the
16 ramifications might be.

17 MS. JENSEN: Because I do support the
18 living wage; I just don't support blanket quota
19 for everyone who it just can't apply to in the
20 full extent of what you're offering.

21 COUNCILMAN NUTTER: I understand.

22 MS. JENSEN: Thank you.

23 COUNCILMAN NUTTER: Councilwoman
24 Fernandez.

25 COUNCILWOMAN FERNANDEZ: Could you just

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 clarify for the record, how many employees do you
3 have here in the City?

4 MS. JENSEN: About 80.

5 COUNCILWOMAN FERNANDEZ: About 80, so
6 about 15 percent of those 80 are your support
7 staff.

8 MS. JENSEN: Actually, 15 percent
9 nationwide. Less than that out of the 80, so
10 maybe 15 percent might be right, but it only comes
11 to 2 or 3 people in my entire firm who don't have
12 college educations, even if they're a secretary,
13 because of type of work they have to do.

14 COUNCILWOMAN FERNANDEZ: And so, again,
15 just to be clear for the record, what would
16 particularly trouble you would be the requirement,
17 or the quota as you say, that you would have to
18 hire 15 percent of the people.

19 MS. JENSEN: Yes, it would be the
20 quota, yes. Knowing that we're a specialized
21 business in the City, we contribute to three
22 colleges, sponsor a scholar, because we know that
23 we need qualified people, and we try to help
24 convince city people, people in the local schools,
25 to go into our field and to commit to our field.

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2 So we're already privately donating to
3 sources to try to accommodate the need that we
4 have for highly-skilled workers.

5 So it's the quota that I have to object
6 to.

7 COUNCILWOMAN FERNANDEZ: Thank you.

8 COUNCILMAN NUTTER: Councilwoman
9 Miller.

10 COUNCILWOMAN MILLER: A couple more
11 questions.

12 MS. JENSEN: Okay.

13 COUNCILWOMAN MILLER: What degree do
14 people actually have there when you say "highly
15 skilled?"

16 MS. JENSEN: A master's degree in city
17 planning or landscape architecture or urban
18 design.

19 COUNCILWOMAN MILLER: Okay.

20 MS. JENSEN: So it's a six-year program
21 at an accredited school, and the people that would
22 come locally are from -- the University of
23 Pennsylvania has those programs.

24 COUNCILWOMAN MILLER: Okay. And of
25 your support staff that have college degrees, even

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2 if they're secretaries, wouldn't have the same
3 type of degree, right?

4 MS. JENSEN: They don't have the same
5 type of degree. It's just that for them to be
6 able to keep up with the pace, they have to have a
7 lot of great communication skills, they have to
8 have great technology skills, they have to be good
9 with computers, very good communicating. They
10 have to be able to handle situations, think on the
11 spot, make decisions.

12 And a lot of the logical thinking comes
13 with additional education and training. And
14 you're just better prepared.

15 COUNCILWOMAN MILLER: I agree. But,
16 you know, with the Philadelphia economy that's has
17 been downsizing for years, there are all types of
18 people with college degrees that are also welfare
19 recipients.

20 (Applause.)

21 COUNCILWOMAN MILLER: So we shouldn't
22 just blanketly think that a welfare recipient
23 would not qualify for that job. We have all kinds
24 of people now that are unemployed and receiving
25 welfare. So you might be able to find someone.

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2 I understand Council's point about the
3 waiver. And, you know, I agree that your example
4 is a good example, but I just wanted to say that
5 there are all types of people that are receiving
6 welfare now.

7 MS. JENSEN: And that would be good if
8 that was advertised instead of just blanket they
9 must be off of welfare. Maybe if you, you know,
10 communicated to that, that there were a lot of
11 different skills available.

12 COUNCILWOMAN MILLER: Lots of skills.

13 MS. JENSEN: That would be easier.

14 COUNCILWOMAN MILLER: Okay, thank you.

15 COUNCILMAN NUTTER: Thank you.

16 Please identify yourself for the
17 record.

18 MR. CHAREN: My name is Lance Charen.
19 I'm the Founder and President of a company called
20 "DocuShred." We located our business, by choice,
21 three and a half years ago from Bucks County into
22 West Kensington. I currently sit on the Board of
23 Directors of the American Street Corridor Business
24 Association.

25 When we moved into the City of

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2 Philadelphia, we had 3 employees; today we employ
3 more than 25.

4 I can tell you that this bill would
5 cripple my business. But more importantly, it
6 would cripple my ability to compete in my
7 marketplace.

8 My company has invested more than three
9 quarters of a million dollars, not one dime from
10 the City, the State, or the federal government in
11 those three and a half years. We have never asked
12 for any help from the City, we have never asked
13 for any help from any government agency. Yet
14 today, approximately 10 percent of our revenue is
15 derived from a City contract.

16 If I was forced to apply this bill to
17 my workforce, it would increase my
18 across-the-board operating costs by almost 15
19 percent. I would, therefore, choose not to do
20 business with the City of Philadelphia before I
21 would -- as opposed to coming into compliance with
22 this regulation.

23 The net effect on the City, however,
24 would be that even that small piece of business
25 would leave because I don't have anyone providing

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2 my service remaining in the City of Philadelphia.

3 There's -- this bill would do nothing,
4 nothing to help the people that we've hired. The
5 25 employees that we've got, approximately 19 of
6 them came to us either directly through job
7 training programs, from Welfare-to-Work, or
8 directly off unemployment.

9 Those employees do not start at 7.90.
10 Those employees start at between 6 and \$7 an
11 hour. Those employees take anywhere from 6 months
12 to a year to break through an \$8-an-hour barrier,
13 and most of these employees don't receive health
14 benefits for the first 90 days of their
15 employment.

16 More importantly, less than 10 percent
17 of our workforce remains after the course of the
18 first year, and all of those people that choose to
19 leave choose to leave by choice. We have been put
20 into a situation where the vast majority of those
21 people that leave have left us not to take other
22 jobs, but are now back on the unemployment or back
23 on the welfare rolls because they just couldn't
24 compete and didn't have the skills that they
25 needed in order to be valuable employees to our

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2 organization.

3 This bill is -- I understand that many
4 of the speakers and many of the people that you've
5 heard from are from old, established, large
6 businesses. But as an entrepreneur, someone that
7 has put all of his life savings and life's blood
8 and every moment of waking effort for the last six
9 years into trying to build a business in this
10 economic environment, I can tell you, this would
11 be the final nail in my company's coffin. And I
12 would have no choice but to close my company and
13 return to working for someone else.

14 COUNCILMAN NUTTER: Mr. Charen, just a
15 quick question. I must have missed it when you
16 said it. What is your business?

17 MR. CHAREN: We provide destruction of
18 confidential business records of companies and
19 destruction of obscure -- or obsolete, badly,
20 poorly-manufactured, recalled, or counterfeit
21 products.

22 COUNCILMAN NUTTER: And do you have a
23 contract with the City or did you get financial
24 assistance?

25 MR. CHAREN: We have a contract with

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2 PGW to destroy the credit and financial records
3 that PGW generates, yes.

4 COUNCILMAN NUTTER: Interesting.

5 COUNCILWOMAN FERNANDEZ: Can I ask a
6 question?

7 COUNCILMAN NUTTER: Yes.

8 COUNCILWOMAN FERNANDEZ: Are you in the
9 Empowerment Zone?

10 MR. CHAREN: We're actually located one
11 block outside of the Empowerment Zone.

12 COUNCILMAN DICICCO: Thank you, sir.
13 And thank you for coming today.

14 Of the 25 employees that you have, what
15 percentage of them, or what is the number of
16 employees that you employ from Philadelphia?

17 MR. CHAREN: All but two live in the
18 City.

19 COUNCILMAN DICICCO: And are they
20 basically from the community in which your
21 company's located?

22 MR. CHAREN: 19 of them -- 19 of our
23 employers were hired either off of welfare or
24 unemployment. My guess is, without looking at
25 addresses, at least a dozen of them are from

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2 directly within a half-mile radius from West
3 Kensington.

4 COUNCILMAN DICICCO: And how long have
5 you been in operation?

6 MR. CHAREN: We've been in operation
7 seven years; we moved into the City from Bensalem
8 three years ago.

9 COUNCILMAN DICICCO: I think you said
10 your average -- you start 'em out at 6.50 or --

11 MR. CHAREN: They start out at between
12 6 and \$7 an hour.

13 COUNCILMAN DICICCO: And within six
14 months, they --

15 MR. CHAREN: Within a year, they're
16 typically at 7.50 an hour.

17 COUNCILMAN DICICCO: Okay, thank you. I
18 have no further questions, Mr. Chair.

19 COUNCILMAN NUTTER: Councilman Mariano.

20 COUNCILMAN MARIANO: It's hard for you
21 to see me without a board up there. He's in my
22 Council district, he's a great guy.

23 And I heard you talk about 15 percent
24 across the board. The wages -- it's my
25 understanding from the way this bill is written,

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2 it wouldn't be across the board. Now, maybe you
3 can explain that to me because I'm not sure what
4 you mean by that.

5 But it's only the business that you do
6 with the City, and that may be a problem too. How
7 much of your work do you do for the City?

8 MR. CHAREN: About 10 percent of our
9 revenue is derived solely from the City.

10 COUNCILMAN MARIANO: I don't know how
11 you figure that out, but only that 10 percent is
12 what's covered under this bill. So it wouldn't be
13 across the board, right? Is that a fair
14 question?

15 MR. CHAREN: Well, then what you're
16 asking is to put the onus on us as business owners
17 to try and figure out which hours, which employers
18 are working on City contracts and which hours
19 they're not working on City contracts.

20 Or, worse, to hire some employees that
21 work only on City contracts and are paid at one
22 wage right, whereas everybody else in the company
23 is paid at a different wage rate. And, quite
24 frankly, that creates human resources and
25 accounting problems, which are probably more

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2 costly and prohibitive than asking us to do this
3 in the first place.

4 COUNCILMAN MARIANO: I understand
5 that. And when we were doing the prevailing wage
6 bill, Commissioner Applebaum who's sitting up
7 there in his perch watching these proceedings said
8 -- and got Councilwoman Clark's attention that it
9 would be an administrative nightmare, just like
10 you're saying, for some poor woman, probably some
11 poor minority woman who has a cleaning business in
12 City Hall.

13 I understand what you're saying, but I
14 just don't see how if you have 10 percent of the
15 business, what's that, two workers?

16 MR. CHAREN: But it's not --

17 COUNCILMAN MARIANO: And if them people
18 are making 7.50 an hour, you put the 7.50 hours on
19 there. When they run the machines to shred the
20 stuff for the gas company, they make 7.90 an hour,
21 and your best workers do that.

22 MR. CHAREN: Maybe we do a pickup for
23 the Gas Works four days a month, so what you're
24 telling me is that those hours for those employees
25 would be at this rate, and every other hour for

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 those employees would be at a different rate?

3 COUNCILMAN MARIANO: Yeah. And the
4 Mayor's Office of Building Standards is the one
5 that does that.

6 MR. CHAREN: With all due respect, I am
7 in operation with two administrative employees --
8 myself and my secretary. I currently work
9 anywhere between 17 and 19 hours a day. There is
10 no way in hell we could handle the additional
11 burden.

12 What you're doing here is you're
13 creating a circumstance where you're taking
14 entrepreneurs and you're taking small businesses
15 that are trying to establish a foothold and a
16 beach head, and you're driving us out with
17 legislation after legislation after legislation
18 that just makes it impossible and impractical to
19 do business in the City of Philadelphia.

20 COUNCILMAN MARIANO: Lance, it's sort
21 of like that trailer for the Godzilla movie that's
22 coming where you never really get to see Godzilla,
23 you just see the tail whacking everybody in New
24 York City.

25 (Laughter.)

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2 COUNCILMAN MARIANO: Well, that's what
3 they're doing here. Lance, we're talking about --

4 MR. CHAREN: It's not the hourly wage.

5 COUNCILMAN MARIANO: We're talking
6 about 40 cents an hour. 40 cents an hour times 40
7 hours. One of you math geniuses, what are we
8 talking about, \$20 a week?

9 MR. CHAREN: I would sooner walk away
10 from the City than --

11 COUNCILMAN MARIANO: I know. And I
12 believe you believe that. I don't think you'll
13 walk away.

14 MR. CHAREN: With all due respect --

15 COUNCILMAN MARIANO: I think-- \$20 a
16 week more for two people, that's \$40.

17 (Applause.)

18 MR. CHAREN: But it's not \$20 more a
19 week for 2 people.

20 COUNCILMAN MARIANO: Plus your
21 administrative costs, plus --

22 COUNCILMAN NUTTER: Let's -- if we're
23 going to have a debate, let's have a reasonable
24 debate so people can hear.

25 MR. CHAREN: It's not administrative

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2 costs; it's time. There's only a given amount of
3 time in the day, and it's not that I don't want to
4 provide a prevailing wage. We're doing the best
5 we can with the circumstances that we've been
6 prevented and with the business that's been
7 available to us.

8 We could not survive. We would sooner
9 walk away from doing business with the City and
10 give up those employees altogether than we would
11 be able to administer a program like this in a
12 business of our size.

13 COUNCILMAN MARIANO: Lance, I've seen
14 your operation, and I know you work hard, and I
15 know you're telling the truth, you're a good guy.

16 But, believe me, I'm not just saying
17 this. He's here, he stuck it out in West
18 Kensington, an area that some people call, "The
19 Bad Lands." I've been to his place in the
20 American Street Business Corridor, and I firmly he
21 believes this.

22 But again, picture Godzilla, the
23 trailer you're seeing where that tail's wanging
24 around. We never see the monster. I don't think
25 you're going to take your whole business away for

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2 \$40 a week.

3 MR. CHAREN: Oh, no, I'm not going to
4 take my whole business away, but I am going to
5 stop doing business with the City, and the City
6 then has two choice. They either choose to do
7 something else with this material and expose
8 themselves to that liability for which they've
9 hired me to prevent; or they contract with one of
10 my suburban counterparts, and those jobs and those
11 City wage taxes and those business-privilege taxes
12 and everything else associated go with it to
13 Delaware County. Because that's the two
14 alternatives in this whole thing.

15 It's not that I don't respect what
16 you're saying, but it's not practical for a
17 business of our size -- and, worse, you're not
18 creating an environment that's conducive to other
19 small businesses, new businesses which are the
20 life blood of growth for any city to be able to
21 operate effectively.

22 COUNCILMAN NUTTER: Okay, thank you.

23 COUNCILMAN MARIANO: My last thing on
24 this subject. I'm telling you, the Chamber is
25 doing a good job. But in all their zeal, nobody

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2 read this bill. And you know what? I don't
3 understand it because I wasn't fortunate enough to
4 go to law school.

5 I think I understand it, but if I sat
6 here and said, "Yeah, I understand it," Mark
7 McDonald or Cindy Burton might ask me a question
8 and I find out that I don't understand it. So
9 when they ask me a question I don't understand, I
10 go to one of the lawyers.

11 You didn't read this bill. I'm sure
12 Charlie Pizzi didn't read this bill. We are here
13 to work this out because these people need a
14 decent wage.

15 (Applause.)

16 COUNCILMAN NUTTER: Okay.

17 COUNCILMAN MARIANO: And stay in
18 Kensington. Commissioner Timoney, they brought
19 him down from New York, and nobody's complaining
20 about him. We're doing good stuff in Kensington.

21 COUNCILMAN NUTTER: Thank you.

22 Please identify yourself for the
23 record.

24 MR. SIMONS: My name is Scott Simons.
25 I have a manufacturing company in Northeast

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2 Philadelphia.

3 COUNCILMAN NUTTER: It doesn't sound
4 like we can hear you. Try it again.

5 MR. SIMONS: Okay. My name is Scott
6 Simons. I have a manufacturing company in
7 Northeast Philadelphia. The name of the company
8 is "Laser Labs." I am a cofounder.

9 Last year at this time, we purchased a
10 building in Northeast Philadelphia, and the
11 Philadelphia PIDC assisted us in purchasing this
12 building. We also looked at a building in Bucks
13 County and also in New Jersey.

14 I can tell you that the PIDC didn't
15 quite come up to what New Jersey nor Bucks County
16 did, but we felt that what Charlie Pizzi, Steve
17 Mullin, and what the Mayor of the city was going
18 to be doing, we felt confident that we were in the
19 right path by purchasing the building in
20 Philadelphia.

21 The long-term growth Laser Laboratories
22 is predicated not only its employees but its
23 ability to do business in the City of Philadelphia
24 with its many vendors and many of its doctors and
25 physicians. I can tell you that their ability and

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2 our ability to pay \$7.90 for minimum wage would be
3 devastating.

4 We currently employ 32 employees, 6 of
5 them were former welfare recipients. We've helped
6 over 15 through the years. I've been involved
7 with Welfare-to-Work for five and a half years,
8 and part of that is to give these individuals a
9 helping hand.

10 I heard one of the gentlemen speak, and
11 he spoke about these people that come into the
12 City, do a contract and leave. Welfare recipients
13 don't need a job for ten weeks; they need a job
14 for life. Laser Labs provides that. Laser Labs
15 gives them the opportunity to grow.

16 Yes, we pay above minimum wage. We pay
17 anywhere from 6 to \$6.50 to start. In 90 days,
18 they have an opportunity, and generally they're
19 given an additional 50 cents hour. These
20 individuals then have the opportunity to join in
21 on our Blue Cross/Blue Shield plan. And at that
22 time, they also are enrolled in our incentive
23 program.

24 Welfare recipients don't need a job for
25 ten weeks; they need one for life. We've had

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2 former welfare recipients for the first time
3 buying new cars, and one of them is buying a home
4 in this Councilman's area. He'll be making
5 settlement very shortly.

6 We are very proud of the fact that
7 these individuals have started with us, some of
8 them right out of high school. They've been at
9 Disadvantaged Youth, some of them didn't finish
10 high school. And those from Disadvantaged Youth
11 that have had the opportunity to work with Laser
12 Laboratories and work their way up through the
13 ranks over the years and now they've purchased
14 homes and are beginning to build a successful
15 life.

16 I know that I look around in the
17 Northeast section of Philadelphia and I look at
18 not long ago what this city was about when I pass
19 the Bud Company that is now shuttered. I look at
20 the Whitman Chocolate building. I look at what is
21 not just around the corner from us, but I remember
22 many of the employees that worked at the Heinz
23 Corporation when they moved to 11000 Roosevelt.
24 These individuals had had wonderfully-paying
25 jobs.

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2 Today those jobs are gone. Small
3 businesses, the backbone of this economy in most
4 of Pennsylvania or along with Philadelphia, I can
5 tell you that today, I do not have any contracts
6 with the City, but tomorrow.

7 I can tell you that my concern after
8 purchasing a building a year ago, I can tell you
9 that I have second thoughts if I made the right
10 decision if this bill is passed.

11 I can tell you that with the long-term
12 growth Laser Laboratories has, we feel we will
13 employ over 100 people in the next several years.
14 We're brining high technology to the Philadelphia
15 area. I would have to concern myself with if I
16 made the right decision and where I go in my
17 future.

18 I thank you.

19 COUNCILWOMAN FERNANDEZ: Thank you Mr.
20 Simons for your testimony.

21 MR. SIMONS: Thank you.

22 COUNCILWOMAN FERNANDEZ: Let's see.
23 Our next witness is. . .

24 The other two gentlemen at the table,
25 maybe you could identify yourselves for the

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2 record. If you all are in turn. I know Mr. Jones

3 but the other --

4 (Unidentified person identifies

5 inaudibly identifies himself off mike.)

6 COUNCILMAN NUTTER: You have to speak

7 into the microphone.

8 COUNCILWOMAN FERNANDEZ: Proceed with

9 your testimony.

10 (Unidentified person continues to speak

11 inaudibly off mike.)

12 COUNCILMAN NUTTER: You have to speak

13 into the microphone whatever it is you want to

14 say.

15 Take a seat, don't get extremely

16 comfortable, speak right into the microphone.

17 MR. TAUBENERGER: My name is Al

18 Taubenberger, T-A-U-B-E-N-B-E-R-G-E-R. I'm the

19 President of the Northeast Philadelphia Chamber of

20 Commerce. And to my left is Mr. Nick Kromberger

21 (ph.), of Kromberger & Company, and one of our

22 Chamber members and also a recipient of PIDC

23 support.

24 The Northeast Philadelphia Chamber of

25 Commerce is a private business association of over

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2 850 members dedicated to the success of our
3 community and the free enterprise system. We
4 applaud.

5 The altruism in the law's purpose;
6 however, we believe it's misguided and extremely
7 harmful. Councilman Mariano, in his recent
8 editorial in The Daily News, stated that the City
9 is getting these companies a chance to survive and
10 grow. Well, quite frankly, I believe very
11 strongly that these companies are giving the City
12 a chance to thrive and grow in producing jobs.

13 You can't raise taxes for the same
14 reason you can't raise the minimum wage. Now,
15 7.90 is a good -- sounds good; 12.90 sounds
16 better; and \$100 an hour sounds best yet. I would
17 support a \$100 minimum wage an hour. I think
18 people would think I'm out of my mind.

19 I think the net effect is to drive
20 business out of the suburbs. My colleagues in the
21 Chamber of Commerce work from Bucks County,
22 Delaware County, Montgomery County, and the
23 combined Chambers of New Jersey would be very
24 supportive of this legislation because I think
25 they would be the recipient of many companies.

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2 I think less businesses would be
3 willing to do business with the City and stay
4 within the City. I think large businesses could
5 possibly skirt the law by hiring temps. And I
6 would like to see if a City agency would monitor a
7 manufacturing firm in St. Louis who is doing the
8 business with the City to see if they're in
9 compliance.

10 I think this legislation, as it is
11 written, is extremely harmful to manufacturing
12 firms and other businesses within the City
13 boundaries. Where we want them to grow and
14 prosper, we're doing the absolute worse effect.
15 Where we would allow them to hire welfare
16 recipients in their growth, we're going to stifle
17 their growth and possibly leave the City.

18 This legislation is intended to force
19 market behavior. Economic forces work in an
20 unfettered manner; they can't be shackled.

21 I would have to agree with Councilman
22 Ortiz in this regard: Capitalism will not
23 disappear from Philadelphia, but it won't be doing
24 very well either. There is no imperial (sic.)
25 data or evidence to support the idea that this

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2 type of legislation would be helpful.

3 Quoting from the Boston Business
4 Journal, in the city of Boston, which enacted a
5 living-wage ordinance on July 30, 1997, the growth
6 rate in city jobs went from 2.31 percent in the
7 first half to 0.10 percent in the second half of
8 1997. While it's still too early to draw any hard
9 conclusions from this data, it is clear that the
10 living-wage effort in Boston has been subject to
11 reconsideration because, in quotes, basically, you
12 have to decide whether you want to do business in
13 a city that passes such a law. From the Boston
14 business Journal, August 18, 1997.

15 There's an election every day on
16 economic growth in this city, and the City is
17 losing it. We can talk with great support and
18 admiration for the creation of 700 jobs by
19 Kvaerner Ship Yard where it took the consolidated
20 sources of the Mayor, the Governor, and other
21 union leaders to get them to come here. But I bet
22 you dollars to donuts, this city will lose more
23 than 700 jobs when the year is over.

24 The Northeast Philadelphia Chamber of
25 Commerce overwhelmingly is against this

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2 legislation.

3 COUNCILMAN NUTTER: Thank you very much
4 for your testimony.

5 Yes, sir.

6 MR. KROMBERGER: My name's Nick
7 Kromberger. I'm the owner of Kromberger Company
8 in Northeast Philadelphia. We presently employ 14
9 people, and none of them would fall under the
10 \$7.90 figure. We're a specialized business.

11 I'm concerned about the total business
12 atmosphere in Philadelphia. I'm 72 years old, I
13 was born in Philadelphia. I'm a product of the
14 Philadelphia school system. I'm very proud of
15 that.

16 But when it came time to making a
17 decision last year as to where we would continue
18 to do our business, where we would be located,
19 three of my sons, who have moved out of the City,
20 advocated moving the business out of the City.

21 Fortunately, I talked to Al
22 Taubenberger of the Chamber about this. And
23 through his good offices and Steve Mullin, PIDC,
24 we arranged a buying procedure that kept us in
25 here. Even though the deal looked good, my sons

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2 were still interested in moving out of the City.

3 They don't have the love for it that I do.

4 I'm concerned in the fact that if this

5 impacts companies that use a high degree of

6 unskilled workers, that we could force those

7 companies either not to locate in Philadelphia or

8 move out of Philadelphia if they're here now.

9 That impacts me as a businessman because I will

10 then be carrying a greater share of the tax

11 burden.

12 I'm concerned about what I consider the

13 fact that one of the sponsors doesn't understand

14 the bill and that I've tried to read excerpts that

15 I've gotten since yesterday. And they use words

16 like "hospitalization," should have "adequate

17 hospitalization." Who's to determine what

18 adequate hospitalization is?

19 I started on day one, when I hired my

20 first employee, to offer health insurance to that

21 employee. So I'm in favor of it, but who's going

22 to tell me what it is.

23 To me, it doesn't look like a nightmare

24 for the business owner as much as it is who's

25 going to regulate this, who's going to make the

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2 decision on what is adequate on hospitalization,
3 who falls under that 7.95 figure.

4 I sympathize with these people. I
5 don't know how anybody can really raise a family
6 of 4 with \$16,000.

7 (Interruption by unidentified person
8 shouting from audience.)

9 MR. KROMBERGER: I am telling the
10 truth, but I don't think the bill, as it's
11 presently constructed from what I see, really is a
12 strong enough bill to effectively do what I think
13 Council is trying to do.

14 I would have to say that as a citizen,
15 as a businessman, I'd be opposed to the bill as it
16 is now written.

17 I thank you.

18 COUNCILMAN NUTTER: Thank you.
19 Councilwoman Fernandez.

20 COUNCILWOMAN FERNANDEZ: I would just
21 like to add for the record just so everyone is
22 clear, a bill is drafted by one or more members,
23 introduced, and then public hearings are held.

24 So right now we're in the public
25 hearing stage so that we can hear all the sides.

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2 And as far as I'm concerned, this has been one of
3 the more interesting debates we've had because,
4 obviously, people have a lot of strong feelings,
5 about, as you know, a very complicated bill.

6 In fact, after the earlier discussion,
7 I had to go back and read it because I think my
8 interpretation would disagree with one of my
9 colleagues.

10 So this is the hearing process. So I
11 think you should see this as a bill before Council
12 and a committee of Council so that we can hear
13 facts from all sides.

14 It would be incorrect to say this is a
15 Council bill. This is a bill that's been
16 introduced to Council for a hearing and for
17 discussion. So right now we're in the hearing and
18 discussion stage.

19 Unlike the state legislature, we don't
20 just rush things through, very important things
21 through without absolutely any discussion or
22 debate or hearing from all sides.

23 MR. KROMBERGER: I appreciate that,
24 Councilwoman. And I appreciate an opportunity to
25 speak.

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2 COUNCILWOMAN FERNANDEZ: Thank you for
3 coming.

4 COUNCILMAN DICICCO: Thank you, sir. I
5 have one question also. What is the nature of
6 your business?

7 MR. KROMBERGER: I'm in the incentive,
8 promotion, and advertisement specialty business.
9 We have supplied things to the Chamber of Commerce
10 at times. We've never gone on the bid list for
11 the City. We find it a little onerous to do that.

12 We try to build up long-term
13 relationships with people like ARCO and ARA and
14 Sun and perform well. So that's with why our wage
15 scale is relatively high, because we need
16 sophisticated people talking to them on the phone.

17 We -- incidently, we do at times get
18 promotional programs that entail assembly of
19 various things. And we would run into a problem
20 there because 7.95 doesn't really do it for us if
21 we're into that type of assembly. That isn't a --
22 that's not something we seek because we don't feel
23 that we're equipped to consistently handle that
24 presently.

25 COUNCILMAN DICICCO: Do you happen to

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2 know whether or not any of the companies that are
3 related to your business would fall under this
4 legislation?

5 And if you do, what impact would that
6 have on your business? I mean, would that
7 ultimately translate into an increase on your part
8 as to your services to that company as a result of
9 what they may have to do to increase their costs?
10 Do you have any -- I'm looking for some comparison
11 here.

12 MR. KROMBERGER: Well, it's difficult.
13 We sell incentive messages, let's say, or
14 advertising on products, and they have a price.

15 I don't see where it would impact
16 except for the fact that many of the companies
17 that we supply things to may fall into the same
18 problem area that I'm discussing.

19 MR. TAUBENBERGER: Councilman, the firm
20 that is providing, let's say, the ceremonial
21 Liberty Bells that were given out by the Mayor's
22 office and Councilmembers, they certainly would
23 fall into this legislation as a vendor to the City
24 of Philadelphia. I don't know who that is, but it
25 would.

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2 COUNCILMAN DICICCO: Thank you.

3 COUNCILMAN NUTTER: We'll hear some
4 testimony later on. I'm not absolutely sure on
5 that kind of situation because of a proposed
6 amendment by Councilman Ortiz to exclude goods.

7 I think the -- and you may or may not
8 have been here, I think the primary focus now, and
9 we'll get into that shortly was on services.

10 Thank you for your testimony. I'm
11 sorry, hold on for a second.

12 Councilman Mariano and Councilman
13 Cohen.

14 COUNCILMAN MARIANO: Thank you.

15 Mr. Taubenberger, Mr. Kromberger, you
16 can't get away that easy.

17 MR. KROMBERGER: Who's asking?

18 COUNCILMAN MARIANO: I'm sorry.

19 MR. KROMBERGER: Where's your --

20 COUNCILMAN MARIANO: Mariano.

21 MR. KROMBERGER: I know that, but
22 where's --

23 COUNCILMAN MARIANO: Girard to grant.

24 MR. KROMBERGER: Girard?

25 COUNCILMAN MARIANO: Yeah.

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2 MR. KROMBERGER: North?

3 COUNCILMAN MARIANO: Girard north to
4 grant south, of the Boulevard in most areas --
5 Kensington, Juniata, Castor --

6 MR. KROMBERGER: I grew up around Fifth
7 and Lehigh.

8 COUNCILMAN MARIANO: We would be amigos
9 if you still lived there.

10 Now, here's my question. And this
11 isn't an observation; it's a question that -- Mr.
12 Taubenberg, you quoted the Boston Business
13 Journal.

14 MR. TAUBENBERGER: That's right.

15 COUNCILMAN MARIANO: Since you're with
16 the Chamber of Commerce -- and Al and I are
17 friends. I mean, we're not going to kid each
18 other, and we hope some day to play the World Cup
19 against each other, but it looks like we're both
20 going to --

21 MR. TAUBENBERGER: I think we should
22 play on the same team.

23 COUNCILMAN MARIANO: I think so, we're
24 all on the same team.

25 But anyhow, according to the Boston

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2 Business Journal, you said that the this
3 legislation was enacted in Boston, and it went
4 from 2.3 -- what did you call that?

5 MR. TAUBENBERGER: That was 2.31
6 percent.

7 COUNCILMAN MARIANO: What was that?

8 MR. TAUBENBERGER: What the job growth
9 was prior to the --

10 COUNCILMAN MARIANO: The job growth.
11 It wasn't enacted yet; it just passed. So the
12 perception of the fear that it might happen here
13 in business caused this to happen? 'Cause that
14 doesn't start in Boston.

15 MR. TAUBENBERGER: No, wait, no, no,
16 no. According to the -- I read it several times
17 before I quoted it. It went into effect July
18 30th.

19 COUNCILMAN MARIANO: It doesn't start
20 until July 30th of this year, of '98. That's what
21 I was told.

22 MR. TAUBENBERGER: Well, I have it in
23 writing here, and the source is cited. August
24 18th, from The Boston Business Journal. And
25 August 18th also happens to be my birthday, so

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2 there's something --

3 COUNCILMAN MARIANO: Well, we're
4 getting conflicting reports from what Councilman
5 Ortiz -- I mean Councilwoman Fernandez. As
6 Councilwoman Fernandez said, this isn't a bill yet
7 and there's always compromise.

8 But my question to you is: Do you
9 believe that the perception of this bill being so
10 bad for business 'cause I admit it here, I
11 admitted that I thought I understood but I didn't
12 really understand everything.

13 The perception of bill could cause
14 business to go down?

15 MR. TAUBENBERGER: Yeah. I think,
16 really, to be honest, the nuts and bolts of this
17 will thing not be the -- the 7.90, really to be
18 frank about it, is not the important number. I
19 think it is the perception that it throws to the
20 rest of the business community that you are tying
21 the hands of business with yet another regulation.

22 COUNCILMAN MARIANO: Okay.

23 MR. TAUBENBERGER: I think Mr.
24 Kromberger's firms pays higher than 7.90 an hour.

25 COUNCILMAN MARIANO: Sure.

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2 MR. TAUBENBERGER: I think many firms
3 do. I would say many in our chamber do.

4 COUNCILMAN MARIANO: Well, my question
5 -- I mean not to you now, but to Mr. Kromberger,
6 is: Why do you pay more than 7.90? 'Cause you're
7 a nice guy? 'Cause you don't have to, right?

8 MR. KROMBERGER: Why do I pay them more
9 than 7.90?

10 COUNCILMAN MARIANO: Why do you pay
11 them more than 7.90 an hour?

12 MR. KROMBERGER: Because they have to
13 do sophisticated work. They carry the flag of
14 Kromberger Company every time they get on the
15 phone --

16 COUNCILMAN MARIANO: But it's pride --

17 MR. KROMBERGER: -- with one of my
18 clients.

19 COUNCILMAN MARIANO: But it's pride,
20 right?

21 MR. KROMBERGER: Huh?

22 COUNCILMAN MARIANO: It's pride, right?
23 I mean, pride's worth more than \$7? Could we say
24 it's pride?

25 MR. KROMBERGER: Well, it's recognition

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 of what they're worth, okay?

3 COUNCILMAN MARIANO: But we're taking
4 about something more than 7 -- I forget what you
5 said you paid, but let's say it's more than 7.90.
6 And you're, obviously, a smart guy, you're 73
7 years old. I hope I can be half as smart as you
8 when I'm 73; I'm only 43 years old.

9 But what happens is it's pride with
10 money. The more people make -- I talked to the
11 guy that was here before you. He was going to
12 leave the City for 50 cents an hour for 2 people
13 \$40 a week. I can't comprehend that.

14 I just think you pay more money because
15 -- I could say you're a good guy, but you're a
16 smart businessman. The more you pay people, the
17 more pride they feel. If they need to work
18 somewhere and make \$5 or 5.50 or whatever the
19 ridiculous minimum wage is now, they're not going
20 to have a lot of pride. They're going to look to
21 be checking out, going to get a smoke every chance
22 they get, they're going to be looking to go to the
23 bathroom every chance. I mean, we can regulate
24 them that way too.

25 But you're a successful businessman,

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2 and I'm not even going to ask you what your going
3 to ask you what affiliation you are but I bet I
4 know because you're good, you're good at what you
5 do because of pride.

6 Well, these people want pride, too.
7 (Applause.)

8 COUNCILMAN MARIANO: That's not on you,
9 but that's what this is about, pride. This is
10 about pride.

11 MR. TAUBENBERGER: Councilman --

12 COUNCILMAN NUTTER: Thank you.

13 MR. TAUBENBERGER: This really isn't
14 about the numbers because it's what the market
15 will bear.

16 COUNCILMAN MARIANO: I know.

17 MR. TAUBENBERGER: With Mr.
18 Kromberger's firm, he knows that to get a person
19 to fill the position he needs, he has to pay above
20 that level.

21 No question about it, this is an
22 economic perception. If it is conceived that the
23 business community is being shackled, is being
24 told over and over what to do, they're not going
25 to come here.

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2 COUNCILMAN MARIANO: But perception can
3 change. I mean, if nobody came here today for
4 your side or for the Chamber's side and they said,
5 "Wow, 7.90's not bad. Thank God them idiots
6 didn't make it \$10 an hour, then we'd really be in
7 trouble." Well, guess what, guess what, they
8 talked about making it more than 7.90.

9 MR. TAUBENBERGER: I talked about -- in
10 fact, if you reviewed my testimony, I said \$100 an
11 hour.

12 COUNCILMAN MARIANO: And we agree, we
13 agree, Al.

14 COUNCILMAN NUTTER: Okay.

15 COUNCILMAN MARIANO: But that's what
16 I'm getting at. And that's what this is about.
17 Not to say he's a good business 'cause he is. Not
18 to say he is not a good business because he pays
19 less.

20 It's what the market bears, but we
21 create -- the people, the business people, union,
22 nonunion management, labor, we create what the
23 perception is, correct?

24 MR. KROMBERGER: May I say something?

25 COUNCILMAN NUTTER: Yes, but before you

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2 do that, let me just -- I feel compelled at this
3 moment just to mention the next panel of people
4 will be a combination of City agency heads or
5 people who are responsible for implementation, as
6 well as some who are well-versed in the
7 particulars of the bill.

8 And we want to provide an opportunity
9 to have some detailed discussion the way the
10 Council does its business about the bill.

11 There are still also many other
12 individuals, either private citizens or people who
13 are part of groups and organizations. We
14 obviously want to respect everyone's time and get
15 as much testimony in as possible.

16 So I just wanted to kind of at this
17 point take a check of where we are and the time
18 and caution everyone about our back-and-forth.

19 COUNCILMAN MARIANO: Thank you, Mr.
20 Chairperson.

21 MR. KROMBERGER: I just wanted to say
22 one term that the Councilman used, I take
23 exception to -- that side and that side and us.
24 We're all partners --

25 COUNCILMAN MARIANO: I agree.

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2 MR. KROMBERGER: -- in Philadelphia.

3 COUNCILMAN MARIANO: I agree with you,
4 and that's what I'm trying to avoid here.

5 MR. KROMBERGER: And if the businessman
6 isn't here to provide the jobs, there won't be
7 jobs available.

8 COUNCILMAN MARIANO: I said that two
9 hours ago, exactly what you're saying I said same
10 thing you're saying.

11 COUNCILMAN NUTTER: All right.

12 COUNCILMAN MARIANO: I said the same
13 thing you're saying.

14 COUNCILMAN NUTTER: All right.

15 COUNCILMAN MARIANO: I agree with you.

16 COUNCILMAN NUTTER: All right, at least
17 one sense of agreement.

18 COUNCILMAN MARIANO: Well, we have a
19 lot of sense of agreement.

20 COUNCILMAN NUTTER: All right. I think
21 Councilman Cohen's been trying to get in.

22 COUNCILMAN MARIANO: Thank you.

23 COUNCILMAN NUTTER: Thank you.

24 MR. KROMBERGER: Thank you.

25 COUNCILMAN COHEN: Mr. Chairman, I just

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 wanted to take advantage of the fact that -- not a
3 contemporary but somebody more a contemporary than
4 most of the speakers today is the gentleman in the
5 center. And just wanted to make a few
6 observations and maybe get a response from him.

7 I was born in South Philadelphia,
8 raised in Tioaga Nicetown, walked to high school
9 at Eighth and Lehigh eight blocks from Fifth and
10 Lehigh. I'm a native Philadelphian, in other
11 words.

12 I went to all the local public schools,
13 went to the University of Pennsylvania. And in
14 1937, graduated from law school. Won a fellowship
15 at the law school, and my first case was aiding
16 the professor of labor and corporation law. At
17 that time labor and corporation was taught by the
18 same professor.

19 And my first experience was before the
20 Pennsylvania Supreme Court on the minimum wage.
21 And every argument against this bill that I heard
22 today was heard then. The company was going
23 straight to hell, the whole country, if we ever
24 had a minimum wage.

25 (Applause.)

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2 COUNCILMAN COHEN: What all of these
3 laws have done over the years that have improved
4 the economic life and the social life of people
5 and have given ordinary people some backing on
6 health, on retirement, you know, Medicare, Social
7 Security and so forth, and the minimum wage.

8 All that it's done is took the country
9 out of the depression and began building the kind
10 of prosperity that the people talk about today.
11 And I just want to assure you that your fears,
12 history proves, are totally unfounded.

13 When this Council -- a number of years
14 ago, we had a Mayor Bill Green who denounced the
15 Council then as the worst in the free world
16 because why? We said that before a plant shuts
17 its gates, it has to give 60 days' notice. We
18 were told that's the end of Philadelphia, it will
19 no longer exist on the map, it will be destroyed.

20 You know what happened? Cities and
21 states throughout the country emulated that law.

22 Don't have any fears about this. The
23 stronger we make the community, the more money you
24 can get into the community where the money is
25 spent in the community, Philadelphia will be

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2 stronger, and your businesses will be better.

3 Thank you.

4 (Applause.)

5 COUNCILMAN NUTTER: Thank you.

6 MR. TAUBENBERGER: Just one response to
7 that. I think the Councilman is right when --

8 COUNCILMAN COHEN: Well, let me get his
9 response first. He's my contemporary. Then you
10 can comment, Al.

11 MR. TAUBENBERGER: Oh, I'm sorry.

12 COUNCILMAN COHEN: You lived in those
13 days when, you know, we were just barely coming
14 out of the depression.

15 MR. KROMBERGER: The way I remember it,
16 what brought us out of depression was World War
17 II, and I don't want to go through that again.

18 No, I am not in fear. I feel I have a
19 stable company. I've withstood competition. I'm
20 withstanding -- where we used to stand tall at the
21 volume that we do in the country, we're peanuts
22 now to the 60 and \$80 million conglomerates that
23 are out competing with us.

24 I'm looking that -- if we don't make
25 some radical moves, and now I'm getting away from

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2 minimum, that we may literally lose our client
3 base because the large clients that work with are
4 prime targets of these conglomerates, and they
5 come in with an unfair playing field. They can
6 afford to take business at a loss because of the
7 size of them.

8 Business goes where they can make
9 money. That's the -- very few people really set
10 up a business to provide jobs. I feel I did. But
11 most people start a business to make money.

12 I started my business so that I could
13 make enough money to raise my family of six
14 children, and we did that. And they thought dad
15 did pretty well, so they all started to hop
16 aboard.

17 And we have tried to be employee-
18 friendly. I am very proud of the fact that when
19 people say, "Does he or she work for you?" I say,
20 "No, we work together, we work with each other."

21 COUNCILMAN COHEN: And that's what this
22 bill is all about. Permitting for the first time
23 ordinary people to be getting at least a minimal
24 wage liveable wage.

25 (Applause.)

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2 MR. KROMBERGER: Councilwoman Fernandez
3 straightened me out on the fact that this is a
4 working session.

5 I'm glad I had my impact in it and my
6 input. I hope that the bill that comes out will
7 be fair to everyone, and not just a particular
8 segment.

9 COUNCILMAN COHEN: Okay, thank you.

10 MR. KROMBERGER: Thank you.

11 COUNCILMAN NUTTER: Thank you.

12 Councilwoman Tasco, did you --

13 COUNCILWOMAN TASCO: (Inaudible, off
14 mike.)

15 COUNCILMAN NUTTER: I think they are
16 finished.

17 MR. TAUBENBERGER: I just wanted to add
18 one quick comment. I won't take too long.

19 No one's going to argue with Councilman
20 Cohen about having a strong neighborhood. I'd be
21 the first -- I have full respect for Councilman
22 Cohen, working with him on many community issues.

23 But the bottom line is any legislation
24 that's intended to force market behavior when
25 economics have to work in an unfettered and an

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2 unshackled manner, it just never, never really
3 works.

4 If you look at Philadelphia now, we
5 have the highest unemployment in the five-county
6 region, and I think that's a problem. I think to
7 have industry come back in here, you need to
8 unshackle us, quite frankly.

9 And also, quite frankly, if you look at
10 the Kvaerner Ship Yards, yes, we're going to get
11 700 jobs, but I'll bet dollars to donuts when the
12 year is through, more jobs will have left this
13 City in small amounts than the entire Kvaerner
14 Ship Yard brings in.

15 COUNCILMAN NUTTER: Okay, thank you.

16 Councilwoman Tasco.

17 COUNCILWOMAN TASCO: I guess I want to
18 comment on that statement beginning with -- Mr.
19 Pizzi talked about the number of jobs leaving the
20 City. I don't think they left this city because
21 we were trying to give people decent jobs or give
22 them \$7.90 an hour. They left for many, many
23 reasons, and they've been going for the last 20
24 years.

25 And if I remember correctly, when I was

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2 with the Urban Coalition back in the seventies, it
3 was the Chamber who was encouraging people to move
4 out of the City and into the suburban areas.

5 MR. TAUBENBERGER: It wasn't this
6 Chamber, it wasn't Northeast Philadelphia.

7 COUNCILWOMAN TASCO: I think it was our
8 Chamber of Commerce, but it was a different
9 climate at that time and a different scenario, and
10 there was encouragement to move to the Fort
11 Washingtons because the Urban Coalition wanted
12 federal government to give some money to -- the
13 money they were giving to SEPTA, we wanted them to
14 provide some of that money for transportation to
15 the suburbs 'cause there was no transportation for
16 jobs in the suburbs at that time.

17 And we're back there right here now,
18 the City asking for transportation to the suburban
19 area now for people who want to go work in the
20 suburbs.

21 The jobs have left for many, many
22 reasons.

23 MR. TAUBENBERGER: I agree.

24 COUNCILWOMAN TASCO: A lot of them are
25 chasing cheaper labor, and I don't know what's

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2 going to happen to all of those jobs when some of
3 these third world countries wake up and begin to
4 understand that they have to demand quality wages
5 for their employees. We'll wonder where these
6 companies will go to seek cheaper wages when these
7 companies start paying decent wages to their
8 employees.

9 I want to ask you a question. This is
10 not for you -- it's not a question for you, it's a
11 statement. I'm reading the Mayor's
12 Welfare-to-Work Program. And this is what we're
13 giving to employers to hire welfare recipients:

14 We're going to give them \$1 an hour for
15 jobs paying 6 to 6.99 an hour. We're going to
16 give them \$2 an hour for jobs paying \$7 and more,
17 and an additional \$1 if jobs offer benefits.
18 We're going to give free tax-credit filing
19 services. We're going to give free training for
20 private-sector supervisors dedicated to assuring
21 TANF recipients success on the job, and we're
22 going to give free training for companies that
23 begin workplace monitoring programs to boost the
24 employment retention rate of TANF recipients.

25 So we give, we give, and we give. And

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2 we're giving people's tax dollars. And all we're
3 saying is to pay the people a decent wage so they
4 can work.

5 (Applause.)

6 COUNCILWOMAN TASC0: And \$7.90 is not a
7 lot of money.

8 One experience I will never forget. I
9 had a young lady who I thought ought to go to
10 work. I got her a job paying her \$5 an hour. She
11 had three children. One was in one school, the
12 other one would have had to go four blocks in a
13 different direction for day care, and the baby
14 would have had to go someplace else, and she had
15 no transportation.

16 And when I looked at what she would
17 have realized for \$5, I told her to stay home,
18 because she couldn't make it off of \$5 an hour.

19 So \$7 an hour is not an earth-shaking
20 amount of money. It's only \$2.90 more.

21 So we give, we are supportive of
22 business. Business is the life blood of the City,
23 small business is the life blood of the City. But
24 you come and businesses come and the Chamber comes
25 and asks us to give these incentives for the

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 companies to come and do business.

3 And we just think that they ought to
4 give and share with us some of the goodness that
5 they get from taking advantage of the tax breaks.
6 And they're using taxpayers' dollars.

7 (Applause.)

8 MR. TAUBENBERGER: Well, let me say
9 this in response, and I think we will both agree
10 that, quite frankly, a good job at a fair wage is
11 better than any program Washington could ever
12 devise. I would agree to that 100 percent.

13 The point of the matter is, the
14 marketplace has to dictate that, and that's what
15 we're opposed of.

16 Quite frankly, if you did an audit of
17 members of the Northeast Philadelphia Chamber of
18 Commerce, Mr. Kromberger sits next to me, you
19 would probably find that they pay in excess
20 already of the minimum wage. It's actually the
21 semantics of it and the fact that it's further
22 restriction.

23 I think if you ask businesses why they
24 don't want to come into the City of Philadelphia
25 and why they leave, it's because it's

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2 overregulation, overtaxation. And, quite frankly,
3 L&I -- and I know this isn't all on L&I, they're
4 the greatest ambassadors for people to leave and
5 go to South Jersey, to Bucks County, where they're
6 not going to be bothered with these type of
7 regulations.

8 COUNCILWOMAN TASC0: I don't think that
9 that's -- that's your opinion, and I don't think
10 it --

11 (Unintelligible -- parties speaking
12 over each other at the same time.)

13 MR. TAUBENBERGER: As you had said
14 earlier, there are many reasons why companies
15 leave. And I think Councilman Cohen knows me well
16 enough that I do cartwheels down Roosevelt
17 Boulevard when a company comes in or decides to
18 stay.

19 I happened to have helped Mr.
20 Kromberger here stay in the City of Philadelphia,
21 got him a meeting with Mr. Mullin. He was looking
22 to go to Besalem. Well, that doesn't do us any
23 good.

24 COUNCILWOMAN TASC0: What we're saying
25 is this legislation is for companies who decide to

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 do business with City tax dollars. This is for
3 businesses who want to do business with the City
4 of Philadelphia -- not in the City of
5 Philadelphia, but with the City of Philadelphia.

6 MR. TAUBENBERGER: But you may have
7 companies that are starting up. In fact, if you
8 look again at the statistics, most people work for
9 very, very small companies. But companies grow
10 into large companies, which is evident every day.
11 And you may be restricting a company that you very
12 much want to help and to support by the type of
13 legislation.

14 I think you need to trust the
15 marketplace.

16 COUNCILWOMAN TASC0: As Councilman
17 Fernandez said, this is a working session, it is a
18 discussion session.

19 MR. TAUBENBERGER: I understand.

20 COUNCILWOMAN TASC0: And we are very
21 pleased to have been here all afternoon to hear
22 various sides of this issue, and we will take it
23 from there, but it is a discussion.

24 MR. TAUBENBERGER: I understand.

25 COUNCILWOMAN TASC0: Thank you.

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2 COUNCILMAN NUTTER: Thank you. Thank
3 you very much.

4 MR. TAUBENBERGER: And I thank you for
5 the time, and I'd like to leave now if I could.

6 COUNCILMAN NUTTER: Thank you very
7 much.

8 MR. TAUBENBERGER: Thank you.

9 COUNCILMAN NUTTER: What we will now
10 have is representatives from various City agencies
11 and departments who are responsible for
12 implementation or -- I'm sorry.

13 Mr. McBride, do you want to --

14 MR. MCBRIDE: Please. I'll be real
15 brief.

16 COUNCILMAN NUTTER: Take the chair.

17 MR. MCBRIDE: Mr. Chairman, my name's
18 Edward McBride. I'm the County Affairs Manager
19 for PECO Energy Company.

20 Our company has quite a large economic
21 development department. A key component to that
22 department is going around the nation and trying
23 to encourage business entities to settle in
24 Philadelphia and the surrounding region.

25 It is a perception that this type of

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 legislation stifles economic development. It's a
3 perception. Unfortunately, the way that we read
4 the bill, it's quite confusing, so I can't sit
5 here before you and tell you what that complete
6 impact is.

7 But I would say to you that we can't
8 support it the way it's written because it is too
9 confusing and there is a perception, not only with
10 our people, but with folks around the country
11 about this type of legislation.

12 Thank you.

13 COUNCILMAN NUTTER: Thank you.

14 Yes, sir?

15 MR. ROWLEY: One page.

16 COUNCILMAN NUTTER: I'm sorry?

17 MR. ROWLEY: Just one page.

18 COUNCILMAN NUTTER: Please identify
19 yourself for the record.

20 MR. ROWLEY: Mickey Rowley, Executive
21 Director, Philadelphia Hotel Association. The
22 Hotel Association represents the employers of 95
23 percent of the available rooms in the City of
24 Philadelphia. The average, just under one
25 employee per hotel room.

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2 In the next two years the supply of
3 hotel rooms at both the airport and in Center City
4 will increase by over 3,000 rooms. And,
5 obviously, the employment will follow.

6 Thank you for the opportunity to
7 address Council.

8 We applaud the intentions of the
9 living-wage bill, but we think it's unnecessary.
10 I'll just give you a snapshot of our business for
11 your consideration in considering the bill.

12 First of all, the average wage of
13 member hotel employees is just about \$19,000.
14 That comes out to \$9.40 an hour, and that includes
15 the lower wage of tipped employees but not the
16 tipped income that those employees earn.

17 Secondly, 80 percent of our employees
18 live in the City of Philadelphia, so these new
19 jobs that are coming into the City are
20 Philadelphia jobs.

21 And, lastly, the Hotel Association
22 heard Mayor Rendell's call for hiring
23 Philadelphians coming off the welfare rolls. Just
24 last week, our association's human resource
25 directors met with the Private Industry Council,

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2 and we've launched an initiative and have
3 committed to hire for every 50 rooms in the City 1
4 employee coming off the welfare rolls. And that
5 may come out to 200-and-some-odd jobs.

6 In short, Mr. Chairman and
7 Councilmembers, insofar as the hotel industry is
8 concerned, we think the goals of the living-wage
9 bill are being met currently by our industry. We
10 urge you to acknowledge this, appreciate this, and
11 to resist the urge to impose bureaucratic,
12 inefficient and, we think, unnecessary mandates on
13 our businesses.

14 COUNCILMAN NUTTER: Okay.

15 MR. ROWLEY: Thank you.

16 COUNCILMAN NUTTER: Thank you.

17 Mr. Sabur.

18 MR. SABUR: Good afternoon, Members of
19 Council. My name is Aqil Sabur. And I am the
20 Executive Director of the West Philadelphia
21 Financial Services Institution.

22 COUNCILMAN NUTTER: Before you start
23 Mr. Sabur, let me get this next crew together.

24 The next panel of people, and if they
25 would start approaching the table, is Bill

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2 Hankowsky, Steve Mullin, Joan Reeves, Louis
3 Applebaum, James Roundtree. Those are all City
4 agency heads.

5 As well as individuals who wish to
6 speak to the technical aspects of the bill:
7 Warren Boris, Bob Brand, Carol Hemingway, Andrew
8 Buck and City Council Staff Attorney Stan Shapiro.
9 If you could start coming to the witness table, I
10 would appreciate it.

11 Please proceed.

12 MR. SABUR: The Financial Institution
13 is one of the major economic development
14 benchmarks of the West Philadelphia Empowerment
15 Zone. We provide financing and technical
16 assistance to companies located within the
17 Empowerment Zone through a contract that we
18 entered into with the City in October of 1997.

19 First of all, I would just like, before
20 I continue with my testimony, I would just like to
21 provide some backdrop with respect to the comments
22 here.

23 First and foremost, I come from a union
24 family. My mother was a member of the
25 International Ladies Garments Workers Union, my

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2 stepfather was a member of District Council 33, my
3 sister is a member of the Retail Workers Union,
4 and I'm a former member of District Council
5 1199C. So my comments are not meant to be
6 anti-union or union-bashing; they're just an
7 attempt to provide some clarity to the bill,
8 which, as it's written in its present form, is
9 extremely confusing.

10 The Financial Institution is opposed to
11 do this legislation for a number of reasons, which
12 include, but are not limited to: an anti-
13 competitive business focus; the appearance of
14 punitive intent against business owners; providing
15 a job training burden on employers; imposition of
16 an arbitrary, capricious, and discriminatory wage
17 rate; and an onerous reporting requirement
18 employers.

19 Now, looking at the legislative intent,
20 the legislation has, as its basis, the
21 privatization of City services. And there's an
22 attempt to gain parity with the new company or the
23 successor company that takes over the various
24 services.

25 Most of the businesses that will

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2 receive a City contract will not receive that
3 contract through privatization. The companies
4 that we finance in the Empowerment Zone are what
5 are known as "subcontract recipients," meaning
6 that the funds that we lend to applicants
7 immediately cause them to be a recipient of City
8 monies, and they would have the responsibility of
9 maintaining the wage rate and all of the other
10 provisions in the bill.

11 And any astute business person would
12 take advantage of favorable financing and tax
13 incentives to move into an area of the City where
14 employers and financial institutions have already
15 disinvested. The Empowerment Zones are areas
16 where no one wants to come. No one wants to set
17 up there businesses there because of the
18 demographics and other issues, and the Empowerment
19 Zone legislation attempting to reverse that.

20 So if we are offering these incentives
21 to the business on one hand, why should the
22 companies be penalized after they take them?

23 And then, secondly, if a company
24 receives a \$100,000 loan from the Financial
25 Institution and their told the project costs are

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2 \$2-1/2 million meaning that they get \$2.4 million
3 from somewhere else, they would have to comply
4 with the terms of this legislation when the
5 business owner decides to locate in the
6 Empowerment Zone, take a \$100,000 loan and still
7 be responsible for the increased wages, hiring
8 requirements, and paperwork mandates. We think
9 not. The very people that the Empowerment Zone
10 funding is supposed to help would be irreparably
11 hurt.

12 When an applicant meets the employment
13 criteria of an employee, they're offered an hourly
14 rate and salary and benefits, and they're given an
15 orientation to the work environment. This results
16 in a win-win for both the employer and employee.

17 To force an employer to choose from a
18 certain pool of candidates forces them to provide
19 that candidate with wages and benefits prior to
20 the candidate proving their competency, their
21 skill level, and their commitment to the
22 enterprise. This will result in a poor
23 employer-employee relationship.

24 By way of contrast, the West
25 Philadelphia Financial Services Institution Loan

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2 Committee and Board approved three projects this
3 past April, totaling \$975,000. Over the next
4 three years, just these three projects alone will
5 retain and create 53 full-time jobs and create 10
6 part-time jobs.

7 And over the next three years, based on
8 extremely conservative estimates, will provide \$5
9 million in wages, just from these three projects.
10 And the City, State and federal government will
11 receive about a \$1,500,000 in tax revenues.

12 It is also a condition of our loan
13 agreement that all the applicants must comply with
14 the Davis Bacon Act which essentially covers
15 prevailing wage.

16 Also, the last -- the point that I want
17 to bring to the members of the committee is
18 section 1(b).1. And I would it like to say to Mr.
19 Mariano that I've read this legislation three
20 times. And again, your point about it being
21 confusing is correct.

22 But this particular provision states in
23 part that each City Council and City-related
24 agency must mandate upon the businesses, in
25 conjunction with the contract, a workforce profile

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2 containing all of the job descriptions, number of
3 employees, hourly wage of current employees,
4 non-wage economy benefits, and residence of
5 employees by zip code.

6 At the completion of the contract and
7 renewals thereof or every six months, whichever
8 comes first -- and this is on page 2 of the
9 legislation -- the business entity shall file a
10 report with the Department indicating the names,
11 addresses, hourly wage rate, and employer
12 contribution to non-wage benefits for all covered
13 employees performing work on City or City-related
14 contracts. Wage rates in existence at the time
15 that this subsection is enacted, etc., etc., etc.

16 The point here is that this provision
17 mandates that confidential business information of
18 that company will be put in the public domain, and
19 competitors can obtain this information, and this
20 would pose a significant business problem to the
21 companies in which -- to the business entity
22 because the business entity is not only going to
23 be doing business with just the City.

24 So, in summary, Philadelphia must be
25 competitive in attracting and retaining jobs and

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2 facilitating the creation and retention of
3 businesses. I urge Council not to move forward
4 with this bill in present form because of the
5 competitive disadvantage that it creates for the
6 companies and the limited opportunities for
7 Empowerment Zone residents that will result.

8 COUNCILMAN NUTTER: Okay, thank you
9 very much.

10 MR. SABUR: Thank you.

11 COUNCILMAN NUTTER: What I'd like to
12 have is Mr. Applebaum, Mr. Roundtree Mr. Feder and
13 Mr. Brand is already there. Mr. Shapiro, and I
14 don't know the other individuals up at the table.

15 At this point, I'd like to talk about
16 some of the particulars of the bill and its
17 potential impact on various City agencies who
18 either have to implement it or maybe are effected
19 by it.

20 Can we have the Sergeant-at-Arms
21 receive the document from Mr. Brand.

22 Good afternoon, gentlemen. Please
23 identify yourself for the record. If you have a
24 brief state that you'd like to make, we'd like to
25 get into question and answers.

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2 COMMISSIONER APPLEBAUM: Good
3 afternoon, Councilman. I am Commissioner Louis
4 Applebaum, Commissioner of the Procurement
5 Department. I have prepared my testimony prior to
6 this morning, when many changes to the bill were
7 made. I understand we've excluded goods, which is
8 a major impact.

9 COUNCILMAN NUTTER: That's my
10 understanding, yes.

11 COMMISSIONER APPLEBAUM: So the items
12 that I had originally reported are somewhat
13 changed.

14 But the impact of this legislation
15 incalculable. Because it would be physically
16 impossible now for all service vendors now to
17 comply with this requirement, they could just
18 cease building with the City of Philadelphia.
19 Lack of competition would drive up costs, and the
20 City could be faced with many no-bidder
21 situations.

22 Vendors, such as Team Clean, and I have
23 a representative that's here today, would be in
24 default of their contract. They are minority
25 subcontractors for work at the Municipal Services

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2 Building, One Parkway, and Vets Stadium. Donna
3 Allie, the President of that organization is here,
4 and she can comment on that.

5 Aramark Struthers Food Joint venture,
6 and Mr. Struthers, who is also here today will
7 comment on his contracts, which would be in
8 violation. They have contracts with the City for
9 prison food services. They also operate the
10 Baines Restaurant at the airport, that also would
11 be a contract that would be in violation based on
12 this new ordinance.

13 The contract requirement burden that
14 this ordinance will attach to our many vendors
15 will be an enormous cost to be absorbed by the
16 vendors who, in accordance with the bill, must
17 submit with the Procurement Department a workforce
18 profile -- and this was mentioned earlier, but
19 I'll repeat it -- containing all job descriptions,
20 number of employees, hourly wages of current
21 employees, non-wage employee benefits, and
22 residency of employees by zip codes. These
23 reports must be filed by the vendors with the
24 Procurement Department every six months.

25 Many of our smaller vendors, many of

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2 the minority vendors do not have the people or
3 computer equipment to prepare these type of
4 reports. I must also note that this payroll
5 information is confidential, and many companies
6 will resist releasing it.

7 As you know, bidding with the City of
8 Philadelphia is a difficult and onerous task, and
9 we heard that earlier from some of the companies
10 that we talked to. This ordinance will just add
11 another level of complications for bidders and
12 would require more bureaucratic City of
13 Philadelphia costs to monitor.

14 And in the end, it will most likely
15 reduce our pool of competitive bidders that we are
16 trying very, very hard to increase. This would
17 have a definite reverse effect on our goal of
18 increasing bidders, increasing competition.

19 Elaine Reardon, an economist with the
20 Milligan (ph.) Institute, expressed serious
21 concern over the possibility that the higher wages
22 might lure a different workforce, and I'm quoting
23 her:

24 I don't think the policy will have the
25 impact they expect because as you increase the

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2 wage, you'll attract higher-quality workers. So
3 you might get college kids who are now willing to
4 do these kinds of jobs, and the people you'll hurt
5 are exactly the less-skilled welfare-ish
6 population.

7 So that's the end of quote.

8 This concludes my testimony, but I will
9 be glad to answer your questions, and I would like
10 to introduce, after these speakers, some of the
11 vendors who are here today.

12 COUNCILMAN NUTTER: Mr. Roundtree.

13 MR. ROUNDTREE: Good evening, Mr.
14 Chairman, I'm James Roundtree, and I'm one of the
15 Deputy Finance Directors and the Executive
16 Director of the Minority Enterprise Council, which
17 is charged with the task of administering the City
18 of Philadelphia's anti-discrimination and
19 affirmative action purchasing procedures under
20 Executive Orders 193 and formerly 17-500 of the
21 City Code.

22 As the Director, I have reviewed this
23 bill, this living-wage bill very carefully and
24 (unintelligible) complications, both real and
25 perceived. I respectfully submit to Council that

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2 this bill is not in the best interests of the
3 disadvantaged business community.

4 The program which I administer create
5 to overcome the barriers that these businesses are
6 facing trying to achieve fair and open competition
7 in City contractings. By enacting this
8 legislation such as this, it would impose Council
9 in creating a barrier for participation for
10 disadvantaged businesses in a way that puts a
11 undue financial hardship.

12 As proposed, a standard minimum wage
13 and health benefits for employees working in the
14 City or on City-funded or approved and related
15 contracts will require these businesses to pass
16 the costs onto the City and others in order to
17 control its overhead.

18 By passing these costs on, businesses
19 which are already perceived as being less
20 competitive cost-wise become even less attractive.

21 Further, in those instances where
22 businesses have contracts both with public and
23 private, it will become necessary to standardize
24 the minimum wage and extend benefits to all
25 employees to provide the same or similar services

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2 within the company in order to keep harmony among
3 its employees.

4 This living wage bill does not
5 encourage or promote equal access to opportunities
6 for disadvantaged businesses; instead, it creates
7 an additional burden for those businesses
8 struggling to compete in a closed environment.

9 Thank you for allowing me to share my
10 opinions on this bill. I'm available for any
11 questions.

12 COUNCILMAN NUTTER: Thank you. Let's
13 enter into the questioning.

14 Mr. Applebaum, you said you've had a
15 chance to review the bill.

16 COMMISSIONER APPLEBAUM: Yes, I did.

17 COUNCILMAN NUTTER: Okay. On page 3,
18 under the definitions, it talks about a business
19 entity -- (.1) and (.2) is the City, (.3) is a
20 City agency, and (.4) is a City-related agency.

21 Based on your reading and understanding
22 of the bill, what is City entities are covered?
23 For instance, does this cover the Redevelopment
24 Authority, the Philadelphia Housing Authority,
25 PIDC, the Philadelphia Parking Authority, PAID,

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2 and the School District?

3 COMMISSIONER APPLEBAUM: If you're
4 asking me who is covered, I respectfully request
5 that I don't really know who's covered.

6 I think the folks who drafted the bill
7 would be better prepared to answer questions about
8 the bill than I am. I had difficulty in
9 understanding it myself.

10 COUNCILMAN NUTTER: Okay. I appreciate
11 that. The reason I asked you is because, later on
12 in the definition, the department is defined as
13 the Procurement Department --

14 COMMISSIONER APPLEBAUM: That I saw,
15 yes.

16 COUNCILMAN NUTTER: And you would have
17 responsibility for implementation. So I guess I
18 just wondered whether you knew what you might be
19 implementing.

20 COMMISSIONER APPLEBAUM: Well, I
21 understand that there are many, many departments
22 that we would have the responsibility to review,
23 many, many more than we have responsibility today.

24 So we would be crossing over other
25 boundaries that I am not real familiar with.

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2 COUNCILMAN NUTTER: Okay. Is there a
3 person who was involved in the drafting or
4 proposing of the bill that might be able to answer
5 that question?

6 COMMISSIONER APPLEBAUM: My friend, Mr.
7 Mariano, I would imagine.

8 COUNCILMAN MARIANO: (Inaudible, off
9 mike.)

10 COUNCILMAN NUTTER: I don't really care
11 who answers the question. I'd just like to get an
12 answer.

13 MR. SHAPIRO: Yeah, it is intended --

14 COUNCILMAN NUTTER: Please identify
15 yourself for the record.

16 MR. SHAPIRO: I'm Stanley Shapiro. I'm
17 Chief of the Technical Services Unit of the
18 Technical Staff of City Council.

19 At the request of Councilman Ortiz and
20 Mariano, I drafted this bill. And it was drafted
21 in this initial draft to be very broad and apply
22 to all Philadelphia government agencies which
23 receive funding from the City of Philadelphia or
24 have contractual relations with the City of
25 Philadelphia.

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2 So it would include the School District
3 if it has a contract with the City, the
4 Philadelphia Gas Works, the Housing Authority if
5 it has contracts. I mean -- and these things
6 would be determined based on the facts of each
7 circumstance.

8 And I did not make a specific review of
9 all the relationships that the City has so I can't
10 tell you on a factual basis, but the intention
11 basically is that if the City has either a funding
12 relationship with an agency or a contractual
13 relationship with that agency, and it is
14 governmental in nature, then that entity would be
15 covered.

16 COUNCILMAN NUTTER: Mr. Shapiro, can
17 you explain the language again on page 3, under
18 (.4), City-related agencies, double small i, have
19 entered into continuing contractual or cooperative
20 relationships with the City. What is a
21 cooperative relationship?

22 MR. SHAPIRO: This, by the way, is
23 language which I believe applies -- is the
24 language in the prevailing wage ordinance that the
25 City now has.

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2 And basically, again, as I interpret
3 it, this would be a relationship where the City
4 has services that it receives in exchange for some
5 level of funding. And I think that that would
6 include the School District, I think that it would
7 include the Housing Authority, I think that it
8 would include the Philadelphia Industrial
9 Development Corporation.

10 It's not a defined term. And if it's
11 not a defined term it carries the meaning, the
12 ordinary meaning that the dictionary gives to it.
13 So that if the agencies cooperate through some
14 sort of contractual relationship, then that agency
15 would be covered.

16 COUNCILMAN NUTTER: Okay. There was
17 discussion of -- although the actual amendment was
18 not put forward, but for point number 5 on page 4,
19 the definition of a covered employee seems to have
20 expanded from either full-time or part-time to
21 both of those terms, plus on either a permanent or
22 a temporary basis. And then later on --

23 MR. SHAPIRO: Now, are you looking at
24 the original or the amended definition?

25 COUNCILMAN NUTTER: I'm looking at the

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2 amended definition.

3 MR. SHAPIRO: Right, okay.

4 COUNCILMAN NUTTER: The amendment is
5 either on a permanent or a temporary basis,
6 correct?

7 MR. SHAPIRO: Correct.

8 COUNCILMAN NUTTER: All right. And
9 then later on in the same definition, which, I
10 believe has not been touched, it says:

11 A covered employee does not include any
12 person employed in construction or any person 19
13 years of age or younger employed during the summer
14 months in the City-funded program to create summer
15 jobs for students and teenagers.

16 Can you just explain for the record the
17 exclusion on persons employed in construction?
18 Why is that?

19 MR. SHAPIRO: Because they are covered
20 by a prevailing wage legislation.

21 UNIDENTIFIED SPEAKER: They're covered
22 elsewhere.

23 COUNCILMAN NUTTER: Okay.

24 MR. SHAPIRO: Yes.

25 COUNCILMAN NUTTER: All right, no

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2 problem.

3 And in the financial assistance
4 section, point 7, again, just so we understand
5 what's going on here, how is it decided that the
6 threshold would be 50,000 or more and provided to
7 an employer of at least 25 employees?

8 MR. SHAPIRO: That was difficult.
9 Basically, that seems to be the middle ground of a
10 variety of ordinances which are in place and which
11 have been proposed.

12 The problem, as has been pointed out in
13 the past, is that there's not a lot of data that
14 the City collects in terms of the employees and
15 what their wages are and exactly where the needs
16 are, which is a gap which would partially be
17 filled by this ordinance, which would require --
18 especially under the amendments, which would
19 substantial reporting.

20 And frankly, it, to some extent, is a
21 number which is there because of a lack of a
22 another number that I'm aware of. Now, there are
23 other -- there are people who work and have
24 examined the bills in other jurisdictions who
25 might be able to give guidance on whether that is

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2 in fact the best number that we could come up
3 with.

4 So it is not a scientifically
5 selected-number.

6 UNIDENTIFIED SPEAKER: It is a number
7 that's designed to get a majority vote to put the
8 City in the business of trying to --

9 COUNCILMAN NUTTER: Please identify
10 yourself for the record.

11 MR. BRAND: Oh, I'm Robert Brand. I'm
12 President of Solutions for Progress. I am a very
13 much ashamed member of the Philadelphia Chamber of
14 Commerce, and I run a business in Philadelphia.

15 It was a number designed to help get
16 the City into the business of using its money to
17 end poverty, the greatest threat to the City of
18 Philadelphia. We have sat here for hours
19 listening to people talk about the difficulty of
20 filling out forms and the difficulty of paying
21 wages.

22 (Applause.)

23 MR. BRAND: This is a living-wage
24 ordinance because a lot of the jobs that have been
25 talked about don't pay a living wage. And if they

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2 don't pay a living wage, it means that the people
3 that have those jobs live in poverty. And if they
4 live in poverty, their children are one and a half
5 to three times more likely to die in childhood.

6 COUNCILMAN NUTTER: Mr. Brand, I
7 understand.

8 MR. BRAND: And we should have some
9 context --

10 COUNCILMAN NUTTER: I understand,
11 right.

12 MR. BRAND: -- of why a living wage is
13 important. And it's not just the problem of
14 filling out forms; it's the quality of human life
15 must.

16 COUNCILMAN NUTTER: I understand.

17 (Applause.)

18 MR. BRAND: And it's a question of
19 whether the billions of dollars a year spent by
20 the City of Philadelphia in contracts from people
21 who want to do business with the City and in
22 economic packaging for people who want the
23 assistance of the City will help us get 10,000
24 families out of poverty.

25 COUNCILMAN NUTTER: Right. Now, let me

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2 -- I think we understand what the --

3 (Applause.)

4 COUNCILMAN NUTTER: I think at this
5 point in the day, we are fairly well versed and
6 have a pretty good understanding of the purpose
7 and intention and need of this legislation.

8 I'm now trying to understand from a
9 technical standpoint and a drafting standpoint and
10 a legal standpoint what the bill is, what it
11 does. And if I don't understand why someone set
12 number at a particular number, I'm just trying to
13 understand their thinking.

14 MR. BRAND: The bill has -- I mean,
15 there's a lot of drafting elegance which you can
16 make more elegant, at least Stan can.

17 But at its base, this bill says that
18 the City plays a major role in this economy, in
19 its contracts through the Department of Health, in
20 its contract through the Department of Human
21 Services, in its contracts through all City
22 departments, especially 200-class purchase of
23 service contracts.

24 COUNCILMAN NUTTER: All right.

25 MR. BRAND: And the City provides

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2 economic financing assistance to the people who
3 ask for it.

4 All we're saying is that when people
5 voluntarily bid on City contracts, and when people
6 voluntarily -- these small businesses, these new
7 start-ups like Marriott come forward and ask for
8 City assistance, ask to go on the dole, that they
9 should pay a wage that keeps families out of
10 poverty.

11 (Applause.)

12 MR. BRAND: That's this bill.

13 COUNCILMAN NUTTER: All right, okay..

14 MR. BRAND: And, sir, you can write
15 this in as few words as do that, in as few words
16 as get the nearly \$2 billion a year that the City
17 spends on contracts and economic development to
18 assure that every worker has a living wage, health
19 insurance, and a pension. That's fine.

20 COUNCILMAN NUTTER: Okay.

21 MR. BRAND: The fewer word, the better.

22 COUNCILMAN NUTTER: Okay, thank you.

23 (Applause.)

24 COUNCILMAN NUTTER: Councilman Ortiz.

25 COUNCILMAN ORTIZ: Mr. Chair, I think

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2 to try to be cognizant of the aspect of small
3 business, it's very difficult to seek the
4 definition. But, obviously, a Marriott is not a
5 small business.

6 COUNCILMAN NUTTER: Right.

7 COUNCILMAN ORTIZ: A company that has
8 25 workers or less, I think we wanted to put a
9 fair classification in there vis-a-vis all of the
10 other bills that we have seen in similar cities
11 such as Boston, Baltimore and so on.

12 COUNCILMAN NUTTER: Right.

13 COUNCILMAN ORTIZ: So in terms of small
14 businesses, it's 25 or less. If you have 500
15 employees, I don't think you're going to qualify
16 as a small business at this point.

17 And, also, the situation -- you know,
18 stated about the MBEC, the Minority Business
19 Enterprise -- by the way, when MBEC was being
20 discussed in this Council, the Chamber of Commerce
21 came in and said that if we approved MBEC, that
22 business would leave Philadelphia, that jobs would
23 run away, that they would take (unintelligible).
24 And, actually, all we are saying was that minority
25 contractors and minority business people had to

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2 have a level playing field at that point in time.

3 We're saying the same thing in terms of
4 jobs and wages at this time. So I think we should
5 be cognizant -- very cognizant of the history of
6 development and not let ourselves be fooled by the
7 statements of dire consequences that will accrue
8 if we pass this legislation.

9 COUNCILMAN NUTTER: I understand.

10 (Applause.)

11 COUNCILMAN NUTTER: Councilwoman
12 Fernandez.

13 COUNCILWOMAN FERNANDEZ: Mr. Applebaum,
14 I wanted to go back to your testimony and I'm not
15 clear who's representing the Administration here,
16 so I'll ask it of you. And then if you can't
17 answer it, maybe someone else could.

18 The bill, as I read it, is broadly
19 drafted to include all -- I mean, it could be read
20 all agencies that get -- all agencies and
21 businesses that get public dollars.

22 COMMISSIONER APPLEBAUM: Correct.

23 COUNCILWOMAN FERNANDEZ: In some kind
24 of contractual form of \$50,000 or more.

25 I wanted to start back a little bit and

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2 clarify some other points. I always feel that
3 before we tell someone else what to do, it's
4 always better to get your own house in order.

5 And so my first question would be: Are
6 there any, and if so, who are they and where are
7 they -- are there any City employees who are not
8 earning 7.90 an hour?

9 COMMISSIONER APPLEBAUM: I would have
10 to assume that all City employees are earning in
11 excess of \$7.90 an hour there's.

12 COUNCILWOMAN FERNANDEZ: Could you make
13 sure --

14 COMMISSIONER APPLEBAUM: There's no one
15 here to verify that. But from the best of my
16 knowledge, I would assume that they are. And I
17 can look into that and get that information for
18 you.

19 COUNCILWOMAN FERNANDEZ: That would be
20 my first question.

21 COMMISSIONER APPLEBAUM: I think we
22 should assume that they do, but I'll check that
23 out for you.

24 COUNCILWOMAN FERNANDEZ: Okay, that
25 would be my first data request.

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2 The second would be: Of all the
3 services that have been privatized or contracted
4 out during this Administration, since '92, do you
5 have any information about how many of those
6 contracted-out privatized services that used to be
7 City civil service employees in those companies
8 are people being paid \$7.90 an hour?

9 COMMISSIONER APPLEBAUM: More or less
10 than?

11 COUNCILWOMAN FERNANDEZ: Less than.

12 COMMISSIONER APPLEBAUM: Less than
13 7.90. I know in many privatization contacts, we
14 stipulate in the RFP a level the wages that must
15 be paid. And generally, they're over that.

16 And others where we have not stipulated
17 that, we do not really know what the wage rates
18 are, and we have no -- we could ask them, but
19 there's no reporting process where these private
20 companies report back to us with their wage
21 levels.

22 So we only know the ones where we have
23 stipulated that they must pay a certain wage rate.

24 COUNCILWOMAN FERNANDEZ: Well, I think
25 that would be important information for this

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2 Council to know as we try to examine what our
3 options are.

4 Because I think what I learned today
5 from the Councilman testifying from New York is
6 they essentially limited their living-wage bill to
7 any contracts that have been contracted out in
8 certain areas. And it sounded to me like they
9 were primarily in areas that we would have -- say,
10 had been privatized, and it sounds like they might
11 have privatized more than we did.

12 So I would think our first
13 responsibility is to make sure that we have no
14 City employees who are paid less than \$7.90 an
15 hour, that none of the services that have been
16 contracted out, and then go on from there.

17 So I would like the Administration to
18 provide that information.

19 COMMISSIONER APPLEBAUM: Well, we can
20 find that information for you, but I do know for a
21 fact that the prison food service contract was one
22 that we did privatize. And ARA Struthers --
23 Aramark Struthers is the vendor.

24 And Struthers has indicated to me --
25 and they're here, they can comment on it -- that

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2 they do have a starting wage rate of starting
3 employees at that facility at \$7 an hour.

4 So there are a few that we have that
5 the wage rates are less than 7.90. But we would
6 have to do a study of about 40 or 50 contracts,
7 items, initiatives that we have privatized. We
8 would have to make a survey of all of those
9 companies to determine the wage levels.

10 And we can do that.

11 COUNCILWOMAN FERNANDEZ: I'd like to
12 see that.

13 COMMISSIONER APPLEBAUM: Okay.

14 COUNCILMAN NUTTER: Mr. Applebaum, I
15 was intrigued by a statement that I think I heard
16 you make, which is that in some cases, you do
17 require certain wage levels in contracts, and in
18 other situations, you don't. Did you say that?

19 COMMISSIONER APPLEBAUM: Yes, I did.
20 There are certain contracts such as many of our
21 security contracts.

22 And in conjunction with the Labor
23 Standards Board in the City of Philadelphia,
24 Deputy Mayor Jerry Murphy and Public Property and
25 Procurement, we have determined certain wage

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2 levels to assure that we are getting the
3 appropriate people in the appropriate jobs. So
4 yes, that does exist.

5 And in some of the janitorial
6 contracts, we have those in the RFPs and the bids,
7 certain levels of minimum wages that must be
8 paid. And in both cases, I believe they were over
9 the \$7.90.

10 COUNCILMAN NUTTER: Why don't you do it
11 in all cases? Why do you pick some and not
12 others?

13 COMMISSIONER APPLEBAUM: In some cases,
14 there is not sufficient guidance from the Labor
15 Standards Office to initiate that, and it -- they
16 just do not occur.

17 COUNCILMAN NUTTER: Are you saying that
18 the service is so unique that they're the only
19 ones that are providing it and no one else
20 provides that service and we can't figure out what
21 anybody else is paying for that particular
22 service?

23 COMMISSIONER APPLEBAUM: No, I'm not
24 saying that at all. I'm saying that in the
25 specific --

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2 COUNCILMAN NUTTER: So there's data out
3 there, but you haven't --

4 COMMISSIONER APPLEBAUM: In the
5 specific contracts that I mentioned, we wanted to
6 assure a certain level of service. And in order
7 to ensure that, we were guided to put in certain
8 wage levels that assured us of that level of
9 service.

10 COUNCILMAN NUTTER: Okay. Councilwoman
11 Tasco.

12 COUNCILWOMAN TASCO: When we did the
13 privatization of a number of the jobs, assuming
14 that the City employees performing the services
15 prior to privatization were making more than \$7 an
16 hour or 7.90 an hour, our assumption when we
17 privatized this workout was that the companies
18 would pay less than 7.90 an hour? That's why they
19 were able to do the work for less money?

20 COMMISSIONER APPLEBAUM: No.

21 COUNCILWOMAN TASCO: And with no
22 benefits?

23 COMMISSIONER APPLEBAUM: No, no, that's
24 not true at all.

25 The economic analysis that we developed

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2 comparing our total cost of City -- City
3 workforce, City benefits, City fringes, City wage
4 levels, and the cost of the City providing that
5 service, was matched against the cost of the
6 private company.

7 And in every case, the private
8 company's costs were lower. And they were not
9 basically lower because of the wage rates, but
10 lower because of efficiencies, more productivity,
11 better equipment, and -- I have to say it --
12 better management.

13 So that in the balance, it was not
14 strictly --

15 COUNCILWOMAN TASCO: Well, those seem
16 like areas where the City might want to beef up
17 and match the companies and try and increase
18 productivity, better management. Why would we
19 want to shirk our responsibility in those areas
20 and give it off to a private company?

21 COMMISSIONER APPLEBAUM: We would love
22 to see the City ramp up. In every case, we gave
23 the City the opportunity -- the City being the
24 union workforce -- the opportunity to bid on those
25 particular privatization initiatives, and they

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2 never did.

3 If the City workforce could have come
4 back to us at the same cost structure that the
5 private industries had, they would have been given
6 the process.

7 COUNCILWOMAN TASC0: Mr. Roundtree.

8 MR. ROUNDTREE: Yes.

9 COUNCILWOMAN TASC0: What impact on the
10 minority participation level in the City, what
11 impact has the court decision had on the
12 participation of minorities in the City?

13 MR. ROUNDTREE: It has had a very
14 negative impact but it's -- it would depend on the
15 commodities. But also it has had a negative
16 impact. We in public --

17 COUNCILWOMAN TASC0: What percentage of
18 participation did we have, and where are we now?

19 MR. ROUNDTREE: Councilwoman, I can --
20 if you give me a range of years, I can prepare it
21 for you. I don't have it off the top of my head,
22 but I would like to prepare that for you.

23 COUNCILWOMAN TASC0: But across the
24 board, the level of minority participation in City
25 contracts is very, very low.

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2 MR. ROUNDTREE: Not very, very low. It
3 is not where we think we could be. And I'll give
4 you an example just off the top of my head.

5 On Public Works, I think that minority
6 and women business participation is around 15 to
7 16 percent.

8 Around supply, service, and equipment,
9 it's dramatically lower; it may be around 10 or 11
10 percent.

11 In professional services, we do it very
12 differently. And it's as dramatically low as
13 around 5 to 8 percent.

14 COUNCILWOMAN TASC0: But you would say
15 that prior to the court case, it was much, much
16 higher.

17 MR. ROUNDTREE: Yes.

18 COUNCILWOMAN TASC0: In all of those
19 categories.

20 MR. ROUNDTREE: Yes.

21 COUNCILWOMAN TASC0: And it was higher,
22 and there was more participation because of
23 legislation.

24 MR. ROUNDTREE: Yes.

25 COUNCILWOMAN TASC0: Right?

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2 MR. ROUNDTREE: Yes.

3 COUNCILWOMAN TASC0: The same thing
4 here. People just don't do things because it's
5 the right thing to do, right? Right?

6 MR. ROUNDTREE: Yes.

7 COUNCILWOMAN TASC0: They do it because
8 there's some reason for them to do it, right?

9 MR. ROUNDTREE: My only concern,
10 Councilwoman, is that the version of the bill that
11 I read was very broad. And trying to apply it to
12 each of those areas that we were just talking
13 about gave tremendous peaks and valleys.

14 It excludes Public Works, for
15 instance. So it won't affect people in contracts
16 -- construction contractors. It would affect, if
17 we had construction-related companies, supply
18 companies where they would be getting in a
19 participation level or being credited for
20 participation, it would affect them in any service
21 or equipment.

22 Again, I haven't seen the amendment so
23 I would have to assume that for this discussion
24 that they are still in, it would impact them.

25 COUNCILWOMAN TASC0: So it's not

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2 totally wrong for Council to try and provide some
3 support and help to its citizens?

4 MR. ROUNDTREE: I would endeavor to say
5 it's not a problem for Council to take on any kind
6 of obstacle.

7 COUNCILWOMAN TASCO: Mm-hmm.
8 Construction is not included in this because it's
9 a prevailing wage.

10 MR. ROUNDTREE: Correct.

11 COUNCILMAN ORTIZ: (Inaudible, off
12 mike.)

13 COUNCILWOMAN TASCO: Mr. Applebaum,
14 what --

15 COMMISSIONER APPLEBAUM: The prevailing
16 wage rule for Public Works contracts has been in
17 existence for a number of years.

18 What was passed last week or two weeks
19 ago had to do with off-site fabrication. But
20 actual prevailing wage for construction has been
21 in effect for I don't know how many years, but
22 that's been in effect.

23 COUNCILMAN ORTIZ: (Inaudible, off
24 mike.)

25 COUNCILMAN MARIANO: (Inaudible, off

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2 mike.)

3 COMMISSIONER APPLEBAUM: You broadened
4 it to include fabrication of materials outside of
5 the work site.

6 COUNCILMAN ORTIZ: (Inaudible, off
7 mike.)

8 COUNCILMAN MARIANO: Remember the
9 hearing we had here, and I think you said a couple
10 things there that you got Mr. Roundtree saying
11 today are pretty much the same thing. These poor
12 people that have these small businesses can't fill
13 out papers. I'm shocked.

14 I had to go ask Councilwoman Blackwell
15 because I knew she wouldn't take it wrong. I
16 says, "Can't Black women fill out papers?" Now, I
17 know that's not true -- please don't write that in
18 the papers, but what they're saying.

19 MR. ROUNDTREE: No, no, no.

20 COUNCILMAN MARIANO: That's what it
21 sounds like to me.

22 MR. ROUNDTREE: Councilman, this has
23 nothing to do with filling out papers. This is an
24 additional financial burden.

25 I haven't heard any of the banks

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2 testify, I haven't heard any of the insurance
3 testify. What my concern is and the reason why
4 you don't see a lot of other minority businesses
5 here today was because I had very little time to
6 prepare for this.

7 But the factors that I'm worried about
8 is that -- that multiply. It a perception that in
9 order, as Councilman Ortiz stipulated, it is a
10 perception to do business with minority women and
11 disabled businesses in this town was going to cost
12 them more money.

13 When you add this incentive on top, as
14 it is written, only as it is written, then the
15 burden for them on their Workman's Compensation
16 increases because they're at a noncompetitive rate
17 as it is. So when you add that to it, it
18 increases.

19 So it has nothing to do with the
20 intellectual portion of filling out the form.

21 COUNCILMAN MARIANO: You know I was
22 being facetious, but I got your attention.

23 MR. ROUNDTREE: No, you had my
24 attention.

25 COUNCILMAN MARIANO: Mr. Roundtree.

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2 MR. ROUNDTREE: I've been here since 1
3 o'clock.

4 COUNCILMAN MARIANO: In 1978, when I
5 worked as an electrician-apprentice with a
6 journeyman named Larry McCrea (ph.), who's an
7 African-American man.

8 MR. ROUNDTREE: But this is not
9 construction.

10 COUNCILMAN MARIANO: No, but let me
11 finish, please.

12 MR. ROUNDTREE: That's not a fair
13 comparison.

14 COUNCILMAN MARIANO: Oh, it is a fair
15 comparison.

16 COUNCILMAN NUTTER: Gentlemen.

17 MR. ROUNDTREE: No.

18 COUNCILMAN MARIANO: Because when Larry
19 wanted to go in business, they told Larry that it
20 would be an unfair burden and he wouldn't be able
21 to.

22 But now if we walk out this building
23 and look across the street, Larry's doing the
24 electrical contracting on that building that
25 burned down. So in ten years from now, the people

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2 that you're saying can't do this --

3 MR. ROUNDTREE: No, no, no.

4 COUNCILMAN MARIANO: -- are going to be
5 able to do it.

6 MR. ROUNDTREE: Councilman, it is an
7 unfair comparison to compare it with the
8 construction versus a service. That is an unfair
9 comparison.

10 COUNCILMAN MARIANO: Why?

11 MR. ROUNDTREE: Because the union has
12 already set the wage rates.

13 COUNCILMAN MARIANO: Uh-huh.

14 MR. ROUNDTREE: Everybody who
15 participates is participating from the same
16 supposedly --

17 COUNCILMAN MARIANO: But the union only
18 sets the wage rates here because this is a
19 prevailing-rate town from the federal days.

20 MR. ROUNDTREE: Exactly, so now we're
21 talking about some difference.

22 COUNCILMAN MARIANO: Right.

23 MR. ROUNDTREE: So it is unfair, it is
24 truly unfair to compare the two industries where
25 you have something that is totally regulated and

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2 something that you're going to legislate.

3 COUNCILMAN MARIANO: But if Larry could
4 do it, couldn't someone else do it?

5 MR. ROUNDTREE: Everybody can do it.
6 They --

7 COUNCILMAN MARIANO: 'Cause we're going
8 to set the wages here, and we're going to say it's
9 7.90 an hour. That makes it easy 7.90 an hour.
10 That's what I believe.

11 MR. BRAND: You know, that ideology is
12 not fact. I mean, I have reviewed approximately
13 5,000 jobs that are now contracted by the City of
14 Philadelphia. They've been contracting these jobs
15 for decades. This isn't privatization.

16 I looked at mental health, mental
17 retardation, drug and alcohol, and human services
18 jobs. Actually, it's about 12,000 jobs, but we
19 looked at good data on about 5,000 of them.

20 The difference between union and
21 nonunion is not at the top. The top rates for
22 doctors and or master social workers are virtually
23 the same. The difference is at the bottom. It's
24 how many workers earn more than \$8 a hour. It's
25 how many workers have family health insurance.

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2 And in the union shops, it's better.

3 It's not better enough. We still have in the \$1.1
4 billion from just those two departments, health
5 and human services, that the City contracts every
6 year thousands of people who get their money one
7 stop from the taxpayers' dollar and who live in
8 poverty, who don't make wages that let them live
9 out of poverty, and who don't have health
10 insurance.

11 And that data can all be prepared by
12 the City. You can count much more elegantly than
13 I've been able to count, but the data that
14 Councilwoman Fernandez asked for, wages is part of
15 it.

16 But another part of it is health
17 insurance and just to have a health-insurance
18 policy that someone has to pay in \$200 a month is
19 meaningless for someone making \$8.20 an hour.

20 So these data simply establish a floor,
21 and they establish that floor very well. And if
22 you don't establish that floor legislatively, what
23 we have found is that thousands and thousands of
24 Philadelphians paid for with City monies under
25 contracts largely to nonprofit corporations will

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2 continue to be condemned to live in poverty by
3 City policy.

4 COUNCILMAN NUTTER: Well, I think what
5 I'd like to ask at this point -- you've touched on
6 a couple issues -- is to ask our Commissioner of
7 Human Services to switch seats with yourself. I'd
8 like to hear about the impact of the proposed
9 legislation on one of our probably largest City
10 agencies that grants -- that has contractual
11 relationships with outside entities.

12 I'd also -- I think some of our
13 economic development agency people are here as
14 well, and I'd like to get a little better
15 understanding of either their perspective or what
16 their understanding is.

17 So why don't we do that. And what I'd
18 like to ask Mr. Shapiro, while they're getting
19 ready, is the proposed amendment on page 1 talks
20 about amending Section 17-104(b) contract
21 requirements. And now it seems to add in not only
22 the business entity entering into the contract but
23 also its subcontractors, lessees and sublessees.
24 Is that correct?

25 MR. SHAPIRO: Yes, yes, that is

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2 correct.

3 COUNCILMAN NUTTER: So take me through
4 that in a kind of cascading fashion.

5 A company bids on a contract with the
6 City of Philadelphia, generally, I guess, called
7 "the prime contractor." They then subcontract
8 with other businesses for whatever the particular
9 job is.

10 So the person who wins the contract,
11 they would be subject to the bill and the
12 living-wage component. Then the subcontractor
13 would be subject as well, and the sublessee -- or
14 I guess you technically have a sub subcontractor.
15 Anyone in the chain is subject to the provisions
16 of the bill, is that --

17 MR. SHAPIRO: To the extent that they
18 are providing services to the City or are the
19 beneficiary of financial assistance.

20 COUNCILMAN NUTTER: If they're working
21 on the job or --

22 MR. SHAPIRO: Which is funded by the
23 tax dollars, basically.

24 COUNCILMAN NUTTER: Okay, all right, I
25 just wanted to have that understanding.

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2 Mr. Applebaum?

3 COMMISSIONER APPLEBAUM: Yes,
4 Councilman. There were two people here that are
5 minority vendors who we brought in that I think
6 you might like to hear from them before we leave.

7 Could you have them speak now or could
8 you talk with them now? That's Donna Allie from
9 Team Clean, and Mr. Struthers from
10 Aramark/Struthers.

11 MR. SHAPIRO: We also have a witness
12 who's a professor from Temple University, who, as
13 I understand it, has analyzed living-wage bills
14 from all around the country, who can compare the
15 impacts of this bill to --

16 COUNCILMAN NUTTER: I will do
17 everything that I can to get them all on. It's
18 only a matter of the order.

19 Commissioner Reeves, with your
20 continued indulgence, if we could briefly hear
21 from the business people who have had this kind of
22 impact -- or may potentially have this kind of
23 impact, and then Commissioner Reeves will talk
24 about the department which I think is probably
25 larger than many of the businesses.

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2 (Donna Allie comes forward.)

3 COUNCILMAN NUTTER: Please identify
4 yourself for the record.

5 MS. ALLIE: My name is Donna L. Allie,
6 and I am President and CEO of Team Clean
7 Incorporated.

8 And, first of all, it is very difficult
9 for me to answer questions about this or even
10 speak about this because I am a former-welfare-
11 recipient-turned-businesswoman. I am in favor of
12 increased wages, but I'm just afraid of the impact
13 that, from what I've been hearing and reading, it
14 will have on my business, number one.

15 There are contract in the City that I
16 am currently involved in that pay lower than the
17 7.90 an hour. And if, you know, my concern is if
18 in the middle of these contracts that we do have
19 to increase to 7.90 and pay health and welfare
20 benefits, that would just knock us totally off the
21 box. I mean, we would not be able to survive like
22 that.

23 Other companies -- i.e. ISS and Aramark
24 and large corporations like that -- would be able
25 to pay the 7.90 in health and welfare benefits.

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2 But, as the Commissioner said, for us, it is a
3 hardship.

4 We have -- with the increase in wages,
5 we have things like Workman's Comp., we have
6 cash-flow things that we have to concern ourselves
7 with, other insurance costs.

8 And so it definitely would be a
9 hardship for my company, but I'm glad to hear,
10 like Councilwoman Tasco, that this is just a
11 talking session or. . .

12 So that's really all I have to say.

13 COUNCILMAN NUTTER: Let me try to --
14 very quickly try to understand the nature of the
15 hardship. Is that because the contract that
16 you're operating under, you bid at a particular
17 price, you base your wages, I guess, on either
18 your total revenues or what comes in contract by
19 contract, and are you saying that if you had to
20 change wage rates in the middle of the contract
21 that that would put you in a difficult position?

22 MS. ALLIE: Oh, yes, yes. Because, you
23 know, we bid based on a certain dollar amount with
24 overhead and burden on top of that.

25 So, for instance, we're in a contract

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2 now where we do pay less than \$7 an hour. And
3 we're in that contract for four more years if we
4 do well.

5 So if you were to change and say well,
6 you know -- if the City says they want us to now
7 pay 7.90 an hour, well, the difference between
8 what we're currently paying and the 7.90 an hour
9 plus health and welfare benefits, that would be a
10 cost to us.

11 COUNCILWOMAN FERNANDEZ: Could I ask
12 what you're paying --

13 (Interruption by unidentified person
14 shouting from audience.)

15 COUNCILMAN NUTTER: Hold on, we will
16 not have that. We will not have back and forth
17 unrecognized.

18 Councilwoman Fernandez.

19 COUNCILWOMAN FERNANDEZ: Could you tell
20 me what you currently pay your employees, and do
21 they have health benefits?

22 MS. ALLIE: Well, in different -- well,
23 in some contracts that are seasonal part-time
24 contract, we do pay 5.50 an hour, and there are no
25 benefit.

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2 In other contracts, we do pay up to 10,
3 \$12 an hour and benefits. It just depends. It
4 depends on the type of work, it depends on the
5 market, it depends on what the other bidders are
6 bidding. We are in a competitive bid situation.

7 COUNCILWOMAN FERNANDEZ: And you're
8 referring to contracts with the City?

9 MS. ALLIE: Some, yes. For example,
10 Veterans Stadium. Veterans Stadium is a contract
11 where we pay 5.50 an hour. Now, they are
12 increased over a period of time, but that is very
13 normal in every city.

14 I heard you mention Baltimore. Well,
15 I've worked at Oriole Park at Camden Yard since
16 the beginning. Last year was the first year that
17 I didn't have it. And, same thing, 5.50 an hour,
18 no benefits.

19 There's others -- Shea Stadium excuse
20 me, I can't say Shea Stadium, but there are other
21 stadiums that are like that. That's the nature of
22 stadium work.

23 COUNCILWOMAN FERNANDEZ: And is that
24 part-time or full-time work?"

25 MS. ALLIE: Part-time. It's part-time

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2 seasonal.

3 COUNCILMAN NUTTER: Councilman DiCicco.

4 COUNCILMAN DICICCO: Thank you, Mr.
5 Chairman.

6 Miss Allie, are any of the part-time
7 employees that you have, are any of them working
8 for you on a part-time basis, as a second job?
9 Because I know a lot of stadium employees are
10 people who have a full-time job during the day and
11 take a stadium position at night to earn extra
12 income.

13 Are any of your employees -- do any of
14 them fall into that category?

15 MS. ALLIE: Yeah, some do, some do,
16 yes. But we have to be very careful about that
17 because if they go over 40 hours, then --

18 COUNCILMAN DICICCO: I don't have a
19 problem with that, I'm just curious to know. So
20 there are some employees that would fall under
21 that category --

22 MS. ALLIE: Yeah, there are.

23 COUNCILMAN DICICCO: -- as having
24 second jobs and have full-time jobs during the day
25 with benefits, whatever. And they're just

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2 supplementing their income by working a second
3 job.

4 MS. ALLIE: Yes. There are quite a few
5 that fall into that category.

6 COUNCILMAN DICICCO: All right. Thank
7 you.

8 COUNCILMAN NUTTER: Mr. Struthers.

9 MR. STRUTHERS: Yes. My name is Bob
10 Struthers, and I'm with SFS Correctional Group
11 LTD.

12 My relationship at the Philadelphia
13 Correctional Facility is we provide food service
14 there. In this particular instance here, it's to
15 the City.

16 At this point in time, we have close to
17 about 20-some employees. We pay about 7.50 an
18 hour. I would say, on average, it's getting to
19 about \$9 an hour at this point in time. We do
20 have benefits. The only their lacking is, I would
21 say, a medical plan at this point in time. We are
22 assessing that at this point.

23 Our relationship is a very unique one.
24 Over the years to Jannie Blackwell and a couple of
25 other people in here, Mrs. Tasco, and yourself,

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2 Mr. Nutter, we've formed a strong relationship
3 with Aramark.

4 We look and seek to have a joint
5 venture. A lot of minority companies ask us in
6 terms of how that works. We stand alone in terms
7 of a minority company, in terms of when we provide
8 this particular service, which we're trying to
9 learn correctional feeding at a very high level.

10 To understand the total systems and
11 things, we indicate to any company that we get
12 involved with us to a joint venture that tends to
13 wrap around the medical plan as well as other
14 benefits.

15 So at this point in time, I would say
16 that we live up and beyond the 7.50 or close to \$9
17 an hour at this point. And we have almost all
18 benefits in place at this point, but the only
19 thing lacking is the medical, which we are
20 evaluate at this point in time.

21 And that's about all I can say on that
22 matter.

23 COUNCILWOMAN FERNANDEZ: So just to
24 clarify, you do not necessarily give health
25 benefits to your employees at this time?

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2 MR. STRUTHERS: What's that again?

3 COUNCILWOMAN FERNANDEZ: At this time,
4 you do not provide health benefits?

5 MR. STRUTHERS: We don't have it at
6 this time right now, that's correct, yes.

7 COUNCILMAN NUTTER: Okay.

8 MR. STRUTHERS: Could I say something
9 now?

10 COUNCILMAN NUTTER: Sure.

11 MR. STRUTHERS: It's interesting when
12 you put -- right now, there's a piece of business
13 going out with respect to commissary.

14 I think we, as a minority employer, we
15 would live up to all the expectations if the City
16 or any State agency would put some harder mandates
17 on, I will say, the majority partner or a prime
18 contractor in terms of being creative, let's do a
19 joint venture. Let's look at that, let's give
20 higher points than that. That helps a lot.

21 COUNCILMAN NUTTER: Thank you.

22 Councilman DiCicco -- I'm sorry. Councilwoman
23 Tasco and then Councilman DiCicco.

24 COUNCILWOMAN TASCO: I just want to go
25 back to the young lady. You talked about your

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2 cleaning service at the stadium. It is
3 part-time?

4 MS. ALLIE: Yes, part-time seasonal.

5 COUNCILWOMAN TASC0: So you don't
6 require full-time employees to perform that
7 service.

8 MS. ALLIE: No.

9 COUNCILWOMAN TASC0: Your other
10 contracts, where the employees make above the
11 minimum wage, they are steady full-time
12 positions?

13 MS. ALLIE: Yes.

14 COUNCILWOMAN TASC0: Do your employees
15 have health benefits in those positions?

16 MS. ALLIE: Yes.

17 COUNCILWOMAN TASC0: Okay. And you
18 prorate those costs when you are bidding on your
19 contracts, right?

20 MS. ALLIE: Yes.

21 COUNCILWOMAN TASC0: As well as other
22 contractors who are competing for that same
23 service?

24 MS. ALLIE: Yes.

25 COUNCILWOMAN TASC0: So we separate the

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2 full-time employee from the seasonal Vets Stadium,
3 Shea Stadium employee which maybe have a part-time
4 job at night after the cleaning?.

5 MS. ALLIE: Yes, that's exactly how it
6 goes.

7 COUNCILWOMAN TASC0: So you bid on that
8 based on what that cost would be.

9 MS. ALLIE: Yes.

10 COUNCILWOMAN TASC0: Thank you.

11 COUNCILMAN NUTTER: Thank you very
12 much.

13 MS. ALLIE: Okay.

14 COUNCILMAN NUTTER: Thank you.

15 I'd like to reconstruct the panel as it
16 was earlier at the table. I think Joan Reeves was
17 at the table.

18 COMMISSIONER REEVES: Good afternoon,
19 Chairman Nutter and Members of City Council. I'm
20 Joan Reeves, Commissioner of the Department of
21 Human Services. And I am here today to give
22 testimony about Bill No. 970586, the living-wage
23 ordinance.

24 First let me say that the ordinance
25 represents a laudable goal for families to have

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2 incomes above the poverty level. And I also
3 understand that there were some amendments
4 proposed earlier on that I do not have the full
5 information on, so what my comments are on is the
6 bill that we looked at the other day.

7 I think, as you know, the Department of
8 Human Services knows the importance of families
9 living above the poverty level, but I also would
10 like to share with you what we think the ordinance
11 -- the impact the ordinance will have on our
12 private-provider system, which does serve some of
13 the most vulnerable children in Philadelphia.

14 And I would like to also takes some
15 time to comment on what we see as a budgetary
16 impact for DHS and the City and also would hope
17 that Mr. Brand could provide us with some data
18 done of his analysis of salaries in the Human
19 Services contract.

20 MR. BRAND: I would be happy to if you
21 would also share your data.

22 COMMISSIONER REEVES: Absolutely. It's
23 public information.

24 Our mainly concern is that the strides
25 we have made to vulnerable children and families

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2 might be eroded. We have aggressively developed
3 in-home services to prevent placement. We have
4 returned children who have been placed out of the
5 State to Philadelphia, to receive services from
6 Philadelphia agencies, and this has increased the
7 City's provider base.

8 This expansion and program development
9 may not be able to be continued with the enactment
10 of this ordinance as I had seen it earlier.

11 The Department currently purchases
12 approximately \$275 million in various social and
13 professional services from 227 private provider
14 agencies. While almost all of these agencies are
15 nonprofit, and they at least partially subsidize
16 the services purchased with their own resources,
17 they would all be covered by the ordinance
18 provisions, and many would be forced to increase
19 their operating costs to comply.

20 These cost increases would need to be
21 fully covered by corresponding increases in the
22 standard rates paid by the Department, or many of
23 these agencies would be forced to stop doing
24 business with the City.

25 For example, few if any of the 35

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2 day-care agencies presently under contract with
3 the Department would be able to renew their
4 contract serving 341 children without a huge rate
5 increase. Among every -- almost every provider is
6 likely to have some staff being paid at or near
7 the minimum wage.

8 The budgets of these agencies for this
9 year and next have not anticipated this increased
10 costs, and full City reimbursement will be
11 demanded during contract negotiations. Raising
12 the wages paid to an agency's lowest-paid staff
13 could also trigger wage increases to higher-paid
14 staff in order to maintain the existing salary
15 structure, and also increase the base upon which
16 future cost-of-living increases could be
17 calculated.

18 If DHS is required to raise its
19 standard contract rates to reimburse its providers
20 for the costs associated with compliance with this
21 ordinance, the cost of DHS programs will certainly
22 increase in terms of City dollars required for
23 State and federal funding matching.

24 Since many of the low-wage job
25 categories that would be impacted by this

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2 ordinance involve non-placement services like
3 in-home child care and homemaking services, there
4 would be no increase in the federal revenue
5 currently used to offset City cost.

6 The federal Title IV-A Block Grant is
7 already fully expended. And, thus, any rate
8 increase given to non-placement service-providers
9 would be strictly City and State-funded.

10 In addition, State matching funds would
11 also be unavailable in the short term because
12 every year State Act 148 Allocation is fully
13 accounted for before the start of the fiscal
14 year. No excess State funds will be available for
15 unanticipated provider-rate increases.

16 The State needs base budgeting process,
17 requires plans and budget to be developed more
18 than a year prior to the start of the fiscal
19 year. DHS will need to start planning now if it
20 was going to build rate increases such as these
21 into the City's needs-based budget request for the
22 State DPW Fiscal Year 2000. There's no guarantee,
23 of course, that these rate increases would be
24 approved by DPW.

25 Any form of City-imposed wage increase

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2 would have to be phased in over time in order for
3 DHS to incorporate this increase in the
4 needs-based budget and to draw down the State and
5 federal revenues necessary to offset some of its
6 costs. Even with the long-term phased-in
7 approach, it is not certain that all of the
8 Department's contract agencies can or will comply,
9 and essential services may become unavailable.

10 We can envision providers who may opt
11 to utilize part-time employees in order to stay in
12 business and to continue to be considered for City
13 contracts. Others would become discouraged with
14 doing business in the City.

15 DHS would prefer that City Council find
16 another means of enhancing the economic security
17 of low-income workers.

18 I appreciate your giving me this
19 opportunity to testify about this important
20 legislation. Thank you.

21 COUNCILMAN NUTTER: Thank you,
22 Commissioner.

23 Any questions?

24 COUNCILWOMAN FERNANDEZ: No. Just to
25 add for the record, I think the proposed amendment

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2 relating to nonprofits -- it would be nonprofits
3 who receive a contract of over \$50,000, according
4 to the way it's written now. And also nonprofits
5 would be exempt if the gap between their
6 lowest-paid employee and highest-paid employee was
7 not more than --

8 MR. SHAPIRO: 6 to 1.

9 COUNCILWOMAN FERNANDEZ: -- six times.
10 Right, 6 to 1.

11 MR. SHAPIRO: Also, they'd have to have
12 25 or more employees to be subject to the
13 ordinance.

14 COUNCILWOMAN FERNANDEZ: Which would --
15 I mean, once you start to play that out, it would
16 be interesting to know how many agencies then --
17 'cause that was certainly an issue I had raised
18 with the designers of the bill, what about
19 nonprofits, particularly small nonprofits.

20 COMMISSIONER REEVES: And I think with
21 the amendments, we'd need to do an analysis of how
22 many of our contract agencies would then become
23 exempt and how many would fall under the bill.

24 COUNCILMAN NUTTER: Could you provide
25 us with that information, Commissioner?

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2 COMMISSIONER REEVES: Yes, we will.

3 COUNCILMAN NUTTER: Okay, thank you.

4 It is my understanding that a number of
5 individuals from ACORN wish to speak. I have a
6 name, although not on my list, but on a sheet of
7 paper. Is that Andrea or Anthea Hall?

8 (Applause.)

9 (Carol Hemingway comes forward.)

10 COUNCILMAN NUTTER: Is it "Andrea?"

11 MS. HEMINGWAY: No, I'm Carol
12 Hemingway, I'm on the list, the testimony list.

13 COUNCILMAN NUTTER: Okay. We have a
14 couple different ACORN-associated people on the
15 list that I have in different places.

16 Miss Hemingway, I do have you, and--

17 UNIDENTIFIED WOMAN: And I'm Cora --

18 COUNCILMAN NUTTER: I thought I had
19 mentioned your name earlier.

20 Okay, please give your names for the
21 record, and start your testimony.

22 MS. HEMINGWAY: Good afternoon
23 Councilmembers, community members, labor friends
24 and ACORN members. My name is Carol Hemingway,
25 and I am a resident of Philadelphia, an ACORN

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2 member, and strong supporter of the Philadelphia
3 living-wage ordinance.

4 From what I have seen in my life and
5 what I have learned in this past year working to
6 pass the living-wage bill, I could tell you that
7 this City and its hard-working people need this
8 ordinance.

9 For the past 18 months, I have met with
10 representatives from various City agencies and I
11 have studied City policies. The conclusion I have
12 come to really very simple: There are too many
13 poor people in this city who are working for
14 companies that benefit from our public tax
15 dollars. What I am saying is that our tax dollars
16 are really going straight into the pockets of
17 businesses who turn around and pay poverty wages.

18 I know Philadelphia does not have
19 enough money to give everyone in the City a
20 living-wage job, even though that is what is
21 needed. But what I am saying is that we should be
22 very careful that the money we do give has the
23 best effect possibly.

24 What they have found in Baltimore and
25 Los Angeles, among other cities, are that

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2 living-wage ordinances are an excellent way to put
3 more money into the hands of workers without
4 costing the city money or driving away businesses.

5 We ask City agencies two simple
6 questions: Before you give a company any
7 assistance, do you ask them to create any jobs?
8 And do you ever ask that what they would pay?
9 They looked at me like I was crazy. Here was my
10 city giving out billions of dollars in taxpayers'
11 dollars and not even asking companies to do
12 anything positive in return.

13 What's even more unbelievable is that
14 the City does not seem concerned about this. It
15 is clear that the agencies charged with handing
16 out this money are not concerned with whether or
17 not companies benefitting from these subsidies are
18 committed to creating living-wage jobs.

19 Revenue using our limited public
20 resources to leverage decent, family-supporting
21 jobs and training and future, our City seems
22 content contracts to the lowest bidder and provide
23 tax abatements with no questions asked. This is
24 only morally wrong, but it is fiscally
25 irresponsible.

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2 It in this spirit that ACORN began
3 research over a year ago, to find out what money
4 the City was giving away. And, you know, by the
5 way, you know, I listened to a lot of questions
6 that was being asked to the Administration. It's
7 just too bad that we didn't speak first because we
8 probably couldn't have answered those for you
9 'cause there aren't a lot of --

10 (Applause.)

11 COUNCILMAN NUTTER: I'm sorry, ma'am, I
12 didn't hear the last thing you said. There aren't
13 -- there aren't --

14 MS. HEMINGWAY: There's not a large
15 collection of data and information available about
16 where our tax dollars are going in this city,
17 okay, in terms of these contracts and what the
18 people are doing with them.

19 The results that we found were not
20 comforting at the least. We asked contracting
21 agencies for a list of contracts and economic
22 development agencies like PIDC to give us
23 information on businesses who had received loans
24 and grants.

25 We also talked to the Tax Board folks

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2 about tax breaks in Philly. In all cases. The
3 responses were slow as molasses. The information
4 we finally received was bare-bone minimum, and we
5 were never given any information on wage levels
6 paid.

7 The most extreme example of
8 stonewalling was from PIDC, probably not an
9 accident, since they are the prime source of
10 financial assistance to for-profit companies in
11 the City.

12 Four months and several follow-up phone
13 calls and after our letter of request for
14 information, we still had no response. Finally,
15 Councilmember Cohen offered to send a letter from
16 his own office asking for much of the same
17 information and reminded Commerce and PIDC of his
18 Council Committee's investigation into whether or
19 not the City's economic development policies were
20 effectively addressing the economic insecurities
21 of our working citizens. Although PIDC did
22 eventually respond, they failed to produce the
23 information by ACORN or Councilman Cohen.

24 While the response from the contracting
25 department was a little faster, though not

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2 impressive, it was clear from the information
3 available and from conversation with the
4 Procurement staff that data about what these
5 private vendors paid their employees on City
6 contracts was not an important issue.

7 What we were told was that the City
8 doesn't interfere with what the companies pay
9 their workers. It is almost as if they were proud
10 of this fact. Here you have tens of thousands of
11 people in this city working full-time, living in
12 poverty, and do you not even stop to ask a company
13 giving out City tax dollars to pay a living wage?
14 This is unbelievable.

15 Despite Philly's policy granting
16 automatic tax abatements to businesses located in
17 Center City, there are no requirements that
18 companies benefitting from these breaks do
19 anything about jobs and wages. The City also does
20 not require any proof that an abatement was
21 necessary to attract the company, and cannot
22 document whether the abatements actually do
23 increase the tax base at this time.

24 Speaking as a small-business owner, I
25 would never make a blind investment, and I find it

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2 hard to believe that the City and its citizens are
3 being asked to do just that. It was like the City
4 had some sort of don't ask/don't tell economic
5 development policy when it comes to jobs and
6 wages.

7 (Applause.)

8 MS. HEMINGWAY: It was like, Don't ask
9 a business up front what it would do to create
10 living-wage jobs for Philly residents, and don't
11 ask the business if you've done so after you
12 handed them the money. Apparently, if you ever
13 ask any questions or require any minimal
14 performance, then you are interfering with the
15 business. We were told it was not necessary to
16 ask these companies for even minimum performance.

17 So what I say today is: If creating
18 good-paying jobs to Philadelphia residents is
19 unnecessary, then exactly what is necessary? If
20 trying to support yourself and your family on a
21 low-paying job isn't a burden, what is?

22 The way I see it, we have limited
23 resources, and we should spend them in the most
24 responsible way. People need jobs -- and jobs
25 that they can live on. There are already too many

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2 jobs that pay poverty wages. We don't need to
3 subsidize more of them with our tax dollars.

4 (Applause.)

5 COUNCILMAN NUTTER: Thank you.

6 MS. HEMINGWAY: Opponents will argue
7 that the living wage will cost the City too much
8 money. Well, the truth is the bill doesn't call
9 for the City to spend any new money at all. What
10 it does do is target our tax dollar to the
11 problems that do cost the City money -- poverty and
12 unemployment.

13 Let me ask you a question. Where does
14 a poor person go when their children are sick? To
15 a public hospital. And who pays for that?

16 (Applause.)

17 MS. HEMINGWAY: Where does a poor
18 person go when they can't pay their utilities? To
19 the utility company assistance. And who pays for
20 that?

21 And where does a poor person go when
22 they can't get enough food to eat for their
23 family? For food stamps and to neighborhood food
24 banks. And who pays for that?

25 When people are poor, they have no

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2 money to spend, and they often rely on public
3 assistance for food, housing, medical assistance,
4 and emergency services.

5 On the other hand, when people are paid
6 decently, they are more productive workers,
7 happier families and community members, more
8 likely to be self-sufficient, and not relying on
9 our already-strapped social services, and more
10 able to spend more money in the local government;
11 which, by the way, as a small-business person,
12 this is where I'm at, the local level.

13 One way or another, as taxpayers, we
14 are paying to support the worker poor. So why
15 should my money go out of one pocket to subsidize
16 a company while it's going out the other pocket to
17 subsidize one of their workers? This truly is
18 maddening.

19 (Applause.)

20 MS. HEMINGWAY: Even requirements to
21 create any jobs are rare. The job-creation
22 figures we did find from reports to the federal
23 government indicated that several companies have
24 failed to create the jobs they promised when they
25 got the assistance. Since these companies have

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2 never been asked what wages they were paying, we
3 can't even guess at what that is.

4 In short, the City agencies that are
5 responsible for the contracting and subsidizing
6 decisions seem committed to not to asking any
7 tough questions to companies that are asking for
8 our taxpayer handouts. This kind of hands-off
9 approach helps no one.

10 People weary (sic.) of the living wage
11 often ask for proof that the policy will work.
12 Instead, I challenge the City to prove that its
13 current economic development and contracting
14 policies actually do anything to help low-income
15 and working residents of this city.

16 (Standing ovation.)

17 MS. HEMINGWAY: I know what my
18 neighbors would say. I live in South
19 Philadelphia, and our neighborhood is torn apart
20 by poverty. Not many people in my neighborhood
21 are feeling the effects of this blooming economy
22 that the President keeps bragging about.

23 Too many people in this city are
24 unemployed, and too many people that are employed
25 are working at jobs and can't make ends meet

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2 because they're stuck in low-wage jobs. These
3 poverty-wage jobs are destroying our families and
4 devastating our communities.

5 I know that there will always be jobs
6 pay below the poverty line. But I am here today
7 because I want to see my tax dollars used to
8 subsidize the companies that pay a living wage.

9 This bill is simply the right thing to
10 do, and that's why a living-wage movement is
11 building as these ordinances have passed across
12 this country. A living-wage ordinance would not
13 only help a lot of the families in this city make
14 ends meet, but it would also help us as a city
15 make better decisions about how we spend our
16 limited resources.

17 As a taxpayer, I want to see my tax
18 dollars leveraged to create jobs, but I want them
19 to be family-supporting jobs. I can't think of
20 one job where a worker should not be earning
21 enough to support a family of four above the
22 poverty line, can you?

23 (Applause.)

24 MS. HEMINGWAY: If you work, you should
25 not be poor. It's that simple.

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2 It is time for Philadelphia to award
3 those businesses that care about Philadelphia and
4 pay a living wage.

5 At the same time, this would send a
6 message to all working poor families that we do
7 care and that there's hope for a time when working
8 hard means you can raise your family with
9 dignity.

10 If Philadelphia is truly "the city that
11 loves you back," let's start with the men and
12 women who go to work every day by paying them a
13 living wage.

14 (Standing ovation.)

15 COUNCILMAN NUTTER: Thank you very much
16 for your testimony.

17 Councilwoman Fernandez.

18 COUNCILWOMAN FERNANDEZ: Thank you,
19 Miss Hemingway. Most eloquent testimony. I would
20 hope that we could get copies of that, maybe the
21 staff or people could arrange to make sure that we
22 have copies.

23 MS. HEMINGWAY: No problem.

24 COUNCILWOMAN FERNANDEZ: What?

25 MS. HEMINGWAY: No problem.

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2 COUNCILMAN FERNANDEZ: And, secondly,
3 Chairman Nutter, I asked to be excused for about
4 an hour. I have a meeting that I must go to. My
5 staff will stay here and continue to listen.

6 COUNCILMAN NUTTER: I understand.
7 Thank you.

8 Please identify yourself for the
9 record.

10 MS. KENLAW: Members of City Council,
11 my name is Cora Kenlaw (ph.). And I live at 2527
12 West Oxford Street. I was born in Philadelphia
13 and have lived here all my life. I am a member of
14 ACORN and a supporter of the this bill.

15 I worked as a security officer at the
16 Municipal Building Services, making \$6. An hour
17 with no benefits. I will not name the company in
18 public, but I do know they were receiving a City
19 contract at the time I was working for them. As a
20 matter of fact, the company I am speaking of has
21 many contract across the City and employ many
22 people like me -- low wages and no benefits.

23 I will tell you what it was like for me
24 working for this company and other security
25 companies like them. Every day I would get up and

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2 travel to the site they assigned me to. If I was
3 sick or if one of my children was sick that day,
4 they didn't want to hear it. I didn't get paid if
5 SEPTA wasn't running or if I had errands to do and
6 I was late, they didn't want to hear that either.

7 Many of you here today know what I'm
8 talking about. Maybe some of you on City Council
9 also know what I'm taking about if you have ever
10 worked at one of these companies.

11 I would work 40 hours a week, 52 weeks
12 a year, and the most money I would broken home was
13 \$154 a week after taxes. My rent was 300 a month,
14 which meant I had to work half the month just to
15 keep a roof over my head.

16 I also had gas, electric, telephone,
17 when I could afford it, and transportation just to
18 survive. In order to survive, I had to register
19 for food stamps and medical assistance, even
20 though I was working full-time. I could not even
21 think about taking my children to the movies or to
22 a nice restaurant. I just had to think about
23 getting by.

24 When I tied to work overtime and earn a
25 little bit extra money, the company wouldn't pay

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2 me time and a half; they would give me a separate
3 check instead so that it was almost not worth
4 putting in the extra time because that meant
5 paying for a babysitter.

6 I am telling you this today because I
7 am not alone. Many of my friends and family are
8 stuck in jobs that pay too little money and aren't
9 going anywhere. We want to work; we just want to
10 be paid a living wage.

11 (Applause.)

12 MS. KENLAW: These businesses will say
13 that they can't afford to pay any more, but
14 businesses are always saying things like that to
15 scare people. Don't believe the hype.

16 (Applause.)

17 MS. KENLAW: What I want to know is who
18 Philadelphia businesses are for? The people with
19 welfare reform right around the corner. Many
20 people are being forced to leave their kids at
21 home and go and find a job. Many people are
22 dropping out of school and leaving training
23 programs just to make a \$6-an-hour wage and keep
24 their medical assistance and welfare.

25 I don't understand how you can take and

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2 take from the poor people who need so much, and
3 never give back. What I think people is that
4 people have a tendency to forget where they come
5 from.

6 (Applause.)

7 MS. KENLAW: I hear all the time about
8 welfare. Well, what about a corporate welfare?

9 (Applause.)

10 MS. KENLAW: Why are we cutting off
11 assistance to poor people who need it while we
12 keep giving assistance to big companies, and we
13 don't ask for anything in return?

14 We are being told over and over again
15 that in order to get welfare, you have to do this,
16 that, and the other thing, or else they don't give
17 you your check. What I am saying is: Why
18 shouldn't the same thing be true for companies
19 that want our tax dollars? Why can't we say to
20 them that in order to get corporate welfare, you
21 have to at least pay a living-wage, with
22 benefits?

23 (Applause.)

24 MS. KENLAW: I have read that the
25 United States is the richest country in the world

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2 and that we are living in high economic times, but
3 that is not true in my neighborhood. In my
4 neighborhood, I see abandoned houses, I see people
5 being victims of crime, and I see people turning
6 to drugs and alcohol because they are scared of
7 the future.

8 I have talked to my friends and they
9 know welfare is coming. I ask them what they are
10 going to do, and they tell me people will survive
11 by any means necessary.

12 Members of City Council, I am asking
13 you today to do something for the people, people
14 who go to work every day and try to make a living.
15 Don't let only the rich get richer while the poor
16 get poorer.

17 (Applause.)

18 MS. KENLAW: Please pass this bill so
19 that we can survive.

20 Thank you.

21 (Applause.)

22 COUNCILMAN NUTTER: Thank you very
23 much.

24 COUNCILMAN NUTTER: I will ask the last
25 panelists to start in a few moments. I want to

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2 let the next panel -- Mr. Hankowsky, Mr. Mullin.
3 I saw Mr. Curtis Jones and some other members of
4 the government, as well as Mr. Shapiro and Mr.
5 Feder. I would like them to return when Reverend
6 Carl Fitch is done.

7 Reverend?

8 REVEREND FITCH: City Council, I've
9 come today on behalf of the Philadelphia Branch of
10 the NAACP. But before I start I'm also the Pastor
11 of the Mount Mariah Temple Baptist Church located
12 in South Philadelphia.

13 And if you've been here all day, you've
14 noticed that we've had more than 50 young children
15 running around this chamber. No one has mentioned
16 them.

17 I started supporting the minimum wage
18 -- I mean -- I started supporting this
19 living-wage bill nearly two years ago because of
20 the children. And that's why I'm here, because of
21 the children.

22 (Applause.)

23 REVEREND FITCH: I am testifying today
24 representing the Philadelphia Branch of the
25 NAACP. As the oldest civil rights organization in

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2 the United States, the NAACP has been on the
3 forefront of all issues affecting poor people and
4 people of color since its founding in 1909.

5 The principal objective of the NAACP is
6 to ensure the political, educational, social, and
7 economic equality of minority-group citizens of
8 the United States. The NAACP has consistently
9 demonstrated a commitment to and a concern for the
10 dignity of Black workers and their right to equal
11 access to decent employment and wages support
12 self-sufficient individuals and families.

13 The NAACP members have consistently
14 supported and been leaders in the fields of equal
15 education, anti-poverty work, anti-discrimination
16 work, equal employment advocacy, and community
17 economic development work, among many others.

18 We strongly believe that it is the
19 individual citizen's right to have the opportunity
20 to pursue a life devoid of poverty wages.

21 Under employment an unemployment. To
22 deny this right condemns individuals and families
23 to the horrible consequences of poverty and
24 condemns neighborhoods to steadily decline.

25 We understand that it is critical to

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2 engage -- it is critical to engage members of the
3 communities in organizing for their own needs, and
4 we are committed to providing the resources needed
5 to support this important work.

6 The NAACP's Labor Division was created
7 in 1949 as the primary national resource to
8 community groups working to improve the economic
9 status of Black Americans. The Labor Division
10 works to eliminate discriminatory employment
11 practices in the private and public employment
12 sectors, and promotes community-based job fairs,
13 local branch labor, and industry committees,
14 implements job-readiness programs, and conducts
15 studies on and promotes affirmative action and
16 equal-employment-opportunity programs.

17 The Labor Division also promotes
18 coordination and cooperation between the NAACP and
19 organized labor.

20 Of course, the NAACP has also been the
21 primary leader in the area of seeking justice,
22 whether it be educational, economic, social,
23 and/or political through legislative means and
24 avenues.

25 We understand the importance of

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2 legislative policies and the particular impact
3 they have on the lives of poor people of color.
4 Without the organizing of communities around
5 unjust policies that make life almost unbearable
6 for the working poor, for the unemployed, and for
7 the underemployed, there are many policies that
8 would never have been changed and that would
9 continue to keep all poor people living literally
10 from hand to mouth.

11 Without the marching, the public
12 demonstrations, the organized selective buying
13 campaigns, and the use of ballot to win justice on
14 the job front, many unjust legislative laws would
15 still be on the books and still be yokes around
16 the necks of our poorest members of our
17 communities.

18 Councilmembers, today you have the
19 opportunity to begin the process of passing
20 legislation that will affect thousands of
21 Philadelphia's workers and their families. There
22 are too many workers currently working for less
23 than living wages in this city.

24 Isn't it time that City Councilmembers
25 use their power to directly help those who go to

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2 work every day, work hard, are paid as a result of
3 the investment of City tax dollars, and are still
4 condemned to live in poverty at the end of the
5 day?

6 These workers are essential to the
7 future of our City, to its leading industries, to
8 our health and safety. Yet, these workers still
9 live in poverty. The marketplace cannot help
10 them. Only wise public policy can end their
11 poverty.

12 Those members of our community who do
13 not have a voice to fight their poverty, who do
14 not have the legal representation at their
15 disposal when faced with racist, unjust labor
16 practices and policies, those members of our
17 community who do not have health-care insurance
18 when a member of their family falls ill, and those
19 members of our community who do not have many of
20 the support networks that many of you in City
21 Council and those who have testified on behalf of
22 the commerce take for granted need to see and know
23 through your actions that you are working on their
24 behalf.

25 During these conservative times which

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2 demand that individuals and families be
3 economically self-sufficient, whether or not the
4 systems have been designed for this to occur, it
5 is imperative that you take every available step
6 that you could lead individual members of our
7 communities closer to attaining a level of
8 economic self sufficiency.

9 Fighting poverty cannot happen without
10 the support of publicly-elected officials and your
11 commitment to ending City government-created
12 poverty in Philadelphia. It cannot happen unless
13 we together agree to change the way things have
14 been in order to change the way things will be in
15 the future.

16 Philadelphia simply cannot afford to
17 have as many people living in poverty as we
18 currently have today. Poverty wages paid as a
19 result of City investments and contracts and
20 economic development is a disgrace.

21 This bill sets a basic standard of
22 conduct for companies that voluntarily seek to do
23 business with the City of Philadelphia. No
24 corporation is coerced by this ordinance. We just
25 want our government to state clearly that if

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2 anyone wants the help of taxpayers' dollars, then
3 join us in fighting poverty in the paychecks of
4 Philadelphia workers.

5 (Applause.)

6 REVEREND FITCH: With all of these
7 things in mind, the NAACP has endorsed the jobs
8 and living-wage campaign, and are supportive of
9 the passing of Bill 970586.

10 We know that the issues of a decent
11 living wage will directly affect many members of
12 the NAACP and many friends and neighbors of the
13 NAACP members.

14 We understand there are issues that are
15 covered under the living-wage ordinance that
16 should be improved. For example, full family
17 health insurance coverage in addition to the
18 barely living wage of 7.90.

19 But our commitment to start the
20 progress is strong and unwavering. Bill 970586 is
21 an important step towards the elimination of the
22 vast numbers of working-poor Philadelphians and
23 the creation of economically self-sufficient
24 individuals and families and economically
25 sustainable communities.

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2 Thank you very much for your time and
3 attention.

4 (Standing ovation.)

5 COUNCILMAN NUTTER: Thank you. Thank
6 you very much.

7 Mr. Hankowsky, Mr. Applebaum, Mr.
8 Jones, Mr. Mullin, Mr. Feder, Mr. Shapiro.

9 For any other individuals who are here,
10 if your name was on the list to testify, if you
11 still feel that you have comments that you wish to
12 make or things that have not been said or
13 communicated, please see Wanda.

14 I would anticipate that this would,
15 more than likely, be the last panel for the
16 hearing at this point in time. There were a
17 number of requests for information and other
18 matters that need to be clarified.

19 Mr. Hankowsky, a number of issues were
20 raised by previous witnesses regarding what
21 information the City government, PIDC, PCDC, the
22 Commerce Department may or may not request from
23 various individuals when they come either seeking
24 assistance or financial support or contracts from
25 the City of Philadelphia.

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2 For instance, do you ask companies how
3 many jobs they anticipate either creating or
4 retaining prior to granting any loans or financial
5 assistance to them?

6 MR. HANKOWSKY: Yes.

7 COUNCILMAN NUTTER: And do you review
8 those statements or those -- are they made as
9 commitment, are they made as projections, are they
10 made as best guess or hope or. . . ?

11 MR. HANKOWSKY: The answer is it
12 depends. We operate now 23 different loan
13 programs that are either federal or State, local
14 or regional in nature. And they carry various
15 requirements among them.

16 In some cases, they require the filing
17 by the company of employment reports by which the
18 firms are required to document the number of
19 employees they have existing.

20 And then if they project creation, how
21 many they create over what period of time. Some
22 of the programs require that that be broken down
23 by the nature of the employee; i.e., were they
24 low- and moderate-income when they were hired?
25 They would, hopefully, not be that afterwards.

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2 COUNCILMAN NUTTER: Right.

3 MR. HANKOWSKY: And they need to
4 document that. And that information is compiled,
5 it is presented annually in the Grantee
6 Performance Report, a fairly obscure document that
7 the Office of Housing as to provide to the
8 Department of Housing and Urban Development.

9 The State Pennsylvania Industrial
10 Development Authority ("PIDA") Program doesn't
11 have low and moderate requirement. It has a
12 "did-you-create-X-number-of-new-jobs" requirement
13 that needs to be reported.

14 We then, in turn, further report that
15 to the State. The State does have the advantage
16 -- because people file unemployment insurance --
17 of being able to confirm the numbers unless,
18 obviously, people are committing fraud. So it
19 depends on the program and the nature of the
20 activity as to what exactly we get.

21 We also, in some cases, require
22 financial information, financial statements, to
23 make sure the company is still viable. That does,
24 in some cases, give us information about salaries,
25 wages, etc.

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2 But that information is confidential
3 when they provide that to us. And that is not
4 shared publicly.

5 COUNCILMAN NUTTER: In that regard, do
6 you normally ask for that information? Do you
7 wait until they offer it? Or does it depend on
8 the deal or the company? Or is there a particular
9 policy?

10 MR. HANKOWSKY: Yeah, there are
11 policies, and I'd be place pleased to provide the
12 committee with sort of a breakdown. It would
13 probably be easier to do that than to try to walk
14 through the 23 steps, just given the lateness
15 hour.

16 We always ask, How many jobs do you
17 have, how many do you plan to create? We, in some
18 cases, then require a reporting mechanism to
19 document that over time, but it will depend on the
20 nature of -- in some cases, the nature of
21 program. The program may not require it. SPA-504
22 is an example. It is generally not based on job
23 creation.

24 So the numbers are obtained, but we
25 then don't require the firm to subsequently

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2 document it in terms of, you know, what happened a
3 year later.

4 COUNCILMAN NUTTER: Do you think --
5 before receiving the potential assistance, do you
6 think a potential company would not respond or
7 would refuse to provide information regarding the
8 rates that they pay their employees, either
9 salaries or hourly wages?

10 MR. HANKOWSKY: Yes.

11 COUNCILMAN NUTTER: You think they
12 would refuse to provide it?

13 MR. HANKOWSKY: Yes.

14 COUNCILMAN NUTTER: Okay.

15 MR. HANKOWSKY: I mean, again,
16 understanding that in some case we're dealing with
17 companies confidentially. There have clearly been
18 cases where there were companies that have
19 declined the assistance on the basis of the
20 reporting that's required. They don't want it in
21 the public domain.

22 COUNCILMAN NUTTER: So they come in
23 seeing assistance, and based on whatever
24 procedures and protocols are, they decline the
25 assistance because they do not want certain

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2 information out there?

3 MR. HANKOWSKY: Right. Either in the
4 public domain for competitive reasons, for
5 employee-to-employee reasons, all the salaries may
6 not be known, even among the employees, and they
7 just don't want it out there, and the refuse to
8 provide it.

9 And we, in some cases, therefore,
10 cannot assist them. That's the exception, I wish
11 to point out, but it does happen.

12 COUNCILMAN NUTTER: You say it's the
13 exception?

14 MR. HANKOWSKY: Yeah, it's -- it
15 doesn't -- I mean, many companies -- I mean, for
16 example, if you have collective bargaining in your
17 agreement, you know, the wage rates are public
18 anyhow.

19 COUNCILMAN NUTTER: Right.

20 MR. HANKOWSKY: So it will vary.

21 COUNCILMAN NUTTER: Do you have any
22 general information based on the, I'm sure,
23 hundreds of deals that have been done just over
24 the past four or five years?

25 Do you have any general information on

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2 the average wage rates of the various companies
3 that we provide assistance to and whether they are
4 below the proposed living wage or above?

5 MR. HANKOWSKY: Again, I perfectly
6 understand your not having an interest in hearing
7 my testimony at this point in the day, but we
8 actually -- we don't have it in a way that I could
9 just push a computer button and get it.

10 We did take a couple of snapshots in
11 preparation for this hearing. We looked at, for
12 example, out of the first four months of this
13 calendar year, what number of the transactions we
14 undertook would be affected by this bill. And it
15 would be 61 percent of the transactions we
16 undertook.

17 And the average PIDC client has about
18 70 employees and is doing a project that's roughly
19 a million dollars in scope.

20 COUNCILMAN NUTTER: The other 39 don't
21 qualify because of the dollar amount or the size
22 of the company?

23 MR. HANKOWSKY: The size of the -- they
24 might be smaller. We took a snapshot of -- let's
25 see if I can find it. We took a snapshot of 20

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2 firms. We had to actually pull the files and sort
3 of do it just to get a snapshot. From November of
4 '96 to July of '97, again, understanding that
5 often we do the transaction and nothing -- the
6 requirement doesn't trigger for six months to a
7 year. They build the building or have to buy
8 their equipment. The event hasn't occurred.

9 COUNCILMAN NUTTER: Right.

10 MR. HANKOWSKY: So we try to push it
11 back a little bit.

12 And out of the 1,030 employees affected
13 in 20 transactions we took as a sample. So we
14 just took 1,030 employees and found that 25
15 percent earned less than the 7.60 which was at
16 least the number I was working from.

17 COUNCILMAN NUTTER: In the original
18 bill.

19 MR. HANKOWSKY: Right. The median wage
20 was \$10. The average wage was 13.88.

21 We also looked at a couple of case
22 studies. So I looked at one firm we did last year
23 which now, I gather, might not be included, but
24 it's an MBE nonprofit that we did a project in
25 West Philadelphia, and 50 percent of its employees

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2 were less than 7.60. And it's a kind of a service
3 business operation.

4 Then we took a look at another firm
5 that we --

6 COUNCILMAN NUTTER: Do you know whether
7 that company provided benefits to those
8 employees?

9 MR. HANKOWSKY: I don't sitting here.
10 We might in our records.

11 We took a look at a manufacturing
12 company that we did in October of '94 and actually
13 tracked 'cause they had to report for three
14 years. We actually should have looked at what
15 happened to those salaries over time.

16 And in that instance, when they started
17 out with us, 14 of the 48 employees were less than
18 7.60. By March of '97, that had declined to 24
19 percent. The average rate had risen from 7.80 to
20 8.50. And 33 of the 94 were employees still with
21 them in '97. And they now, because they had moved
22 up the wage scale, were at 8.89 on average. And
23 about 8 percent -- a minority of 8 percent were
24 female. And this is a company where half of the
25 salaried employees were also minority. I mean, it

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2 was a -- it's in an older section of
3 Philadelphia.

4 Again, some of this is based on looking
5 at their financial records, so I, you know, don't
6 want to identify who they are, but I tried to look
7 at -- tried to just get a feel of what this would
8 all mean and how it would work.

9 COUNCILMAN NUTTER: Okay. What I would
10 ask you to do, in anticipation of future hearings,
11 if you could possibly, more than a particular
12 snapshot, take a look at the transactions over the
13 past three years, all the various companies
14 involved, and whatever information and data you
15 can gather on those transactions, how many jobs,
16 what the average was, what the ranges are in terms
17 of salary at those companies, what the assistance,
18 was what was their connection, was it a loan, did
19 they end up in the Empowerment Zone, was it a TIF,
20 anything for your particular agency.

21 MR. HANKOWSKY: Right.

22 COUNCILMAN NUTTER: Mr. Jones, I would
23 ask the same for PCDC.

24 MR. JONES: Agreed.

25 COUNCILMAN NUTTER: And, Mr. Mullin,

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2 anything that didn't get done between the two of
3 them, I'm going to ask the Commerce Department to
4 be generally responsible for getting all of that
5 data and information to me so that I can
6 distribute it to members of the committee and all
7 other Members of City Council.

8 Mr. Jones, you look like you want to
9 say something else?

10 MR. JONES: No. Only that I want to
11 thank this Council for amending -- or at least
12 considering amending some of the bill.

13 When we looked at this late evening
14 yesterday, we were in a panic because the clients
15 that we serve in our portfolio are not your big
16 companies; they are your smaller companies.

17 The vast majority of them are
18 family-owned. The vast majority of them are 25
19 employees or less.

20 This bill, as it may be amended, will
21 only deal with 22 percent of our portfolio at this
22 point. I don't want to mitigate the fact that
23 they are an important 22 percent of our
24 portfolio.

25 The vast majority of retail businesses

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2 that are minority-owned in the fast-food area, we
3 helped finance. A lot of them employ more than 25
4 people, and many of them would not qualify under
5 this particular bill and would be penalized under
6 this bill.

7 We support a living wage, but we
8 support small businesses' ability to grow to the
9 point where they can afford to do that.

10 COUNCILMAN NUTTER: Thank you.

11 MR. HANKOWSKY: Mr. Chairman, one other
12 comment just to amplify what I said earlier.

13 COUNCILMAN NUTTER: Sure.

14 MR. HANKOWSKY: As I said, I'm happier
15 to come later and testify further if you'd like.

16 But there was a comment made earlier
17 today by the representative of the Service
18 Employees Union. He talked about the fact that he
19 has seen a lot of his jobs go to the suburbs.

20 And the one concern I have here is this
21 balancing act between two very valid public-policy
22 purposes, many of which are buried in the bill --
23 implicitly living wage, Welfare-to-Work
24 initiative, health benefits for all employees,
25 and the fact that we're in a very fragile economic

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2 situation in this city.

3 And one of things we did was, for
4 example, we looked at -- and I'm not sure I can do
5 this for every deal in the last three years, but
6 just to give a sense of our magnitude, we took a
7 look at the benefit of our less-expensive money,
8 what was the incentive we provided and contrasted
9 that to a company -- actually, the same one I
10 mentioned earlier where I did the three-year
11 tracking -- what would have happened if they had
12 had to raise their wages, in compliance with the
13 bill.

14 And it by 20 times, the bill
15 outstripped the benefit we had provided them.
16 Now, that is not going to be the case in every
17 instance, but I think we just have to be careful
18 about casting a net that's so wide that we're
19 trying to catch the sharks and get the dolphins
20 too.

21 COUNCILMAN NUTTER: Okay. That's a --
22 I think may be the first time that analogy has
23 been used in this chamber. It may not be the
24 last.

25 Mr. Applebaum, let me ask you this

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2 question. You've had some time, I don't know how
3 much, to read the bill. You were here for most of
4 the testimony today, and you've heard about
5 proposed amendments.

6 Do you have a way presently of making
7 any determination of the number of companies that
8 presently do business with the City who might be
9 affected by the proposed legislation?

10 COMMISSIONER APPLEBAUM: We know and we
11 can get the number of businesses -- companies that
12 do business with the City of Philadelphia. That
13 could be people who bid with the City of
14 Philadelphia and also people who are awarded
15 contracts, so there is a great pool of people out
16 there.

17 COUNCILMAN NUTTER: Right.

18 COMMISSIONER APPLEBAUM: To try and
19 determine what their wage rates are would be very
20 difficult, if not impossible. It's not the type
21 of information that we request on any bid
22 document.

23 So the wage rates that these companies
24 pay -- local companies, companies out of our
25 market, companies who bid, and companies who are

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2 awarded contracts -- would be impossible to get.

3 COUNCILMAN NUTTER: Well, the earlier
4 discussion was that Procurement, in some
5 instances, has set rates.

6 COMMISSIONER APPLEBAUM: There were
7 some contracts, some bids --

8 COUNCILMAN NUTTER: Right. And what
9 I'd like to ask is that you get us all the
10 information on those particular companies as a
11 start.

12 COMMISSIONER APPLEBAUM: Sure.

13 COUNCILMAN NUTTER: And then, secondly,
14 you indicated that there were some industries that
15 you didn't particularly set a rate because you
16 either couldn't figure it out or did not know,
17 almost in your words, what the market would bear
18 or what the market is on those particular
19 services, so you left that open. Is that
20 accurate?

21 COMMISSIONER APPLEBAUM: Right. The
22 Bureau of Labor Standards under the Managing
23 Director's Office, that's deputy Mayor Jerry
24 Murphy, his department would inform us on specific
25 RFPs or bids that we were putting out they had

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2 interest and knowledge of that particular industry
3 and would recommend that we put in minimum prices,
4 minimum labor wages on those particular contracts.

5 COUNCILMAN NUTTER: Let me ask this
6 question, and you might not be able to answer
7 this. It might be more for Mr. Shapiro.

8 Do we have any general lists of
9 businesses that we know of that currently have
10 contracts with the City that would be in violation
11 of the proposed bill or the proposed rates today?

12 COUNCILMAN ORTIZ: Mr. Chairman, as
13 Council, we have asked many times for a list of
14 contracts. We have not gotten them. We have no
15 way of knowing that. That's the type of data that
16 we need from the City.

17 However, I'm intrigued by the statement
18 that was made by the Procurement Commissioner just
19 now saying that if we give contracts and we hire
20 companies, why would it be impossible for us to
21 say to them, These are the parameters of wages and
22 benefits that we are looking for?

23 COMMISSIONER APPLEBAUM: Councilman, I
24 didn't say it was impossible to do that. My
25 response was to a question, do we know today what

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2 those companies are paying their employees on
3 contracts that have been awarded by the City?

4 COUNCILMAN ORTIZ: But what I'm saying
5 is --

6 COMMISSIONER APPLEBAUM: We would have
7 to go back and ask each company, Can you please
8 provide us with a list of names of the people and
9 the amounts that you pay your hourly workers on
10 these particular contracts? We could do that,
11 sure.

12 COUNCILMAN ORTIZ: Well, you know, and
13 why isn't it also possible for us later on to be
14 able, in different contracts, to be able to set a
15 minimum base in order to give out a certain
16 contract?

17 COMMISSIONER APPLEBAUM: I never said
18 it would be impossible to do that. If this
19 ordinance is approved and passed, we would be
20 doing that. And the reporting process for every
21 company would have to report back to the
22 Procurement Department the list of people and the
23 wages and their benefits. This is information
24 that we would be getting.

25 That's nothing -- none of that is

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2 impossible.

3 COUNCILMAN ORTIZ: I mean, you know,
4 bringing it down to the simplest level, this is
5 all that this ordinance really requires.

6 COMMISSIONER APPLEBAUM: We, the City
7 of Philadelphia, could do that. But what I
8 mentioned earlier, one, it could be a burden to
9 someone like Donna Allie who has, I believe one or
10 two people in her office. And they work primarily
11 on preparing payroll and doing all of the things
12 to run the business.

13 We are now throwing another project at
14 them, and whether she could do that with her
15 present staff or not, I don't know.

16 COUNCILMAN ORTIZ: I'm sure that, under
17 the regulations and under the aspects, that we can
18 find ways to ameliorate certain of the problems
19 that may accrue to some companies.

20 You know, it's not insurmountable, is
21 it?

22 COMMISSIONER APPLEBAUM: No, nothing is
23 insurmountable, of course not.

24 COUNCILMAN ORTIZ: Thank you.

25 COUNCILMAN NUTTER: Just a couple other

1 COMMERCE & ECONOMIC DEVELOPMENT - BILL NO. 970586
2 questions. There's a provision in the bill which
3 talks about certain percentages of -- it's
4 (.3)(i) on page 6 -- at least 15 percent of
5 persons receiving assistance under the Temporary
6 Assistance for Needy Families Act.

7 And then later on, in item number 3, it
8 says, Preference for hiring should be given to
9 persons referred by union or neighborhood-based
10 hiring halls.

11 First, just for further clarification,
12 Mr. Shapiro -- or I could probably ask my
13 colleague. What exactly is a neighborhood-based
14 hiring hall?

15 MR. SHAPIRO: (Inaudible, off mike.)

16 COUNCILMAN ORTIZ: It's either union
17 hall or something that might be set up in a --
18 even in a welfare office. It's a job placement
19 such as the Hispanic Chamber of Commerce is trying
20 to set up today, to be able to go ahead and do
21 certain things.

22 It's where, in essence, people who are
23 not -- do not have access to employment and other
24 places may go and require information as to what
25 employment is available if there's employment

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2 available by the City.

3 COUNCILMAN NUTTER: Do the various
4 unions run these neighborhood-based hiring halls?
5 I mean, who's in charge, how do the people know
6 about them?

7 MR. SHAPIRO: Their distinct -- unions
8 have some of them and neighborhood groups have
9 some of them. ACORN, for instance, has one or
10 several of them in various -- I don't actually
11 believe that there are many in the City of
12 Philadelphia, but there are some.

13 COUNCILMAN ORTIZ: Right. The Hispanic
14 Chamber is trying to put forward the Hunting Park
15 (unintelligible) has a job placement unit,
16 Congreso, for instance, as part of its job
17 training part has a job-placement unit.

18 These are places in which the City can
19 plug to and, in essence, expand its own resources
20 to be able to bring in -- into the labor pool
21 individuals who today we may not have access to.

22 COUNCILMAN NUTTER: Okay. And just
23 lastly on this same point. When you take small
24 letter i and small letter 3 together, I wonder
25 whether there is any potential conflict between

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2 them, only from the standpoint that if the
3 preference for hiring is given to persons referred
4 by union or neighborhood-based hiring halls, could
5 that in fact fill up the entire number of people
6 before you ever get to the 15 percent requirement
7 as it relates to TANF individuals, or do we have
8 any information that indicates that the unions
9 have a number of TANF members?

10 COUNCILMAN ORTIZ: I don't believe so
11 because that again would come into how we
12 structure that process, and that's implementation
13 and how we are able to set the 15 percent. It's
14 more of a technical matter than anything else.

15 COUNCILMAN NUTTER: Okay.

16 COUNCILMAN ORTIZ: And I think that's
17 to be -- it's a technicality that I believe the
18 Department and the City can take care of.

19 MR. SHAPIRO: (Inaudible, off mike.)

20 COUNCILMAN NUTTER: Can't hear you.

21 MR. SHAPIRO: . . . rules and
22 regulations to specifically give guidelines in
23 terms of how the provisions mesh with each other,
24 but I think the overall objective is basically to
25 hire 15 percent. And to the extent that there are

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2 hires available from these hiring halls, that
3 those hires also be hired.

4 COUNCILMAN NUTTER: Okay. What I'd
5 like to do is, because I will myself literally
6 have to leave in a few minutes, the various agency
7 heads, I think we've asked them for a fair amount
8 of information in anticipation of another
9 hearing. And I'd ask you to get that material to
10 myself, and I will distribute it to all of the
11 members as quickly as possible.

12 I think that there are one or two other
13 last nongovernmental people that we're going to be
14 able to hear tonight, and then I really will,
15 fortunately, have to leave. We will then recess
16 this hearing. There will be another hearing set
17 up to hear either additional testimony and to deal
18 with proposed amendments and the like.

19 Excuse me for one second. I'm sorry?

20 (Councilman Nutter briefly confers with
21 a staff member off the record.)

22 COUNCILMAN NUTTER: All right, this is
23 the situation.

24 One, to our government friends, you
25 are, for the moment, excused. I guess as they say

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2 in court, you remain under -- under jurisdiction,
3 you're under oath. Do not do anything between now
4 and the time that you return here that will get
5 you in further trouble.

6 Thank you very much.

7 I'm sorry?

8 COMMISSIONER APPLEBAUM: We can take
9 off tomorrow?

10 COUNCILMAN NUTTER: You can do whatever
11 your hiring authority allows you to do, but I will
12 take no responsibility for it.

13 COMMISSIONER APPLEBAUM: But you're not
14 reconvening tomorrow.

15 COUNCILMAN NUTTER: I'm sorry?

16 COMMISSIONER APPLEBAUM: You're not
17 reconvening tomorrow?

18 COUNCILMAN NUTTER: We're not
19 reconvening tomorrow. I'm going to deal with that
20 in a few seconds.

21 I believe I have four individuals who,
22 unfortunately, will have about a minute. I really
23 have to leave.

24 We will adjourn this hearing until May
25 27th, at 10 o'clock a.m. If there is any change

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2 in that, people will be notified, or the usual
3 notification will be provided, but we expect to
4 recess to that date certain.

5 Dr. Howard Wial, Professor Andrew Buck,
6 Barney Auer, and Lance Haver will be the last.

7 UNIDENTIFIED SPEAKER: Mr. Chairman, I
8 can easily come back.

9 COUNCILMAN NUTTER: That's very
10 gracious and magnanimous on your part.

11 First let me say, gentlemen, that I
12 greatly appreciate your staying. And, second, I
13 apologize that it went on so long. And, third, be
14 as quick as possible.

15 Please state your name for the record.

16 DR. WIAL: Yes. My name is Howard Wial
17 I work for the Keystone Research Center, a
18 nonpartisan, nonprofit research organization, with
19 offices in Upper Darby and Harrisburg, that
20 conducts research on the economy and labor markets
21 of Pennsylvania and its regions. I am an
22 economist.

23 I just want to very briefly provide you
24 with an overview of the extent of poverty among
25 working people in Philadelphia, in Pennsylvania,

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2 and the context in which that exists today.

3 The most recent Census Bureau data for
4 the years 1995 through 1997 show that about 37
5 percent of all employed people 16 years of age and
6 over in the City of Philadelphia earn less than
7 7.90 an hour. That's over 152,000 people. And
8 over 80 percent of them are adults, age 21 or
9 over.

10 There are about 216,000 poor families
11 with children in Pennsylvania. And, shockingly,
12 over 55 percent of them have one or more working
13 parents. So that amounted to an incredible
14 472,000 people in working-poor families throughout
15 the State.

16 We've been for the last seven years or
17 so in a period of general prosperity. Since
18 between 1988 and 1987, in the five-county
19 Philadelphia metropolitan area, the median wage
20 adjusted for inflation gone up by about 6
21 percent. Some workers who make less than that
22 have benefitted as well. Workers at even the 25th
23 percentile of wages have seen their wages go up by
24 a little over 2 percent.

25 Very high-wage workers, those in the

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2 90th percentile have seen their wages go up by
3 over 46 percent. But the problem -- there's still
4 a problem for people who are making very, very low
5 wages, workers at the 10th percentile of wages saw
6 their real inflation-adjusted wages drop by over 3
7 percent between 1989 and 1997 -- that's throughout
8 the metropolitan area.

9 I'll provide additional material in a
10 written statement in order to keep this short.

11 COUNCILMAN NUTTER: If you provide your
12 written statement, we will include it in the
13 record as if it had been written in the record.

14 DR. WIAL thank you.

15 COUNCILMAN NUTTER: You're welcome.

16 MR. BUCK: My name is Andrew Buck. I'm
17 professor of economics at Temple University.
18 Thank you for permitting me to address the Members
19 of City Council on the issue of the living wage.

20 I've looked at the impacts of the
21 living-wage ordinances in Baltimore and Los
22 Angeles, and I wanted to summarize those very
23 quickly because we've heard some forecasted dire
24 consequences for Philadelphia.

25 In a nutshell, in Baltimore, they found

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2 that the real cost of City contracts, in fact,
3 declined pre- and post-implementation of the
4 living wage. There was no meaningful change in
5 the firms interested bidding on city contracts.

6 On 53 percent of the contracts that
7 were let for bid, the number of bidders declined
8 by a very small number, not statistically
9 significant. On 47 percent of them, the number of
10 bidders increased. And so at the end of the day,
11 it was a wash.

12 Assessable business property, excluding
13 real estate, increased in the year after the
14 ordinance was implemented in Baltimore. A survey
15 of city contractors, those firms involved in
16 working on contracts for the city, found no
17 reduction in staffing.

18 And compliance costs imposed on the
19 city amounted to about 17 cents per year per
20 capita for the residents of the City.

21 In Los Angeles, the cost of the wage
22 increase for the targeted group didn't increase
23 the city budget. There was no observable loss of
24 employment, and there was no loss in city -- no
25 diminution in loss of -- in the provision of city

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2 services.

3 One of the other interesting
4 calculations that was done for L.A. was that the
5 implementation of the living wage reduced the
6 reliance on public assistance in the targeted
7 group by as much as 50 percent. In Los Angeles,
8 they discovered that even if all the costs of
9 compliance with the living wage were passed onto
10 the city budget, the entire city budget would
11 rise, at most, 3 percent.

12 Doing some thumbnail calculations for
13 Philadelphia on the basis of what's happened in
14 Baltimore and Los Angeles, the incomes of the
15 targeted group in Philadelphia would rise about
16 \$22 million.

17 On the basis of some other work that
18 I've done on economic impacts in the City, the
19 result in spending by those households would cause
20 incomes in the city, aggregating incomes in the
21 City to rise by \$70 million. And so if we apply
22 our City tax rate to the \$70 million increase in
23 household incomes across the City, the income tax
24 accruing to the City would be about 2.8 to \$3
25 million.

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2 So if we then look at what New York
3 City set aside to cover the increased cost of
4 living wage, which was \$16 million, and they said
5 they spent 10, we could anticipate in Philadelphia
6 having to spend an additional \$1.8 million out of
7 the City budget in order to cover the pass-along
8 costs in covered contracts.

9 So at the end of the day, the City
10 comes out ahead of the game as a result of passing
11 a living-wage ordinance.

12 (Applause.)

13 COUNCILMAN NUTTER: Thank you. Thank
14 you if you could provide with us with any of the
15 data that you've made reference to or if you've
16 produced a report on your studies, that would be
17 very helpful.

18 MR. BUCK: Yes, sir.

19 COUNCILMAN NUTTER: Thank you.

20 Yes, sir.

21 MR. AUER: My name is Barney Auer, sir.

22 I'm with the Western Pennsylvania Living Wage
23 Campaign.

24 I think my main function here today is
25 to reassure the business interests in Philadelphia

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2 that there will not be a huge runaway because
3 we're going to organization the rest of the State
4 behind the living-wage campaign.

5 (Applause.)

6 MR. AUER: We have at this point active
7 campaign in Berks County, in Montgomery County,
8 and in western Pennsylvania. We have active
9 campaigns in a number of counties in the planning
10 stages. In Allegheny County, in the city of
11 Pittsburgh, we've been battling this for about a
12 year.

13 The legislation that we're working on
14 that was proposed for the city of Pittsburgh was
15 withdrawn at the end of the session in the fall.
16 It is now being -- soon to be proposed for
17 Allegheny County. It will cover all of the things
18 that have been covered in any other part of the
19 country.

20 We think it's absolutely critical,
21 agreeing with your Council colleague, that the
22 City and County pay a living wage. There are,
23 we've discovered, a large number of people, in the
24 hundreds at least, that are part-time temporaries
25 that don't get those benefits and some of whom

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2 make less than a living wage.

3 We have, by the way, a living-wage
4 number based on a major study, a six-month study
5 at the University of Pittsburgh by an urban policy
6 institute. I would be glad to provide that to
7 Council here.

8 They really looked at what it cost to
9 live in Allegheny County and in the city of
10 Pittsburgh -- not just took the poverty number,
11 which are really bogus numbers in a lot of ways,
12 but really took a look at what a bare-necessities
13 budget would cost.

14 But our campaign looking at the
15 contracted-out work as well as the subsidized
16 employers being covered as well as City and County
17 workers.

18 But in fact, for us, it's almost a
19 secondary interest because although that will
20 cover thousands and thousands of workers, it
21 doesn't get at the hundreds of thousands of
22 workers who need a living wage to be able to make
23 it and to have their families survive.

24 And so we're viewing our campaign as a
25 multi-year campaign with a big emphasis on

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2 building a huge coalition which is an active
3 coalition in running the campaign. There's no one
4 organization that has control of it.

5 We hope that this coalition -- or plan
6 to have this coalition continue. There many other
7 issues of survival of working people.

8 We are also doing a massive public
9 education campaign. We have a nice 30-minute
10 workshop that takes a lot of the information. And
11 for the first time, a lot of working people no
12 longer feel that it's the failure of them and
13 their family; but, in fact, it's a failure of the
14 system to provide them the opportunities to make
15 it.

16 And so we feel that the reality of
17 living wage is that it's an opportunity, it's an
18 opportunity to make very clear that something's
19 wrong with our economy, something's wrong with the
20 reasons why politicians make decisions about where
21 to put investment dollars, and we feel that it's a
22 call that will unite a very scary coalition to
23 political leaders -- of community, labor, and
24 religious people able to fulfill their messages
25 and their promises in a very concrete way across

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2 this country 'cause we believe in the longer term
3 a fundamental change in the definition of what our
4 economy ought to be about, which is about working
5 people.

6 Thank you.

7 COUNCILMAN NUTTER: Thank you very
8 much.

9 (Applause.)

10 COUNCILMAN NUTTER: Thank you very
11 much. I appreciate everyone's testimony.

12 This hearing is adjourned. Thank you.

13 (Adjourned at 6:58 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Tuesday, May 12 1998 were reported
and accurately by me, and that this is a correct
transcript of same.

RE: COUNCIL COMMITTEE ON
COMMERCE AND ECONOMIC DEVELOPMENT
BILL NO. 970586

_____,
JOSEPHINE CARDILLO, RPR